Operator: Greetings, and welcome to the Astronics Corporation Third Quarter 2018 Financial Results. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

I would now like to turn the conference over to your host today, Ms. Debbie Pawlowski, Investor Relations for Astronics Corporation. Thank you. You may begin.

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

You should have in hand the news release that crossed the wires a little after the market closed, and if you don't, it is available on our website at astronics.com. As you are aware, we may make some forward-looking statements during this teleconference, including the Q&A portion. These statements apply to future events that are subject to risks and uncertainties, as well as other factors that could cause actual results to differ materially from where we are today. These factors are outlined in the earnings release as well as in documents filed by the company with the Securities and Exchange Commission. You can find these documents both at our website and at sec.gov.

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

Pete Gundermann: Thank you, Debbie, and good evening everybody. We'd first like to thank everybody for tuning in on a Monday night. It's not our favorite time to do it either. We appreciate you making time. First and foremost, we saw very strong top line performance across the company, setting a new sales record of $212.7 million. Second headline, bookings were strong at $233.8 million, up 10% over shipments.

Our bottom line was solid, largely aided by a change in a state tax filing position, which we'll talk a little bit more about as we work our way through this call. On the negative side, we continue to see some poor results from three struggling businesses we own that we've talked about before. We'll talk about that also more as we work our way through the call.

And finally, we're narrowing and slightly adjusting our final 2018 top line forecast, which now calls for midpoint consolidated sales of $795 million. If we achieve that, we'll be up about 27% over where we were in 2017. So we're going to jump through a summary of the third quarter, we're going to do a year-to-date summary, and go through our segments. Then, we're going to go with Dave on a couple of the finer points on the accounting side, our balance sheet, and on this state tax situation. Then I will take it back for a forecast discussion and questions at the end.

So, third quarter summary. Revenue was pretty strong at $212.7 million, that's a new all-time high, and up 42% over the comparator period of the year ago. Acquisitions contributed about $21 million of the $63 million growth. Organic growth explained the remaining $42 million. That's up about 28% organically over where we were last year. Our Aerospace segment had a particularly strong quarter setting another record revenue at $170 million, up about 32% over our comparator period of a year ago. Test also had a strong quarter of $43 million, doubling the comparator quarter of a year ago and continuing the strong performance that it had in the second quarter.

Our bottom line net income ended up okay, but was heavily influenced by some puts and takes. We ended up with net income of $17 million, about 8% of sales, up substantially from $6.1 million and 4% of sales in the comparator period of a year ago. The biggest take was the change in our state tax position which had the effect of netting us a $4 million credit in the quarter. Our biggest put was the continuing losses of three of our struggling Aerospace businesses. We've been talking about these for a few quarters now; companies that we refer to as CCC, AeroSat, and Armstrong, which turned in a combined operating loss in the quarter of $11.2 million. That includes a $3.9 million program charge for an estimate-to-complete increase at CCC. These were a negative surprise to us and not what we expected. We'll talk about a little more when we get into the Aerospace segment in a moment.

The bottom line, we ended up with a diluted earnings per share of $0.52 for the quarter, up substantially from $0.18 per quarter one year ago. As I said earlier, bookings were very strong also at $234 million. It's our second highest quarter ever, just barely behind our fourth quarter of last year, with a book-to-bill of 1.1. That booking total does not include a large letter of intent that we announced in early October on a pending order that we are in negotiations on in the transportation industry for Test that we expect, depending on the options, could be an additional $30 million to $50 million. So if you factor that into hard bookings that we reported, it was a very active quarter on the marketing front for our company.

Our Aerospace bookings were $197 million. That's a book-to-bill of 1.16 even on a record shipping quarter. Test bookings were a little bit lighter at $37 million, with a book-to-bill of 0.86, leaving us with a backlog just shy of $400 million at the end of the quarter, which was a record and very strong by historical norms.

Summarizing the first three quarters on a year-to-date basis, revenue year-to-date was just over $600 million, up 32.5% from where we were in three quarters in 2017. That's total growth of $147 million, roughly half of which came from acquisitions and half was organic.

