Wesco Aircraft Holdings, Inc. (WAIR)

Review of 2QF13 Results

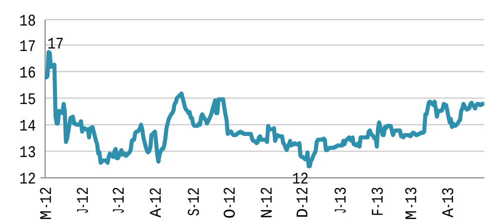
Maintain Neutral rating and $16 price target. 2QF13 operating results were above expectations, highlighted by contributions from new/expanded contracts, with favorable non-operating items. Corresponding F2013 guidance was also raised (but by less than the 2QF13 outperformance) -- likely conservative -- but nonetheless implying 2HF13 operating results below previous expectations. Fundamentally, we are encouraged by company-specific positives and limited sequestration impact, although definitive signs of a commercial upcycle are yet to materialize.

- **Maintain Neutral rating and $16 price target** based on 8.2x EV/C2014E EBITDA.
- **Estimate changes.** Adjusting our F2013 and F2014 EPS estimates to $1.21 and $1.40, respectively.
- **2QF13 results above expectations.** 2QF13 results were above expectations across the board, driving adjusted EPS of $0.33 vs. our $0.27 estimate. Better-than-expected sales, gross margin and SG&A discipline drove $0.04 of the beat in aggregate, with the remaining $0.02 positive variance vs. our estimates attributable to non-operational items (higher other income, lower tax rate).
- **F2013 guidance raised…** F2013 guidance now calls for adjusted EPS of $1.17-$1.21 (vs. $1.14-$1.19 previously) on expected sales of $880-$890 million vs. (vs. $860-$890 million previously), placing our prior estimates for both adjusted EPS ($1.17) and sales ($889.9 million) within the range.
- **…but by less than 2QF13 outperformance.** Adjusting for the 2QF13 beat and lower expected tax rate, the higher full-year guidance implies 2HF13 operating results moderately below previous expectations.
- **New/expanded contracts a benefit, as expected.** +14% organic sales growth was primarily driven by new/expanded contracts, across both commercial and military platforms, consistent with positive management commentary following 1QF13 results. Current activity levels were also characterized as strong, likely hinting at potential conservatism in guidance.
- **No sequestration drag thus far, also encouraging.** No slowing in trends has been seen to date, with recent trends characterized as consistent, although visibility appears to be limited.
- **Commercial upcycle yet to take off.** While we encouraged by company-specific positives and limited sequestration impact (thus far), definitive signs of a commercial upcycle remain elusive.
- **2QF13 results.** Adjusted EPS $0.33 vs. $0.27 estimate. Sales $225.9 million vs. $211.9 million estimate. Gross margin 36.0% vs. 35.6% estimate. Adjusted EBITDA margin 22.8% vs. 20.8% estimate.

Wesco Aircraft is a leading distributor of C class components serving the global aerospace market.

ESTIMATE CHANGE

1-Year Price Chart



Stock Data

Rating:	Neutral
Suitability:	Higher Risk
Price Target:	$16
Price (4/29/13):	$14.77
Market Cap (mil):	$1,412
Shares Out (mil):	95.6
Average Daily Vol (mil):	0.15
Dividend Yield:	0.0%

Estimates

FY Sep	2012A	2013E	2014E
Q1	0.26 A	0.25 A	
Q2	0.22 A	0.33 A	
Q3	0.24 A	0.31 E	
Q4	0.29 A	0.32 E	
Fiscal EPS	**0.99 A**	**1.21 E**	**1.40 E**
Previous (FY)		1.17 E	1.42 E
Fiscal P/E	14.9x	12.2x	10.6x
Calendar EPS	**0.99 A**	**1.28 E**	**1.45 E**
Previous (CY)		1.25 E	1.46 E
Calendar P/E	14.9x	11.5x	10.2x

Chart/Table Sources: Bloomberg and Baird Data

Please refer to Appendix - Important Disclosures and Analyst Certification

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Details

Wesco Aircraft Holdings, Inc. (WAIR - NYSE)
Quarterly Results and Variance Sheet

	Quarterly Results					Percent of Revenue		
	2QF13	2QF12	Change	Baird/	Variance	2QF13	2QF12	Baird/
Net Sales	$ 225.9	$ 182.1	24%	$ 211.9	7%			
Cost of Sales	144.6	118.1	22%	136.4	6%			
Gross Profit	81.3	64.1	27%	75.5	8%	36.0%	35.2%	35.6%
SG&A	34.9	27.7	26%	34.1	2%	15.5%	15.2%	16.1%
Operating Income	46.4	36.4	28%	41.3	12%	20.5%	20.0%	19.5%
Other Exp (Inc)	2.8	6.4	(56%)	4.5	(38%)			
Pretax Income	43.6	30.0	45%	36.8	18%	19.3%	16.5%	17.4%
Taxes	14.2	10.3	38%	12.7	12%	32.6%	34.3%	34.5%
Adj. Net Income	$ 31.2	$ 20.8	50%	$ 25.5	23%	13.8%	11.4%	12.0%
Adj. Diluted EPS	$ 0.33	$ 0.22	50%	$ 0.27	22%			
Diluted Shares	95.6	95.6	0%	95.4	0%			
Adj. EBITDA	51.6	38.3	35%	44.1	17%	22.8%	21.0%	20.8%

