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September 20, 2016

Gabelli & Company

22ND ANNUAL

AIRCRAFT SUPPLIER & CONNECTIVITY CONFERENCE

SEPTEMBER 8, 2016

Company	Ticker	Exchange	-Market Price- 9/8/2016	9/8/2015
Allegheny Technologies Inc.	ATI	NYSE	$ 17.95	$ 18.47
Constellium N.V.	CSTM	"	7.70	6.53
Crane Co.	CR	"	64.04	51.58
Curtiss-Wright Corp.	CW	"	90.15	66.08
Global Eagle Entertainement	ENT	NASDAQ	8.54	11.27
Gogo Inc.	GOGO	"	12.34	15.88
HEICO Corp.	HEI	NYSE	68.79	51.28
Honeywell International Inc.	HON	"	113.82	99.81
Iridium Communcations Inc.	IRDM	NASDAQ	7.24	6.85
Kaman Corp.	KAMN	NYSE	45.10	37.65
Mercury Systems Inc.	MRCY	NASDAQ	22.87	16.09
Moog, Inc.	MOG-A	NYSE	58.25	62.60
Parker-Hannifin Corp.	PH	"	124.35	107.01
Woodward, Inc.	WWD	NASDAQ	62.59	45.40

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- Please Refer Too Important Disclosures On The Last Page Of This Report-

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Gabelli & Company's 22nd Annual Aircraft Supplier & Connectivity Conference

Our team hosted the 22nd Annual Aircraft Supplier & Connectivity Conference in New York City on September 9, 2016 where a number of aircraft suppliers presented their company outlooks and reactions to the current macro environment.

James Foung, CFA joined the firm in 1993 as a research analyst covering companies in the capital good and aerospace sectors, focusing on pump, valve and motor companies and suppliers to the commercial, military and regional aircraft industry. Jim was recognized as a Top Stock Picker in Thompson Reuter's 2014 StarMine Analyst Awards. He hosts two annual conferences for the firm: the Pump, Valve and Motor Symposium, and the Aircraft Supplier Conference. Jim is a Chartered Financial Analyst; he graduated with honors from the University of California, Berkeley with a B.A. in Economics and received a M.B.A. in Finance from the Wharton School at the University of Pennsylvania.

Sergey Dluzhevskiy, CFA joined the firm in 2005 as a research analyst responsible for the North American telecommunications industry. Sergey began his business career as a Certified Public Accountant with Deloitte & Touche LLP in Cleveland. He later worked at Loomis Sayles & Company as an Equity Research Analyst. Sergey graduated summa cum laude from Case Western Reserve University with a Bachelor of Science in Accounting and received an MBA with honors with concentrations in Finance and Accounting from The Wharton School at University of Pennsylvania.

Justin Bergner, CFA rejoined Gabelli & Company in June 2013 as a research analyst covering Diversified Industrials, Electrical and Transport companies. He began his investment career at Gabelli & Company in 2005 as a metals and mining analyst, and subsequently spent five years at Axiom International Investors as a senior analyst focused on industrial and healthcare stocks. Prior to entering the investment profession, Justin worked in management consulting at Bain & Company and Dean & Company. Justin graduated cum laude from Yale University with a B.A. in Economics & Mathematics and received an M.B.A. in Finance and Accounting from Wharton Business School.

Shannon Burke joined Gabelli & Company in June 2014 as a research analyst on the Diversified Industrials team covering companies within the capital good and aerospace sectors, focusing on suppliers to the commercial, military and regional aircraft industry as well as pumps, valves and motors companies. She graduated with honors from Hamilton College with a B.A in Economics and a minor in Mathematics.

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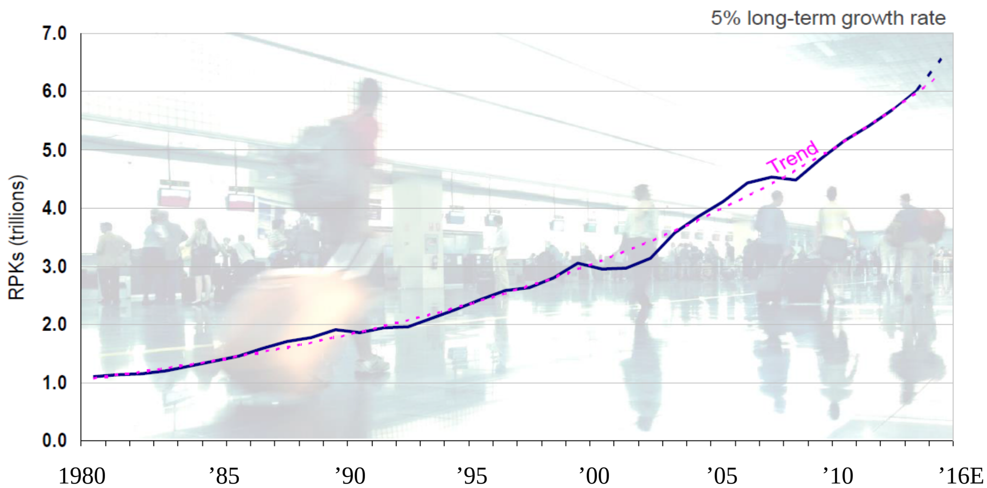
Introduction

At our 22nd Annual Aircraft Supplier & Connectivity Conference, the commercial aerospace presenters affirmed our view that the commercial aerospace market remains healthy despite some softness in the wide-body aircraft. World air travel continues to grow at a 5% CAGR, year-to-date in 2016, in line with its historical trend since 1980 (Exhibit 1). This steady growth is driving long term demand for repair and overhaul services and replacement parts, albeit potentially in a new normal where airlines work harder to extend the life of parts and use salvaged parts from retired aircraft.

Exhibit 1 **World Air Travel - 5% CAGR Since 1980**



Source: Boeing CMO 2016

In its annual commercial market outlook, Boeing projects that over the next twenty years, 38,690 new airplanes will be needed for replacement and growth (Table 1). Narrow body aircraft will make up approximately 73% of the demand or 28,140 airplanes. Wide body airplanes make up 21% or 8,170 aircraft and regional jets make up 6%, or 2,380 jets. The demand for these airplanes is being driven in part, by global economic growth and 2.8 billion new consumers who are willing to spend on travel and tourism. In addition, industry deregulation that facilitates low cost carriers' expansion to new markets and the removal of visa restrictions increase the ease of global travel.

Table 1 **New Aircraft Deliveries 2016-2035**

	Airplanes	Percent
Narrow Body	28,140	73%
Wide Body	8,170	21
Regional Jets	2,380	6
Total	**38,690**	**100%**

Source: Boeing CMO 2016

Table 2 **Boeing & Airbus Production 2015A-2019**

Year	Boeing	Airbus	Total
2015A	753	635	1,388
2016E	760	655	1,415
2017	795	698	1,493
2018	858	760	1,618
2019	930	837	1,767

Source: Company Reports and Gabelli & Company estimates

If we exclude the regional jets from the new airplane requirement, the remaining need of 36,310 jets are large passenger transports that averaged out to 1,815 new airplanes a year. Our combined production forecast for Boeing and Airbus are below this average annual rate (Table 2) suggesting that the commercial aerospace market could remain healthy for some time.

Further, Boeing and Airbus have record backlogs of 5,697 and 6,815 airplanes, respectively, or eight and ten years of current production (Table 3). The unprecedented backlog and the book-to-bill ratios of around one this year support continue top-line growth for the OEMs and suppliers.

Table 3 **Boeing & Airbus Backlog July 2016**

Year	Boeing	Airbus
July 2016	5,697	6,815
2016 Production	760	655
Years of Production	7.5	10.4

Source: Company Reports

The demand for narrow body aircraft is very strong driven, in part, by the replacement of older, less efficient jets with new, fuel-efficient aircraft including the Boeing 737MAX, Airbus A320neo, Bombardier C Series, Embraer E Jets and the COMAC C919. All the commercial aerospace companies presenting at the conference have significant content on these re-engine aircraft that should help them drive original equipment and aftermarket growth for years to come.

Another major theme in this year's conference was the need to reduce costs. The airframe manufacturers and engine OEMs are seeking price reductions from the suppliers, and the suppliers are seeking them from their supply chain. The key to reducing cost is to work with the OEMs in the design stage of a new component, and to gain volume in exchange for price that allows for SG&A leverage against gross margin pressure. By redesigning components to reduce complexity and assembly time, the OEM will reap the cost benefit while the supplier can secure more volume and longer contracts, while minimizing gross margin pressure.

Similar dynamics are at play for materials companies serving the aerospace market. New alloys that have better physical properties or simplify the OEM's manufacturing processes are essential for mitigating price pressures. Over the past five years, faster foreign growth combined with sequestration has reduced the United States' share of global military spending from ~41% to ~35%. In the meantime, contentious countries like China and Russia have nearly doubled their investments in defense spending, as illustrated in

Defense

United States defense spending peaked in 2010 at $691 billion, while the country fought wars in both Afghanistan and Iraq. At that time, United States' defense spending comprised ~41% of global military spending. Since then, faster foreign growth combined with sequestration has reduced the United States' share of global military spending to ~35%. Meanwhile, over the last ten years, contentious countries like China and Russia have nearly doubled their investment in defense spending, as illustrated in Table 4.

Table 4 Global Defense Spending ($USD Billions)

	2005	2015
North America	$ 570	$ 596
China	164	310
Russia	47	101

Source: SIPRI (Stockholm International Peace Research Institute)

While the U.S. has mostly exited Afghanistan and Iraq, geopolitical instability has continued to grow while the defense budget has declined. North Korea continues to test nuclear weapons and launch ballistic missiles near U.S. allies. Boko Haram, a jihadist group, has wreaked havoc in Nigeria and across Africa. The Islamic State of Iraq and Syria (ISIS) continues to wage war in the Middle East and orchestrate terrorist attacks worldwide.

Exhibit 2

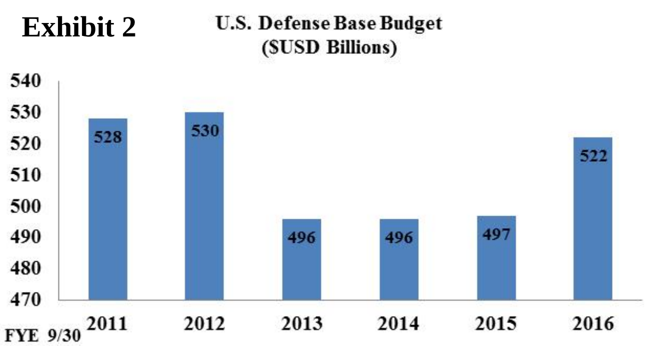
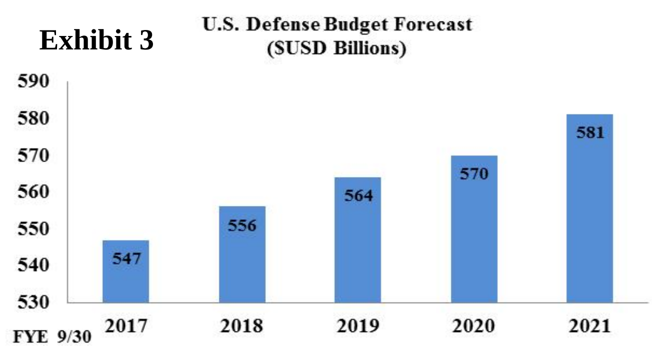


Exhibit 3



Source: Department of Defense, Office of the Under Secretary of Defense, CFO, February 2016

Since 2010, political gridlock has forced sequestration, causing the budget to decline. However, government passage of a two-year budget deal in October 2015 has brought an increase to the defense budget for the first time in five years. The budget is projected to increase from here, as illustrated in Exhibit 2. We believe this presents an appealing investment opportunity, which was reiterated by presenters at the conference. Programs such as the JSF, Long Range Strike Bomber and upgrades like SEWIP and F/A-18 and F-16 modifications are driving growth for many suppliers across the industry.

