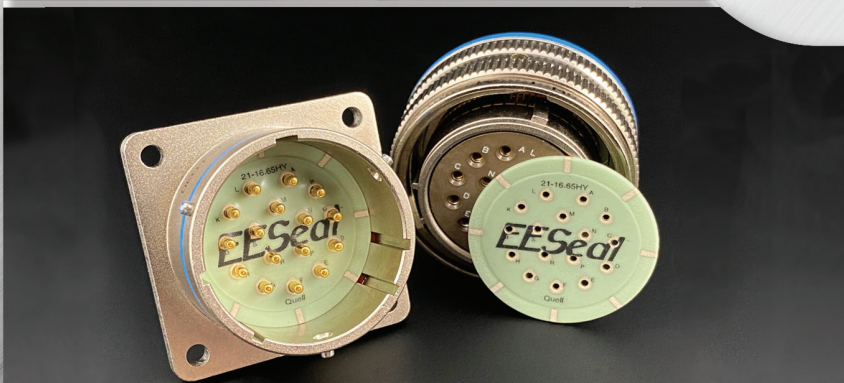




# HEICO

## 2023

Annual Report  
on Form 10-K





UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended October 31, 2023 or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-04604

**HEICO CORPORATION**

(Exact name of registrant as specified in its charter)

**Florida**

(State or other jurisdiction of  
incorporation or organization)

**3000 Taft Street, Hollywood, Florida**

(Address of principal executive offices)

**65-0341002**

(I.R.S. Employer Identification No.)

**33021**

(Zip Code)

**(954) 987-4000**

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class                             | Trading Symbol(s) | Name of each exchange on which registered |
|---|-------------------|---|
| Common Stock, \$.01 par value per share         | HEI               | New York Stock Exchange                   |
| Class A Common Stock, \$.01 par value per share | HEIA              | New York Stock Exchange                   |

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.  
Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer

Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.



If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was \$18,669,602,000 based on the closing price of HEICO Common Stock and Class A Common Stock as of April 30, 2023 as reported by the New York Stock Exchange.

The number of shares outstanding of each of the registrant's classes of common stock as of December 18, 2023 is as follows:

|                                       |                   |
|---------------------------------------|-------------------|
| Common Stock, \$.01 par value         | 54,720,621 shares |
| Class A Common Stock, \$.01 par value | 83,534,260 shares |

#### DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for the 2024 Annual Meeting of Shareholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

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**HEICO CORPORATION**  
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**FOR THE FISCAL YEAR ENDED OCTOBER 31, 2023**

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## PART I

### Item 1. *BUSINESS*

#### **The Company**

HEICO Corporation through its subsidiaries (collectively, “HEICO,” “we,” “us,” “our” or the “Company”) believes it is the world’s largest manufacturer of Federal Aviation Administration (“FAA”)-approved jet engine and aircraft component replacement parts, other than the original equipment manufacturers (“OEMs”) and their subcontractors. HEICO also believes it is a leading manufacturer of various types of electronic equipment for the aviation, defense, space, medical, telecommunications and electronics industries.

The Company was originally organized in 1957 as a holding company known as HEICO Corporation. As part of a reorganization completed in 1993, the original holding company (formerly known as HEICO Corporation) was renamed as HEICO Aerospace Corporation and a new holding corporation known as HEICO Corporation was created. The reorganization did not result in any change in the business of the Company, its consolidated assets or liabilities or the relative interests of its shareholders.

Our business is comprised of two operating segments:

*The Flight Support Group.* Our Flight Support Group (“FSG”), consisting of HEICO Aerospace Holdings Corp. and HEICO Flight Support Corp. and their collective subsidiaries, accounted for 60%, 57% and 50% of our net sales in fiscal 2023, 2022 and 2021, respectively. The FSG 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. In addition, the FSG repairs, overhauls and distributes jet engine and aircraft components, avionics and instruments for domestic and foreign commercial air carriers and aircraft repair companies as well as military and business aircraft operators. The FSG also manufactures and sells specialty parts as a subcontractor for aerospace and industrial original equipment manufacturers and the United States (“U.S.”) government. Additionally, the FSG is a leading supplier, distributor, and integrator of military aircraft parts and support services primarily to the U.S. Department of Defense, defense prime contractors, and foreign military organizations allied with the U.S. Further, the FSG is a leading manufacturer of advanced niche components and complex composite assemblies for commercial aviation, defense and space applications. The FSG also engineers, designs and manufactures thermal insulation blankets and parts as well as removable/reusable insulation systems for aerospace, defense, commercial and industrial applications; manufactures expanded foil mesh for lightning strike protection in fixed and rotary wing aircraft; distributes aviation electrical interconnect products and electromechanical parts; overhauls industrial pumps, motors, and other hydraulic units with a focus on the support of legacy systems for the U.S. Navy; and performs tight-tolerance machining, brazing, fabricating and welding services for aerospace, defense and other industrial applications.

*The Electronic Technologies Group.* Our Electronic Technologies Group (“ETG”), consisting of HEICO Electronic Technologies Corp. and its subsidiaries, accounted for 40%, 43% and 50% of our net sales in fiscal 2023, 2022 and 2021, respectively. The ETG derived approximately 49%, 56% and 63% of its net sales in fiscal 2023, 2022 and 2021, respectively, from the sale of products and services to U.S. and foreign military agencies, prime defense contractors and both commercial and defense satellite and spacecraft manufacturers. The ETG collectively designs, manufactures and sells various types of electronic, data and microwave, and electro-optical products, including infrared simulation and test equipment, laser rangefinder receivers, electrical power supplies, back-up power supplies, power conversion products, underwater locator beacons, emergency locator transmission beacons, flight deck annunciators, panels, and indicators, electromagnetic and radio frequency interference shielding and filters, high power capacitor charging power supplies, amplifiers, traveling wave tube amplifiers, photodetectors, amplifier modules, microwave power modules, flash lamp drivers, laser diode drivers, arc lamp power supplies, custom power supply designs, cable assemblies, high voltage power supplies, high voltage interconnection devices and wire, high voltage energy generators, high frequency power delivery systems; memory products, including three-dimensional microelectronic and stacked memory, static random-access memory (SRAM), and electronically erasable programmable read-only memory (EEPROM); harsh environment electronic connectors and other interconnect products, radio frequency ("RF") and microwave amplifiers, transmitters, and receivers and integrated assemblies, sub-assemblies and components; RF sources, detectors and controllers, wireless cabin control systems, solid state power distribution and management systems, crashworthy and ballistically self-sealing auxiliary fuel systems, nuclear radiation detectors, communications and electronic intercept receivers and tuners, fuel level sensing systems, high-speed interface products that link devices, high performance active antenna systems and airborne antennas for commercial and military aircraft, precision guided munitions, other defense applications and commercial uses; silicone material for a variety of demanding applications; precision power analog monolithic, hybrid and open frame components; high-reliability ceramic-to-metal feedthroughs and connectors, technical surveillance countermeasures (TSCM) equipment to detect devices used for espionage and information theft; rugged small-form factor embedded computing solutions; custom high power filters and filter assemblies; test sockets and adapters for both engineering and production use of semiconductor devices; radiation assurance services and products; and high reliability ("Hi-Rel"), complex, passive electronic components and rotary joint assemblies for mostly aerospace and defense applications, in addition to other high-end applications, such as medical and energy uses, including emerging "clean energy" and electrification applications.

HEICO has continuously operated in the aerospace industry for over 65 years. Since assuming control in 1990, our current management has achieved significant sales and profit growth through a broadened line of product offerings, an expanded customer base, increased research and development expenditures and the completion of a number of acquisitions. As a result of internal growth and acquisitions, our net sales from continuing operations have grown from \$26.2 million in fiscal 1990 to \$2,968.1 million in fiscal 2023, representing a compound annual growth rate of approximately 15%. During the same period, we improved our net income from \$2.0 million to \$403.6 million, representing a compound annual growth rate of approximately 18%.



Although we have largely emerged from the COVID-19 pandemic, our results of operations in fiscal 2023 reflected some of the COVID-19 pandemic's lingering impact, including its impact on our supply chain. Despite the aforementioned, we experienced continued improvement in operating results in fiscal 2023 as compared to fiscal 2022 principally reflecting improved demand for our commercial aerospace products and services. See Item 7, *Management's Discussion and Analysis*, for additional details on the effects of the COVID-19 pandemic on the Company.

### **Disciplined Acquisition Strategy**

Acquisitions have been an important element of our growth strategy over the past thirty-three years, supplementing our organic growth. Since 1990, we have completed approximately 98 acquisitions complementing the niche segments of the aviation, defense, space, medical, telecommunications and electronics industries in which we operate. We typically target acquisition opportunities that allow us to broaden our product offerings, services and technologies while expanding our customer base and geographic presence. Even though we have historically pursued an active acquisition policy, our disciplined acquisition strategy involves limiting acquisition candidates to businesses that we believe will continue to grow, offer strong cash flow and earnings potential, and are available at fair prices. See Note 2, Acquisitions, of the Notes to Consolidated Financial Statements for further information regarding our recent acquisitions.

### **Flight Support Group**

The Flight Support Group serves a broad spectrum of the aviation industry, including (i) commercial airlines and air cargo carriers; (ii) repair and overhaul facilities; (iii) OEMs; and (iv) U.S. and foreign governments.

The FSG competes with the leading industry OEMs and, to a lesser extent, with a number of smaller, independent parts distributors. Historically, the three principal jet engine OEMs, General Electric (including CFM International), Pratt & Whitney and Rolls Royce, have been the sole source of substantially all jet engine replacement parts for their jet engines. Other OEMs have been the sole source of replacement parts for their aircraft component parts. We believe that we are the largest independent supplier of non-OEM jet engine and aircraft component replacement parts, and in recent years and inclusive of acquisitions, we are now adding new products to our line at a rate of approximately 350 to 550 Parts Manufacturer Approvals (“PMA” or “PMAs”) per year. We have developed for our customers approximately 19,500 parts (inclusive of acquisitions) for which PMAs have been received from the FAA.

Jet engine and aircraft component replacement parts can be categorized by their ongoing ability to be repaired and returned to service. The general categories in which we participate are as follows: (i) rotatable; (ii) repairable; and (iii) expendable. A rotatable is a part which is removed periodically as dictated by an operator’s maintenance procedures or on an as needed basis and is typically repaired or overhauled and re-used an indefinite number of times. An important subset of rotatables is “life limited” parts. A life limited rotatable has a designated number of allowable

flight hours and/or cycles (one take-off and landing generally constitutes one cycle) after which it is rendered unusable. A repairable is similar to a rotatable except that it can only be repaired a limited number of times before it must be discarded. An expendable is generally a part which is used and not thereafter repaired for further use.

Jet engine and aircraft component replacement parts are classified within the industry as (i) factory-new; (ii) new surplus; (iii) overhauled; (iv) repairable; and (v) as removed. A factory-new or new surplus part is one that has never been installed or used. Factory-new parts are purchased from FAA-approved manufacturers (such as HEICO or OEMs) or their authorized distributors. New surplus parts are purchased from excess stock of airlines, repair facilities or other redistributors. An overhauled part is one that has been completely repaired and inspected by a licensed repair facility such as ours. An aircraft spare part is classified as “repairable” if it can be repaired by a licensed repair facility under applicable regulations. A part may also be classified as “repairable” if it can be removed by the operator from an aircraft or jet engine while operating under an approved maintenance program and is airworthy and meets any manufacturer or time and cycle restrictions applicable to the part. A “factory-new,” “new surplus” or “overhauled” part designation indicates that the part can be immediately utilized on an aircraft. A part in “as removed” or “repairable” condition requires inspection and possibly functional testing, repair or overhaul by a licensed facility prior to being returned to service in an aircraft.

*FAA Approvals and Product Design.* Non-OEM manufacturers of jet engine and aircraft component replacement parts must receive a PMA from the FAA to sell the replacement part. The PMA approval process includes the submission of sample parts, drawings and testing data to one of the FAA’s Aircraft Certification Offices where the submitted data are analyzed. We believe that an applicant’s ability to successfully complete the PMA process is limited by several factors, including (i) the agency’s confidence level in the applicant; (ii) the complexity of the part; (iii) the volume of PMAs being filed; and (iv) the resources available to the FAA. We also believe that companies such as HEICO that have demonstrated their advanced design engineering and manufacturing capabilities, including an established favorable track record with the FAA, generally receive a faster turnaround time in the processing of PMA applications. Finally, we believe that the PMA process creates a significant barrier to entry in this market niche through both its technical demands and its limits on the rate at which competitors can bring products to market.

*Factory-New Jet Engine and Aircraft Component Replacement Parts.* The FSG engages in the research and development, design, manufacture and sale of FAA-approved replacement parts that are sold to domestic and foreign commercial air carriers and aircraft repair and overhaul companies. Our principal competitors are aircraft engine and aircraft component manufacturers. The FSG's factory-new replacement parts include various jet engine and aircraft component replacement parts. A key element of our growth strategy is the continued design and development of an increasing number of PMA replacement parts in order to further penetrate our existing customer base and obtain new customers. We select the jet engine and aircraft component replacement parts to design and manufacture through a selection process which analyzes industry information to determine which replacement parts are suitable candidates.