Source: Company reports, Robert W. Baird & Co. estimates

2QF13 results above expectations

- **EPS.** Adjusted EPS was $0.33 vs. $0.22 y/y, above our $0.27 estimate (also consensus). Adjusted EPS includes a $0.01 benefit from FX and another $0.01 benefit from a lower-than-expected tax rate.
- **Sales.** Sales were $225.9 million vs. $182.1 million y/y (organic sales +14%), above our $211.9 million estimate ($214.0 million consensus). North America sales were +21.8% y/y (reflecting both organic growth and contributions from Interfast), while Rest of World sales were +32.9% y/y.
- **Sales mix.** Ad hoc, JIT and LTA sales for the quarter were 41%, 25% and 34% of sales, respectively.
- **Gross margin.** Gross margin was 36.0% vs. 35.2% y/y, above our 35.6% estimate due to favorable channel/product mix.
- **Operating expenses.** Operating expenses as a percent of sales were 15.5% vs. 15.2% y/y, below our 16.1% estimate. Excluding the higher SG&A impact of the Interfast acquisition, core operating expenses increased due to higher payroll expense.
- **Adjusted EBITDA.** Resulting adjusted EBITDA was $51.6 million (22.8% margin) vs. $38.3 million (21.0%) y/y, above our $44.1 million (20.8%) estimate. The increase in adjusted EBITDA margin reflects higher sales dollars and operating leverage on higher volumes.

F2013 guidance raised

- **Overall.** Management raised their F2013 guidance based on broad-based strength around new and expanded contract activity, in addition to solid 2QF13 results coming in ahead of management's expectations.
- **Adjusted EPS.** Management raised F2013 adjusted EPS guidance to $1.17-$1.21 vs. $1.14-$1.19 previously, placing our prior $1.17 estimate at the low end of the range. Adjusting for the 2QF13 beat and lower expected tax rate (now forecast 33-34% vs. 34.5%-35.0% previously), the higher full-year guidance implies 2HF13 operating results moderately below previous expectations.
- **Sales.** F2013 sales guidance was also raised to $880-$900 million vs. $860-$890 million previously (+14.7% at the mid-point), bracketing our prior $889.9 million estimate ($885.7 million consensus).
- **Contribution margins/productivity.** Management's guidance continues to assume 35%+ contribution margins over 2HF13 (unchanged vs. previous guidance), which reflects operating leverage on continued growth and the benefits from ongoing productivity and IT system enhancements.
- **Tax rate.** The tax rate is expected to average 33.0-34.0% for the full year vs. previous guidance for

34.5%-35.0%.

Commercial market update

- **Orders/backlog strong, although meaningful inflection still elusive.** Consistent with management's expectations, orders and backlog continue to suggest gradual improvement in the core commercial trends. While lead times continue to modestly increase, this leading indicator has yet to signal an imminent inflection point in the upcycle. Furthermore, a continued competitive ad hoc environment with respects to sales and margins suggests that a meaningful upturn in trends is yet to happen.
- **MRO/Airline platform gaining traction.** While still in early innings, the company's MRO/Airline platform appears to be progressing nicely, with modest near-term contributions seen as laying the groundwork for longer-term growth as the Interfast integration continues to ramp. To this end, management cited several long-term contract wins with Alaska Horizon, FedEx, Air France, WestJet, All Nippon Airways, and Jazz Air. While the relative size of these contracts is expected to be modest (a couple percent of 2QF13 revenue), management is encouraged about prospects for this high-margin business longer-term.
- **Contract award activity remains strong.** Contract award activity and opportunities were again characterized as very strong, and business won during the quarter included the following:
  - UTC Goodrich for landing gear
  - Raytheon Canada to support the Chinook
  - Boeing Winnipeg for various commercial
  - Parker for a variety of bearing products
  - KAI in Korea for a variety of Boeing programs
  - Singapore Aerospace Manufacturing for a variety of products and programs