Connectivity

Honeywell and our in-flight connectivity (IFC) presenters see significant growth opportunity in front of the industry. The world is growing more connected. Earlier this year, global mobile penetration has reached 100% as the number of mobile connections hit 7.4 billion. People are carrying multiple devices (smartphones, tablets, smart watches, etc.) and they are seeking constant connectivity – at home, at work, and, increasingly, when they are traveling on an aircraft. With that said, IFC industry is still in the early stages of its lifecycle.

There are ~1,400 commercial airlines in the world, and only 72 of them had already installed or announced plans to install passenger connectivity systems on board at the end of 2015. Only 23% of commercial aircraft were connected as of June of this year. In business aviation, IFC penetration is even lower – at 13%.

With the number of commercial aircraft expected to more than double over the next twenty years and IFC penetration expected to rise, we believe in-flight connectivity industry has a significant runway for growth. This opportunity only expands as the industry looks beyond the connected passenger and focuses on the connected/smart aircraft, with connected crews and maintenance teams, electronic flight bags, machine to machine connectivity, and opportunities for airlines to optimize flight operations and perform "big data" analytics.

Exhibit 4

2015 Global Aircraft

	Broadband	**Total**
Commercial	4,800	20,700[a]
Business	3,900	30,000[b]

IFC connectivity is increasingly being provided over satellite-based solutions (rather than cellular networks), providing greater data speeds, higher capacity, and global coverage, which is particularly important to international fleets. The launch of high-throughput satellites in both Ku- and Ka-bands is expected to meaningfully expand capacity for in-flight connectivity helping increase data speeds to the plane, lower costs, and drive IFC adoption.

Source: (a)Boeing Current Market Outlook 2016-35, excludes cargo aircraft; (b) JetNet iQ Report Q4 2015, General Aviation Manufacturers Association 2015 Statistical Databook, excludes rest of world turbo props; company presentations, Gabelli & Company estimates.

In-flight connectivity is still a fragmented market, with Gogo, leading the sector with close to 60% global market share of connected commercial aircraft and about 67% market share in North America. Other leading players include Panasonic, Global Eagle, and ViaSat. Industry participants agree that, over time, IFC sector consolidates to fewer global players, as scale is important (with consolidation potentially driven from both inside and outside the industry).

Exhibit 5

Leading Commercial Aviation IFC Providers

	Global Aircraft
Gogo	2,845
Panasonic	>1,000
Global Eagle	736
ViaSat	509
Thales	>300

Source: Company filings and presentations, Gabelli & Company estimates

Honeywell during its keynote presentation spoke to the holistic benefits of connectivity solutions to airlines and other players in the broader aerospace supply chain, focusing on the benefits from "digital exhaust" generated by auxiliary power units, wheels, brakes, and other aircraft parts, information than can be used to optimize the efficiency of flight operations. Other opportunities include an in-flight informational service platform, GoDirect, with weather, cabin control, and other information. Like our IFC presenters, Honeywell sees connectivity across the aircraft as a secular growth opportunity worthy of investment and with pockets of exceptional growth. To use Honeywell's words, "The connected aircraft era has arrived."

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Allegheny Technologies (ATI - $16.32 - NYSE) More an Aerospace Company - NR

Year	EPS[(a)]	P/E	PMV		
2018P	$1.10	14.8x	NA	Dividend: $0.32	Current Return: 2.0%
2017P	0.65	25.1	"	Shares O/S: 108.9 million	
2016E	(0.85)	NM	"	52-Week Range: $19.10 - $7.08	
2015A	(0.91)	NM	"		

(a) Source: Thomson One consensus estimates

COMPANY OVERVIEW

Allegheny Technologies is one of the largest and most diversified specialty metals producers in the world. The company produces alloys made of titanium, nickel, zirconium, stainless steel and advanced powder in addition to superalloys and isothermals. ATI's specialty metals are used in applications that demand exceptional strength and resistance to heat, corrosion and abrasion. The company sells its products to the aerospace, oil and gas, chemical processing, electrical energy and medical end markets and is vertically integrated. ATI operates in two segments: High Performance Metals (HPM), and Flat-Rolled Products, with HPM responsible for over 60% of YTD 2016 revenue.

HIGHLIGHTS

Below are key takeaways from the presentation delivered by Allegheny Technologies' Chief Financial Officer Patrick DeCourcy at the Aircraft Supplier & Connectivity Conference on September 8, 2016.

- Allegheny Technologies is well on its way to becoming an aerospace company, with 51% of its year-to-date revenue in the aerospace vertical, which will increase above 60% over the next 3-5 years. Its aerospace exposure breaks down to about 55% jet engine, 30% airframe and 15% defense. Electrical Energy, Oil & Gas, Automotive, and Medical end markets each represent close to 10% of sales.
- Differentiated mill products targeted at new commercial aerospace platforms grew over 40% to over $80mm in 1H'16, with these nickel-based superalloys growing in excess of plan and the broader ramp in new platforms. ATI is in the early innings of the aerospace ramp and its recent growth has been helped by ~100 engines shifting from the Geared Turbofan to the LEAP engine. ATI contracts directly with GE and Snecma although much of its material is directed to forgers, including itself, PCP, and others.
- While material composition in new aircraft is changing, the hot section of engines continues to be dominated by nickel superalloys and superalloy powders, with composites playing a larger role on airframes. Additive manufacturing is an opportunity as much as a risk for ATI, as it is a supplier of powders (titanium, aluminum, chrome) to GE and other players. ATI believes GE's focus on additive manufacturing, as demonstrated by its recent acquisitions, is on static engine parts (i.e. not hot section) so as to lessen its reliance on castings.
- ATI noted that it is over-indexed to narrowbody commercial aerospace and therefore less affected by the potential undergrowth of widebody demand. Notably, it will have high content on the LEAP engine and scale with the build out of the A320neo and B737max. On widebodies, ATI does benefit from the higher titanium content in the B787 and A350, although the new narrowbodies will also have increased titanium content.
- While not disputing the price pressures in the aerospace supply chain, ATI suggested that its long-term agreement with Boeing was renegotiated in 2013 and extended to 2022. The outcome of those negotiations, at a high level, was one of increased value add (i.e. taking the product to near net shape) and on-time guarantees. ATI has been shipping more than contractual minimum volumes and has good relationships with its aerospace customers as one of three major titanium suppliers.
- ATI has increased its focus on cost takeout and free cash flow generation. The recent announcement to close the Rowley, Utah titanium sponge facility and buy from third parties under long-term agreements will save $50 million in annual costs while freeing up $50 million of working capital. Management noted several other potential opportunities for cost takeout, notably as it consolidates five businesses that today are run independently. The period of heavy capex ($3 billion over ten years) is coming to an end with planned annual capex outlays of less than $100mm for several years starting in 2017. Finally, the flat-rolled products segment will be focused on value not volume, which should restore adequate profitability to that segment.

Capitalization ($ in millions)

Balance Sheet as of	6/30/2016
Shares Outstanding	108.9
Market Price	**$16.32**
Market Value	1,777.2
Plus: Debt	1,876.8
Less: Cash & Equivalents	322.3
Net Debt	1,554.5
Total Capitalization	**$3,331.7**

Allegheny Technologies Inc.
Price Performance

Source: Bigcharts.com

Allegheny Technologies Inc.

($ Millions - Percent Change)

Year	**2014***	**2015***	**2016***	**2017P***
Revenue	$ 4,223.0	$ 3,720.0	$ 3,212.0	$ 3,531.0
% Growth		-11.9%	-13.7%	9.9%
EBITDA	$ 442.0	$ 248.0	$ 132.0	$ 441.0
% Margin	10.5%	6.7%	4.1%	12.5%
EPS	$ 0.12	$ (0.91)	$ (0.85)	$ 0.65
% Growth		NM	NM	NM
EBITDA Mulitple	7.5	13.4	25.2	7.6
P/E Multiple	NM	NM	(19.2)	25.1

** EBITDA and EPS adjusted for restructuring and other expenses*
Source: Public data and Thomson One estimates

Other Companies Mentioned:

Boeing	(BA – NYSE)	General Electric	(GE – NYSE)

I, ***Justin Bergner,*** the Research Analyst who prepared this report, hereby certify that the views expressed in this report accurately reflect the analyst's personal views about the subject companies and their securities. The Research Analyst has not been, is not and will not be receiving direct or indirect compensation for expressing the specific recommendation or view in this report.

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Important Disclosures

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Gabelli & Company

Constellium (CSTM - $7.10 - NYSE) Opportunities Across Multiple Markets - NR

Year	EPS[a]	P/E	PMV	
2018P	€1.08	5.9x	NA	Dividend: None Current Return: Nil
2017P	0.78	8.1	"	Shares O/S: 105.5 million
2016E	0.25	25.4	"	52-Week Range: $9.94- $3.38
2015A	(0.49)	---	"	

(a) Thomson One consensus estimates

COMPANY OVERVIEW

Constellium N.V is a Netherlands based company with operational headquarters in Paris, Zurich and New York. It is engaged in the design, manufacture and sale of specialty rolled and extruded aluminum products. The company was created when Rio Tinto sold off a majority of Alcan engineered products in 2011 to Apollo, Alcan Engineered Products itself the result of various mergers and acquisitions between numerous companies. In January 2015 Constellium acquired privately-owned rolled products producer Wise Metals for $1.2 billion. Wise provided a set of assets from which Constellium can expand into the North American automotive sheet market.

HIGHLIGHTS

Below are key takeaways from Constellium's presentation at the Aircraft Supplier & Connectivity Conference on September 8, 2016, delivered by Paul Blalock, head of US Investor Relations.