*Repair and Overhaul Services.* The FSG provides repair and overhaul services on selected jet engine and aircraft component parts, as well as on avionics, instruments, composites and flight surfaces of commercial aircraft operated by domestic and foreign commercial airlines. The FSG also provides repair and overhaul services including avionics and navigation systems as well as subcomponents and other instruments utilized on military aircraft operated by the U.S. government and foreign military agencies and for aircraft repair and overhaul companies. Our repair and overhaul operations require a high level of expertise, advanced technology and sophisticated equipment. Services include the repair, refurbishment and overhaul of numerous accessories and parts mounted on gas turbine engines and airframes. Components overhauled include fuel pumps, generators, fuel controls, pneumatic valves, starters and actuators, turbo compressors and constant speed drives, hydraulic pumps, valves and actuators, wheels and brakes, composite flight controls, electro-mechanical equipment, auxiliary power unit accessories and thrust reverse actuation systems. Some of the repair and overhaul services provided by the FSG are proprietary repairs approved by an FAA-qualified designated engineering representative (“DER”) and/or by the owner/operator. Such proprietary repairs typically create cost savings or provide engineering flexibility. The FSG also provides commercial airlines, regional operators, asset management companies and Maintenance, Repair and Overhaul (“MRO”) providers with high quality and cost effective niche accessory component exchange services as an alternative to OEMs’ spares services.

*Distribution.* The FSG distributes FAA-approved parts including hydraulic, pneumatic, structural, interconnect, mechanical and electro-mechanical components for the commercial, regional and general aviation markets. The FSG also is a leading supplier, distributor, and integrator of military aircraft parts and support services primarily to the U.S. Department of Defense, defense prime contractors, and foreign military organizations allied with the U.S. Further, we believe the FSG is a leading provider of products and services necessary to maintain up-to-date F-16 fighter aircraft operational capabilities.

*Manufacture of Specialty Aircraft/Defense Related Parts and Subcontracting for OEMs.* The FSG engineers, designs and manufactures thermal insulation blankets and parts as well as renewable/reusable insulation systems primarily for aerospace, defense, commercial and industrial applications. The FSG also manufactures specialty components and assemblies for sale as a subcontractor for aerospace and industrial original equipment manufacturers and the U.S. government. Additionally, the FSG manufactures advanced niche components and complex composite assemblies for commercial aviation, defense and space applications, manufactures expanded foil mesh, which is integrated into composite aerospace structures for lightning strike protection in fixed and rotary wing aircraft and performs tight-tolerance machining, brazing, fabricating and welding for aerospace, defense and other industrial applications.

As part of our growth strategy, we have continued to increase our research and development activities. Research and development expenditures by the FSG, which were approximately \$.3 million in fiscal 1991, increased to approximately \$26.4 million in fiscal 2023, \$22.2 million in fiscal 2022 and \$18.3 million in fiscal 2021. We believe that our FSG's research and development capabilities are a significant component of our historical success and an integral part of our growth strategy. In recent years, the FAA granted us PMAs for

approximately 350 to 550 new parts and we develop numerous new proprietary repairs per year; however, no assurance can be given that the FAA will continue to grant PMAs or DER-approved repairs or that we will achieve acceptable levels of net sales and gross profits on such parts or repairs in the future.

We benefit from our proprietary rights relating to certain design, engineering and manufacturing processes and repair and overhaul procedures. Customers often rely on us to provide initial and additional components, as well as to redesign, re-engineer, replace or repair and provide overhaul services on such aircraft components at every stage of their useful lives. In addition, for some products, our unique manufacturing capabilities are required by the customer's specifications or designs, thereby necessitating reliance on us for production of such designed products.

We have no material patents for the proprietary techniques, including software and manufacturing expertise, we have developed to manufacture jet engine and aircraft component replacement parts and instead, we primarily rely on trade secret protection. Although our proprietary techniques and software and manufacturing expertise are subject to misappropriation or obsolescence, we believe that we take appropriate measures to prevent misappropriation or obsolescence from occurring by developing new techniques and improving existing methods and processes, which we will continue on an ongoing basis as dictated by the technological needs of our business.

We believe that, based on our competitive pricing, reputation for high quality, short lead time requirements, strong relationships with domestic and foreign commercial air carriers and repair stations (companies that overhaul aircraft engines and/or components), and successful track record of receiving PMAs and repair approvals from the FAA and commercial air carriers, we are uniquely positioned to continue to increase the products and services offered and gain market share.

## **Electronic Technologies Group**

Our Electronic Technologies Group's strategy is to design and manufacture highly-engineered, mission-critical subcomponents that must successfully operate in the harshest environments, for smaller, niche markets, but which are utilized in larger systems – systems like power, targeting, tracking, identification, simulation, testing, communications, lighting, surgical, medical imaging, baggage scanning, telecom and computer systems. These systems are, in turn, often located on another platform, such as aircraft, rotorcraft, satellites, ships, spacecraft, land vehicles, handheld devices and other platforms.

*Electro-Optical Infrared Simulation and Test Equipment.* The ETG is a designer and manufacturer of niche state-of-the-art simulation, testing and calibration equipment used in the development of missile seeking technology, airborne targeting and reconnaissance systems, shipboard targeting and reconnaissance systems, space-based sensors as well as ground vehicle-based systems. These products include infrared scene projector equipment, such as our

MIRAGE IR Scene Simulator, high precision blackbody sources, software and integrated calibration systems.

Simulation equipment allows the U.S. government and allied foreign military to save money on missile testing as it allows infrared-based missiles to be tested on a multi-axis, rotating table instead of requiring the launch of a complete missile. In addition, several large military prime contractors have elected to purchase such equipment from us instead of maintaining internal staff to do so because we can offer a more cost-effective solution. Our customers include major U.S. Department of Defense weapons laboratories and defense prime contractors.

*Electro-Optical Laser Products.* The ETG is a designer and maker of laser rangefinder receivers and other photodetectors used in airborne, vehicular and handheld targeting systems manufactured by major prime military contractors. Most of our rangefinder receiver product offering consists of complex and patented products which detect reflected light from laser targeting systems and allow the systems to confirm target accuracy and calculate target distances prior to discharging a weapon system. Some of these products are also used in laser eye surgery systems for tracking ocular movement.

*Electro-Optical, Microwave and Other Power Equipment.* The ETG produces power supplies, amplifiers and flash lamp drivers used in laser systems for military, medical and other applications that are sometimes utilized with our rangefinder receivers. We also produce emergency back-up power supplies and batteries used on commercial aircraft and business jets for services such as emergency exit lighting, emergency fuel shut-off, power door assists, cockpit voice recorders and flight computers. Additionally, we design, manufacture and repair flight deck annunciators, panels and indicators. We design and manufacture next generation wireless cabin control systems, solid state power distribution and management systems and fuel level sensing systems for business jets and for general aviation, as well as for the military/defense market. We offer custom or standard designs that solve challenging OEM requirements and meet stringent safety and emissions requirements. Our power electronics products include capacitor charger power supplies, laser diode drivers, arc lamp power supplies and custom power supply designs.

Our microwave products are used in both commercial and military satellites, spacecraft and in electronic warfare systems. These products, which include isolators, bias tees, circulators, latching ferrite switches and waveguide adapters, are used in satellites and spacecraft to control or direct energy according to operator needs. As satellites are frequently used as sensors for stand-off warfare, we believe this product line further supports our goal of increasing our activity in the stand-off market. Additionally, our microwave products include custom high power filters and filter assemblies, converters, receivers, transmitters, amplifiers, frequency sources and related sub-systems that address the majority of major satellite frequencies. We believe we are a leading supplier of the niche products which we design and manufacture for this market, a market that includes commercial satellites. Our customers for these products include satellite and spacecraft manufacturers.



*Electromagnetic Interference (EMI) and Radio-Frequency Interference (RFI) Shielding and Suppression Filters.* The ETG designs and manufactures shielding used to prevent electromagnetic energy and radio frequencies from interfering with other devices, such as computers, telecommunication devices, avionics, weapons systems and other electronic equipment. The ETG designs and manufactures EMI/RFI and transient protection solutions for a wide variety of connectors that principally serve customers within the aerospace and defense markets. Our products include a patented line of shielding applied directly to circuit boards and a line of gasket-type shielding applied to computers and other electronic equipment. Our customers consist essentially of medical, electronics, telecommunications and defense equipment producers.

*High-Speed Interface Products.* The ETG designs and manufactures advanced high-technology, high-speed interface products utilized in homeland security, defense, medical research, astronomical and other applications across numerous industries.

*High Voltage Interconnection Devices.* The ETG designs and manufactures high and very high voltage interconnection devices, cable assemblies and wire for the medical equipment, defense and other industrial markets. Among others, our products are utilized in aircraft missile defense, fighter pilot helmet displays, avionics systems, medical applications, wireless communications, and industrial applications including high voltage test equipment and underwater monitoring systems.

*High Voltage Advanced Power Electronics.* The ETG designs and manufactures a patented line of high voltage energy generators for medical, baggage inspection and industrial imaging systems. We also produce high voltage power supplies found in satellite communications, CT scanners and in medical and industrial x-ray systems.

*Power Conversion Products.* The ETG designs and provides innovative power conversion products principally serving the high-reliability military, space and commercial avionics end-markets. These high density, low profile and lightweight DC-to-DC converters and electromagnetic interference filters, which include thick film hermetically sealed hybrids, military commercial-off-the-shelf and custom designed and assembled products, have become the primary specified components of their kind on a generation of complex military, space and avionics equipment.

*Underwater Locator Beacons and Emergency Locator Transmission Beacons.* The ETG designs and manufactures Underwater Locator Beacons (“ULBs”) used to locate aircraft Cockpit Voice Recorders and Flight Data Recorders, marine ship Voyage Recorders and various other devices which have been submerged under water. ULBs are required equipment on all U.S. FAA and European Aviation Safety Agency (“EASA”) approved Flight Data and Cockpit Voice Recorders used in aircraft and on similar systems utilized on large marine shipping vessels. The ETG also designs and manufactures Emergency Locator Transmission Beacons for the commercial aviation and defense markets. Upon activation, these safety-critical devices transmit a distress signal to alert search and rescue operations of the aircraft's location.

*Traveling Wave Tube Amplifiers (“TWTAs”) and Microwave Power Modules (“MPMs”).* The ETG designs and manufactures TWTAs and MPMs predominately used in radar, electronic warfare, on-board jamming and countermeasure systems in aircraft, ships and detection platforms deployed by U.S. and allied non-U.S. military forces.

*Memory Products and Specialty Semiconductors.* The ETG designs, manufactures and markets three-dimensional microelectronic and stacked memory products including memories, Point of Load (“POL”) voltage converters and peripherals, industrial memories, and complex System-in-Package (“SiP”) solutions. The products’ patented designs provide high reliability memory and circuitry in a unique and stacked form which saves space and weight. These products are principally integrated into larger subsystems equipping satellites and spacecraft and are also utilized in medical equipment. Additionally, the ETG designs and manufactures specialty semiconductors and offers a well-developed line of processors as well as static random-access memory (SRAM) and electronically erasable programmable read-only memory (EEPROM) products utilized on a diverse array of military, space and medical platforms.

*Harsh Environment Connectivity Products and Custom Molded Cable Assemblies.* The ETG designs and manufactures high performance, high reliability and harsh environment electronic connectors and other interconnect products. These products include connectors, jacks and plugs, cables, patch panels and switches utilized in aviation, broadcast/audio, defense, industrial, medical and other equipment.

*RF and Microwave Products.* The ETG designs and manufactures RF and microwave amplifiers, transmitters and receivers to support military communications on unmanned aerial systems, other aircraft, helicopters and ground-based data/communications systems. The ETG designs and manufactures state-of-the-art RF and microwave integrated assemblies, sub-assemblies and components used in a broad range of demanding defense applications operating in harsh environments including space.

*High Performance Communications and Electronic Intercept Receivers and Tuners.* The ETG designs and manufactures innovative, high performance receiver and radio frequency digitizer products for military and intelligence applications.

*Crashworthy and Ballistically Self-Sealing Auxiliary Fuel Systems.* The ETG designs and manufactures mission-extending, crashworthy and ballistically self-sealing auxiliary fuel systems for military rotorcraft.

*High Performance Active Antenna Systems and Airborne Antennas.* The ETG designs and produces high performance active antenna systems and airborne antennas for commercial and military aircraft, precision guided munitions, and other defense applications and commercial uses.

*Nuclear Radiation Detectors.* The ETG designs and manufactures highly sensitive, reliable and easy-to-use nuclear radiation detectors for law enforcement, homeland security and military applications.