Military market update

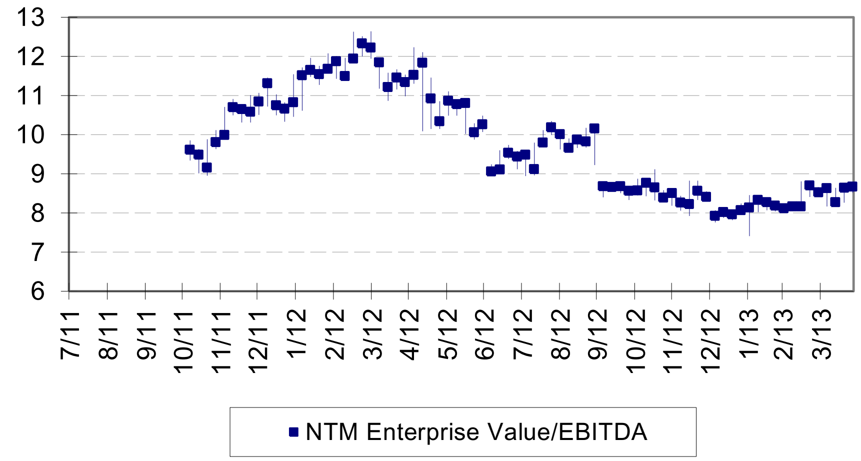
- **Value proposition increasingly resonating in uncertain market.** With ongoing budgetary pressures still posing a meaningful overhang to this business, management continues to believe that WAIR's strong value proposition is resonating well with customers facing budgetary constraints.
- **Here too, contract award activity remains solid.** Management noted conversations around significantly expanding the scope of current contracts with several major military customers as a means to reduce operating costs and working capital needs, as the company looks to capitalize on the value proposition noted above. Contract awards noted include Boeing and Lockheed, in addition the commercial awards noted above.
- **Ancillary product also see continued momentum.** The company also continues to drive growth in its ancillary product lines (electronics, machined parts and bearings) – both with new customers and within existing contracts. Along these lines, expanded contracts with Bell, Raytheon, and Northrup were cited this quarter.

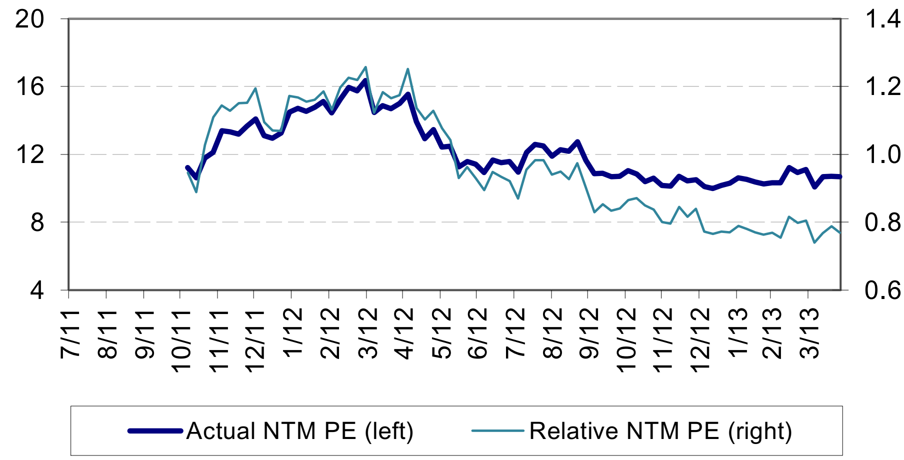
Balance sheet/Cash flows

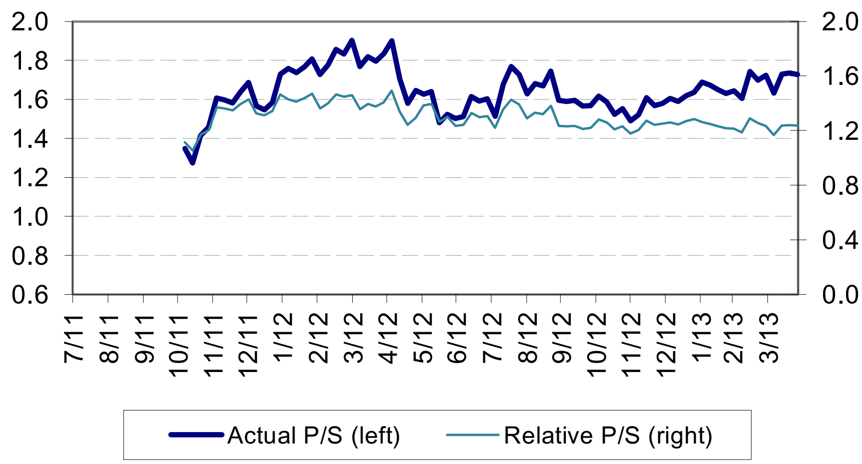
- **DSOs.** TTM DSOs were 54.8 days vs. 50.6 days y/y and 53.6 days sequentially.
- **Inventory turns.** TTM inventory turns were 1.0x vs. 0.9x y/y and 1.0x sequentially.
- **Operating cash flow.** Operating cash flow was $27.9 million vs. $4.9 million y/y and $4.1 million sequentially.
- **Total debt.** Total debt to cap now stands at 43.2% vs. 44.0% y/y and 44.7% sequentially.
- **EBITDA ROIC.** EBITDA ROIC was 9.2% vs. 8.8% y/y and 8.5% sequentially.