Net income, the bottom line, was $34.3 million, or 5.7% of sales, up again about 35% from where we were in 2017 through three quarters, when we had net income of $25.3 million. On a per diluted share basis, net income was $1.04 this year versus $0.74 last year.

Net income again was positively impacted by the change in tax position and negatively affected by the combined operating losses, for what we're referring to in this call as our struggling three companies, of a combined $28.3 million over the course of the year.

Bookings through three quarters were strong, aided no doubt by the last couple of quarters in particular. 2018 bookings year-to-date were $617 million, a book-to-bill of 1.03. Aerospace book-to-bill was the better of the two at 1.07. Test book-to-bill was a little bit lighter through three quarters at 0.81.

Turning to the segments, Aerospace first, revenue in the quarter were just shy of $170 million, up 32% over the comparator quarter of a year ago, and as I said, a new record for the company. Operating profit was $16.2 million or 9.6%. That's lighter than we would like to see, but it was after operating losses from our three struggling companies of $11.2 million. Consider the company's results if we could get those three companies to breakeven. Our operating profit for Aerospace would have been up by more than 16%. That doesn't assume any contribution from those three companies. All it does is eliminate the losses.

Bookings for the quarter were our highest ever for Aerospace at $197 million. That's a book-to-bill of 1.16, year-to-date book-to-bill of 1.07. Our ending backlog for Aerospace was almost $326 million, our highest ever, setting us up, we think, very well for a strong close to the year and a strong expectation for 2019. Year-to-date in Aerospace revenue of $500 million were up 27% from last year, and represent 83% of our total revenue. So we continue to be an Aerospace company first and foremost. Operating profit of $47.5 million, or 9.5% of sales, was up marginally from $46.7 million last year.

Again last year, we started strong and our Aerospace results in particular weakened as the year went along. This year it's just the opposite. We are getting stronger and stronger as the year progresses on the Aerospace side in particular.

Bookings through three quarters were $536 million, but even on record revenue, that was a book-to-bill of 1.07. Just a couple brief comments about our markets and I'm referring in the press release to the two tables on page 10. The top table on page 10 of our press release is titled sales by market, and the most significant thing there it seems to me is that commercial transport continues to be our dominant Aerospace market with 67% of total revenue and year-to-date revenue up 31%. Those are the two numbers in the top right corner of that table. The 31% is best understood by recognizing that most of our acquired revenue goes into the commercial transport area, particularly Telefonix, not so much with CCC.

The bottom table has a couple of relevant points, I think too. The bottom table is the one titled sales by product line. If you look way over on the right, one important thing to recognize the way the company is evolving is that we have pretty good balance among our major Aerospace products. 2018 year-to-date Electrical Power & Motion was about 37% of our total revenue, Lighting & Safety was about 22%, and Avionics was approximately 17%.

So, there was a time when we were much more heavily weighted towards Electrical Power & Motion. I think the diversification serves us well in terms of stability and reach in the market. You could see that Electrical Power & Motion also for the year was up 10% and for the quarter up 22.9%, so we're having a strong second half as we expected in Electrical Power & Motion. Electrical Power & Motion was mostly, but not exclusively, made up of our in-seat power product line.

The other number that jumps out of that page is the 219% growth in Avionics year-to-date. That again is mostly where the Telefonix products are categorized. So that explains the large growth from $31 million in sales last year to $100 million through three quarters this year.

Just a few comments about our three businesses: AeroSat, CCC and Armstrong. We started talking about these businesses a few quarters ago, not necessarily to throw them under the bus, but to help the investor community in particular understand what our margin structure is in our Aerospace business and to help people understand that margin pressures were not due to some global price pressure or some competitive threats or something like that. They're very much isolated and localized in these three businesses. While we're not happy with the losses, we continue to believe that we've got pretty good opportunities in each of these three businesses. Despite the losses, I feel we're making pretty good progress in the development of the businesses and the execution of the opportunities in front of them. It's a little early to talk about it, but I wanted to give one piece of data that is evident from the budgeting exercises we're going through right now internally trying to figure out what our expectations are for 2019.