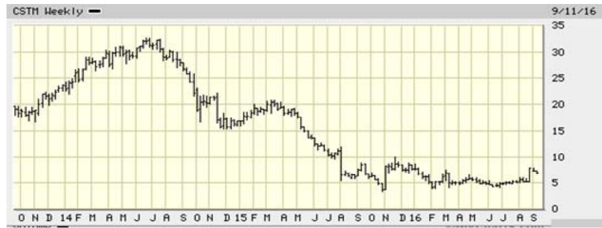
- Paul emphasized that Constellium is a downstream aluminum company serving humans' eating, drinking and driving needs with a leading set of assets and technologies, and, not materially affected by metal spreads. Aleris, which recently announced it would be acquired by Zhongwang for $2.3B (10.7x EBITDA), has a similar asset base, albeit with a unique aerospace extrusions plant in China and a limited presence in automotive extrusions.
- New CEO Jean-Marc Germain has expertise in aerospace product development from prior leadership roles at Novelis. He supports CSTM's strategy as articulated and wants to focus on capital allocation, notably faster payback on investments and the potential shedding of non-strategic assets. Communication and consistent execution are also areas of focus.
- Excluding future benefits from mix changes, Constellium sees Aerospace & Transportation and Auto Structures & Industry EBITDA holding steady at 500 euros per tonne and Packaging & Auto Rolled EBITDA holding steady at 200 euros per tonne.
- Constellium is the largest supplier of aerospace plate and the leader in lithium aluminum, which is 25% less dense than aluminum, of benefit in space, satellite, military, and some commercial applications. Paul suggested CSTM has as high a value add offering in aerospace as any downstream player. He voiced some concerns as to the potential for oversupply in aerospace.
- Paul sees demand for body in white (BiW) and automotive extrusions as sufficient to absorb all available supply growth for years to come in US and Europe, creating little risk from supply additions. He noted that six US hot mills are being converted to BiW production, with only two other possible conversions, including CSTM's Ravenswood plant. Nor has a hot mill been built in the US since 1980. CSTM is adding BiW capabilities to its Muscle Shoals plant that it acquired from Wise Metals.
- Constellium has restructured its joint venture (JV) with Japan's UACJ to meaningfully reduce the capital investment required to fund US body-in-white expansion. US BiW Capex is now projected at 340mm euros inclusive of contributions to the JV for the JV's three 100k finishing lines. European BiW capacity is set to scale from 80kt to 180kt, while CSTM's proportional US capacity will grow to just over 150kt from nothing today.
- While we did not have a chance to discuss the risks posed by Alcoa's micromill technology, Paul pointed out that projections only have aluminum growing from 10% of the car to 15% by 2025, creating opportunities for many winners and upside risk to demand growth projections. Automotive extrusions has been a surprising bright spot in CSTM's portfolio, with robust demand growth and a limited competitive set, supporting 10% margins in the Auto Structures & Industry segment.

Capitalization (€ in millions)

Balance Sheet as of		6/30/2016
Shares Outstanding		105.5
Market Price		**$7.10**
Euro/USD Exchange Rate		*1.12*
Market Value	€	668.8
Plus: Debt (Inc. Postretirement)		2,828.0
Less: Cash & Equivalents		622.0
Net Debt		2,206.0
Total Capitalization	**€**	**2,874.8**

Source: Public data

Constellium N.V.
Price Performance



Source: Bigcharts.com

Constellium N.V.

(€ Millions - Percent Change)

Year	2014	2015	2016E	2017P
Revenue	€ 3,666.0	€ 5,153.0	€ 4,740.0	€ 5,027.0
% Growth	4.8%	40.6%	-8.0%	6.1%
EBITDA	€ 275.0	€ 343.0	€ 385.0	€ 439.0
% Margin	7.5%	6.7%	8.1%	8.7%
EPS	€ 0.48	€ (0.49)	€ 0.25	€ 0.78
% Growth		NM	NM	NM
EBITDA Mulitple	10.5	8.4	7.5	6.5
P/E Multiple	13.2	NM	25.4	8.1

Source: Public data and consensus estimates

Note: Estimates are 2016/2017 ThomsonOne consensus estimates, with EBIDTA on an adjusted basis and 2015 EPS excludes impairment charge.

Other Companies Mentioned:

Alcoa	(AA – NYSE)	China Zhongwang Holdings	(1333 – Hong Kong)
Rio Tinto	(RIO – ")	UACJ Corporation	(5741– Tokyo)

I, ***Justin Bergner,*** the Research Analyst who prepared this report, hereby certify that the views expressed in this report accurately reflect the analyst's personal views about the subject companies and their securities. The Research Analyst has not been, is not and will not be receiving direct or indirect compensation for expressing the specific recommendation or view in this report.

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Analysts' ratings are largely (but not always) determined by our "private market value," or PMV methodology. Our basic goal is to understand in absolute terms what a rational, strategic buyer would pay for an asset in an open, arms-length transaction. At the same time, analysts also look for underlying catalysts that could encourage those private market values to surface.
A **Buy** rated stock is one that in our view is trading at a meaningful discount to our estimated PMV. We could expect a more modest private market value to increase at an accelerated pace, the discount of the public stock price to PMV to narrow through the emergence of a catalyst, or some combination of the two to occur.
A **Hold** is a stock that may be trading at or near our estimated private market value. We may not anticipate a large increase in the PMV, or see some other factors at work.
A **Sell** is a stock that may be trading at or above our estimated PMV. There may be little upside to the value, or limited opportunity to realize the value. Economic or sector risk could also be increasing.

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September 20, 2016

Gabelli & Company

Crane Co. (CR - $61.41 - NYSE) Big Pipeline of New Programs – Buy

Year	EPS	P/E	PMV	
2018P	$5.10	12.0x	$80	Dividend: $1.32 Current Return: 2.1%
2017P	4.60	13.4	76	Shares O/S: 58.4 million
2016E	4.15	14.8	68	52-Week Range: $65.88 - $41.68
2015A	3.89	15.8	---	

COMPANY OVERIEW

Crane Co. is a diversified manufacturer of highly engineered products. The Aerospace & Electronics segment manufactures aircraft brake control, anti-skid systems, sensors and fuel pumps for the commercial aerospace market. The Electronics group produces sophisticated electronic radio frequency components, electronic warfare and data links products for the defense industry.

Merchandising Systems consist of Crane Payment Innovations that make banknote and coin validators and recyclers for unattended transactions and Vending Solutions that make vending machines that carry food and beverages. Engineered Materials manufactures fiberglass reinforced plastic panels for the transportation, recreational vehicle and building products industries. The Fluid Handling segment makes highly engineered components including pumps, coupling, lined pipes and critical on/off process valves for demanding applications for the industrial, energy, water and wastewater, construction and markets.

HIGHLIGHTS

The following are key takeaways from the Gabelli & Company's 22nd Aircraft Supplier Conference in New York:

- Despite the deferrals of deliveries of some wide body aircraft, CR continues to believe that the length and strength of the aerospace cycle is strong, supported by the enormous backlogs at BA and Airbus. Further the company has secured content on all the next generation re-engine aircraft in production including the BA 787, A320neo, BA 737MAX, A330neo, E2 Jet, BA 777X and the COMAC C919. The combined lifetime value of these new programs is $5.4 billion, including both production deliveries through 2030 and the associated aftermarket that follows. Although the company does not provide the revenue content on each airplane, its long-term commercial original equipment growth of 3-4% incorporates the incremental content from the new programs versus what the company might have had on the legacy aircraft. The re-engine aircraft are progressing well and the company is pursuing an additional $1.4 billion of opportunities.

- The company expenses its self-funded engineering costs as it is incurred. CR's engineering investments are much higher than its peers because it sees focused engineering as a differentiating capability that enables them to compete with much larger aerospace companies in the industry. In 2015, the company's engineering spending in the Aerospace & Electronics segment was approximately $57 million (8.3% of sales), up from about $51 million in 2014 (7.3% of sales). In 2016, the company's engineering spend is expected to peak at roughly $58 million (8% of sales) and then should begin to trend down in 2017 as the development costs associated with the new hardware declines.

- Recently BA announced that it would not raise airplane prices in 2016 over 2015 in order to remain competitive with other airframe manufacturers. This suggests that BA could be asking for more price reductions from its suppliers under its partnering for success initiative. CR views this action as part of the overall trend of OE manufacturers to reduce costs in the supply chain. Like BA, CR is also looking to reduce costs in its own supply chain. CR believes that by working with its customers in the design stage of a new component or an upgrade, it can re-design parts to reduce complexity or simplify the component that will lower costs. Through this process, CR can secure more volume and longer contracts in exchange for lower prices.

- About 27% of Aerospace & Electronics revenues are in the aftermarket. The aftermarket is composed of three main groups, replacement parts including replenishment spares and initial provisioning, repair and overhaul, and modernization and upgrades. Replenishment spares and repair and overhaul generally track aircraft utilization. Initial provisioning and modernization and upgrades are more opportunistic. In the past several years, CR benefited from the upgrades of the C130 and BA 737 fleets. These past successes are expected to make 2016 YOY sales comparisons difficult, but so far year-to-date revenues in 2016 have increased about 7% over a year-ago.

Capitalization ($ in millions)

Balance Sheet as of	6/30/2016
Shares Outstanding	58.4
Market Price	**$61.41**
Market Value	3,586.3
Plus: Debt	845.9
Less: Cash & Equivalents	408.9
Net Debt	437.0
Total Capitalization	**$4,023.3**

Crane Co.
Price Performance

Source: Bigcharts.com As of September 20, 2013 CR had a BUY recommendation

Crane Co.

($ Millions - Percent Change)

Year	2014	2015	2016E	2017P
Revenue	$ 2,925.0	$ 2,740.5	$ 2,707.6	$ 2,813.5
% Growth		-6.3%	-1.2%	3.9%
EBITDA	$ 501.9	$ 439.9	$ 448.9	$ 482.4
% Margin	17.2%	16.1%	16.6%	17.1%
EPS	$ 4.45	$ 3.89	$ 4.15	$ 4.60
% Growth		-12.6%	6.7%	10.8%
EBITDA Mulitple	8.0	9.1	9.0	8.3
P/E Multiple	13.8	15.8	14.8	13.4

Source: Public data and Gabelli & Company estimates

Other Companies Mentioned:

Airbus (AIR.PA) Boeing (BA – NYSE)

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September 20, 2016

Gabelli & Company

Curtiss-Wright Corporation (CW - $86.48 - NYSE) **Growing Aerospace & Nuclear Sales - Buy**

Year	EPS	P/E	PMV			
2018P	$5.25	16.5x	$111	Dividend:	$0.52	Current Return: 0.6%
2017P	4.60	18.8	97	Shares O/S:	44.4 million	
2016E	4.05	21.4	87	52-Week Range:	$91.56 - $60.73	
2015A	4.04	21.4	--			

COMPANY OVERVIEW

The Curtiss-Wright Corporation is a leading manufacturer of flight control actuation devices, embedded computing systems, flow control products and shot peening services for aerospace and defense, oil and gas, nuclear and industrial markets. The company operates in three segments. The Commercial/Industrial segment provides highly engineered products supporting critical applications across aerospace, automotive and general industrial markets. The products include electronic throttle control devices and transmission shifters, actuation and control components and pressure relief management systems.

The Defense segment provides embedded computing board-level modules, integrated subsystems, turret aiming and stabilization products and weapons handling systems to defense markets. The Power segment manufactures main coolant pumps, power-dense compact motors, generators and secondary propulsion systems to the naval defense. The segment also provides reactor coolant pumps, seals, control rod drive mechanism, pressure vessels and fastening systems to the commercial nuclear power plants.