Wesco Aircraft Holdings, Inc. (WAIR - NYSE) Estimate Changes			
3QF13E	**New**	**Old**	**Change**
Sales (millions)	$224.9	$229.1	-$4.2
Sales Growth	18.8%	21.0%	-2.2%
Gross Margin	36.5%	36.2%	28bp
Op Ex	$34.9	$35.3	-$0.4
Op Ex % of Sales	15.5%	15.4%	10bp
Adj. EBITDA Margin	22.2%	22.0%	18bp
Adj. Diluted EPS	$0.31	$0.31	$0.00
F2013E	**New**	**Old**	**Change**
Sales (millions)	$895.0	$889.9	$5.1
Sales Growth	15.3%	14.6%	0.7%
Gross Margin	36.1%	36.1%	(1bp)
Op Ex	$140.4	$140.3	$0.1
Op Ex % of Sales	15.7%	15.8%	(8bp)
Adj. EBITDA Margin	21.9%	21.6%	26bp
Adj. Diluted EPS	$1.21	$1.17	$0.04
F2014E	**New**	**Old**	**Change**
Sales (millions)	$978.8	$976.1	$2.6
Sales Growth	9.4%	9.7%	-0.3%
Gross Margin	37.2%	37.3%	(4bp)
Op Ex	$148.8	$146.4	$2.3
Op Ex % of Sales	15.2%	15.0%	20bp
Adj. EBITDA Margin	23.0%	23.2%	(24bp)
Adj. Diluted EPS	$1.40	$1.42	-$0.02

Source: Robert W. Baird & Co. estimates







Source: FactSet, Robert W. Baird & Co. estimates

Investment Thesis

We rate Wesco Aircraft Neutral. Our $16 price target is based on 8.2x EV/C2014E TTM EBITDA, consistent with average NTM levels seen over the past six months (8.3x). Uncertainty around military spending and timing/magnitude of the commercial up-cycle, as well as more moderate returns vs. other distributors lead us to a slightly lower multiple. In addition, our C2013-14 estimates assume the early stages of a commercial aerospace up-cycle, resulting in a more compressed multiple as earnings are no longer depressed. We would become incrementally more positive with a wider margin of safety or early signs of an upcycle given cyclical and company-specific risks.

Core market for aerospace hardware (~80% of revenues) is relatively finite and consolidated, with most share gain opportunities in ancillary lines. While the overall market is $6.5 billion, the vast majority of Wesco's sales are OEM hardware, which we estimate is closer to a $2 billion market via distribution. This would mean that Wesco's share of the (non-direct) distribution of these products may be greater than 30%, with the top three players constituting close to 80% share.

The aerospace market is cyclical and often unpredictable. The aerospace end market is inherently cyclical, but uncertainty and volatility is somewhat offset by favorable secular trends in the global industry, breadth of exposure and Wesco's position on key platforms. Based on expected growth in revenue passenger miles, build rates and other drivers, the commercial airline industry appears poised for cyclical upturn; growing pressure on the US Federal budget creates a less certain outlook for the military market, however.

Key growth platforms – 787 and F-35 JSF – have significant risks. Due to Boeing's efforts to control the 787 supply chain and to coax suppliers to buy direct, there are clear in-sourcing risks associated with this platform. Boeing and six tier-1 suppliers purchase approximately 94% of the Boeing-standard fasteners for all airplane models. We estimate the 787 platform could represent as much as 15-20% of Wesco's 2014 revenues. There are also funding risks with the F-35 Joint Strike Fighter program. According to the US GAO, "the JSF requires unprecedented funding levels in a period of more austere defense budgets."

Growth strategies are expected to pressure gross margins, offset by volume leverage on operating costs, leading to more moderate contribution margins and EBITDA margin expansion. Key strategic efforts are driving sales of lower-margin (non-fastener) SKUs, as well as lower-margin (but more stable) JIT relationships.

Risks & Caveats

Commercial aerospace cyclicality. With approximately half of sales tied to the commercial aerospace market, cyclical exposure is significant. Wesco's sales are highly dependent on industry production levels given minimal exposure to aftermarket sales.