The tidbit is this, the revenue from those three operations, we expect to pretty much double next year. So, volume, as you can imagine, will go a long way toward minimizing some of the losses. Collectively, it's not clear that these three companies are going to be strong profit contributors next year, but if the plans we have in place come about, and we obviously believe they are going to come about, doubling our revenue will certainly go a long way toward minimizing the drag, and we won't have to talk about this anymore, which I'm looking forward to in 2019.

Turning to our Test business, revenue in the third quarter was $43 million another strong quarter compared to last year, more than double where we were on the comparator period a year ago. Operating profit was $5.8 million for Test, or 13.5% of sales, so they've solidly contributed second quarter in a row. Revenue year-to-date was $100 million, up 72% from $58 million through three quarters in 2017. Our operating profit year-to-date was $10.1 million, or 10.2% of sales.

The improvement was largely driven by a pickup in semiconductor demand, in particular, and bookings in late 2017. Our bookings this year have not kept up with shipments. Bookings through three quarters were $80 million versus shipments of $100 million. That $80 million booking number again does not include the LOI that we announced in early October. If, and when, we can close that, we'll close that gap pretty rapidly. We have a number of other prospects in place that we think will buoy the business quite well in 2019. In fact, we think 2019 promises to be a pretty exciting year. We'd often talk about how shipments and revenue in our Test business are lumpy from period to period and can be a little bit unpredictable. Bookings are even more so. The bookings are even lumpier than the shipments. So we aren't panicked, by any stretch, at $80 million in bookings and $100 million in shipments. We still have a backlog at the end of the third quarter of $72 million. We think that's pretty good for what we're expecting or hoping to do with that business going forward.

So I'm going to turn it over to Dave now for a discussion of the balance sheet and the tax situation.

Dave Burney: Thanks, Pete. Pretty quickly, the balance sheet remains pretty straightforward. We ended the quarter with about $4.8 million in cash, total debt of about $260 million, and net debt of about $255 million. In terms of cash flow during the quarter, it was a little weaker than we had expected. If you recall back in the previous quarters, we talked about the free cash flow improving as the year went on with the expectation that the fourth quarter would be our strongest. We still view it that way. We generated about $7.2 million in cash flow from operations during the third quarter. That could have been a little better. We saw a big pickup in our receivables during the quarter of about $20 million. Related to timing, we had much of our revenue was toward the latter half of the quarter, and additionally it was with some customers that have longer payment terms. We don't see any issues there with our receivable collectability, and things are outstanding along with their terms.

Covenant leverage in terms of our adjusted debt coverage ratio, we were at about 2.7 times at the end of the third quarter, so we're in really good shape there. We expect, with free cash flow in the fourth quarter, to be able to pay down about $10 million to $20 million in debt by the end of the year if things go as planned.

Things are picking up in terms of free cash flow, and our inventory growth has leveled out and even declined a little bit during the quarter. I don't expect any significant changes to the balance sheet going forward. Again, it's pretty straightforward and simple. I do expect cash flow to pick up toward the end of this quarter.

Now onto the tax rates for the quarter. As Pete mentioned, we have an unusually low tax rate. We had a one-time hit here. I'm going to try to distill down to a handful of sentences what is in 40 pages of memorandum and tax positions. It relates to the relationship and sourcing of sales and income between states. We engaged some tax specialists to look into some opportunities that we felt we might have between some states and the way we were apportioning or allocating our income, and it all relates to some very specific rules regarding specific states' throwback rules. It relates to where the FAA FAR Part 21 inspection occurs, and V&O taxes.

So, what this means is we've identified an opportunity to change our previous position through flex sales in a more beneficial state than we had filed previously. The result is the the low tax rate. We saw the adjustment was pushed through in the third quarter of this year, and we're moving forward to file amended returns for those open years.