HIGHLIGHTS

The following are key takeaways from the Gabelli & Company's 22nd Aircraft Supplier Conference in New York:

- About 37% of CW sales are to defense markets. The company's two biggest programs are the Virginia Class submarines and the CVN 79 aircraft carrier (John F. Kennedy). On the Virginia Class submarine, the company provides pumps, valves, generators that are used in the nuclear propulsion system, the most critical function in the submarine. Each submarine generates $60 million of revenues to CW and the U.S. Navy is building two Virginia Class units a year. The next generation Ohio Class submarine is currently in development and is expected to be in production over the next few years. On the Ohio Class, the company has increased its content by 50%, to $90 million per shipset. CW also provides the same components to the CVN 79 aircraft carrier. Production on this vessel is nearing completion and the next generation carrier, CVN 80 (Enterprise), is expected to begin over the next two years. The content on the CVN 80 is approximately $250 million per ship, similar to the CVN 79.

- In January 2016, the company was awarded a second contract to supply sixteen reactor coolant pumps (RCP) for the AP-1000 nuclear power plants to two nuclear utilities in China. The value of the contract is over $450 million, with a potential value of approximately $500 million if certain incentives are met. The deliveries of these pumps are expected to begin in 2019, and to be completed five years later. CW uses the percentage-of-completion method of accounting for recognizing revenue and profits from this contract. Based on the first China contract, we estimate the company could report $65 million of revenues in 2016 then book $100 million of sales a year, for each of the next three years, and then $85 million of revenues in 2020.

- In 2007 CW was awarded its first contract to supply eighteen RCPs to China. These pumps were the first-of-a-kind and they had to be re-worked, modified and undergo extensive testing and qualification before they were accepted by China's regulatory agencies. The approval was received in late 2015 and the shipments of the eighteen RCPs are expected to be completed this year. In the current 2016 contract, CW will be manufacturing the same RCP as that in the 2007 contract. The design is the same and since all the technological changes have been addressed, the company does not anticipate any modifications or rework on these pumps.

- Currently China has thirty nuclear reactors in operations and another thirty reactors are expected to be built over the next five years based on the estimates in China's Five-Year Plan (2016-2020). Because the AP-1000 is the safest and most economical nuclear power plant available in the global commercial marketplace, it is favored over other designs. If all thirty new reactors use the AP-1000 design, CW's opportunity in China could be over $3 billion. In addition to China, India is also looking to expand its nuclear program. Recently the U.S. and India discussed a potential agreement for six AP-1000 reactors which would result in twenty-four RCPs. An agreement could be finalized as early next year which could translate to a $670 million contract for CW. The nuclear opportunity in India could be as large as that of China.

Capitalization ($ in millions)

Balance Sheet as of	6/30/2016
Shares Outstanding	44.4
Market Price	**$86.48**
Market Value	3,839.7
Plus: Debt	967.6
Less: Cash & Equivalents	383.2
Net Debt	584.4
Total Capitalization	**$4,424.1**

Curtiss-Wright Corporation
Price Performance

Source: Bigcharts.com As of September 20, 2013 CW had a BUY recommendation

Curtiss-Wright Corporation

($ Millions - Percent Change)

Year	2014	2015	2016E	2017P
Revenue	$ 2,243.1	$ 2,205.7	$ 2,150.0	$ 2,278.3
% Growth		-1.7%	-2.5%	6.0%
EBITDA	$ 403.9	$ 410.1	$ 410.5	$ 438.4
% Margin	18.0%	18.6%	19.1%	19.2%
EPS	$ 3.46	$ 4.04	$ 4.05	$ 4.60
% Growth		16.8%	0.2%	13.6%
EBITDA Mulitple	11.0	10.8	10.8	10.1
P/E Multiple	25.0	21.4	21.4	18.8

Source: Public data and Gabelli & Company estimates

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September 20, 2016

Gabelli & Company

Global Eagle Entertainment, Inc. (ENT - $8.25- NASDAQ) Entry Into Maritime - NR

Year	EPS[a]	P/E	PMV		
2018P	$0.75	11.0x	NA	Dividend: None	Current Return: Nil
2017P	0.42	19.6	"	Shares O/S: 85 million	
2016E	(0.40)	NM	"	52-Week Range: $13.98 - $6.06	
2015A	0.19	43.4	"		

(a) Source: Thomson One consensus estimates

COMPANY OVERVIEW

Global Eagle Entertainment Inc., following its recent transformative merger with Emerging Markets Communications (EMC), is a leading provider of satellite-based connectivity and media for global mobility markets across air, sea and land. On July 27, 2016, Global Eagle Entertainment, a worldwide provider of aircraft connectivity systems and in-flight entertainment solutions, completed its acquisition of EMC, a leading communications service provider to maritime and land mobility markets. Global Eagle expects full-year pro forma revenues for the combined company to exceed $660 million in 2016. The company's in-flight connectivity (IFC) solutions have been installed on nearly 750 aircraft. Its content segment selects, manages, and distributes wholly-owned and licensed media content to more than 150 airlines worldwide.

HIGHLIGHTS

Below are key takeaways from a fireside chat with Kevin Trosian, Global Eagle's Senior Vice President of Corporate Development and Investor Relations at the Aircraft Supplier & Connectivity Conference on September 8, 2016.

- ENT closed its purchase of EMC in late July. The transaction significantly expands Global Eagle's maritime exposure. A number of ENT's competitors have already been participating in the maritime market, and Global Eagle saw it as a natural progression for the connectivity business. In addition to expanding the company's addressable market, the deal is expected to drive significant network and operational efficiencies, with over $40 million in annual run-rate cost synergies (approximately 75% of which are expected to be derived from satellite bandwidth savings). Global Eagle is bullish on EMC's strong position in the mega-yacht (100+ ft) business (where owners and crews are increasingly seeking higher speeds). The company also expects to leverage its connectivity and content capabilities to take share in the cruise ship market.

- Global Eagle has primarily used Ku-band for its satellite connectivity solutions. ENT noted that Ku-band provides global connectivity, while Ka-band provides spot beams today. However, Global Eagle will start providing Ka-band connectivity through Hughes (Ka might be faster today, but lacks true global coverage). With many Ku operators launching high throughput satellites, ENT expects broadband speeds over Ka and Ku bands to be roughly comparable going forward.

- Southwest Airlines represented ~25% of Global Eagle's consolidated revenues prior to the EMC deal. Pro-forma for the transaction, it should represent ~16% of revenues. While Southwest has an outstanding RFP to study its connectivity options, ENT believes that its relationship with the airline is "very good" due to the high level of service that ENT provides and its focus on addressing customer needs.

- Content has been a high-single digit revenue growth business for Global Eagle and the industry at large. As seat-back entertainment has become commonplace amongst airlines, ENT has benefited. Also, as more people travel longer distances, airlines are demanding more content. Some airlines provide 700+ hours of content. Global Eagle is able to generate revenue even from airlines that do not use its services as ENT owns the licensing to many popular films and, thus, earns royalties when other services stream its content. Management believes that company also benefits from its Live TV service being an important differentiating offering in the marketplace.

- M&A: Going forward, Global Eagle expects industry consolidation to continue at a heavy pace. The company itself will continue to look for acquisitions that will continue to improve its capabilities and offerings. It sees no meaningful divestiture opportunities.

Capitalization ($ in millions)

Balance Sheet as of	6/30/2016	
Shares Outstanding	85.0	*(a)*
Market Price	**$8.25**	
Market Value	701.3	
Plus: Debt	486.5	*(a)*
Less: Cash & Equivalents	96.7	*(a)*
Net Debt	389.8	
Total Capitalization	**$1,091.1**	

Global Eagle Entertainment
Price Performance

Source: Bigcharts.com

Global Eagle Entertainment

($ Millions - Percent Change)

FYE Jun 30	2014	2015	2016E	2017P
Revenue	$ 387.7	$ 426.0	$ 557.0	$ 724.0
% Growth		9.9%	30.7%	30.0%
EBITDA	$ 30.7	$ 50.0	$ 83.2	$ 141.9
% Margin	7.9%	11.7%	14.9%	19.6%
EPS	$ (0.66)	$ 0.19	$ (0.40)	$ 0.42
% Growth		NM	NM	NM
EBITDA Mulitple	35.6	21.8	13.1	7.7
P/E Multiple	NM	43.4	NM	19.6

Source: Public data and consensus estimates

(a) Figures are pro forma for acquisition of EMC (closed on July 27, 2016) and settlement with UMG (dated August 9, 2016)

Other Companies Mentioned:

Southwest Airlines Co. (LUV – NYSE)

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September 20, 2016

Gabelli & Company

Gogo Inc. (GOGO - $11.95 - NASDAQ) IFC Leader Moving to Next-Gen Technology- NR

Year	EPS [(a)]	P/E	PMV		
2018P	$(0.98)	NM	NA	Dividend: None	Current Return: Nil
2017P	(1.47)	"	"	Shares O/S: 86.2 million	
2016E	(1.55)	"	"	52-Week Range: $19.61 - $7.80	
2015A	(1.35)	"	"		

(a) Thomson One estimates

COMPANY OVERVIEW

Gogo Inc., headquartered in Chicago, IL, is a leading provider of in-flight connectivity (IFC) and wireless entertainment services for commercial and business fleets around the world. Today, Gogo has partnerships with seventeen commercial airlines and has installed IFC technology on more than 2,800 commercial aircraft. More than 7,000 business aircraft are also flying with its solutions, including the world's largest fractional ownership fleets.

HIGHLIGHTS

Below are key takeaways from a fireside chat with Norm Smagley, Executive Vice President and Chief Financial Officer of Gogo at the Aircraft Supplier & Connectivity Conference on September 8, 2016.

- *Management vision:* GOGO expects value of in-flight connectivity to continue to increase. Over the next 3-5 years, the firm will transition from being primarily a North America-oriented business to a global company. It is also moving from 10 mbps to 100 mbps+ speeds, as GOGO transitions to next generation technology (2Ku). Management sees an attractive growth opportunity in front of the company (with ~10K commercial aircraft (primarily international) still "not spoken for" (with biggest concentration of potential airline customers in Asia-Pacific and the Middle East, although there are still some opportunities in Europe and South America).

- *Technology:* While the company has no particular bias towards Ka or Ku, it has chosen Ku ecosystem for satellite connectivity, as it believes that it is the only ecosystem that provides both global coverage and redundancy critical to serving airlines. With is next generation (2Ku) technology and a new modem, Gogo expects to see speeds in excess of 100 Mbps. It is comfortable that the Ku ecosystem will provide everything the company needs for considerable period of time. If additional Ka satellites become available and if they provide meaningfully improved and/or "unique" capabilities, Gogo may consider incorporating Ka-band connectivity in its toolkit. As far as ATG is concerned, the company believes that this platform still has significant long-term value in supporting business aviation unit and regional jets within commercial. The addressable market for ATG is ~20K aircraft. Gogo continues to work on next generation solution for ATG, and will announce more on that front later this year.

- *M&A:* Management believes that in-flight connectivity is an industry where scale is important (companies need to have enough aircraft to justify the investment and infrastructure to support multiple airline customers on a global basis). GOGO doesn't see viable paths to get to necessary scale for many of its competitors, which would likely lead to consolidation (driven by parties from inside and/or outside the industry). With that said, Gogo believes that, currently, the best use of its capital is organic growth.