*Specialty Silicone Products.* The ETG designs and manufactures silicone material for a variety of demanding applications used in aerospace, defense, research, oil and gas, testing, pharmaceuticals and other markets.

*High-End Power Amplifiers.* The ETG designs and manufactures precision power analog monolithic, hybrid and open frame components for a certain wide range of defense, industrial, measurement, medical and test applications.

*High-Reliability ("Hi-Rel") Ceramic-to-Metal Feedthroughs and Connectors.* The ETG designs and manufactures high-reliability ceramic-to-metal feedthroughs and connectors for demanding environments within the industrial, life science, medical, research, semiconductor, and other markets.

*Technical Surveillance Countermeasures ("TSCM") Equipment.* The ETG designs and manufactures TSCM equipment to detect devices used for espionage and information theft serving government agencies, law enforcement, corporate security personnel and TSCM professionals worldwide.

*High-end Radio Frequency Receivers and Sources.* The ETG designs and manufactures RF Sources, Detectors and Controllers for a certain wide range of aerospace and defense applications.

*Rugged, Small-Form-Factor Embedded Computing Solutions.* The ETG designs and manufactures rugged, small-form-factor embedded computing solutions that are primarily used in rugged commercial and industrial, aerospace and defense, transportation, and smart energy applications.

*High Performance Test Sockets and Adapters.* The ETG designs and manufactures higher performance test sockets and adapters for both engineering and production use of semiconductor devices.

*Radiation Engineering.* The ETG offers radiation assurance services and products used in testing and simulating radiation effects on electronic components and materials.

*Hi-Rel, Passive Electronic Components and Rotary Joint Assemblies.* The ETG offers Hi-Rel, complex, passive electronic components and rotary joint assemblies for mostly aerospace and defense applications, in addition to other high-end applications, such as medical and energy uses, including emerging "clean energy" and electrification applications.

As part of our growth strategy, we have continued to invest in our research and development activities. Research and development expenditures by the ETG were \$69.4 million in fiscal 2023, \$53.9 million in fiscal 2022 and \$50.6 million in fiscal 2021. We believe that our ETG's research and development capabilities are a significant component of our historical success and an integral part of our growth strategy.

## **Distribution, Sales, Marketing and Customers**

Each of our operating segments independently conducts distribution, sales and marketing efforts directed at their respective customers and industries and, in some cases, collaborates with other operating divisions and subsidiaries within its group for cross-marketing efforts. Sales and marketing efforts are conducted primarily by in-house personnel and, to a lesser extent, by independent manufacturers' representatives. Generally, our in-house sales personnel receive a base salary plus commissions and manufacturers' representatives receive a commission based on sales.

We believe that direct relationships are crucial to establishing and maintaining a strong customer base and, accordingly, our senior management is actively involved in our marketing activities, particularly with established customers. We are also a member of various trade and business organizations related to the commercial aviation industry, such as the Aerospace Industries Association, which we refer to as AIA, the leading trade association representing the nation's manufacturers of commercial, military and business aircraft, aircraft engines and related components and equipment. Due in large part to our established industry presence, we enjoy strong customer relations, name recognition and repeat business.

We sell our products to a broad customer base consisting of domestic and foreign commercial and cargo airlines, repair and overhaul facilities, other aftermarket suppliers of aircraft engine and airframe materials, OEMs, domestic and foreign military units, electronic manufacturing services companies, manufacturers for the defense industry as well as medical, telecommunications, scientific, and industrial companies. No one customer accounted for sales of 10% or more of total consolidated sales from continuing operations during any of the last three fiscal years. Net sales to our five largest customers accounted for approximately 18%, 21% and 22% of total net sales in fiscal 2023, 2022 and 2021, respectively.

## **Competition**

The aerospace product and service industry is characterized by intense competition. Some of our competitors have substantially greater name recognition, inventories, complementary product and service offerings, financial, marketing and other resources than we do. As a result, such competitors may be able to respond more quickly to customer requirements than we can. Moreover, smaller competitors may be in a position to offer more attractive pricing as a result of lower labor costs and other factors.

Our jet engine and aircraft component replacement parts business competes primarily with aircraft engine and aircraft component OEMs. The competition is principally based on price and service to the extent that our parts are interchangeable. With respect to other aerospace products and services sold by the Flight Support Group, we compete with both the leading jet engine and aircraft component OEMs and a large number of machining, fabrication, distribution and repair companies, some of which have greater financial and other resources than we do. Competition is based mainly on price, product performance, service and technical capability.

Competition for the repair and overhaul of jet engine and aircraft components and avionics and navigation systems as well as the manufacture of specialty aircraft and defense related parts comes from three principal sources: OEMs, major commercial airlines and other independent service companies. Some of these competitors have greater financial and other resources than we do. Some major commercial airlines own and operate their own service centers and sell repair and overhaul services to other aircraft operators. Foreign airlines that provide repair and overhaul services typically provide these services for their own aircraft components and for third parties. OEMs also maintain service centers that provide repair and overhaul services for the components they manufacture. Other independent service organizations also compete for the repair and overhaul business of other users of aircraft components. We believe that the principal competitive factors in the repair and overhaul market are quality, turnaround time, overall customer service and price.

Our Electronic Technologies Group competes with several large and small domestic and foreign competitors, some of which have greater financial and other resources than we do. The markets for our electronic, data and microwave, and electro-optical equipment products are niche markets with several competitors where competition is based mainly on design, technology, quality, price, service and customer satisfaction.

## **Raw Materials**

We purchase a variety of raw materials, primarily consisting of high temperature alloy sheet metal and castings, forgings, pre-plated metals, electrical components and advanced composite materials from various vendors. The materials used by our operations are generally available from a number of sources and in sufficient quantities to meet current requirements subject to normal lead times. However, supply chain disruptions and continued cost inflation impacted our material prices during fiscal 2023. Additionally, continued inflationary pressures and lingering supply chain disruptions stemming from the COVID-19 pandemic may lead to higher material costs in fiscal 2024. Further, we are subject to rules promulgated by the Securities Exchange Commission pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act regarding the use of certain materials (tantalum, tin, gold and tungsten), known as conflict minerals, which are mined from the Democratic Republic of the Congo and adjoining countries. These rules may impose additional costs and may introduce new risks related to our ability to verify the origin of any conflict minerals used in our products.

## **Backlog**

Our total backlog increased by 35% to \$1,863 million as of October 31, 2023, up from \$1,383 million as of October 31, 2022. The majority of our backlog of orders as of October 31, 2023 is expected to be filled during fiscal 2024. The FSG's backlog of unshipped orders was \$1,013 million as of October 31, 2023, up from \$674 million as of October 31, 2022. The increase in the FSG's backlog is principally from the backlog of a business acquired during fiscal 2023 as well as increased orders for its aftermarket replacement parts resulting from continued recovery in global commercial air travel as compared to the prior year. The FSG's backlog excludes forecasted shipments for certain contracts pursuant to which customers provide only



estimated annual usage and not firm purchase orders. Our backlogs within many of the FSG's subsidiaries are typically short-lead in nature with many product orders being received within the month of shipment. The ETG's backlog of unshipped orders was \$850 million as of October 31, 2023, up from \$709 million as of October 31, 2022. The increase in the ETG's backlog is principally from the backlogs of businesses acquired during fiscal 2023.

## **Government Regulation**

The FAA regulates the manufacture, repair and operation of all aircraft and aircraft parts operated in the United States. Its regulations are designed to ensure that all aircraft and aviation equipment are continuously maintained in proper condition to ensure safe operation of the aircraft. Similar rules apply in other countries. All aircraft must be maintained under a continuous condition monitoring program and must periodically undergo thorough inspection and maintenance. The inspection, maintenance and repair procedures for the various types of aircraft and equipment are prescribed by regulatory authorities and can be performed only by certified repair facilities utilizing certified technicians. Certification and conformance is required prior to installation of a part on an aircraft. Aircraft operators must maintain logs concerning the utilization and condition of aircraft engines, life-limited engine parts and airframes. In addition, the FAA requires that various maintenance routines be performed on aircraft engines, some engine parts, and airframes at regular intervals based on cycles or flight time. Engine maintenance must also be performed upon the occurrence of certain events, such as foreign object damage in an aircraft engine or the replacement of life-limited engine parts. Such maintenance usually requires that an aircraft engine be taken out of service. Our operations may in the future be subject to new and more stringent regulatory requirements. In that regard, we closely monitor the FAA and industry trade groups in an attempt to understand how possible future regulations might impact us. Our businesses which sell defense products directly to the U.S. Government or for use in systems delivered to the U.S. Government can be subject to various laws and regulations governing pricing and other factors.

There has been no material adverse effect to our consolidated financial statements nor competitive positions as a result of these government regulations.

## **Environmental Regulation**

Our operations are subject to extensive, and frequently changing, federal, state and local environmental laws and substantial related regulation by government agencies, including the Environmental Protection Agency. Among other matters, these regulatory authorities impose requirements that regulate the operation, handling, transportation and disposal of hazardous materials; protect the health and safety of workers; and require us to obtain and maintain licenses and permits in connection with our operations. This extensive regulatory framework imposes significant compliance burdens and risks on us. Notwithstanding these burdens, we believe that we are in material compliance with all federal, state and local environmental laws and regulations governing our operations.

There has been no material adverse effect to our consolidated financial statements nor competitive positions as a result of these environmental regulations.

## **Other Regulation**

We are also subject to a variety of other regulations including work-related and community safety laws. The Occupational Safety and Health Act of 1970 mandates general requirements for safe workplaces for all employees and established the Occupational Safety and Health Administration (“OSHA”) in the Department of Labor. In particular, OSHA provides special procedures and measures for the handling of certain hazardous and toxic substances. In addition, specific safety standards have been promulgated for workplaces engaged in the treatment, disposal or storage of hazardous waste. Requirements under state law, in some circumstances, may mandate additional measures for facilities handling materials specified as extremely dangerous. We believe that our operations are in material compliance with OSHA’s health and safety requirements.

## **Insurance**

We are a named insured under policies which include the following coverage: (i) product liability, including grounding; (ii) personal property, inventory and business interruption at our facilities; (iii) general liability coverage; (iv) employee benefit liability; (v) international liability and automobile liability; (vi) umbrella liability coverage; and (vii) various other activities or items, each subject to certain limits and deductibles. We believe that our insurance coverage is adequate to insure against the various liability risks of our business.

## **Human Capital**

We believe HEICO’s employees are directly responsible for its success through dedication to their profession and craft. This talented group continues to deliver industry leading growth and new product innovations, all while maintaining HEICO’s unique entrepreneurial culture of excellence.

As of October 31, 2023, we had approximately 9,600 full-time and part-time employees including approximately 4,800 in the Flight Support Group (of whom approximately 900 were employed by foreign subsidiaries) and approximately 4,800 in the Electronic Technologies Group (of whom approximately 2,000 were employed by foreign subsidiaries). None of our employees are represented by a U.S. domestic union. Our management believes that we have good relations with our employees.

## **Health and Safety**

The health and safety of our workforce is fundamental to the success of our business. We safeguard our people, projects and reputation by striving for zero employee injuries and illnesses, while operating and delivering our work responsibly and sustainably. We provide our employees upfront and ongoing safety training to ensure that safety policies and procedures are effectively

communicated and implemented. Personal protective equipment is provided to those employees where needed for the employee to safely perform their job function.

## **Compensation and Benefits**

As part of our compensation philosophy, we believe that we must offer and maintain market competitive total rewards programs for our employees in order to attract and retain superior talent. In addition to healthy base wages, additional programs include annual bonus opportunities, a Company matched 401(k) Plan, healthcare and insurance benefits, health savings and flexible spending accounts, paid time off, family leave, flexible work schedules, and employee assistance programs.

## **Diversity and Inclusion**

We are committed to our continued efforts to increase diversity and foster an inclusive work environment that supports the global workforce and the communities we serve. We recruit the best people for the job regardless of gender, ethnicity or other protected traits and it is our policy to fully comply with all laws (domestic and foreign) applicable to discrimination in the workplace. Our diversity, equity and inclusion principles are also reflected in our employee training and policies. We continue to enhance our diversity, equity and inclusion policies which are guided by our executive leadership team.

## **Available Information**

Our Internet website address is <http://www.heico.com>. We make available free of charge, through the Investors section of our website, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, specialized disclosure reports on Form SD and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (“SEC”). These materials are also available free of charge on the SEC’s website at <http://www.sec.gov>. The information on or obtainable through our website is not incorporated into this Annual Report on Form 10-K.

We have adopted a code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller and other persons performing similar functions. Our Code of Ethics for Senior Financial and Other Officers is part of our Code of Business Conduct, which is located on our website at <http://www.heico.com>. Any amendments to or waivers from a provision of this code of ethics will be posted on the website. Also located on the website are our Corporate Governance Guidelines, Finance/Audit Committee Charter, Nominating & Corporate Governance Committee Charter, and Compensation Committee Charter.

Copies of the above referenced materials will be made available, free of charge, upon written request to the Corporate Secretary at HEICO Corporation, 3000 Taft Street, Hollywood, Florida 33021.