Defense spending exposure. With the other half of sales tied to the military aerospace market, exposure to defense spending is also significant. The military aerospace market is heavily dependent on defense spending trends, especially within the US Department of Defense. The company's military aerospace sales are especially influenced by government funding of major platforms (e.g., F-35 Joint Strike Fighter program).

Consolidation in core hardware distribution market. With the top four aerospace distributors of C class parts estimated to account for approximately half of the core hardware market that flow through distribution, we believe share gain opportunities are more limited for Wesco's hardware business (82% of F2011 sales).

Significant customer and supplier concentration. Customer and supplier concentration are both significant, with the top 10 customers representing 49% of sales in F2011 and top two suppliers representing 42% of inventory purchases in F2011. Furthermore, the company has significant exposure to individual platforms, including the Boeing 787 and F-35 Joint Strike Fighter Program.

Boeing 787 in-sourcing risk. Boeing is attempting to in-source Boeing-specific components for the

787 (including fasteners) due to past supply chain issues, although none of these issues related to Wesco, specifically. While in-sourcing is not a broad-based trend in the industry or at Boeing today, it is clearly a risk if Boeing is successful in having other key suppliers buy direct vs. via distributors.

US Government procurement rules and regulations. There are a number of procurement laws and regulations imposed upon the company as a US Government contractor. The company is also subject to the Federal False Claims Act.

Acquisition integration. There are integration risks with any acquisition strategy and the potential for acquisitions in non-core products/geographies raises the risk profile slightly.

Public company risk. Since Wesco is a newly public company, the demands of public financial reporting, communicating effectively with the Street and increased compliance costs create challenges.

Leverage. The company's debt to capitalization ratio is approximately 43% while debt to EBITDA is also elevated at 3.3x.

Concentrated ownership. The concentrated ownership of common stock by the Carlyle Group (approximately 62%) limits the voting influence of other common stockholders to effect change.

Risks to our Neutral rating. The key risks would be much stronger-than-expected share gains, greater mix of higher-margin ad hoc sales, stronger commercial cycle, and/or higher-than-expected level of military spending. Investor interest in the industry due to an aerospace upturn might lead to higher valuation parameters. Finally, if investors focus on PEs rather than EV/EBITDA as a key valuation metric, the stock's valuation would appear lower and could drive the stock.

Company Description

Wesco Aircraft is a leading distributor of C class components serving the global aerospace market. Based in Valencia, California, the company serves over 7,200 active customers from 33 locations in 11 countries. Customers are primarily OEMs/subcontractors in the commercial (56% of F2012 sales) and military (44%) markets. WAIR offers approximately 475,000 SKUs, encompassing hardware, bearings, electronic components and machined parts/other. Additionally, the company offers several value-added services including just-in-time delivery, quality assurance, tool leasing and kitting. The business is organized into two geographic segments – North America (81% of F2012 sales) and Rest of the World (19%).

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(WAIR - NYSE)

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Recent Price $15.00
Fiscal Year End September
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($ in thousands, except per share)