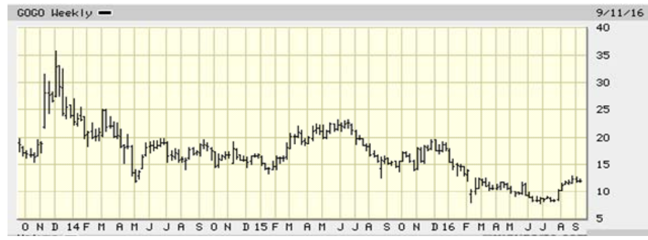
- *Supplemental Type Certificates (STCs):* The company currently has fifteen STC programs open, and expects STC pipeline to be at a similar level next year. By 2018, it expects to have enough STCs to cover ~80% of global aircraft. It believes it should become a meaningful advantage for GOGO for a period of time, as it typically takes about one year to obtain an STC from the FAA and various other countries' aviation regulatory bodies.

- *Connected aircraft:* Gogo's largest customer, Delta Air Lines, recently introduced an app for its pilots that relies on real-time data transmission to help avoid turbulence in flight. Gogo also provides connectivity to ~50K crew members through their tablets, supporting in-cabin credit card purchases. On business side, Gogo is supporting real-time cockpit applications for operators. Overall, these connectivity solutions focus on providing better flight experience for passengers, improving airline safety, reducing operational maintenance expenses for airlines and benefiting them in multiple ways. While non-passenger connectivity is still in its early stage and revenue is relatively small, the company believes that, in the long-run, it could represent a significant growth opportunity (potentially, larger than passenger connectivity opportunity).

Capitalization ($ in millions)

Balance Sheet as of	6/30/2016
Shares Outstanding	86.2
Market Price	**$11.95**
Market Value	1,030.1
Plus: Debt	793.7
Less: Cash & Equivalents	516.1
Net Debt	277.6
Total Capitalization	**$1,307.7**

Gogo Inc.
Price Performance



Source: Bigcharts.com

Gogo Inc.

($ Millions - Percent Change)

Year	2014	2015	2016E	2017P
Revenue	$ 408.5	$ 500.9	$ 590.2	$ 682.0
% Growth		22.6%	17.8%	15.6%
EBITDA	$ 10.8	$ 36.8	$ 58.6	$ 85.0
% Margin	2.7%	7.3%	9.9%	12.5%
EPS	$ (0.99)	$ (1.35)	$ (1.55)	$ (1.47)
% Growth		36.0%	14.8%	-5.2%
EBITDA Mulitple	120.8	35.6	22.3	15.4
P/E Multiple	NM	NM	NM	NM

Source: Public data and Thomson One estimates

Other Companies Mentioned:

Delta Air Lines, Inc. (DAL – NYSE)

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HEICO Corporation (HEI - $68.56 – NYSE) Targeting Bigger Acquisitions – Hold

FYE 10/31	EPS	P/E	PMV
2017P	$2.55	26.9x	$65
2016P	2.25	30.5	56
2015E	1.97	34.8	49
2014A	1.80	38.1	46

Dividend: $0.16 Current Return: 0.2%
Shares O/S: 67.1 million
52-Week Range: $75.01 - $47.24

COMPANY OVERIEW

HEICO Corporation is the world's largest manufacturer of FAA approved jet engine and aircraft component replacement parts, other than the original equipment manufacturers and their subcontractors. The company is also a leading producer of various types of electronic equipment for the aviation, defense, space, medical, telecommunications and electronic industries. HEI operates in two segments.

The Flight Support Group, HEI uses proprietary technology to design and manufacture jet engine and aircraft component replacement parts for sale at lower prices than those manufactured by OEMs. These parts are approved by the FAA and are the functional equivalent of parts sold by OEMs. This segment also repairs and distributes jet engine and aircraft components, avionics and instruments for aerospace and defense markets and for commercial applications.

The Electronic Technologies Group's strategy centers on producing equipment that helps the U.S. military and allied foreign military agencies conduct standoff operations from greater distances. The group's activities are focused on products that are placed in airborne, vehicle-based or handheld targeting systems as well as in providing equipment used to develop, test and calibrate such systems. Electronic Technologies manufactures various types of electronics, microwave and electro-optical products including infrared simulation and test equipment, laser rangefinder receivers, electrical power and back-up power supplies, radio frequency interference shielding, amplifiers and high voltage energy generators.

HIGHLIGHTS

The following are key takeaways from the Gabelli & Company's 22nd Aircraft Supplier Conference in New York:

- In January 2016, the company completed the largest acquisition in HEICO's history, Robertson Fuel Systems, a leading provider of mission-extending, crashworthy and ballistically self-sealing auxiliary fuel systems for military rotocraft. Robertson's products include approximately 65 different fuel systems, serving over 50 different platforms across military and civil aircraft and ground vehicles including the Apache helicopter, Chinook, Black Hawk, V-22 aircraft, Joint Light Tactical Vehicle and Bradley tank. HEI paid $255 million for the company which falls in the upper end of the EBITA (excludes depreciation) multiple range (5-8 times) that the company targets for its acquisitions.

- HEI has made over 60 acquisitions in the past and have never had one that failed. The company is extremely careful in closing deals, performing its own due diligence which is time consuming but necessary. While HEI looks at deals of different sizes, the success of Robertson gives management more confidence in doing acquisitions at the upper end of its size range of $10-100 million in revenues. The company's other acquisition strategy includes buying businesses that are complementary to HEI's businesses, are market and customer focused, have a strong management team and healthy operating margins of 20%. HEI generally pays 5-8 times EBITA for the business and prefers deals structured with contingent consideration or retained interest to drive post-acquisition performance.

- The company has no significant debt maturities until fiscal 2019 and plans to utilize its financial flexibility to aggressively pursue high quality acquisitions that can accelerate growth and maximize shareholder returns. Acquisitions should augment the company's internal target of 20% bottom line growth over the next 3-5 years, although its stated guidance is generally lower. HEI is a low leverage company. As of July 2016, the company had approximately $480 million of net debt and we estimate $320 million of EBITDA in 2016. HEI's debt-to-EBITDA ratio is under two times. We believe the company could leverage up to 4 times EBITDA, and with $220 million of estimate cash flow this year, HEI has roughly $1 billion of capital for acquisitions. If the company had an opportunity to make a terrific acquisition, it would leverage up to close the deal. What's important to the company is not the absolute leverage ratio, but how quickly the ratio can be reduced to 2 times EBITDA. The key would depend on the acquisition that would create the cash flow and growth for HEI.

Capitalization ($ in millions)

Balance Sheet as of:	7/30/2016
Class A Stock (1/10 vote)	40.11
Common Stock (1 vote)	26.96
Shares Outstanding	67.07
Market Price	**$68.56**
Market Value	4,598.3
Plus: Debt	509.91
Plus: Minority Interest	87.9
Less: Cash	27.2
Net Debt	570.6
Total Capitalization	**$5,168.9**

HEICO Corporation
Price Performance

Source: Bigcharts.com As of September 20, 2013 HEI had a HOLD recommendation

HEICO Corporation

($ Millions - Percent Change)

FYE Oct. 31	2014	2015	2016E	2017P
Revenue	$ 1,135.0	$ 1,188.6	$ 1,387.2	$ 1,502.0
% Growth		4.7%	16.7%	8.3%
EBITDA	$ 251.1	$ 277.7	$ 321.1	$ 360.8
% Margin	22.1%	23.4%	23.1%	24.0%
EPS	$ 1.80	$ 1.97	$ 2.25	$ 2.55
% Growth		9.4%	14.2%	13.3%
EBITDA Mulitple	20.6	18.6	16.1	14.3
P/E Multiple	38.1	34.8	30.5	26.9

Source: Public data and Gabelli & Company estimates

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Ratings

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Honeywell International Inc. (HON - $114.54 - NYSE)

Year	EPS	P/E	PMV			
2018P	$8.05	15.0x	$157	Dividend:	$2.38	Current Return: 2.1%
2017P	7.25	16.5	141	Shares O/S:	760.9 million	
2016E	6.70	17.3	130	52-Week Range:	$120.02 - $91.57	
2015A	6.10	18.8	---			

COMPANY OVERIEW

Honeywell International Inc. operates as a diversified technology company with products including turbine propulsion engines, auxiliary power units, turbochargers, brake pads, environmental and combustion controls, sensors, security and life safety products, resins and chemicals, nuclear services and process technology for the petrochemical and refining industries

HIGHLIGHTS

The following are key takeaways from the company's presentation at Gabelli & Company's 22nd Annual Aircraft Supplier & Connectivity Conference in New York:

- Honeywell focused on its connectivity offerings, highlighting its new GX Aviation platform. The company plans to drive growth in Aerospace through society's increasing reliance on Wi-Fi, and the current lack of inflight Wi-Fi. Honeywell expects to capitalize on this opportunity as the exclusive equipment provider for Inmarsat's global Ka-band network. This exclusive agreement allows Honeywell to collect revenues as more and more airlines want access to Inmarsat's network.

- Besides offering high-speed internet, access to Inmarsat's high-speed network will allow Honeywell to connect different parts of the airplane to help improve efficiency. For example, auxiliary power units, wheels, brakes, air turbine starters, and the engine itself all provide digital exhaust. Honeywell is developing software that will allow the plane to connect everything through a Flight Management System (FMS) in order to fly the plane more efficiently. An engine will know when it will need to start to descend and will be able to predictively slow down or speed up when needed.

- Honeywell's services offering, GoDirect, provides several money-saving services for airlines. The new family of services will launch later this year and includes Weather Information, which includes a 3-D weather radar for 737MAX. This will help airlines and pilots avoid rough weather and turbulence, which can cost airlines over $100 million per year. GoDirect also includes Taxi Wizard and Flight Preview, which will allow for more efficient use of the plane on the ground.

- The company also expects to continue generating revenue reselling airtime. Currently, Honeywell is the leading airtime reseller in the business aviation market; it also resells to airlines. HON will buy airtime from Inmarsat and then sell it to those in need; the service includes very little value-add from the company, but it does complete the connectivity offering of the company.

- Going forward, Honeywell plans to increase its investment in retrofit, modifications and upgrades by 20% by 2017. The company sees this as a way to drive growth that is uncorrelated to aircraft utilization. Over the past several years HON has emphasized its move towards technology and software as a service; we think this increased investment is just further focus on technological advancement driving revenue.

- HON expects to grow aerospace revenues faster than the market by focusing on areas of the plane that are tied to discretionary spend by owners, operators and airlines, not just areas such as spares and repairs that are tied to market growth. In order to decouple growth from the market, Honeywell has focused on developing technologies that are desired by the customer. Apart from aircraft connectivity, Honeywell is focusing on upgrades to avionics, APUs and engines that will make an aircraft more efficient. It will also drive revenues faster than the market, and HON expects avionics to grow at a ~6% CAGR through 2020 vs the industry's ~4%; mechanical is expected to grow at a ~4-5% CAGR vs. the industry's 2-3% over the same time frame.

Capitalization ($ in millions)

Balance Sheet as of	6/30/2016
Shares Outstanding	760.9
Market Price	**$114.54**
Market Value	87,153.5
Plus: Debt	14,013.0
Less: Cash & Equivalents	5,045.0
Net Debt	8,968.0
Total Capitalization	**$96,121.5**

Honeywell International, Inc.
Price Performance

Source: Bigcharts.com As of September 20, 2013 HON had a BUY recommendation

Honeywell International, Inc.