### Information About Our Executive Officers

Our executive officers are appointed by the Board of Directors and serve at the discretion of the Board. The following table sets forth the names, ages of, and positions and offices held by our executive officers as of December 18, 2023:

| <b>Name</b>          | <b>Age</b> | <b>Position(s)</b>  | <b>Director Since</b> |
|----------------------|------------|---|-----------------------|
| Laurans A. Mendelson | 85         | Chairman of the Board; Chief Executive Officer; and Director  | 1989                  |
| Eric A. Mendelson    | 58         | Co-President and Director; President and Chief Executive Officer of the HEICO Flight Support Group          | 1992                  |
| Victor H. Mendelson  | 56         | Co-President and Director; President and Chief Executive Officer of the HEICO Electronic Technologies Group | 1996                  |
| Thomas S. Irwin      | 77         | Senior Executive Vice President   | —                     |
| Carlos L. Macau, Jr. | 56         | Executive Vice President - Chief Financial Officer and Treasurer  | —                     |
| Steven M. Walker     | 59         | Chief Accounting Officer and Assistant Treasurer  | —                     |

*Laurans A. Mendelson* has served as our Chairman of the Board since December 1990. He has also served as our Chief Executive Officer since February 1990 and served as our President from September 1991 through September 2009. Mr. Mendelson is a former Chairman and present member of the Board of Trustees, former Chairman and present member of the Executive Committee and a current member of the Society of Mount Sinai Founders of Mount Sinai Medical Center in Miami Beach, Florida. In addition, Mr. Mendelson is a Trustee Emeritus of Columbia University in the City of New York, where he previously served as Trustee and Chairman of the Trustees' Audit Committee. Early in his career, Mr. Mendelson was a licensed and practicing Certified Public Accountant in the states of Florida and New York, though he no longer practices and his license is inactive. Laurans Mendelson is the father of Eric Mendelson and Victor Mendelson.

*Eric A. Mendelson* has been associated with the Company since 1990, serving in various capacities. Mr. Mendelson has served as our Co-President since October 2009 and served as our Executive Vice President from 2001 through September 2009. Mr. Mendelson has also served as President and Chief Executive Officer of the HEICO Flight Support Group since its formation in 1993, as well as President of various Flight Support Group subsidiaries. Mr. Mendelson is a co-founder, and, since 1987, has been Managing Director of Mendelson International Corporation, a private investment company, which is a shareholder of HEICO. He is a member of the Board of Governors, an Ex-Officio Member of the Executive Committee, and Chair of the Civil Aviation Leadership Council of the Aerospace Industries Association (“AIA”) in Washington, D.C., of which HEICO is a member. In addition, Mr. Mendelson is a member of the Advisory Board of Trustees of Mount Sinai Medical Center in Miami Beach, Florida and a Past Chairman of

Ransom Everglades School in Coconut Grove, Florida, as well as a member of the Board of Visitors of Columbia College in New York City. Eric Mendelson is the son of Laurans Mendelson and the brother of Victor Mendelson.

*Victor H. Mendelson* has been associated with the Company since 1990, serving in various capacities. Mr. Mendelson has served as our Co-President since October 2009 and served as our Executive Vice President from 2001 through September 2009. Mr. Mendelson has also served as President and Chief Executive Officer of the HEICO Electronic Technologies Group since founding it in September 1996. He served as the Company's General Counsel from 1993 to 2008 and the Company's Vice President from 1996 to 2001. In addition, Mr. Mendelson was the Chief Operating Officer of the Company's former MediTek Health Corporation subsidiary from 1995 until its profitable sale in 1996. Mr. Mendelson is a co-founder, and, since 1987, has been President of Mendelson International Corporation, a private investment company, which is a shareholder of HEICO. Mr. Mendelson is a Trustee of Columbia University in the City of New York, a Trustee of St. Thomas University in Miami Gardens, Florida, a Director of Boys & Girls Clubs of Miami-Dade and is a Director and Past President of the Board of Directors of the Florida Grand Opera. Victor Mendelson is the son of Laurans Mendelson and the brother of Eric Mendelson.

*Thomas S. Irwin* has served as our Senior Executive Vice President since June 2012; our Executive Vice President, Chief Financial Officer and Treasurer from September 1991 through May 2012; Senior Vice President and Treasurer from 1986 to 1991; and our Vice President and Treasurer from 1982 to 1986. Mr. Irwin is a Certified Public Accountant. He is a member of the American and North Carolina Institutes of Certified Public Accountants.

*Carlos L. Macau, Jr.* has served as our Executive Vice President - Chief Financial Officer and Treasurer since June 2012. Mr. Macau joined HEICO from the international public accounting firm of Deloitte & Touche LLP where he worked from 2000 to 2012 as an Audit Partner. Prior to joining HEICO, Mr. Macau accumulated 22 years of financial and accounting experience serving a number of public and private manufacturing and service clients in a broad range of industries. His client responsibilities included serving as HEICO's lead client services partner for five years (2006 to 2010). Mr. Macau is a current member of the Mount Sinai Founders of Mount Sinai Medical Center in Miami Beach, Florida. Mr. Macau is a Certified Public Accountant, a Chartered Global Management Accountant, and a member of the American and Florida Institutes of Certified Public Accountants.

*Steven M. Walker* has served as our Chief Accounting Officer since June 2012 and served as our Corporate Controller from 2002 through May 2012. He has also served as our Assistant Treasurer since 2002. Mr. Walker is a Certified Public Accountant and a member of the American Institute of Certified Public Accountants.



## Item 1A. *RISK FACTORS*

Our business, financial condition, operating results and cash flows may be impacted by a number of factors, many of which are beyond our control, including those set forth below and elsewhere in this Annual Report on Form 10-K, any one of which may cause our actual results to differ materially from anticipated results:

### **Strategic, Business and Operational Risks**

**We may not be able to effectively execute our acquisition strategy, which could slow our growth.**

A key element of our strategy is growth through the acquisition of additional companies. Our acquisition strategy is affected by and poses a number of challenges and risks, including the following:

- Availability of suitable acquisition candidates;
- Availability of capital;
- Diversion of management's attention;
- Effective integration of the operations and personnel of acquired companies;
- Potential write-downs of acquired intangible assets;
- Potential loss of key employees of acquired companies;
- Use of a significant portion of our available cash;
- Significant dilution to our shareholders for acquisitions made utilizing our securities;
- Consummation of acquisitions on satisfactory terms; and
- Obtaining applicable domestic and/or foreign governmental approvals such as antitrust and foreign investment related authorizations.

We may not be able to successfully execute our acquisition strategy, and the failure to do so could have a material adverse effect on our business, financial condition and results of operations.

**Our success is dependent on the development and manufacture of new products, equipment and services. Our inability to develop, manufacture and introduce new products and services at profitable pricing levels could reduce our sales or sales growth.**

The aviation, defense, space, medical, telecommunications and electronics industries are constantly undergoing development and change and, accordingly, new products, equipment and methods of repair and overhaul service are likely to be introduced in the future. In addition to manufacturing electronic and electro-optical equipment and selected aerospace and defense components for OEMs and the U.S. government and repairing jet engine and aircraft components, we re-design sophisticated aircraft replacement parts originally developed by OEMs so that we can offer the replacement parts for sale at substantially lower prices than those manufactured by the OEMs. Consequently, we devote substantial resources to research and

product development. Technological development poses a number of challenges and risks, including the following:

- We may not be able to successfully protect the proprietary interests we have in various aircraft parts, electronic and electro-optical equipment and our repair processes;
- As OEMs continue to develop and improve jet engines and aircraft components, we may not be able to re-design and manufacture replacement parts that perform as well as those offered by OEMs or we may not be able to profitably sell our replacement parts at lower prices than the OEMs;
- We may need to expend significant capital to:
  - purchase new equipment and machines,
  - train employees in new methods of production and service, and
  - fund the research and development of new products; and
- Development by our competitors of patents or methodologies that preclude us from the design and manufacture of aircraft replacement parts or electrical and electro-optical equipment could adversely affect our business, financial condition and results of operations.

In addition, we may not be able to successfully develop new products, equipment or methods of repair and overhaul service, and the failure to do so could have a material adverse effect on our business, financial condition and results of operations.

**Intense competition from existing and new competitors may harm our business.**

We face significant competition in each of our businesses.

*Flight Support Group*

- For jet engine and aircraft component replacement parts, we compete with the industry's leading jet engine and aircraft component OEMs.
- For the distribution, overhaul and repair of jet engine and aircraft components and avionics and navigation systems as well as the manufacture of specialty aircraft and defense related parts, we compete with:
  - major commercial airlines, many of which operate their own maintenance and overhaul units;
  - OEMs, which manufacture, distribute, repair and overhaul their own and other OEM parts; and
  - other independent service companies.

### *Electronic Technologies Group*

- For the design and manufacture of various types of electronic, data and microwave, and electro-optical equipment products, we compete in a fragmented marketplace with a number of companies, some of which are well capitalized.

Many of the industries serviced by our operating segments are highly fragmented, have several highly visible leading companies, and are characterized by intense competition. Some of our OEM competitors have greater name recognition than HEICO, as well as complementary lines of business and financial, marketing and other resources that HEICO does not have. In addition, OEMs, aircraft maintenance providers, leasing companies and FAA-certificated repair facilities may attempt to bundle their services and product offerings in the supply industry, thereby significantly increasing industry competition. Moreover, our smaller competitors may be able to offer more attractive pricing of parts as a result of lower labor costs or other factors. A variety of potential actions by any of our competitors, including a reduction of product prices or the establishment by competitors of long-term relationships with new or existing customers, could have a material adverse effect on our business, financial condition and results of operations. Competition typically intensifies during cyclical downturns in the aviation industry, when supply may exceed demand. We may not be able to continue to compete effectively against present or future competitors, and competitive pressures may have a material adverse effect on our business, financial condition and results of operations.

#### **The inability to obtain certain components and raw materials from suppliers could harm our business.**

Our business is affected by the availability and price of the raw materials and component parts that we use to manufacture our products. Our ability to manage inventory and meet delivery requirements may be constrained by our suppliers' ability to adjust delivery of long-lead time products during times of volatile demand. The supply chains for our business could also be disrupted by external events such as natural disasters, extreme weather events, pandemics, labor disputes, governmental actions and legislative or regulatory changes. As a result, our suppliers may fail to perform according to specifications when required and we may be unable to identify alternate suppliers or to otherwise mitigate the consequences of their non-performance. Transitions to new suppliers may result in significant costs and delays, including those related to the required recertification of parts obtained from new suppliers with our customers and/or regulatory agencies. Our inability to fill our supply needs could jeopardize our ability to fulfill obligations under customer contracts, which could result in reduced revenues and profits, contract penalties or terminations, and damage to customer relationships. Further, increased costs of such raw materials or components could reduce our profits if we were unable to pass along such price increases to our customers.

**Product specification costs and requirements could cause an increase to our costs to complete contracts.**

The costs to meet customer specifications and requirements could result in us having to spend more to design or manufacture products and this could reduce our profit margins on current contracts or those we obtain in the future.

**We may incur damages or disruption to our business caused by natural disasters and other factors that may not be covered by insurance.**

Several of our facilities, as a result of their locations, could be subject to a catastrophic loss caused by hurricanes, tornadoes, earthquakes, floods, fire, power loss, telecommunication and information systems failure, political unrest or similar events. Our corporate headquarters and facilities located in Florida are particularly susceptible to hurricanes, storms, tornadoes or other natural disasters that could disrupt our operations, delay production and shipments, and result in large expenses to repair or replace the facility or facilities. Should insurance or other risk transfer mechanisms, such as our existing disaster recovery and business continuity plans, be insufficient to recover all costs, we could experience a material adverse effect on our business, financial condition and results of operations.

**We are subject to the risks associated with sales to foreign customers, which could harm our business.**

We market our products and services to approximately 125 countries, with approximately 34% of our consolidated net sales in fiscal 2023 derived from sales to foreign customers. We expect that sales to foreign customers will continue to account for a significant portion of our revenues in the foreseeable future. As a result, we are subject to risks of doing business internationally, including the following:

- Fluctuations in currency exchange rates;
- Geopolitical unrest, war, terrorism and other acts of violence;
- Volatility in foreign political, regulatory, and economic environments;
- Ability to obtain required export licenses or approvals;
- Uncertainty of the ability of foreign customers to finance purchases;
- Uncertainties and restrictions concerning the availability of funding credit or guarantees;
- Imposition of taxes, export controls, tariffs, embargoes and other trade restrictions; and
- Compliance with a variety of international laws, as well as U.S. laws affecting the activities of U.S. companies abroad such as the U.S. Foreign Corrupt Practices Act.

While the impact of these factors is difficult to predict, any one or more of these factors may have a material adverse effect on our business, financial condition and results of operations.