Fiscal	Revenue		Gross Profit			Operating Expenses			Adjusted EBITDA		Operating Income			Other Exp	Pretax Income			Income Taxes		Net Income			Diluted EPS		Adjusted Diluted EPS		Avg
Year	**$**	***Chg***	**$**	***%***	***Chg***	**$**	***%***	***Chg***	**$**	***%***	**$**	***%***	***Chg***	**(Inc)**	**$**	***%***	***Chg***	**$**	***Rate***	**$**	***%***	***Chg***	**$**	***Chg***	**$**	***Chg***	**Shares**
2007	**468,579**		**202,626**	***43.2%***		**90,317**	***19.3%***		**152,448**	***32.5%***	**112,309**	***24.0%***		**58,674**	**53,635**	***11.4%***		**20,596**	***38.4%***	**33,038**	***7.1%***		**0.36**		**0.63**		**92,713**
2008	**604,343**	***29.0%***	**256,608**	***42.5%***	***26.6%***	**105,758**	***17.5%***	***17.1%***	**184,061**	***30.5%***	**150,850**	***25.0%***	***34.3%***	**47,997**	**102,854**	***17.0%***	***91.8%***	**44,251**	***43.0%***	**58,603**	***9.7%***	***77.4%***	**0.63**	***77.4%***	**0.84**	***31.6%***	**92,713**
2009	**612,687**	***1.4%***	**238,287**	***38.9%***	***(7.1%)***	**103,895**	***17.0%***	***(1.8%)***	**156,984**	***25.6%***	**134,392**	***21.9%***	***(10.9%)***	**38,083**	**96,309**	***15.7%***	***(6.4%)***	**37,862**	***39.3%***	**58,447**	***9.5%***	***(0.3%)***	**0.63**	***(0.3%)***	**0.78**	***(7.2%)***	**92,713**
2010	**656,034**	***7.1%***	**254,228**	***38.8%***	***6.7%***	**99,915**	***15.2%***	***(3.8%)***	**166,466**	***25.4%***	**154,313**	***23.5%***	***14.8%***	**36,728**	**117,585**	***17.9%***	***22.1%***	**43,913**	***37.3%***	**73,673**	***11.2%***	***26.1%***	**0.81**	***29.0%***	**0.90**	***15.8%***	**90,569**
Q1	173,538	*18.2%*	66,709	*38.4%*	*22.1%*	25,388	*14.6%*	*2.5%*	44,120	*25.4%*	41,321	*23.8%*	*38.3%*	5,761	35,560	*20.5%*	*67.2%*	13,880	*39.0%*	21,680	*12.5%*	*54.1%*	0.23	*50.6%*	0.25	*42.1%*	92,636
Q2	176,029	*7.3%*	67,440	*38.3%*	*6.7%*	24,493	*13.9%*	*(0.3%)*	44,950	*25.5%*	42,947	*24.4%*	*11.2%*	7,003	35,944	*20.4%*	*19.4%*	13,993	*38.9%*	21,951	*12.5%*	*21.2%*	0.24	*18.5%*	0.25	*13.9%*	92,636
Q3	180,013	*5.2%*	68,620	*38.1%*	*0.6%*	29,817	*16.6%*	*19.4%*	43,859	*24.4%*	38,803	*21.6%*	*(10.3%)*	14,921	23,882	*13.3%*	*(28.9%)*	9,921	*41.5%*	13,961	*7.8%*	*(34.9%)*	0.15	*(36.4%)*	0.23	*(12.5%)*	92,713
Q4	181,330	*4.2%*	72,650	*40.1%*	*6.6%*	34,087	*18.8%*	*33.0%*	46,057	*25.4%*	38,563	*21.3%*	*(9.3%)*	5,802	32,761	*18.1%*	*0.3%*	14,732	*45.0%*	18,029	*9.9%*	*(10.0%)*	0.19	*(13.9%)*	0.24	*(2.9%)*	94,725
2011	**710,910**	***8.4%***	**275,419**	***38.7%***	***8.3%***	**113,785**	***16.0%***	***13.9%***	**178,987**	***25.2%***	**161,634**	***22.7%***	***4.7%***	**33,487**	**128,147**	***18.0%***	***9.0%***	**52,526**	***41.0%***	**75,621**	***10.6%***	***2.6%***	**0.81**	***(0.3%)***	**0.96**	***7.1%***	**93,178**
Q1	192,554	*11.0%*	73,272	*38.1%*	*9.8%*	28,193	*14.6%*	*11.0%*	47,439	*24.6%*	45,079	*23.4%*	*9.1%*	6,536	38,543	*20.0%*	*8.4%*	15,365	*39.9%*	23,178	*12.0%*	*6.9%*	0.24	*4.3%*	0.26	*3.3%*	94,979
Q2	182,143	*3.5%*	64,075	*35.2%*	*(5.0%)*	27,710	*15.2%*	*13.1%*	38,300	*21.0%*	36,365	*20.0%*	*(15.3%)*	6,350	30,015	*16.5%*	*(16.5%)*	10,292	*34.3%*	19,723	*10.8%*	*(10.2%)*	0.21	*(13.0%)*	0.22	*(13.0%)*	95,621
Q3	189,347	*5.2%*	67,279	*35.5%*	*(2.0%)*	32,327	*17.1%*	*8.4%*	41,125	*21.7%*	34,952	*18.5%*	*(9.9%)*	4,679	30,273	*16.0%*	*26.8%*	7,980	*26.4%*	22,293	*11.8%*	*59.7%*	0.23	*54.1%*	0.24	*3.1%*	96,068
Q4	212,162	*17.0%*	78,944	*37.2%*	*8.7%*	36,507	*17.2%*	*7.1%*	45,883	*21.6%*	42,437	*20.0%*	*10.0%*	7,605	34,832	*16.4%*	*6.3%*	7,850	*22.5%*	26,982	*12.7%*	*49.7%*	0.28	*47.4%*	0.29	*20.8%*	96,183
2012	**776,206**	***9.2%***	**283,570**	***36.5%***	***3.0%***	**124,737**	***16.1%***	***9.6%***	**172,747**	***22.3%***	**158,833**	***20.5%***	***(1.7%)***	**25,170**	**133,663**	***17.2%***	***4.3%***	**41,487**	***31.0%***	**92,176**	***11.9%***	***21.9%***	**0.96**	***18.7%***	**0.99**	***3.3%***	**95,713**
Q1	211,170	*9.7%*	74,100	*35.1%*	*1.1%*	34,725	*16.4%*	*23.2%*	43,590	*20.6%*	39,375	*18.6%*	*(12.7%)*	11,532	27,843	*13.2%*	*(27.8%)*	9,417	*33.8%*	18,426	*8.7%*	*(20.5%)*	0.19	*(20.7%)*	0.25	*(1.1%)*	95,179
Q2	225,862	*24.0%*	81,308	*36.0%*	*26.9%*	34,896	*15.5%*	*25.9%*	51,562	*22.8%*	46,412	*20.5%*	*27.6%*	2,802	43,610	*19.3%*	*45.3%*	14,222	*32.6%*	29,388	*13.0%*	*49.0%*	0.31	*49.0%*	0.33	*50.3%*	95,634
Q3E	224,873	*18.8%*	82,092	*36.5%*	*22.0%*	34,855	*15.5%*	*7.8%*	49,935	*22.2%*	47,236	*21.0%*	*35.1%*	4,812	42,424	*18.9%*	*40.1%*	14,424	*34.0%*	28,000	*12.5%*	*25.6%*	0.29	*25.8%*	0.31	*29.8%*	95,900
Q4E	233,083	*9.9%*	85,729	*36.8%*	*8.6%*	35,895	*15.4%*	*(1.7%)*	52,631	*22.6%*	49,834	*21.4%*	*17.4%*	4,752	45,082	*19.3%*	*29.4%*	15,328	*34.0%*	29,754	*12.8%*	*10.3%*	0.31	*10.3%*	0.32	*13.1%*	96,200
2013E	**894,987**	***15.3%***	**323,229**	***36.1%***	***14.0%***	**140,371**	***15.7%***	***12.5%***	**197,718**	***22.1%***	**182,858**	***20.4%***	***15.1%***	**23,898**	**158,960**	***17.8%***	***18.9%***	**53,391**	***33.6%***	**105,568**	***11.8%***	***14.5%***	**1.10**	***14.5%***	**1.21**	***21.5%***	**95,728**
2014E	**978,763**	***9.4%***	**364,420**	***37.2%***	***12.7%***	**148,772**	***15.2%***	***6.0%***	**226,415**	***23.1%***	**215,648**	***22.0%***	***17.9%***	**17,488**	**198,160**	***20.2%***	***24.7%***	**67,375**	***34.0%***	**130,786**	***13.4%***	***23.9%***	**1.35**	***22.5%***	**1.40**	***15.7%***	**96,825**