Tax rate going forward, we think we're going to still be in that 18% to 21% range for the fourth quarter and into 2019. I think that is as distilled down as I can make a 40-page memorandum referring to tax codes.

Pete Gundermann: Thank you, Dave. Now looking forward, we issued some revised guidance. We narrowed the range and adjusted it just a little bit. We're expecting our fourth quarter to be a little bit lighter than the last couple of quarters, $190 million to $200 million in total, and we're expecting it to be tilted much more heavily towards Aerospace. We published an Aerospace range of $170 million to $175 million.

If we execute that and we're in that range, it will be yet another record Aerospace quarter. That means that Test is going to be quite a bit lighter, and that's just a function of schedules and the way the backlog is distributed. So our Test business is expected to have a much lighter fourth quarter than the second or the third quarter. For the year we're publishing revenue expectations of $790 million to $800 million total. The midpoint $795 million suggests growth of 27% over 2017.

Looking at the segments, we're expecting Aerospace to be $670 million to $675 million, the midpoint suggests growth of 26%, and Test to be $120 million to $125 million, the midpoint suggests growth of 36%. So if we can get all that in the bag, we will be pretty pleased with how 2018 turns out from a demand standpoint. Obviously, everybody wants to know what we're going to be doing in 2019? We're not prepared at this point to talk about that in too much detail, but we will as soon as we can.

We think a lot of the trends that you see in our business this year are going to continue. We don't see things turning to the worse. We see demand staying strong. We see customer enthusiasm staying strong. We expect 2019 will be a very good year for the company. But we'll talk about that in more detail when we get there.

So I think that ends our prepared remarks. Latonya, if we want to take questions, now would be a good time for that.

Operator: Thank you. At this time, we will conduct a question-and-answer session. [**Operator:** Instructions] Our first question comes from Jon Tanwanteng from CJS Securities. Please proceed with your question.

Jon Tanwanteng: Good afternoon, guys. Thank you for taking my questions.

Pete Gundermann: Sure thing. Hi, Jon.

Jon Tanwanteng: Hey, you've tried to provide detailed forecasts of those three challenged businesses previously. How have those losses evolved over time and where do you see them going now and how much cushion are you giving yourself now given what's happened?

Pete Gundermann: You're right. They're definitely worse than we originally talked about a couple of quarters ago. We've had some execution issues, no doubt about it. I think we've addressed those. I mean, there have been substantial changes made in all of those three operations from a management leadership perspective. I think we're in pretty strong position now. The most recent of those changes was just a couple of weeks ago. I think we're on the right course and that the drop-dead date, so to speak, of things changing next year remains in place.

If I just go down the list, the CCC situation is one where we're struggling to execute on a contract that the company has in place. It was in place when we acquired the company. I don't think anybody at CCC, or certainly not on our side, realized the difficulties inherent in that contract. We aren't making the progress that we thought we would, so that's what the increase in the estimate-to-complete is about. It's an important enough contract that we are substantially investing in terms of adding outside resources, and also from other Astronics businesses, to do whatever we can.

We're investing heavily in new leadership across the business. It's a program that's hard for us to talk about at this point because we're not allowed to by the customer, but we think at the end of the day it's going to be a worthwhile thing even though this is a pretty painful and expensive process. We also think that the VVIP market is evolving from a competitive standpoint and from a customer standpoint in such a way that it could very well turn the tables and be a point of pride, maybe not in 2019, but in 2020 and beyond. The writing is on the wall. We think we can do pretty well in those markets and that justifies our continued investment and our continued patience with that business.

The AeroSat situation is largely one where we have some substantial revenue opportunities in the market that have been beset by scheduling problems which truthfully are largely beyond AeroSat's control. They've been driven by other partners we've been trying to work with and by engineering efforts that need to get completed in some cases even by our customers. But we've made some significant progress there.

We've talked in the past, for example, about a big tail-mount opportunity to bring broadband worldwide connectivity to big business jets. This is a program that we've worked on with a couple of partners. There's been a little bit of a shuffling of the team there. One former partner got off, another new one is on, and that program was restarted in earnest at NBAA, which is the National Business Aircraft Association, that worldwide body of business jets which had a big show in Orlando a few weeks ago.