**Cyber security events or other disruptions of our information technology systems could adversely affect our business.**

We rely on information technology systems, some of which are managed by third parties, to process, transmit and store electronic information, and to manage or support a variety of critical business processes and activities. We also collect and store sensitive data, including confidential business information and personal data. These systems may be susceptible to damage, disruptions or shutdowns due to attacks by computer hackers, computer viruses, employee error or malfeasance, power outages, hardware failures, telecommunication or utility failures, catastrophes or other unforeseen events. In addition, security breaches of our systems could result in the misappropriation or unauthorized disclosure of confidential information or personal data belonging to us or to our employees, partners, customers or suppliers. Any such events could disrupt our operations, delay production and shipments, result in defective products or services, damage customer relationships and our reputation and result in legal claims or proceedings that could have a material adverse effect on our business, financial condition and results of operations.

**We may not have the administrative, operational or financial resources to continue to grow the company.**

We have experienced rapid growth in recent periods and intend to continue to pursue an aggressive growth strategy, both through acquisitions and internal expansion of products and services. Our growth to date has placed, and could continue to place, significant demands on our administrative, operational and financial resources. We may not be able to grow effectively or manage our growth successfully, and the failure to do so could have a material adverse effect on our business, financial condition and results of operations.

**Goodwill and other intangible assets represent a significant portion of our total assets, and we may never realize the full value of our intangible assets.**

As a result of our acquisitions, goodwill and intangible assets represent a significant portion of our total assets. As of October 31, 2023 and 2022, goodwill and intangible assets, net of amortization, accounted for 64% and 59% of our total assets, respectively. We test our goodwill and intangible assets for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. We may not realize the full value of our goodwill and intangible assets, and to the extent that impairment has occurred, we would be required to recognize the impaired portion of such assets in our earnings. An impairment of a significant portion of such assets could have a material adverse effect on our business, financial condition and results of operations.



**We are dependent on key personnel and the loss of these key personnel could have a material adverse effect on our success.**

Our success substantially depends on the performance, contributions and expertise of our senior management team led by Laurans A. Mendelson, our Chairman and Chief Executive Officer, and Eric A. Mendelson and Victor H. Mendelson, our Co-Presidents. Technical employees are also critical to our research and product development, as well as our ability to continue to re-design sophisticated products of OEMs in order to sell competing replacement parts at substantially lower prices than those manufactured by the OEMs. The loss of the services of any of our executive officers or other key employees or our inability to continue to attract or retain the necessary personnel could have a material adverse effect on our business, financial condition and results of operations.

**Our executive officers and directors have significant influence over our management and direction.**

As of December 18, 2023, collectively our executive officers and entities controlled by them, the HEICO Savings and Investment Plan (our 401(k) Plan) and members of the Board of Directors beneficially owned approximately 19% of our outstanding Common Stock and approximately 3% of our outstanding Class A Common Stock. Accordingly, they will be able to substantially influence the election of the Board of Directors and control our business, policies and affairs, including our position with respect to proposed business combinations and attempted takeovers.

**Industry and Macroeconomic Risks**

**Our success is highly dependent on the performance of the aviation industry, which could be impacted by lower demand for commercial air travel or airline fleet changes causing lower demand for our goods and services.**

General global industry and economic conditions that affect the aviation industry also affect our business. We are subject to macroeconomic cycles and when recessions occur, we may experience reduced orders, payment delays, supply chain disruptions or other factors as a result of the economic challenges faced by our customers, prospective customers and suppliers. Further, the aviation industry has historically been subject to downward cycles from time to time which reduce the overall demand for jet engine and aircraft component replacement parts and repair and overhaul services, and such downward cycles result in lower sales and greater credit risk. Demand for commercial air travel can be influenced by airline industry profitability, world trade policies, government-to-government relations, terrorism, disease outbreaks, environmental constraints imposed upon aircraft operations, technological changes, price and other competitive factors. Lower commercial air travel caused by risks arising from public health threats, such as the the COVID-19 global pandemic and their aftermath, airline fleet changes or airline purchasing decisions, could cause lower demand for our goods and services. These global industry and economic conditions may have a material adverse effect on our business, financial condition and results of operations.

**The retirement or prolonged grounding of commercial aircraft could reduce our revenues and the value of any related inventory.**

Our Flight Support Group designs and manufactures jet engine and aircraft component replacement parts and also repairs, overhauls and distributes jet engine and aircraft components. If aircraft or engines for which we offer replacement parts or supply repair and overhaul services are retired or grounded for prolonged periods of time and there are fewer aircraft that require these parts or services, our revenues may decline as well as the value of any related inventory.

**Reductions in defense, space or homeland security spending by U.S. and/or foreign customers could reduce our revenues.**

In fiscal 2023, approximately 35% of our net sales were derived from the sale of defense, commercial and defense satellite and spacecraft components, and homeland security products. A decline in defense, space or homeland security budgets or additional restrictions imposed by the U.S. government on sales of products or services to foreign military agencies could lower sales of our products and services.

**We are subject to risks arising from public health threats, such as the the COVID-19 global pandemic ("Health Emergencies").**

Our results of operations may continue to reflect the adverse impact from the COVID-19 pandemic, including its impact on our supply chain and inflationary pressures. Health Emergencies pose a risk that we or our employees, customers, suppliers, manufacturers and other commercial partners may be prevented from conducting business activities for an indefinite period of time, including due to the spread of the disease or shutdowns requested or mandated by governmental authorities.

The extent to which Health Emergencies may have a material adverse effect on our future business, financial condition and results of operations will depend on many factors that are not within HEICO's control, including but not limited to the path and effect of Health Emergencies, including factors like new variants and vaccination rates, potential supply chain disruptions and inflation, which can impact our key markets.

**Regulatory and Legal Risks**

**We are subject to governmental regulation and our failure to comply with these regulations could cause the government to withdraw, suspend or revoke our authorizations and approvals to do business and could subject us to penalties and sanctions that could harm our business.**

Governmental agencies throughout the world, including the FAA, highly regulate the manufacture, repair and overhaul of aircraft parts and accessories. We include, with the replacement parts that we sell to our customers, documentation certifying that each part complies with applicable regulatory requirements and meets applicable standards of airworthiness

established by the FAA or the equivalent regulatory agencies in other countries. In addition, our repair and overhaul operations are subject to certification pursuant to regulations established by the FAA. Specific regulations vary from country to country, although compliance with FAA requirements generally satisfies regulatory requirements in other countries. The revocation or suspension of any of our material authorizations or approvals would have an adverse effect on our business, financial condition and results of operations. New and more stringent government regulations, if adopted and enacted, could have an adverse effect on our business, financial condition and results of operations. In addition, certain product sales to foreign countries of our Electronic Technologies Group and Flight Support Group require export approval or licensing from the United States ("U.S.") government. Denial of export licenses could reduce our sales to those countries and could have a material adverse effect on our business.

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Securities and Exchange Commission promulgated disclosure requirements regarding the use of certain minerals (tantalum, tin, gold and tungsten), known as conflict minerals, which are mined from the Democratic Republic of the Congo or another Covered Country. There are costs associated with complying with the disclosure requirements, such as costs related to determining the source of certain minerals used in our products, as well as costs of possible changes to products, processes, or sources of supply as a consequence of such verification activities. Given the complexity of our supply chain, we may not be able to ascertain the origin of these minerals used in our products in a timely manner, which could cause some of our customers to disqualify us as a supplier to the extent we are unable to certify our products are conflict mineral free. Additionally, the rule could affect sourcing at competitive prices and availability in sufficient quantities of such minerals used in our manufacturing processes for certain products.

Also, in foreign countries in which we have operations or business, a risk exists that our associates, contractors or agents could, in contravention of our policies and compliance programs, engage in business practices prohibited by U.S. laws and regulations applicable to us, such as the Foreign Corrupt Practices Act ("FCPA"), or the laws and regulations of other countries, such as the United Kingdom Bribery Act. Any such violations could have a material adverse effect on our business.

### **Tax changes could affect our effective tax rate and future profitability.**

We file income tax returns in the U.S. federal jurisdiction, multiple state jurisdictions and certain jurisdictions outside the U.S. In fiscal 2023, our effective tax rate was 20.0%. Our future effective tax rate may be adversely affected by a number of factors, including the following:

- Changes in statutory tax rates in any of the various jurisdictions where we file tax returns;
- Changes in available tax credits or tax deductions;
- Changes in tax laws or the interpretation of such tax laws including interpretations, amendments and technical corrections of the Tax Cuts and Jobs Act;
- Changes to the accounting for income taxes in accordance with generally accepted accounting principles;

- The amount of net income attributable to noncontrolling interests in our subsidiaries structured as partnerships;
- Changes in the mix of earnings in jurisdictions with differing statutory tax rates;
- Adjustments to estimated taxes upon finalization of various tax returns;
- Resolution of issues arising from tax audits with various tax authorities; and
- The reversal of any previously experienced tax-exempt unrealized gains in the cash surrender values of life insurance policies related to the HEICO Corporation Leadership Compensation Plan, a nonqualified deferred compensation plan.

Any significant increase in our future effective tax rates could have a material adverse effect on net income for future periods.

**We may incur product liability claims that are not fully insured and such insurance may not be available at commercially reasonable rates.**

Our jet engine and aircraft component replacement parts and repair and overhaul services expose our business to potential liabilities for personal injury or death as a result of the failure of an aircraft component that we have designed, manufactured or serviced. While we maintain liability insurance to protect us from future product liability claims, an uninsured or partially insured claim, or a claim for which third-party indemnification is not available, could have a material adverse effect on our business, financial condition and results of operations. Additionally, our customers typically require us to maintain substantial insurance coverage at commercially reasonable rates and our inability to obtain insurance coverage at commercially reasonable rates could have a material adverse effect on our business.

**We may incur environmental liabilities and these liabilities may not be covered by insurance.**

Our operations and facilities are subject to a number of federal, state and local environmental laws and regulations, which govern, among other things, the discharge of hazardous materials into the air and water as well as the handling, storage and disposal of hazardous materials. Pursuant to various environmental laws, a current or previous owner or operator of real property may be liable for the costs of removal or remediation of hazardous materials. Environmental laws typically impose liability whether or not the owner or operator knew of, or was responsible for, the presence of hazardous materials in the environment. Although management believes that our operations and facilities are in material compliance with environmental laws and regulations, future changes in them or interpretations thereof or the nature of our operations may require us to make significant additional capital expenditures to ensure compliance in the future.

We carry limited specific environmental insurance, thus, losses could occur for uninsurable or uninsured risks or in amounts in excess of existing insurance coverage. The occurrence of an event that is not covered in full or in part by insurance could have a material adverse effect on our business, financial condition and results of operations.

**Item 1B. UNRESOLVED STAFF COMMENTS**

None.

**Item 1C. CYBERSECURITY**

Not applicable.

**Item 2. PROPERTIES**

We own or lease a number of facilities, which are utilized by our Flight Support Group (“FSG”), Electronic Technologies Group (“ETG”), and corporate offices. As of October 31, 2023, all of the facilities listed below were in good operating condition, well maintained and in regular use. We believe that our existing facilities are sufficient to meet our operational needs for the foreseeable future. Summary information on the facilities utilized within the FSG, ETG and our corporate offices to support their principal operating activities is as follows:

| Location   | Square Footage |                       | Description  |
|--|----------------|-----------------------|--|
|  | Leased         | Owned                 |  |
| <b>Flight Support Group</b>  |                |                       |  |
| United States facilities (18 states)   | 1,483,000      | 233,000               | Manufacturing, engineering and distribution facilities, and corporate headquarters |
| United States facilities (10 states)   | 610,000        | 127,000               | Repair and overhaul facilities   |
| International facilities (10 countries)<br>- France, Germany, India, Laos, Netherlands, Singapore, Thailand, Turkey, United Arab Emirates and United Kingdom | 118,000        | 173,000               | Manufacturing, engineering and distribution facilities, and sales offices          |
| <b>Electronic Technologies Group</b>   |                |                       |  |
| United States facilities (18 states)   | 821,000        | 612,000               | Manufacturing and engineering facilities   |
| International facilities (7 countries)<br>- Canada, France, India, Morocco, South Korea, United Kingdom and Vietnam  | 382,000        | 313,000               | Manufacturing and engineering facilities   |
| <b>Corporate</b>   |                |                       |  |
| United States facilities (1 state)   | —              | 10,000 <sup>(1)</sup> | Administrative offices   |

(1) Represents the square footage of our corporate offices in Miami, Florida. The square footage of our corporate headquarters in Hollywood, Florida is included within Square Footage-Owned of the caption “United States facilities (18 states)” under Flight Support Group.



### **Item 3. *LEGAL PROCEEDINGS***

On April 20, 2021, an indirect subsidiary of HEICO Flight Support Corp., which was acquired in June 2020, received a grand jury subpoena from the United States District Court for the Southern District of California requiring the production of documents for the time period December 1, 2017 through February 4, 2019 related to the subsidiary's employment of a certain individual and its performance of work on certain Navy vessels during that time period. We are cooperating with the investigation. We have completed our production of documents responsive to the subpoena, although we have a continuing obligation to produce such documents should any be located. We cannot predict the outcome of the investigation or when the investigation will ultimately be resolved; nor can we reasonably estimate the possible range of loss or impact to our business, if any, that may result from this matter.