Note: All data is proforma, assuming a pre-3Q11 IPO. All figures exclude non-recurring items.

207,643
18,219

Cal.	EPS		Adj. EPS	
Year	**$**	***Chg***	**$**	***Chg***
2010	**0.89**		**0.97**	
2011	**0.82**	***(7.9%)***	**0.97**	***(0.1%)***
2012	**0.91**	***11.0%***	**0.99**	***2.2%***
2013E	**1.22**	***34.2%***	**1.28**	***29.4%***
2014E	**1.40**	***14.3%***	**1.45**	***13.1%***

Please refer to Appendix - Important Disclosures and Analyst Certification

Source: Company reports, Robert W. Baird & Co. estimates

Wesco Aircraft Holdings, Inc.

(WAIR - NYSE)

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Recent Price $15.00
Fiscal Year End September
Date Printed April 29, 2013

($ in thousands, except per share)

Balance Sheet	2009	2010	2011	2012	2Q13
ASSETS					
Cash & Equivalents	11,406	39,463	45,525	60,856	53,885
Receivables	83,200	89,427	97,289	130,013	146,380
Inventory	486,876	483,442	483,062	557,216	592,765
Other	32,734	39,719	51,029	86,816	79,881
Total Current	614,216	652,051	676,905	834,901	872,911
Fixed Assets	20,561	20,173	20,952	20,769	21,267
Intangibles	601,380	594,839	591,003	671,954	663,782
Other Assets	18,655	11,949	12,525	9,792	12,112
Total Assets	1,254,812	1,279,012	1,301,385	1,537,416	1,570,071
LIABILITIES & EQUITY					
Current Debt	7,347	1,354	2,069	593	16,639
Payables	61,033	59,183	53,069	79,940	88,479
Other	19,461	26,388	19,808	21,866	23,641
Total Current	87,841	86,925	74,946	102,399	128,759
LT Debt & Lease	684,268	622,032	556,712	626,205	586,975
Deferred Taxes	7,605	23,927	41,256	55,445	61,177
Other	1,158	389	-	-	-
Common Equity	473,940	545,739	628,471	753,367	793,160
Total Liabilities & Equity	1,254,812	1,279,012	1,301,385	1,537,416	1,570,071