We're optimistic and I will be very straightforward that a big part of our goal for next year for AeroSat in particular is heavily wrapped up in that program. So there are a couple of others of note, but that's the one that I think has the big coverage and has the really big long-term opportunity. We think the target universe is 4,000 airplanes. A total universe of 5,000, but the addressable market is smaller than that. Of course, nobody knows exactly how small it is but it's reasonable to assume that the people flying in back are going to want connectivity when they go over the ocean. The options available today are not that great. So if we can sell an antenna for $200,000 or $250,000 to a universe of 4,000 airplanes, it is potentially an exciting opportunity for us. We're certainly not the only ones, there are other companies addressing this market, but we're taking a serious swing at it. That's a big part of the reason why we're hanging in there.

Then Armstrong is the third one. Armstrong, as we prepared for this call, we debated about bringing Armstrong off the list. Armstrong has had some difficult times, it's straightening itself out, it's got a reasonable book of business, and frankly it's not a major driver of the $11.2 million in losses in the last quarter. We don't expect it will be going forward. It's certainly not a big profit contributor, but if all three businesses were operating at that bottom line, we wouldn't be having this conversation.

So for practical purposes, at the turn of the year, it's going to be challenge at CCC and AeroSat. It's not going to be a challenge at Armstrong. We think, based on completing the program of interest at CCC, which should happen early next year, and getting the couple of programs off the dime at AeroSat, collectively we think revenue of those three businesses will double next year. Not for each and every one, but collectively, and that'll go a long way to solving the problems that we've been talking about.

Jon Tanwanteng: I was just going to ask do you have any timeframe until those three businesses or maybe the two that are in trouble breakeven at all?

Pete Gundermann: Our first priority is just to cut the bleeding. But it's not one of those deals where you can stop the bleeding by cutting cost. That's really not been our approach. We're trying to manage cost. Our real approach to stopping the bleeding is to grow through it because we think in both those cases as I've described we have opportunities. I would like to think that towards the end of next year, as a group we're operating at a break even basis, which we probably won't be absolutely breakeven for the group when you look at consolidated combined 2019 results, but we expect regular improvement quarter-by-quarter such that I would say I'd hope by the end of 2019 we're there.

Jon Tanwanteng: Got it. Thanks. And then just one more quick one. Dave, corporate expenses dipped a little bit sequentially, is that the right amount to use or was it just more of a timing issue there?

Dave Burney: No, it's just more of a timing. No significant change quarter-to-quarter.

Jon Tanwanteng: Okay. Great. Thank you. I'll jump back in queue.

Operator: Our next question comes from **Michael Ciarmoli:** with SunTrust. Please proceed with your question.

Michael Ciarmoli: Hey. Good evening, guys. Thanks for taking the questions. Pete, just staying on the topic of the three challenged companies, talking about revenue doubling next year, can you give us a sense of what the revenue is today for those collective businesses?

Pete Gundermann: Roughly, those three will be about $50 million this year.

Michael Ciarmoli: $50 million this year. And so just to calibrate, I mean, so we should expect the $100 million and close to it. And just keeping things conservative running at sort of a zero margin business next year, that's showing improvements along the way but grinding towards that breakeven towards the end of next year.

Pete Gundermann: We'll obviously update as we go, but I would be surprised that two out of the three weren't essentially at breakeven by the end of the year.

Michael Ciarmoli: Okay. What should we be thinking for a normalized margin for these businesses? I know it sounds like with CCC, I mean, each program or project could have its own nuances and own uniqueness, but is there any sort of normalized margin level. I mean, when you guys bought the businesses, was it a profile in-line with the Astronics average or how are we thinking about normalized margins going forward for them once you correct the challenges?

Pete Gundermann: Well, we're dipping into lessons learned here, which is probably a dangerous place to go on this call. But clearly these three haven't done what we expected when we bought them and for different reasons. I think we have learned lessons.