With the exception of the matter noted above, we are involved in various legal actions arising in the normal course of business. Based upon our and our legal counsel's evaluations of any claims or assessments, management is of the opinion that the outcome of these matters will not have a material adverse effect on our results of operations, financial position or cash flows.

### **Item 4. *MINE SAFETY DISCLOSURES***

Not applicable.

## **PART II**

### **Item 5. *MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES***

#### **Market Information**

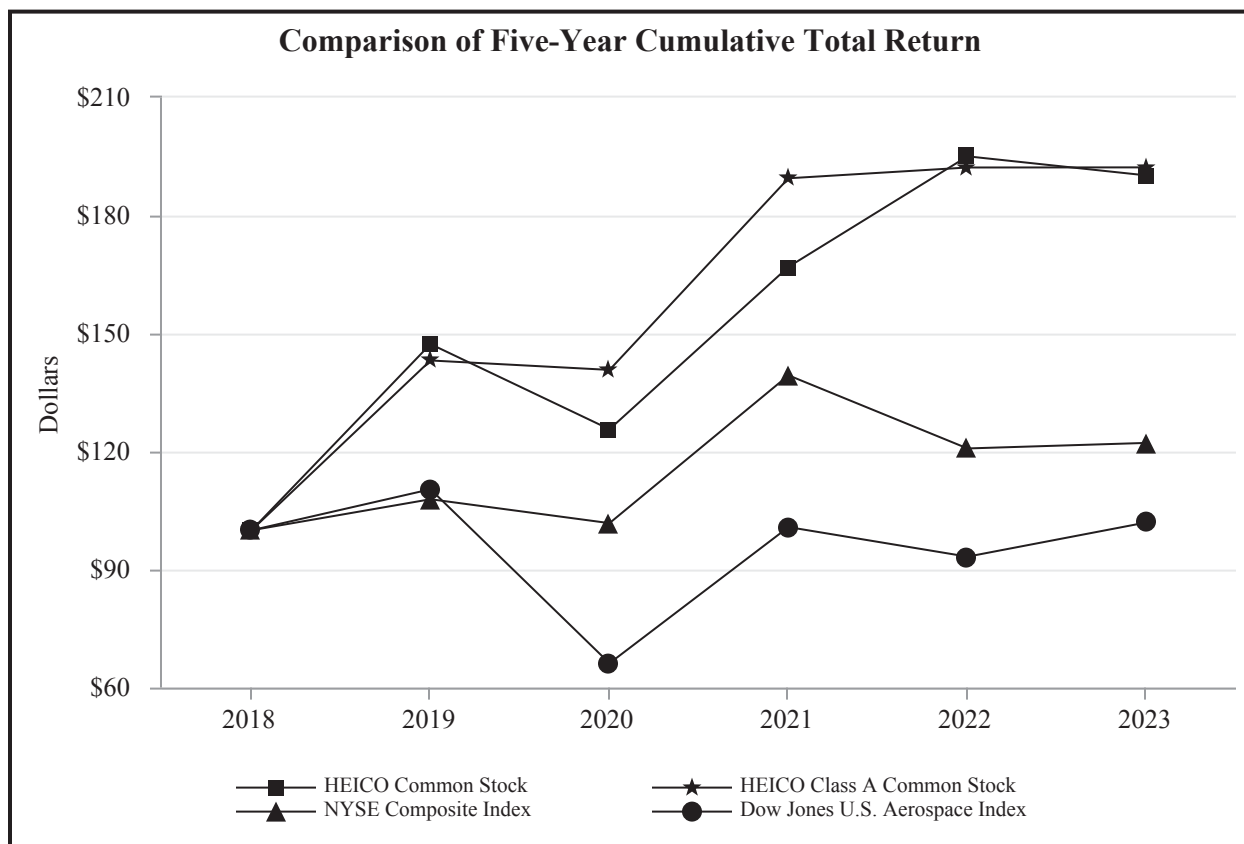
Our Class A Common Stock and Common Stock are listed and traded on the New York Stock Exchange ("NYSE") under the symbols "HEI.A" and "HEI," respectively.

As of December 18, 2023, there were 265 holders of record of our Common Stock and 327 holders of record of our Class A Common Stock.

#### **Performance Graphs**

The following graph and table compare the total return on \$100 invested in HEICO Common Stock and HEICO Class A Common Stock with the total return on \$100 invested in the NYSE Composite Index and the Dow Jones U.S. Aerospace Index for the five-year period from October 31, 2018 through October 31, 2023. The NYSE Composite Index measures the performance of all common stocks listed on the NYSE. The Dow Jones U.S. Aerospace Index is

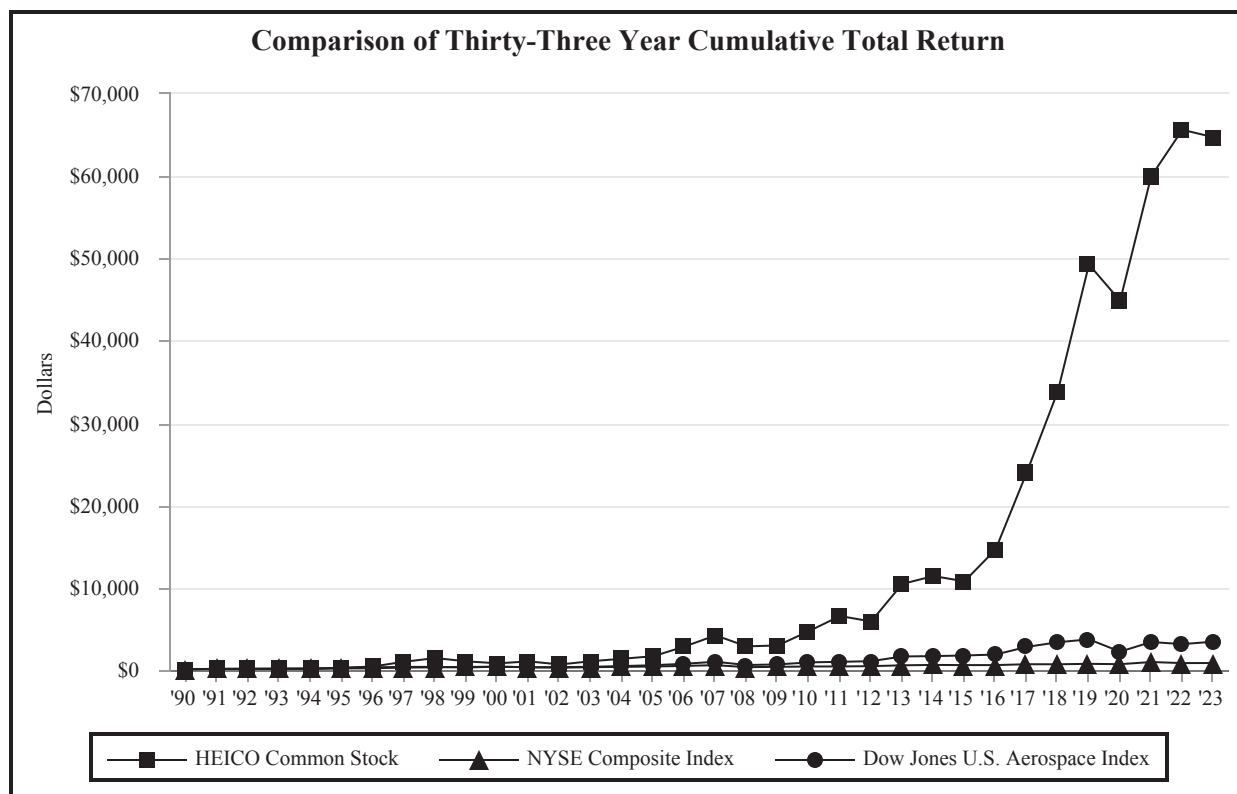
comprised of large companies which make aircraft, major weapons, radar and other defense equipment and systems as well as providers of satellites and spacecraft used for defense purposes. The total returns include the reinvestment of cash dividends.



**Cumulative Total Return as of October 31,**

|                                | 2018     | 2019     | 2020     | 2021     | 2022     | 2023     |
|--------------------------------|----------|----------|----------|----------|----------|----------|
| HEICO Common Stock             | \$100.00 | \$147.34 | \$125.68 | \$166.97 | \$195.07 | \$190.22 |
| HEICO Class A Common Stock     | 100.00   | 143.17   | 140.77   | 189.49   | 192.23   | 192.26   |
| NYSE Composite Index           | 100.00   | 107.89   | 101.81   | 139.39   | 120.80   | 122.21   |
| Dow Jones U.S. Aerospace Index | 100.00   | 110.42   | 66.19    | 100.81   | 93.29    | 101.99   |

The following graph and table compare the total return on \$100 invested in HEICO Common Stock since October 31, 1990 using the same indices shown on the five-year performance graph above. October 31, 1990 was the end of the first fiscal year following the date the current executive management team assumed leadership of the Company. No Class A Common Stock was outstanding as of October 31, 1990. As with the five-year performance graph, the total returns include the reinvestment of cash dividends.



|                                | <b>Cumulative Total Return as of October 31,</b> |             |             |             |             |
|--------------------------------|--|-------------|-------------|-------------|-------------|
|                                | <b>1990</b>                                      | <b>1991</b> | <b>1992</b> | <b>1993</b> | <b>1994</b> |
| HEICO Common Stock             | \$100.00   | \$141.49    | \$158.35    | \$173.88    | \$123.41    |
| NYSE Composite Index           | 100.00   | 130.31      | 138.76      | 156.09      | 155.68      |
| Dow Jones U.S. Aerospace Index | 100.00   | 130.67      | 122.00      | 158.36      | 176.11      |
|                                | <b>1995</b>                                      | <b>1996</b> | <b>1997</b> | <b>1998</b> | <b>1999</b> |
| HEICO Common Stock             | \$263.25   | \$430.02    | \$1,008.31  | \$1,448.99  | \$1,051.61  |
| NYSE Composite Index           | 186.32   | 225.37      | 289.55      | 326.98      | 376.40      |
| Dow Jones U.S. Aerospace Index | 252.00   | 341.65      | 376.36      | 378.66      | 295.99      |
|                                | <b>2000</b>                                      | <b>2001</b> | <b>2002</b> | <b>2003</b> | <b>2004</b> |
| HEICO Common Stock             | \$809.50   | \$1,045.86  | \$670.39    | \$1,067.42  | \$1,366.57  |
| NYSE Composite Index           | 400.81   | 328.78      | 284.59      | 339.15      | 380.91      |
| Dow Jones U.S. Aerospace Index | 418.32   | 333.32      | 343.88      | 393.19      | 478.49      |
|                                | <b>2005</b>                                      | <b>2006</b> | <b>2007</b> | <b>2008</b> | <b>2009</b> |
| HEICO Common Stock             | \$1,674.40                                       | \$2,846.48  | \$4,208.54  | \$2,872.01  | \$2,984.13  |
| NYSE Composite Index           | 423.05   | 499.42      | 586.87      | 344.96      | 383.57      |
| Dow Jones U.S. Aerospace Index | 579.77   | 757.97      | 1,000.84    | 602.66      | 678.00      |
|                                | <b>2010</b>                                      | <b>2011</b> | <b>2012</b> | <b>2013</b> | <b>2014</b> |
| HEICO Common Stock             | \$4,722.20                                       | \$6,557.88  | \$5,900.20  | \$10,457.14 | \$11,416.51 |
| NYSE Composite Index           | 427.61   | 430.46      | 467.91      | 569.69      | 617.23      |
| Dow Jones U.S. Aerospace Index | 926.75   | 995.11      | 1,070.15    | 1,645.24    | 1,687.41    |

|                                | <b>Cumulative Total Return as of October 31,</b> |             |             |             |             |
|--------------------------------|--|-------------|-------------|-------------|-------------|
|                                | <b>2015</b>                                      | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> |
| HEICO Common Stock             | \$10,776.88                                      | \$14,652.37 | \$23,994.03 | \$33,876.95 | \$49,277.28 |
| NYSE Composite Index           | 595.37   | 596.57      | 702.38      | 694.81      | 749.66      |
| Dow Jones U.S. Aerospace Index | 1,766.94   | 1,878.10    | 2,807.42    | 3,373.52    | 3,725.15    |
|                                | <b>2020</b>                                      | <b>2021</b> | <b>2022</b> | <b>2023</b> |             |
| HEICO Common Stock             | \$44,877.75                                      | \$60,000.11 | \$65,650.39 | \$64,751.68 |             |
| NYSE Composite Index           | 707.40   | 968.47      | 839.31      | 849.11      |             |
| Dow Jones U.S. Aerospace Index | 2,233.00   | 3,400.98    | 3,147.04    | 3,440.63    |             |

### **Issuer Purchases of Equity Securities**

There were no issuer purchases of our equity securities during the fourth quarter of fiscal 2023.