Ratios	2009	2010	2011	2012	2Q13
Days In Inventory	475	441	405	385	367
Days Sales Outstanding (DSO)	50	48	48	53	59
Days Payables Outstanding (DPO)	(26)	(55)	(47)	(43)	(45)
Cash Conversion Days	**498**	**434**	**406**	**396**	**381**
Current Ratio	7.0	7.5	9.0	8.2	6.8
Quick Ratio	1.1	1.5	1.9	1.9	1.6
Inventory Turns	0.8	0.8	0.9	0.9	1.0
TTM Return On Assets	5.7%	6.4%	6.9%	6.2%	7.1%
TD/Cap	59.4%	53.3%	47.1%	45.4%	43.2%
EBITDA Interest Cov	4.2	4.6	5.2	6.8	6.4
TD/EBITDA	4.4	3.7	3.1	3.7	3.3

Du Pont Formula	2009	2010	2011	2012	LTM
Net Margins (N/S)	11.7%	12.4%	12.6%	12.3%	12.6%
Asset Turnover (S/A)	0.5	0.5	0.6	0.5	0.6
Leverage (A/E)	2.6	2.5	2.2	2.1	2.0
Return On Equity	**15.2%**	**15.9%**	**15.3%**	**13.8%**	**14.3%**

Market Capitalization (MM)	1,434,510
Insider Ownership	63%
Institutional Ownership	37%
Average Daily Volume	146,430

Cash Flow Statement	F2008	F2009	F2010	F2011	F2012	F2013E	F2014E
Net Income	58,602	58,447	73,674	75,598	92,175	105,568	112,895
D&A	7,846	10,065	8,821	9,519	9,963	11,214	9,106
Inventory	(58,749)	(111,136)	1,593	(4,335)	(20,453)	6,045	(36,097)
A/R	(11,162)	4,429	(7,795)	(8,281)	(21,802)	(17,141)	(14,195)
A/P	11,011	9,073	(1,099)	2,406	1,833	(1,377)	7,277
Other	17,154	30,388	25,579	11,410	(7,147)	(12,274)	24,667
Operating Cash Flow	24,702	1,266	100,773	86,317	54,569	92,035	103,652
Capital Expenditures	(6,769)	(4,135)	(3,077)	(5,119)	(7,310)	(2,389)	(5,364)
Dividends	-	-	-	-	-	-	-
Free Cash Flow	17,933	(2,869)	97,696	81,198	47,259	89,646	98,288

Per Share Data	F2008	F2009	F2010	F2011	F2012	F2013E	F2014E
Diluted Average Shares	92,713	92,713	90,569	93,178	95,713	95,728	96,825
Adjusted EPS	0.84	0.78	0.90	0.96	0.99	1.21	1.40
Free Cash Flow (FCF)	0.19	(0.03)	1.08	0.87	0.49	0.94	1.02
EBITDA	1.99	1.69	1.84	1.92	1.76	2.05	2.32
Cash	-	0.12	0.44	0.49	0.64	1.01	1.19
Book Value	-	5.11	6.03	6.74	7.87	8.89	10.14
Tangible Book Value	-	(1.37)	(0.54)	0.40	0.85	1.98	3.37

Valuation Measures	F2008	F2009	F2010	F2011	F2012	PT/C13E	PT/C14E
Price - High				$15.03	$13.99		
Price - Low				$14.25	$12.60	**Price Target**	
Price - Average				$13.67	$13.62	**$16**	
TTM P/E - High				15.6	14.1		
TTM P/E - Low				14.8	12.7		
TTM P/E - Average				14.2	13.7		
FTM P/E - High				15.1	11.6		
FTM P/E - Low				14.3	10.4		
FTM P/E - Average				13.8	11.3	12.5	11.0
FCF Yield - Average				6.4%	3.6%	3.5%	-0.1%
EV/TTM Sales - Average				2.51	2.41	2.17	1.91
Price / TTM Sales - Average				$0.00	$0.00	1.69	1.54
Price / TTM BV - Average				28.0	21.4	1.8	1.7
Dividend Yield - Average				0.0%	0.0%	NM	NM

Enterprise Value	2008	F2009	F2010	F2011	F2012	PT/C13E	PT/C14E
Market Value				1,273,990	1,303,869	1,543,200	1,559,200
Preferred Stock				-	-	-	-
Total Debt				558,781	626,798	567,631	486,249
Other Long-Term Liabilities				-	-	-	-
Cash & Equivalents				(45,525)	(60,856)	(130,671)	(123,596)
EV				1,787,246	1,869,811	1,980,160	1,921,853
EBITDA				178,987	172,747	207,455	233,778
EV/EBITDA				**10.0x**	**10.8x**	**9.5x**	**8.2x**

Source: Company reports, Robert W. Baird & Co. estimates

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