But I'd tell you that the potential profile of all three of them is very consistent with the rest of the business. There is no inherent reason why, if they're hitting their stride and executing well, they can't be contributors like the rest of the Aerospace business collectively.

Michael Ciarmoli: Okay.

Pete Gundermann: Our goal is to get there. There are different issues in different places, but individually and as a group, there's nothing preventing them from operating in that 15% range where we think we should be as a group.

Michael Ciarmoli: Okay. And then maybe I'll just do one more here on Test and then get out of the way. But on the Test Systems, so we've got the guidance, should we be concerned at all with the Test margins next quarter considering it's going to be a pretty big sequential downtick in revenue. Do you have a lot of fixed costs? Should we be thinking about overhead absorption issues just given that quarter-to-quarter volatility? Then, on the bookings side of it, can you parse out any color between Semiconductor and Aero/Defense? There's a lot out there in the market about a Semi slowdown and just trying to put the pieces together and wonder if the bookings you're not seeing or the bookings weakness is related to what's happening in the broader market there.

Pete Gundermann: Okay, a lot of questions there, so jump back on if I don't answer them all. Yes, we would expect in the fourth quarter with our Test business volume being down that its contribution will be down also.

Michael Ciarmoli: Okay.

Pete Gundermann: But I would tell you that we expect we're going to have another record Aerospace quarter. We expect, we hope, not to have another increase in the estimate-to-complete that jolted our numbers there. So it could well be that collectively Aerospace is able to compensate for Test in Q4. We have to wait and see, but I expect it should be a strong Aerospace quarter. I expect it'll be a weaker Test quarter, but I do not expect it to be as weak as Q1.

Michael Ciarmoli: Okay.

Pete Gundermann: In terms of Test bookings, most of the bookings in Q3 were on the A&D side. So it's a very solid Aerospace & Defense booking quarter for Test. Again, that doesn't include the transportation job that I'm looking forward to being able to talk about, but sometimes these things drag out a little bit.

If you add those two together, it's a very strong booking for the A&D side of the business. Our Semiconductor side has been quiet, no doubt. We read the paper and we understand the industry trends, but I think we actually have quite an optimistic feeling about our specific positioning in the Semiconductor business. It's a little bit of timing, and we've got multiple issues going on with multiple customers. Certainly we need to get bookings over the next quarter and a half to have it meaningfully impact 2019, but our intention is to have a very strong 2019 both on A&D and Semi. I'm laying the groundwork here. If it was in backlog, we might be coming out with revenue guidance now. It's not in backlog as much as we expect it to be, so we're going to try to hold off there as long as we need to. But no, I would say we're not expecting a drop in Semiconductor next year.

Michael Ciarmoli: Got it. That's helpful. I'll jump back in the queue. Thanks, guys.

Pete Gundermann: You bet.

Operator: [Operator Instructions] Our next question comes from George Godfrey with C.L. King. Please proceed with your question.

George Godfrey: Thank you. Good evening, gentlemen.

Pete Gundermann: Hi, George.

George Godfrey: Just wanted to normalize the EPS results here. If I add back $3.9 million for the one platform write-down and normalize the tax rate, I'd get about $0.47 EPS number at 10.5% EBIT margin versus 9.6% in Q2. Do you think that's a fair way to look at the ongoing business inclusive of the operating losses at the three troubled businesses?

Pete Gundermann: Say what you did again there.

George Godfrey: I'm just trying to normalize the EPS results here, $0.52 with your tax credits, but I'm thinking the there was a $3.9 million charge on one platform. So if I add that back and I'm guessing the normalized tax rate should be around 21%.

Dave Burney: Yes.

George Godfrey: Okay. So I just want to get an operating EPS number with the businesses. I'm getting out about $0.47. Does that sound reasonable?

Dave Burney: I think if you do that math and you tax adjust the loss to get an after-tax number and then subtract the $4 million adjustment we had going through the income tax line, that would get you to a more of a normalized number.