### **Recent Sales of Unregistered Securities**

There were no unregistered sales of our equity securities during fiscal 2023, except in connection with the Wencor Group acquisition as disclosed in our Current Report on Form 8-K filed with the Securities and Exchange Commission on August 10, 2023.

### **Dividend Policy**

We have historically paid semi-annual cash dividends on both our Class A Common Stock and Common Stock. During fiscal 2023, we paid an aggregate cash dividend of \$.20 per share, which represents an 11% increase over the aggregate cash dividend of \$.18 per share paid during fiscal 2022. In December 2023, our Board of Directors declared our 91st consecutive semi-annual cash dividend of \$.10 per share payable in January 2024.

Our Board of Directors will continue to review our dividend policy and will regularly evaluate whether dividends should be paid in cash or stock, as well as what amounts should be paid. Our ability to pay dividends could be affected by future business performance, liquidity, capital needs, alternative investment opportunities and loan covenants under our revolving credit facility.

### **Item 6. *[Reserved]***

## **Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **Overview**

Our business is comprised of two operating segments, the Flight Support Group ("FSG") and the Electronic Technologies Group ("ETG").

The FSG consists of HEICO Aerospace Holdings Corp. ("HEICO Aerospace"), which is 80% owned, and HEICO Flight Support Corp., which is wholly owned, and their collective subsidiaries, which primarily:

- *Designs, Manufactures, Repairs, Overhauls and Distributes Jet Engine and Aircraft Component Replacement Parts.* The FSG designs and manufactures jet engine and aircraft component replacement parts, which are approved by the Federal Aviation Administration ("FAA"). In addition, the FSG repairs, overhauls and distributes jet engine and aircraft components, avionics and instruments for domestic and foreign commercial air carriers and aircraft repair companies as well as military and business aircraft operators. The FSG also manufactures and sells specialty parts as a subcontractor for aerospace and industrial original equipment manufacturers and the United States ("U.S.") government. Additionally, the FSG is a leading supplier, distributor, and integrator of military aircraft parts and support services primarily to the U.S. Department of Defense, defense prime contractors, and foreign military organizations allied with the U.S. Further, the FSG is a leading manufacturer of advanced niche components and complex composite assemblies for commercial aviation, defense and space applications. The FSG also engineers, designs and manufactures thermal insulation blankets and parts as well as removable/reusable insulation systems for aerospace, defense, commercial and industrial applications; manufactures expanded foil mesh for lightning strike protection in fixed and rotary wing aircraft; distributes aviation electrical interconnect products and electromechanical parts; overhauls industrial pumps, motors, and other hydraulic units with a focus on the support of legacy systems for the U.S. Navy; and performs tight-tolerance machining, brazing, fabricating and welding services for aerospace, defense and other industrial applications.

The ETG consists of HEICO Electronic Technologies Corp. ("HEICO Electronic") and its subsidiaries, which primarily:

- *Designs and Manufactures Electronic, Microwave and Electro-Optical Equipment, High-Speed Interface Products, High Voltage Interconnection Devices, EMI and RFI Shielding and Filters, High Voltage Advanced Power Electronics, Power Conversion Products, Underwater Locator Beacons, Memory Products, Self-Sealing Auxiliary Fuel Systems, Active Antenna Systems, Airborne Antennas, TSCM Equipment and high reliability ("Hi-Rel") electronic components.* The ETG collectively designs, manufactures and sells various types of electronic, data and microwave, and electro-optical products, including infrared simulation and test equipment, laser rangefinder receivers, electrical power supplies, back-up power supplies, power conversion products, underwater locator beacons,



emergency locator transmission beacons, flight deck annunciators, panels and indicators, electromagnetic and radio frequency interference shielding and filters, high power capacitor charging power supplies, amplifiers, traveling wave tube amplifiers, photodetectors, amplifier modules, microwave power modules, flash lamp drivers, laser diode drivers, arc lamp power supplies, custom power supply designs, cable assemblies, high voltage power supplies, high voltage interconnection devices and wire, high voltage energy generators, high frequency power delivery systems; memory products, including three-dimensional microelectronic and stacked memory, static random-access memory (SRAM) and electronically erasable programmable read-only memory (EEPROM); harsh environment electronic connectors and other interconnect products, RF and microwave amplifiers, transmitters, and receivers and integrated assemblies, sub-assemblies and components; RF sources, detectors and controllers, wireless cabin control systems, solid state power distribution and management systems, crashworthy and ballistically self-sealing auxiliary fuel systems, nuclear radiation detectors, communications and electronic intercept receivers and tuners, fuel level sensing systems, high-speed interface products that link devices, high performance active antenna systems and airborne antennas for commercial and military aircraft, precision guided munitions, other defense applications and commercial uses; silicone material for a variety of demanding applications; precision power analog monolithic, hybrid and open frame components; high-reliability ceramic-to-metal feedthroughs and connectors, technical surveillance countermeasures (TSCM) equipment to detect devices used for espionage and information theft; rugged small-form factor embedded computing solutions; custom high power filters and filter assemblies; test sockets and adapters for both engineering and production use of semiconductor devices, and radiation assurance services and products; and Hi-Rel, complex, passive electronic components and rotary joint assemblies for mostly aerospace and defense applications, in addition to other high-end applications, such as medical and energy uses including emerging "clean energy" and electrification applications.

Although we have largely emerged from the COVID-19 pandemic, our results of operations in fiscal 2023 reflected some of the pandemic's lingering impact, including its impact on our supply chain. Despite the aforementioned, we experienced continued improvement in operating results in fiscal 2023 as compared to fiscal 2022 principally reflecting improved demand for our commercial aerospace products and services. The FSG has reported thirteen consecutive quarters of sequential growth in net sales resulting from commercial air travel recovery in certain domestic travel markets, moderated by a slower recovery in international travel markets.

Additionally, our results of operations in fiscal 2023 have been affected by recent acquisitions as further detailed in Note 2, Acquisitions, of the Notes to Consolidated Financial Statements.

## Presentation of Results of Operations and Liquidity and Capital Resources

The following discussion and analysis of our Results of Operations and Liquidity and Capital Resources includes a comparison of fiscal 2023 to fiscal 2022. A similar discussion and analysis that compares fiscal 2022 to fiscal 2021 may be found in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," of our Form 10-K for the fiscal year ended October 31, 2022.

### Results of Operations

The following table sets forth the results of our operations, net sales and operating income by segment and the percentage of net sales represented by the respective items in our Consolidated Statements of Operations (in thousands):

|   | <b>Year ended October 31,</b> |                    |
|---|-------------------------------|--------------------|
|   | <b>2023</b>                   | <b>2022</b>        |
| Net sales   | \$2,968,105                   | \$2,208,322        |
| Cost of sales                                       | 1,814,617                     | 1,345,563          |
| Selling, general and administrative expenses        | 528,149                       | 365,915            |
| Total operating costs and expenses                  | 2,342,766                     | 1,711,478          |
| Operating income                                    | <u>\$625,339</u>              | <u>\$496,844</u>   |
| Net sales by segment:                               |                               |                    |
| Flight Support Group                                | \$1,770,185                   | \$1,255,212        |
| Electronic Technologies Group                       | 1,225,222                     | 972,475            |
| Intersegment sales                                  | (27,302)                      | (19,365)           |
|   | <u>\$2,968,105</u>            | <u>\$2,208,322</u> |
| Operating income by segment:                        |                               |                    |
| Flight Support Group                                | \$387,297                     | \$267,167          |
| Electronic Technologies Group                       | 285,053                       | 269,473            |
| Other, primarily corporate                          | (47,011)                      | (39,796)           |
|   | <u>\$625,339</u>              | <u>\$496,844</u>   |
| Net sales   | 100.0%                        | 100.0%             |
| Gross profit  | 38.9%                         | 39.1%              |
| Selling, general and administrative expenses        | 17.8%                         | 16.6%              |
| Operating income                                    | 21.1%                         | 22.5%              |
| Interest expense                                    | 2.5%                          | .3%                |
| Other income  | .1%                           | —%                 |
| Income tax expense                                  | 3.7%                          | 4.5%               |
| Net income attributable to noncontrolling interests | 1.4%                          | 1.8%               |
| Net income attributable to HEICO                    | 13.6%                         | 15.9%              |

## Comparison of Fiscal 2023 to Fiscal 2022

### *Net Sales*

Our consolidated net sales in fiscal 2023 increased by 34% to a record \$2,968.1 million, up from net sales of \$2,208.3 million in fiscal 2022. The increase in consolidated net sales principally reflects an increase of \$515.0 million (a 41% increase) to a record \$1,770.2 million in net sales of the FSG and an increase of \$252.7 million (a 26% increase) to a record \$1,225.2 million in net sales of the ETG. The net sales increase in the FSG reflects strong organic growth of 21% as well as net sales of \$251.0 million contributed by fiscal 2023 and 2022 acquisitions. The FSG's organic net sales increase reflects increased demand for the majority of our commercial aerospace products and services resulting from continued recovery in global commercial air travel as compared to the prior year. As such, organic net sales increased by \$188.4 million, \$49.3 million and \$26.2 million within our aftermarket replacement parts, repair and overhaul parts and services, and specialty products product lines, respectively. The net sales increase in the ETG principally reflects \$232.8 million contributed by fiscal 2023 and 2022 acquisitions and organic growth of 1%. The ETG's organic net sales increase is mainly attributable to increased demand for our aerospace, space and other electronics products resulting in net sales increases of \$23.7 million, \$12.9 million and \$9.5 million, respectively, partially offset by decreased demand for our defense products resulting in a net sales decrease of \$28.2 million. Although sales price changes were not a significant contributing factor to the change in net sales of the FSG and ETG in fiscal 2023, recent cost inflation may lead to higher sales prices during fiscal 2024.

Our net sales in fiscal 2023 and 2022 by market consisted of approximately 48% and 43% from the commercial aviation industry, respectively, 35% and 39% from the defense and space industries, respectively, and 17% and 18% from other industrial markets including electronics, medical and telecommunications, respectively.

### *Gross Profit and Operating Expenses*

Our consolidated gross profit margin was 38.9% in fiscal 2023, as compared to 39.1% in fiscal 2022, principally reflecting a 2.3% decrease in the ETG's gross profit margin, partially offset by a 1.7% improvement in the FSG's gross profit margin. The reduction in the ETG's gross profit margin principally reflects the previously mentioned decrease in net sales of our defense products, partially offset by the previously mentioned increase in net sales of our aerospace products. The increase in the FSG's gross profit margin principally reflects the previously mentioned higher net sales within our aftermarket replacement parts and repair and overhaul parts and services product lines, and lower inventory obsolescence expenses in fiscal 2023 mainly due to increased demand within our aftermarket replacement parts product line. Total new product research and development expenses included within our consolidated cost of sales were \$95.8 million in fiscal 2023, up from \$76.1 million in fiscal 2022.

Our consolidated selling, general and administrative ("SG&A") expenses were \$528.1 million in fiscal 2023, as compared to \$365.9 million in fiscal 2022. The increase in

consolidated SG&A expenses principally reflects \$96.8 million attributable to our fiscal 2023 and 2022 acquisitions, costs incurred to support the previously mentioned net sales growth resulting in increases of \$28.0 million and \$10.8 million in other general and administrative expenses and other selling expenses, respectively, a \$15.8 million increase in performance-based compensation expense and a \$20.0 million increase in acquisition costs mainly related to fiscal 2023 acquisitions, partially offset by a \$9.1 million impact from the amendment and termination of a contingent consideration agreement pertaining to a fiscal 2021 acquisition.

Our consolidated SG&A expenses as a percentage of net sales were 17.8% in fiscal 2023, as compared to 16.6% in fiscal 2022. The increase in consolidated SG&A expenses as a percentage of net sales principally reflects a .7% impact from the previously mentioned increase in acquisition costs, a .4% impact attributable to the fiscal 2023 and 2022 acquisitions, and a .3% impact from changes in the estimated fair value of contingent consideration, partially offset by a .3% impact from the previously mentioned amendment and termination of a contingent consideration agreement.

### *Operating Income*

Our consolidated operating income increased by 26% to a record \$625.3 million in fiscal 2023, up from \$496.8 million in fiscal 2022. The increase in consolidated operating income principally reflects a \$120.1 million increase (a 45% increase) to a record \$387.3 million in operating income of the FSG and a \$15.6 million increase (a 6% increase) to a record \$285.1 million in operating income of the ETG. The increase in operating income of the FSG principally reflects the previously mentioned net sales growth, improved gross profit margin, and the previously mentioned amendment and termination of a contingent consideration agreement, partially offset by a \$21.6 million increase in performance-based compensation expense and a \$15.8 million increase in acquisition costs mainly related to a fiscal 2023 acquisition. The increase in operating income of the ETG principally reflects the previously mentioned net sales increase, partially offset by the previously mentioned lower gross profit margin, higher costs resulting from the impact of our January 2023 acquisition, \$7.2 million in unfavorable changes in the estimated fair value of accrued contingent consideration, and a \$4.2 million increase in acquisition costs mainly related to a fiscal 2023 acquisition.