($ Millions - Percent Change)

Year	**2014**	**2015**	**2016E**	**2017P**
Revenue	$40,306.0	$38,581.0	$40,300.0	$42,878.0
% Growth		-4.3%	4.5%	6.4%
EBITDA	$ 7,620.0	$ 8,139.0	$ 8,634.0	$ 9,454.0
% Margin	18.9%	21.1%	21.4%	22.0%
EPS	$ 5.56	$ 6.10	$ 6.70	$ 7.25
% Growth		9.7%	9.8%	8.2%
EBITDA Mulitple	12.6	11.8	11.1	10.2
P/E Multiple	20.6	18.8	17.1	15.8

Source: Public data and Gabelli & Company estimates

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September 20, 2016

Gabelli & Company

Iridium Communications (IRDM - $7.54 - NASDAQ) Waiting For SpaceX - NR

Year	EPS	P/E	PMV		
2018P	$0.26[(a)]	29.0x	NA	Dividend: None	Current Return: Nil
2017P	0.56	13.5	"	Shares O/S: 95.6 million	
2016E	0.86	8.8	"	52-Week Range: $9.37 - $5.85	
2015A	(0.09)	NM	"		

(a) Thomson One consensus estimates

COMPANY OVERVIEW

Iridium Communications, Inc. is the second-largest provider by revenue of mobile voice and data communications services via satellite. Through Iridium's mesh of 66 satellites operating in Low-Earth Orbit (LEO), Iridium is able to offer customers uninterrupted voice, data, and machine-to-machine (M2M) connectivity on L-band spectrum across the entire globe, including places inadequately served by other telecommunications networks. As of June 30, 2016, IRDM had ~823,000 subscribers, of which ~80,000 are from the U.S. Department of Defense.

HIGHLIGHTS

Below are key takeaways from CFO Thomas Fitzpatrick's fireside chat presentation at the Aircraft Supplier & Connectivity Conference on September 8, 2016.

- Iridium's current 66 satellite constellation was developed by Motorola in the 1990s. The satellites operate in Low-Earth Orbit (LEO) and form a mesh network around the globe, unlike satellites in geostationary orbit (GEO) which orbit at the equator. This unique mesh enables the constellation to be self-healing, as at least one satellite will always have an appropriate look angle.

- To ensure connectivity remains seamless, Iridium is launching Iridium NEXT, a new generation of satellites, to replace the current aging constellation. The company will invest $3 billion in capital expenditures over the life of the project, as the company works to build 81 brand new satellites, with plans to launch 72 by the end of 2017. This new constellation expands IRDM's market opportunity, as the company launches into hosted payloads, Push-to-Talk abilities and Aireon, a joint-venture that seeks to track airplanes. First launch was scheduled for September 19, 2016 but is likely to be delayed due to the Falcon 9's recent launch failure.

- The company has selected SpaceX's Falcon 9 rocket to launch the NEXT constellation. With Falcon 9's September 1 launch failure at Cape Canaveral, it is likely the September 19 launch will be delayed as SpaceX searches for the cause of the explosion. However, Iridium is launching from Vandenberg Air Force Base, so the launch pad damage at Cape Canaveral will not cause delays. Iridium remains confident in SpaceX's ability.

- Iridium generates recurring service revenue selling access and airtime. IRDM also sells the equipment needed to use the constellation, and earns about 40% margin on the equipment, such as Iridium phones, as it chooses not to discount the products. Increasing demand for machine-to-machine services, such as asset tracking and telemetry, is driving growth. Improved broadband speeds (from 128 kbps to 1.4mbps) following the launch of NEXT, will also drive growth for the company. IRDM currently quantifies the benefit from higher speeds as a about $100mm opportunity for the company.

- The Department of Defense is Iridium's largest customer, with approximately 10% of subscribers generating about 20% of the company's total revenue. Currently the government operates on an "all-you-can eat" contract, paying Iridium $88 million/year for as much voice and data services it sees fit. Equipment is not included in this contract, and equipment as well as support services typically generate about $20mm/year. The contract expires in 2018 but is expected to be renewed.

- Iridium NEXT will also carry Hosted Payloads from Harris and joint-venture Aireon, in order to bring down the net cost of deploying the new constellation. Aireon is a JV with leading Air Navigation Service Providers (ANSPs) and Iridium that will extend Automatic Dependent Surveillance-Broadcast (ADS-B) across the globe, allowing planes to be tracked at all times, unlike the current radar system which has blind spots. Tracking airplanes in real-time will allow planes to fly more efficient routes closer together, generating fuel savings. Fuel savings just in the North Atlantic is estimated to be ~$8 billion over the life of the NEXT constellation. However, the FAA has not yet signed a contract, and global adoption is key for this opportunity to take-off.

Capitalization ($ in millions)

Balance Sheet as of	6/30/2016	
Shares Outstanding	95.6	
Series B Convertible Preferred	16.7	*(a)*
Options	3.4	
Fully Diluted Shares	115.7	
Market Price	**$7.54**	
Market Value	872.8	
Plus: Debt	1,519.2	
Plus: Series A Convertible Preferred	100.0	*(b)*
Less: Cash & Equivalents	545.3	
Net Debt and Preferred	1,073.9	
Less: Aireon Joint Venture	207.6	*(c)*
Total Capitalization	**$1,739.1**	

Iridium Communications
Price Performance

Source: Bigcharts.com

Iridium Communications

($ Millions - Percent Change)

Year	2014	2015	2016E	2017P
Revenue	$ 408.6	$ 411.4	$ 433.0	$ 454.0
% Growth		0.7%	5.2%	4.9%
EBITDA	$ 216.5	$ 234.0	$ 244.0	$ 263.0
% Margin	53.0%	56.9%	56.4%	57.9%
EPS	$ 0.69	$ (0.09)	$ 0.86	$ 0.56
% Growth		NM	NM	-34.9%
EBITDA Mulitple	8.0	7.4	7.1	6.6
P/E Multiple	10.9	NM	8.8	13.5

Source: Public data and consensus estimates

(a) Series B Convertible Preferred, 6.75% convertible @ $7.47, 16.7 million dilution

(b) Series A Convertible Preferred, 7.00% convertible @ $9.43, 10.6 million dilution

(c) Includes a 25% retained ownership interest in Aireon as well as a $120mm redemption commitment

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Kaman Corporation (KAMN - $43.95 - NYSE) — Business as Usual – Buy

Year	EPS	P/E	PMV
2018P	$2.95	14.9x	$60
2017P	2.80	15.7	57
2016E	2.55	17.2	51
2015A	2.42	18.2	---

Dividend: $0.72 Current Return: 1.6%
Shares O/S: 27.2 million
52-Week Range: $45.62 - $35.09

COMPANY OVERIEW

Kaman Corporation is a diversified company serving the Aerospace and Industrial Distribution markets. The Aerospace segment consists of three groups: The Specialty Bearings business manufactures self-lubricating ball and roller bearings for aircraft flight controls, turbine engines, landing gears and hydropower installations. Precision Products manufactures safe, arm, and fuzing devices for missile and bomb programs including the joint programmable fuze and the joint direct attack munition programs. Aerostructures offer services including build-to-print manufacturing, structural assembly and full production integration. In Industrial Distribution, KAMN is the third-largest distributor of bearings and power transmission, fluid power and automation, control and energy products in North America.

HIGHLIGHTS

The following are key takeaways from the company's presentation at Gabelli & Company's 22nd Annual Aircraft Supplier & Connectivity Conference in New York:

- Kaman currently operates two different businesses (Aerospace and Distribution) that have two separate growth trajectories and different capital requirements. The company continues to believe this is the optimal business strategy as while the different segments have little operational synergies, they do give the company greater access to capital based on the diversity and thus stability of the overall business. While the margin differential between the two segments is significant (we estimate 17.6% for 2016 in Aero and 4.5% in Distribution), management states that the ROIC for both businesses is remarkably similar. We believe a potential split up of the company could surface shareholder value and continue to watch deal activity in the space for indicators of a sale/spin-off of one of Kaman's business segments.
- The company has been incredibly acquisitive, with about $530 million directed towards acquisitions in both aerospace and distribution since 2010. Kaman's most recent acquisitions fall both in aerospace. Integrating both GRW, a manufacturer of mini precision ball bearings, and Extex, a PMA business previously owned by Timken, continues to go well. Extex's capabilities integrated with Kaman's have proven fruitful as the combination allowed KAMN to win a new position with a new flexible drive coupling.
- Kaman continues to expand its manufacturing capabilities, and will celebrate the opening of its new bearings facility in Bloomfield, CT this week. The expansion will allow the company to keep up with increased demand in a more efficient, state-of-the-art facility which will hopefully lead to improved margin performance in the already high-margin bearings business.
- Fuzing, one of the highest margin units within the Aerospace segment, continues to drive growth. Backlog stands at $230 million, and the company expects to deliver 30,000-34,000 fuzes in 2016, +30% YoY, to help the U.S. Air Force keep up with demand. Foreign fuzing demand also remains strong, which is a benefit for the company as foreign military sales are higher margin.
- Further growth opportunities exist within Kaman's SH-2G program. The company recently secured the next phase of the SH-2G Peru program a contract worth $50 million and also entered into a contract with Egypt to help maintain its fleet of ten SH-2Gs. Egypt also recently acquired 7 SH-2 aircraft from the United States. With the redeployment of these aircraft Kaman has a significant opportunity for both upgrades and maintenance, which we expect to benefit the company for several years.
- Distribution markets remain hampered by the prolonged downturn in oil prices. Kaman continues to skillfully operate the segment, using the downturn as an opportunity to restructure and improve margins. The company also benefits from its three product platform strategy, with Bearings & Power Transmission and Automation, Control & Energy helping to offset the depressed Fluid Handling platform.

Capitalization ($ in millions)

Balance Sheet as of	6/30/2016
Shares Outstanding	27.1
Shares from Convertible Note	0.1
Diluted Shares	27.2
Market Price	**$43.95**
Market Value	1,195.4
Plus: Debt	333.7
"3.25% 2017 @ 33.68 (c)	115.0
Total Debt	448.7
Less: Cash & Equivalents	20.2
Net Debt	428.5
Total Capitalization	**$1,623.9**

Kaman Corporation
Price Performance

Source: Bigcharts.com As of June 8, 2015 KAMN had a BUY recommendation

Kaman Corporation

($ Millions - Percent Change)

Year	**2014**	**2015**	**2016E**	**2017P**
Revenue	$ 1,813.3	$ 1,774.9	$ 1,860.0	$ 1,895.0
% Growth		-2.1%	4.8%	1.9%
EBITDA	$ 147.4	$ 152.0	$ 175.0	$ 185.0
% Margin	8.1%	8.6%	9.4%	9.8%
EPS	$ 2.37	$ 2.42	$ 2.55	$ 2.80
% Growth		2.1%	5.4%	9.8%
EBITDA Mulitple	11.0	10.7	9.3	8.8
P/E Multiple	18.5	18.2	17.2	15.7

Source: Public data and Gabelli & Company estimates

Other Companies Mentioned:

Timken (TKR – NYSE)

I**, Shannon Burke,** the Research Analyst who prepared this report, hereby certify that the views expressed in this report accurately reflect the analyst's personal views about the subject companies and their securities. The Research Analyst has not been, is not and will not be receiving direct or indirect compensation for expressing the specific recommendation or view in this report.