George Godfrey: Okay. And then the revenue progression for those three businesses as it doubles next year from $50 million to $100 million, is that a more or less linear progression evenly throughout the year, or is there a step function in Q2 or Q3, or how do those platforms ramp that it goes from the $50 million to $100 million, just generally speaking?

Pete Gundermann: It'll be a pretty gradual ramp but weighted in the second half for sure.

George Godfrey: Got it. Okay. So for the full year, you think it can be about breakeven. To achieve that goal with the Q4, so those three businesses have to be positive then to cumulative?

Pete Gundermann: No. Let me recalibrate that a little bit. We would trend towards breakeven, but we're not going to be breakeven as a group for the year. Our plan, at least from today's perspective, is that the losses won't be anywhere near as noteworthy, as they are right now.

George Godfrey: Understood. Thank you for taking my questions.

Pete Gundermann: Sure thing.

Operator: [Operator Instructions] Our next question comes from Edward Duke with Partners for Business. Please proceed with your question.

Hi, Pete. I've just got a little clarification, if you could, on this earnings per share issue and what are you looking at with all these adjustments for the fourth quarter?

Pete Gundermann: Well, hi, Ed. We have a standing practice of not doing bottom line guidance. We think that takes the fun out of it with the investor community.

Edward Duke: So you want us to do our own math, is that correct?

Pete Gundermann: **E**xactly. We try to give you enough color so we don't surprise people too much.

Edward Duke: Okay. I'll keep working on the numbers. I thought you would make it easier for us but thanks again.

Pete Gundermann: Sorry. Thank you.

Edward Duke: No problem.

Operator: [Operator Instructions] Our next question come from John Daswani with Alpha Street. Please proceed with your question.

John Daswani: Afternoon, gentlemen. How are you today? Just wanted to zero in on the three underperforming businesses, you mentioned that the revenue of approximately $50 million in revenue for the year. How much is that in EBIT loss that's going against the Aerospace segment?

Dave Burney: Pre-tax through three quarters this year, it's about $28 million.

John Daswani: Okay. Great. So if it's $28 million, and that business just gets back towards breakeven point, we're talking about a pretty significant margin increase and that's not even assuming any additional growth that you're going to see in the rest of the business, correct?

Pete Gundermann: That's correct.

John Daswani: All right. But certainly, when I look at the three models, they're not really factoring in any significant step-up in EBIT for 2019. Where do you think the disconnect is? Is this more of a just wait-and-see-type situation?

Pete Gundermann: Well, I'm sure there's some of that. I wouldn't blame people for having that perspective at all. It does look like a big increase, but when you look at the opportunities that are out there in the market, I guess we feel it's pretty reasonable.

John Daswani: All right. Great. What would prevent you from achieving that breakeven level or getting close to it for that matter?

Pete Gundermann: Well, if you go again through those companies one by one, the CCC business needs to wrap up and execute a pretty significant development effort that it's been struggling with for about a year and half, almost two years now. We need to get that done, and there's pretty intense customer pressure to do so, so that really has to get done through the first quarter of next year as I understand the schedule. If that doesn't happen, then that prediction of doubling revenue and resolving losses gets very shaky.

On the AeroSat side, we have a lot riding on a couple of programs. One in the commercial transport area, one in the business jet area. We need to have those go, and both of those have been substantially delayed. Then when we started 2018, we thought by now we'd be in pretty serious delivery mode on both of those. Again, for reasons largely outside of AeroSat's control, those just haven't happened yet. We've chosen to maintain the organization. We've chosen to continue to pursue those development efforts. Now we're to the point where we have to see the programs happen. So that's what we're planning for 2019.

John Daswani: All right. Great. Well, thank you so much.

Pete Gundermann: Sure thing.

Operator: Thank you. At this time, I'd like to turn the call back to management for closing comments.

Pete Gundermann: Well, we again like to thank people for spending time with us on a Monday night. Enjoy the rest of your evening. Talk to you next quarter.

Operator: Thank you. This does conclude today's teleconference. You make disconnect your lines at this time, and thank you for your participation.