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Ratings

Analysts' ratings are largely (but not always) determined by our "private market value," or PMV methodology. Our basic goal is to understand in absolute terms what a rational, strategic buyer would pay for an asset in an open, arms-length transaction. At the same time, analysts also look for underlying catalysts that could encourage those private market values to surface.

A **Buy** rated stock is one that in our view is trading at a meaningful discount to our estimated PMV. We could expect a more modest private market value to increase at an accelerated pace, the discount of the public stock price to PMV to narrow through the emergence of a catalyst, or some combination of the two to occur.

A **Hold** is a stock that may be trading at or near our estimated private market value. We may not anticipate a large increase in the PMV, or see some other factors at work.

A **Sell** is a stock that may be trading at or above our estimated PMV. There may be little upside to the value, or limited opportunity to realize the value. Economic or sector risk could also be increasing.

We prepared this report as a matter of general information. We do not intend for this report to be a complete description of any security or company and it is not an offer or solicitation to buy or sell any security. All facts and statistics are from sources we believe to be reliable, but we do not guarantee their accuracy. We do not undertake to advise you of changes in our opinion or information. Unless otherwise noted, all stock prices reflect the closing price on the business day immediately prior to the date of this report. We do not use "price targets" predicting future stock performance. We do refer to "private market value" or PMV, which is the price that we believe an informed buyer would pay to acquire 100% of a company. There is no assurance that there are any willing buyers of a company at this price and we do not intend to suggest that any acquisition is likely. Additional information is available on request.

As of August 31, 2065 our affiliates beneficially own on behalf of their investment advisory clients 19.17% of Kaman Corporation and less than 1% of Timken. Because the portfolio managers at our affiliates make individual investment decisions with respect to the client accounts they manage, these accounts may have transactions inconsistent with the recommendations in this report. These portfolio managers may know the substance of our research reports prior to their publication as a result of joint participation in research meetings or otherwise. No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report. In addition, the undersigned lead analyst(s) has not and will not receive any compensation for providing a specific recommendation or view in this report. The analyst, who wrote this report, or members of her household, owns no shares of Kaman Corporation.

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September 20, 2016

Gabelli & Company

Mercury Systems Inc. (MRCY - $23.00 – NASDAQ Benefitting From Outsourcing - NR

Year	EPS	P/E	PMV		
2018P	$0.92[(a)]	14.6x	NA	Dividend: None	Current Return: Nil
2017P	0.67	15.4	"	Shares O/S: 40.4 million	
2016E	0.48	16.9	"	52-Week Range: $26.37 - $15.14	
2015A	0.38	17.8	"		

(a) Thomson One consensus estimates

COMPANY OVERVIEW

Mercury Systems Inc. is a commercial provider of U.S. manufactured secure processing subsystems for the defense industry. The company's capabilities include open architecture embedded processing modules and subsystems, radio frequency and microwave multi-function assemblies as well as subsystems and RF and microwave components. These assemblies and components are sold commercially to defense customers who then integrate them into key programs such as Aegis, Patriot, Surface Electronic Warfare Improvement Program (SEWIP), Predator, F-35, and more.

HIGHLIGHTS

Below are key takeaways from CEO Mark Aslett and CFO Gerry Haines' presentation at the Aircraft Supplier & Connectivity Conference on September 8, 2016.

- Mercury Systems aims to continue to deliver double-digit revenue growth as it capitalizes on the outsourcing of major defense primes. The company's ability to fully integrate and customize subsystems and processing offers a unique value proposition for customers, as prime contractors used to spend a great deal of time and money integrating components on their own. As the government increasingly prefers fixed-price contracts vs. cost-plus, Mercury is able to provide a better, tailored solution at a more attractive price.

- As a pure-play defense electronics company, Mercury Systems sells into a market with incredibly high barriers to entry. The electronics themselves require high-level engineering talent, and the subsystems and components must be made entirely in the United States. This prevents large electronics companies like Lenovo or Microsoft from entering the market, as they manufacture offshore.

- In order to expand its addressable market, Mercury recently acquired assets of Microsemi Corporation for $300 million, or 10.4x 2015 EBITDA net of tax benefits. The acquisition, which generated $100 million in revenue and $28 million in EBITDA in 2015, added embedded secure processing, custom microelectronic capabilities and several facilities to manufacture the delicate subsystems. This opens the guided missiles and munitions market, which is continuously growing due to increasing geopolitical conflict.

- Microsemi assets have improved the companies' margin profile, with the target model moving from 18-22% EBITDA margin to 22-26% EBITDA margin post-acquisition. With the Microsemi assets operating at ~28% EBITDA margins in 2015, it is likely Mercury will be able to move margins even higher as the company gains scale.

- The company stands to benefit both from new platforms and the modernization of older platforms. Mercury currently expects to generate ~$260 in revenues from Lockheed's Joint Strike Fighter, as it provides processing and radio frequency/microwave (RFM) technologies as the plane is manufactured. MRCY will also generate significant revenue from technology upgrades on the JSF in the future, as it currently is generating revenue from technology upgrades to platforms like the F-16 and Predator/Reaper.

- Mercury continues to spend low-double digit percent of revenue on internally funded research and development. This allows MRCY to go to market with the most cutting edge technology. As the technologies it develops are considered proprietary intellectual property, Mercury is also able to mix and match its components across platforms, in order to create tailored solutions for customers

Capitalization ($ in millions)

Balance Sheet as of	6/30/2016
Shares Outstanding	40.4
Market Price	**$23.00**
Market Value	928.3
Plus: Debt	192.3
Less: Cash & Equivalents	81.7
Net Debt	110.6
Total Capitalization	**$1,038.9**

Mercury Systems Inc.
Price Performance

Source: Bigcharts.com

Mercury Systems Inc.

($ Millions - Percent Change)

FYE Jun 30	2014	2015	2016A	2017E
Revenue	$ 208.7	$ 234.8	$ 270.2	$ 373.5
% Growth		12.5%	15.0%	38.2%
EBITDA	$ 23.5	$ 44.4	$ 57.3	$ 85.5
% Margin	11.3%	18.9%	21.2%	22.9%
EPS	$ (0.17)	$ 0.38	$ 0.48	$ 0.67
% Growth		NM	26.3%	39.6%
EBITDA Mulitple	44.2	23.4	18.1	12.1
P/E Multiple	NM	60.5	47.9	34.3

Source: Public data and Thomson One estimates

Other Companies Mentioned:

Lenovo Group (LVNGF – OTC)   Microsoft (MSFT – NASDAQ)

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September 20, 2016

Moog Inc. (MOG'A - $54.28 - NYSE) **New Programs Drive Long Term Growth – Buy**

FYE 9/30	EPS	P/E	PMV
2018P	$4.55	11.9x	$86
2017P	3.80	14.3	75
2016E	3.35	16.2	65
2015A	3.35	16.2	---

Dividend: None Current Return: Nil
Basic shares O/S: 32.5 million Class A
3.3 " " B
52-Week Range: $67.92 - $38.11

COMPANY OVERVIEW

Moog Inc. is a worldwide manufacturer of precision control components and systems. The Aircraft Controls segment manufactures and integrates primary and secondary flight controls for military and commercial aircraft as well as providing aftermarket support. Space Controls products include satellites, launch and space vehicles, defense controls, strategic and tactical missiles.

Industrial Controls products range from injection and blow molding machines to electromechanical motion simulation bases to electrical and hydraulic servo valves. Components' primary products are slip rings, fiber optic rotary joints and motors. Moog's expertise in Medical Devices lies in applying advanced technologies to the precision control of motion and fluids. Its products include infusion therapy and enteral feeding pumps.

HIGHLIGHTS

The following are key takeaways from the Gabelli & Company's 22nd Aircraft Supplier Conference in New York:

- The company has significant presence on major platforms that are currently in production or in development. MOGA manufactures the primary flight controls and the high-lift actuation systems for the BA 787 and the Joint Strike Fighter, the primary flight control and trailing edge flap controls for the A350, and the primary flight control and active vibration suppression control for the V-22. The company also makes the primary flight control for the E2 Jet which is expected to enter service in 2018 and is on the COMAC C919. Over the last few years, the company invested heavily on these major new platforms in order to generate growth over the next decade.
- In part, due to the investments on the new aircraft, company-wide research & development expense is expected to increase to approximately $145 million in fiscal 2016 (ending September 30), compared to $132 million in 2015, and R&D spending in the Aircraft Controls segment is expected to be roughly the same in the mid-$90 million range. While R&D expenses on the BA 787 is behind the company and the A350 is winding down, MOGA is just beginning to spend on the E2 Jet and the COMAC C919. As a result of this pick-up, Aircraft Controls R&D expense is expected to remain high in 2017 and will then decline in 2018.
- Aircraft Controls operating margin was 10.4% in 2014 and 9.2% in 2015. In 2016, the company expects the margin to be about 8.5% due, in part, to the elevated R&D expense. MOGA's progress on the learning curve is improving with the completion of each new airplane program. The company's cost reductions on the A350 is much better than it was on the BA 787erospace, and as MOGA looks towards the E2 Jet, which is not in production yet, the cost reductions are much faster than the A350.
- Longer term the company expects the operating margin to be in the mid-teens driven by a number of dynamics. As production on the BA 787 ramps up, the initial provisioning of spare parts also picks up that increases the margin. The replacement of parts kicks after the four-to-five year warranty ends. The cycle is repeated for the A350 and E2 Jet. Meanwhile the company is building out the supply chain for the A350 and E2 Jet to reduce its production costs and significantly grow the aftermarket business. While 2017 is expected to be another year of below average operating margin, the company has a clear line of sight on how it should improve over the next five years.
- The operating margin in Space and Defense Controls was 6.6% in 2014, 8.7% in 2015 and is projected to be 14% in 2016. After restructuring the segment that included divesting unprofitable product lines and reducing costs, the margin bounced back in 2015. The margin in 2016 is near an all-time high driven by a number of positive dynamics including the closing out of several production contracts in the Space group that are typically more profitable. Further, there were less development contracts than in previous years. As a result, the current year margin is not sustainable as the favorable mix is unlikely to repeat and more R&D investments are expected in the future.

Capitalization ($ in millions)

Balance Sheet as of:	6/30/2016
Class A (1/10 vote)	32.5
Class B (1 vote)	3.3
Shares Outstanding	35.9
Market Price	**$54.28**
Market Value	1,947.6
Plus: Debt	1,108.6
Less: Cash	394.4
Net Debt	714.2
Total Capitalization	**$2,661.8**

Moog, Inc.
Price Performance

Source: Bigcharts.com As of September 20, 2013 MOG'A had a HOLD recommendation and was changed to a BUY on February 1, 2016

Moog, Inc.

($ Millions - Percent Change)

FYE Sep 30	**2014**	**2015**	**2016E**	**2017P**
Revenue	$ 2,648.4	$ 2,525.5	$ 2,422.2	$ 2,526.0
% Growth		-4.6%	-4.1%	4.3%
EBITDA	$ 340.7	$ 316.4	$ 305.9	$ 322.1
% Margin	12.9%	12.5%	12.6%	12.8%
EPS	$ 3.52	$ 3.35	$ 3.35	$ 3.80
% Growth		-4.8%	0.0%	13.4%
EBITDA Mulitple	7.8	8.4	8.7	8.3
P/E Multiple	15.4	16.2	16.2	14.3

Source: Public data and Gabelli & Company estimates

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September 20, 2016

Gabelli & Company

Parker-Hannifin (PH - $122.39 - NYSE) Focused on Execution and Growth- NR

Year	EPS	P/E	PMV		
2018P	$7.36[(a)]	16.6x	NA	Dividend: $2.52	Current Return: 2.1%
2017E	6.54	18.7	"	Shares O/S: 133.9 million	
2016A	5.90	20.7	"	52-Week Range: $125.00 - $83.32	
2015A	6.96	17.6	"		

(a) Thomson One consensus estimates

COMPANY OVERVIEW

Parker-Hannifin Corporation manufactures and sells motion and control technologies and systems for various mobile, industrial, and aerospace markets worldwide. The company operates in two segments, Diversified Industrial and Aerospace Systems. The Diversified Industrial segment provides pneumatic and electromechanical components and systems; filters, systems, and instruments to monitor and remove contaminants; connectors; hydraulic components and systems; critical flow components for process instrumentation, healthcare and ultra-high-purity applications; and static and dynamic sealing devices. The Aerospace segment manufactures flight control, hydraulic, fuel, fluid conveyance, and engine systems and components for commercial and military airframe and engine programs.

HIGHLIGHTS

Below are key takeaways from Parker Aerospace President Roger Sherrard's presentation at the Aircraft Supplier & Connectivity Conference on September 8, 2016.

- Under relatively new CEO Tom Williams, Parker Hannifin continues to target 8% annualized EPS growth for 2015-2020 as EBIT margins expand from 14.5% to 17%, ROIC climbs to 17%, and organic growth outpaces industrial growth by 150bps. Earnings have been supported by rapid and aggressive cost rationalization against weak end markets, limiting decremental margins, including sub-20% in 2016.
- Aerospace should show similar margin improvement from 13.3% in 2015 to in the neighborhood of 17% in 2020, having reached 14.9% on an adjusted basis in 2015. Aerospace margin improvement should be driven by LEAN and revenue complexity reduction initiatives, similar to Parker Hannifin as a whole, as 4-5% of product can drive 20-25% of overhead costs. Less than half of the aerospace margin improvement over the 2015-2020 timeframe will be driven by a reduction in non-recurring engineering spend (NRE).
- In its industrial businesses, Parker sees a long runway for both organic and inorganic growth as it has less than a 10% share of the $120B+ Motion & Control Industry, despite having the leading share. Parker seems somewhat more open to M&A as it begins to ease its cost of capital targets in a low interest rate environment, but will continue to walk away from opportunities that are poorly priced or lack a compelling strategic rationale.
- Parker sees a demanding aerospace environment requiring investment and productivity solutions, with Sherrard noting that "if you can't optimize efficiency or weight, you might not get paid." Parker has invested over $1B in aerospace in the last five years and is focused on selling systems solutions. On the cost side, 25-30% growth on new programs and supplier cost management are challenges that need to be managed.
- Parker Hannifin remains optimistic about its commercial widebody opportunity despite concerns about widebody order delays and relative demand growth vs narrowbody. Within commercial aerospace, Parker has larger than normal exposure to widebody at about 50%, and forecasts widebody delivery growth of 3% vs 8% for narrowbodies over the mid-term. Still, widebody has an expanding bill of material for Parker, which allows for good growth.
- Parker's aerospace sales growth has measured < 1% in each of 2015 and 2016, weighed down by the near 30% of consolidated sales into business & generation aviation, regional jets & turboprops, and helicopters, markets that show no sign of a meaningful positive inflection. Growth rates inclusive of the GE unconsolidated joint venture would look meaningfully stronger, the joint venture assuming $176mm of 2013 Parker Aerospace segment sales.
- Given growth headwinds, Parker aerospace is finding opportunities to transition its products and technologies into new markets, like power generation, while expanding in military fixed-wing and engine products, which together comprise one-third of Parker Aerospace sales.

Capitalization ($ in millions)

Balance Sheet as of	6/30/2016
Shares Outstanding	133.9
Market Price	**$122.39**
Market Value	16,388.0
Plus: Debt	3,036.8
Less: Cash & Equivalents	2,104.0
Net Debt	932.8
Plus: Postretirement	1,305.6
Total Capitalization	**$18,626.5**

Parker-Hannifin Corporation
Price Performance

Source: Bigcharts.com

Parker-Hannifin Corporation

($ Millions - Percent Change)

FYE Jun 30	2014	2015	2016A	2017E
Revenue	$ 13,216.1	$ 12,711.7	$ 11,360.8	$ 11,368.0
% Growth		-3.8%	-10.6%	0.1%
EBITDA	$ 1,755.9	$ 1,868.1	$ 1,557.9	$ 1,667.0
% Margin	13.3%	14.7%	13.7%	14.7%
EPS	$ 6.88	$ 6.96	$ 5.90	$ 6.54
% Growth		1.1%	-15.3%	10.8%
EBITDA Mulitple	10.6	10.0	12.0	11.2
P/E Multiple	17.8	17.6	20.7	18.7

Source: Public data and consensus estimates

Note: Estimates are 2016/2017 ThomsonOne consensus estimates, with consensus reduced by $0.25/$48mm for midpoint restructuring guidance

Other Companies Mentioned:

General Electric (GE – NYSE)

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September 20, 2016

Gabelli & Company

Woodward (WWD - $60.08 - NYSE) Strong Aerospace Growth - Buy

FYE 9/30	EPS	P/E	PMV	
2018P	$3.95	15.2x	$80	Dividend: $0.44 Current Return: 0.7%
2017P	3.40	17.7	69	Shares O/S: 61.5 million
2016E	2.85	21.1	62	52-Week Range: $63.98 - $39.68
2015A	2.75	21.8	---	

COMPANY OVERIEW

Woodward is a leading manufacturer of energy controls for reciprocating engines, aircraft and industrial turbines and electrical power system equipment that improve the emissions performance and fuel efficiency of engines. The Aerospace group provides integrated control systems and components such as electronics, actuators, valves, fuel systems and combustion systems to gas turbines. The Industrial segment makes power converters, pumps, injectors and combustion systems for gas and diesel engines, steam turbines and distributors for the power generation, marine, transportation and process industries.

HIGHLIGHTS

The following are key takeaways from the Gabelli & Company's 22nd Aircraft Supplier Conference in New York:

- The company's joint venture with General Electric to produce fuel systems for the GE9x engine (BA 787 aircraft), GEnx (BA 777 & 777-X) and GE 90 (BA 747) are not tied to any volume or revenue targets. If demand for these wide body aircraft is lower than anticipated, then the joint venture will book less revenue that is shared by both parties. WWD continues to expect to generate $1.5 billion of free cash flow over the next five years, in part from the contributions of the joint venture. About 50% of the free cash flow would be return to shareholders in the form of stock repurchases and dividends and the balance would be used for growth initiatives, capital expenditures that would approximate depreciation and additional return to shareholder.

- Over the next few years, several new programs will be launching that have significantly more content than the existing aircraft. The BA 737MAX has $290,000 of content compared to $125,000 on the BA 737NG and the A320neo has $225,000 versus $80,000 on the A320. The BA 777X has $425,000 of content compared to $275,000 on the BA 777 and the A330neo has $200,000 versus $40,000 on the A330. On the BA77X and A330neo, the company is pursuing additional revenues. There are still request for proposals that WWD is responding to that could increase the content on both aircraft.

- About 34% of WWD sales are to the defense market that is benefiting from an increasing U.S. defense budget. The company has significant content on many aircraft platforms including the V-22 ($645,000 of revenues per aircraft), F/A-18 ($335,000), F-16 ($125,000), Apache helicopter ($145,000) and Blackhawk ($55,000). In addition, the company has $545,000 of revenues on the KC-46 Tanker of which BA will deliver the first eighteen aircraft in early 2018 to the U.S. Air Force, and ultimately 179 airplanes to replace the aging fleet. Production on the Joint Strike Fighter is also ramping up over the next few years in which WWD has $300,000 of sales on each jet.

- Over the next five years, WWD projects that the Aerospace segment margin to reach 20%. At the end of the 3Q FY'16, the segment margin was 18.7%, better-than-expected despite the lower volume that came out of the new manufacturing facilities at the Rock Cut Campus that makes the fuel system and controls and the Niles plant that produces the flight deck control, actuation, motion control and sensing solutions. The third quarter margin being ahead of plan suggests the company could exceed its 20% target margin by 2020 as the company gain operating efficiencies and higher volume from the ramp up of new aircraft programs.

- In the Industrial segment, there are multiple headwinds that could push out the company's targeted 16% by 2020. The natural gas truck market remains weak in China due to uncertainty around future regulations despite the government's increased incentives. In the power generation market, investments in new equipment remains soft due to global economic weakness and sales into the related oil and gas industry, the weak conditions have not improved. These dynamics offset increased aftermarket activities in the power generation market as existing equipment are kept in service longer.

Capitalization ($ in millions)

Balance Sheet as of	6/30/2016
Shares Outstanding	61.5
Market Price	**$60.08**
Market Value	3,693.7
Plus: Debt	785.0
Less: Cash & Equivalents	118.1
Net Debt	666.9
Total Capitalization	**$4,360.6**

Woodward Inc.
Price Performance

Source: Bigcharts.com As of September 20, 2013 WWD had a BUY recommendation

Woodward Inc.

($ Millions - Percent Change)

FYE Sep 30	2014	2015	2016E	2017P
Revenue	$ 2,001.2	$ 2,038.3	$ 2,018.2	$ 2,128.6
% Growth		1.9%	-1.0%	5.5%
EBITDA	$ 327.1	$ 340.3	$ 334.0	$ 374.9
% Margin	16.3%	16.7%	16.5%	17.6%
EPS	$ 2.45	$ 2.75	$ 2.85	$ 3.40
% Growth		12.2%	3.6%	19.3%
EBITDA Mulitple	13.3	12.8	13.1	11.6
P/E Multiple	24.5	21.8	21.1	17.7

Source: Public data and Gabelli & Company estimates

I**,** ***James Foung*** the Research Analyst who prepared this report, hereby certify that the views expressed in this report accurately reflect the analyst's personal views about the subject companies and their securities. The Research Analyst has not been, is not and will not be receiving direct or indirect compensation for expressing the specific recommendation or view in this report.

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Important Disclosures

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Ratings
Analysts' ratings are largely (but not always) determined by our "private market value," or PMV methodology. Our basic goal is to understand in absolute terms what a rational, strategic buyer would pay for an asset in an open, arms-length transaction. At the same time, analysts also look for underlying catalysts that could encourage those private market values to surface.
A **Buy** rated stock is one that in our view is trading at a meaningful discount to our estimated PMV. We could expect a more modest private market value to increase at an accelerated pace, the discount of the public stock price to PMV to narrow through the emergence of a catalyst, or some combination of the two to occur.
A **Hold** is a stock that may be trading at or near our estimated private market value. We may not anticipate a large increase in the PMV, or see some other factors at work.
A **Sell** is a stock that may be trading at or above our estimated PMV. There may be little upside to the value, or limited opportunity to realize the value. Economic or sector risk could also be increasing.

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