Our consolidated operating income as a percentage of net sales was 21.1% in fiscal 2023, as compared to 22.5% in fiscal 2022. Our consolidated operating income as a percentage of net sales in fiscal 2023 principally reflects a decrease in the ETG's operating income as a percentage of net sales to 23.3% in fiscal 2023, as compared to 27.7% in fiscal 2022, partially offset by an increase in the FSG's operating income as a percentage of net sales to 21.9% in fiscal 2023, up from 21.3% in fiscal 2022. The decrease in the ETG's operating income as a percentage of net sales principally reflects the previously mentioned lower gross profit margin and a 2.2% impact from an increase in SG&A expenses as a percentage of net sales. The increase in the ETG's SG&A expenses as a percentage of net sales is inclusive of a .7% impact from the previously mentioned higher costs of our January 2023 acquisition, a .7% impact from the previously mentioned changes in the estimated fair value of contingent consideration, and a .3% impact from the previously mentioned higher acquisition expenses. The increase in the FSG's operating

income as a percentage of net sales principally reflects the previously mentioned improved gross profit margin and a .5% impact from the previously mentioned amendment and termination of a contingent consideration agreement, partially offset by a .9% and .4% impact from the previously mentioned increases in acquisition costs and performance-based compensation expense, respectively.

### *Interest Expense*

Interest expense increased to \$73.0 million in fiscal 2023, as compared to \$6.4 million in fiscal 2022. The increase in interest expense was principally due to an increase in the amount of outstanding debt as well as higher interest rates.

### *Other Income*

Other income in fiscal 2023 and 2022 was not material.

### *Income Tax Expense*

Our effective tax rate decreased to 20.0% in fiscal 2023, down from 20.4% in fiscal 2022. The decrease in our effective tax rate principally reflects a favorable impact from tax-exempt unrealized gains in the cash surrender values of life insurance policies related to the HEICO Leadership Compensation Plan in fiscal 2023 as compared to tax-exempt unrealized losses recognized in fiscal 2022. This was partially offset by a larger tax benefit from stock option exercises recognized in the first quarter of fiscal 2022 and the portion of acquisition costs associated with fiscal 2023 acquisitions that were not deductible for income tax purposes. We recognized a discrete tax benefit from stock option exercises in both the first quarter of fiscal 2023 and 2022 of \$6.2 million and \$17.8 million, respectively.

### *Net Income Attributable to Noncontrolling Interests*

Net income attributable to noncontrolling interests relates to the 20% noncontrolling interest held by Lufthansa Technik AG in HEICO Aerospace Holdings Corp. and the noncontrolling interests held by others in certain subsidiaries of the FSG and ETG. Net income attributable to noncontrolling interests was \$40.8 million in fiscal 2023, as compared to \$38.9 million in fiscal 2022. The increase in net income attributable to noncontrolling interests principally reflects improved operating results of certain subsidiaries of the FSG and ETG in which noncontrolling interests are held.

### *Net Income Attributable to HEICO*

Net income attributable to HEICO increased by 15% to a record \$403.6 million, or \$2.91 per diluted share, in fiscal 2023, up from \$351.7 million, or \$2.55 per diluted share, in fiscal 2022 principally reflecting the previously mentioned higher consolidated operating income, partially offset by the increase in interest expense.



## Outlook

As we look ahead to fiscal 2024, we anticipate net sales growth in both the FSG and ETG, principally driven by contributions from our fiscal 2023 acquisitions and demand for the majority of our products. Additionally, continued inflationary pressures may lead to higher material and labor costs. Further, we plan to actively work on the continued integration of Wencor Group into our business and operations, continue our commitment to developing new products and services and further market penetration, while maintaining our financial strength and flexibility.

## Inflation

We have generally experienced increases in our costs of labor, materials and services consistent with overall rates of inflation. The impact of such increases on net income attributable to HEICO has been generally minimized by efforts to lower costs through manufacturing efficiencies and cost reductions as well as selective price increases, as was done in fiscal 2023. However, continued cost inflation during fiscal 2024 may require additional sales price increases in order to mitigate their impact on net income attributable to HEICO.

## Liquidity and Capital Resources

The following table summarizes our capitalization (in thousands):

|   | As of October 31, |           |
|---|-------------------|-----------|
|   | 2023              | 2022      |
| Cash and cash equivalents               | \$171,048         | \$139,504 |
| Total debt (including current portion)  | 2,478,078         | 290,274   |
| Shareholders' equity                    | 3,193,151         | 2,648,306 |
| Total capitalization (debt plus equity) | 5,671,229         | 2,938,580 |
| Total debt to total capitalization      | 44%               | 10%       |

Our principal uses of cash include acquisitions, capital expenditures, cash dividends, distributions to noncontrolling interests, interest payments and working capital needs. Capital expenditures in fiscal 2024 are anticipated to be approximately \$65 million. We finance our activities primarily from our operating and financing activities, including borrowings under our revolving credit facility.

As of December 18, 2023, we had approximately \$739 million of unused committed availability under the terms of our revolving credit facility. Based on our current outlook, we believe that net cash provided by operating activities and available borrowings under our revolving credit facility will be sufficient to fund our cash requirements for at least the next twelve months.

### *Operating Activities*

Net cash provided by operating activities was \$448.7 million in fiscal 2023 and consisted primarily of net income from consolidated operations of \$444.4 million, depreciation and amortization expense of \$130.0 million (a non-cash item), \$15.5 million in share-based compensation expense (a non-cash item) and \$15.3 million in employer contributions to the HEICO Savings and Investment Plan (a non-cash item), partially offset by a \$117.4 million increase in net working capital, a \$26.5 million deferred income tax benefit (a non-cash item), and a \$9.1 million impact from the amendment and termination of a contingent consideration agreement (a non-cash item). The increase in net working capital is inclusive of a \$124.8 million increase in inventories to support an increase in consolidated backlog and a \$65.6 million increase in accounts receivable resulting from the previously mentioned higher net sales and the timing of collections, partially offset by a \$72.6 million increase in accrued expenses and other current liabilities principally from a higher level of accrued performance based-compensation due to the improved operating results and an increase in contract liabilities.

Net cash provided by operating activities decreased by \$19.1 million in fiscal 2023 from \$467.9 million in fiscal 2022. The decrease is principally attributable to a \$56.0 million increase in net working capital, a \$35.4 million increase in deferred income tax benefits, and a \$9.1 million impact from the amendment and termination of a contingent consideration agreement, partially offset by a \$53.8 million increase in net income from consolidated operations and a \$33.7 million increase in depreciation and amortization expense. The increase in net working capital primarily resulted from the previously mentioned increase in inventories and accounts receivable, as well as a decrease in income taxes payable, partially offset by the previously mentioned increase in accrued expenses and other current liabilities.

Net cash provided by operating activities was \$467.9 million in fiscal 2022 and consisted primarily of net income from consolidated operations of \$390.6 million, depreciation and amortization expense of \$96.3 million (a non-cash item), net changes in other long-term liabilities and assets related to the LCP of \$15.4 million (principally participant deferrals and employer contributions), \$12.6 million in share-based compensation expense (a non-cash item), and \$12.2 million in employer contributions to the HEICO Savings and Investment Plan (a non-cash item), partially offset by a \$61.4 million increase in net working capital. The increase in net working capital principally reflects an \$89.2 million increase in inventories to support the increase in our consolidated backlog, partially offset by a \$34.1 million increase in accrued expenses and other current liabilities mainly reflecting an increase in contingent consideration and contract liabilities.

### *Investing Activities*

Net cash used in investing activities totaled \$2,484.5 million in fiscal 2023 and related primarily to acquisitions of \$2,421.8 million, capital expenditures of \$49.4 million, and investments related to the LCP of \$18.9 million. Further details regarding our acquisitions may be found in Note 2, Acquisitions, of the Notes to Consolidated Financial Statements.

Net cash used in investing activities totaled \$395.8 million in fiscal 2022 and related primarily to acquisitions of \$347.3 million, capital expenditures of \$32.0 million, and investments related to the LCP of \$15.3 million.

### *Financing Activities*

Net cash provided by financing activities in fiscal 2023 totaled \$2,065.0 million. During fiscal 2023, we borrowed \$1,964.0 million under our revolving credit facility and received \$1,189.5 million in proceeds from the issuance of senior unsecured notes, which were partially offset by \$989.0 million in payments made on our revolving credit facility, \$36.6 million of distributions to noncontrolling interests, \$27.4 million of cash dividends on our common stock, redemptions of common stock related to stock option exercises aggregating \$14.8 million, \$12.6 million of contingent consideration payments, and \$10.1 million paid of debt issuance costs.

Net cash used in financing activities in fiscal 2022 totaled \$33.8 million. During fiscal 2022, we made \$212.0 million in payments on our revolving credit facility, redeemed common stock related to stock option exercises aggregating \$25.9 million, made \$25.1 million of distributions to noncontrolling interests, paid \$24.5 million in cash dividends on our common stock and paid \$8.7 million to acquire certain noncontrolling interests, which were partially offset by \$262.0 million of borrowings under our revolving credit facility.

### **Revolving Credit Facility**

In November 2017, we entered into a \$1.3 billion Revolving Credit Facility Agreement ("Credit Facility") with a bank syndicate. The Credit Facility may be used to finance acquisitions and for working capital and other general corporate purposes, including capital expenditures. In December 2020, we entered into an amendment to increase the capacity by \$200 million to \$1.5 billion. In April 2022, we entered into an amendment to extend the maturity date of our Credit Facility by one year to November 2024 and to replace the Eurocurrency Rate with Adjusted Term SOFR as an election in which borrowings under the Credit Facility accrue interest, as such capitalized terms are defined in the Credit Facility. In July 2023, we entered into a third amendment to our Credit Facility, to, among other things, (i) increase the capacity by \$500 million to \$2.0 billion, (ii) extend the maturity date to July 2028, and (iii) increase the applicable rate with respect to certain total leverage ratio tiers in the pricing grid. The Credit Facility includes a feature that will allow us to increase the capacity by \$750 million to become a \$2.75 billion facility through increased commitments from existing lenders.

Borrowings under the Credit Facility accrue interest at our election of the Base Rate or Adjusted Term SOFR, plus in each case, the Applicable Rate (based on the Company's Total Leverage Ratio), as such capitalized terms are defined in the Credit Facility. The Base Rate for any day is a fluctuating rate per annum equal to the highest of (i) the Prime Rate; (ii) the Federal Funds Rate plus .50%; and (iii) Adjusted Term SOFR for an Interest Period of one month plus 100 basis points. Adjusted Term SOFR is the rate per annum equal to Term SOFR plus a Term SOFR Adjustment of .10%; provided that Adjusted Term SOFR as so determined shall never be less than 0%. The Applicable Rate for SOFR Loans ranges from 1.125% to 2.00%. The

Applicable Rate for Base Rate Loans ranges from .125% to 1.00%. A fee is charged on the amount of the unused commitment ranging from .15% to .35% (depending on the Company's Total Leverage Ratio). The Credit Facility also includes a \$200 million sublimit for swingline borrowings and \$100 million sublimits for borrowings made in foreign currencies and for letters of credit. Outstanding principal, accrued and unpaid interest and other amounts payable under the Credit Facility may be accelerated upon an event of default, as such events are described in the Credit Facility. The Credit Facility is unsecured and contains covenants that require, among other things, the maintenance of a Total Leverage Ratio and an Interest Coverage Ratio, as such capitalized terms are defined in the Credit Facility. We were in compliance with all financial and nonfinancial covenants of the Credit Facility as of October 31, 2023.

### **Senior Unsecured Notes**

On July 27, 2023, we completed the public offer and sale of senior unsecured notes, which consisted of \$600 million principal amount of 5.25% Senior Notes due August 1, 2028 (the "2028 Notes") and \$600 million principal amount of 5.35% Senior Notes due August 1, 2033 (the "2033 Notes" and, collectively with the 2028 Notes, the "Notes"). Interest on the Notes is payable semi-annually in arrears on February 1 and August 1 of each year, commencing February 1, 2024. The 2028 Notes and 2033 Notes each have an effective interest rate of 5.5%. The Notes are fully and unconditionally guaranteed on a senior unsecured basis by all of our existing and future subsidiaries that guarantee our obligations under the Credit Facility (the "Guarantor Group").

### **Other Obligations and Commitments**

The holders of equity interests in certain of our subsidiaries have rights ("Put Rights") that require us to provide cash consideration for their equity interests (the "Redemption Amount") at fair value or at a formula that management intended to reasonably approximate fair value based solely on a multiple of future earnings over a measurement period. As of October 31, 2023, management's estimate of the aggregate Redemption Amount of all Put Rights that we could be required to pay is approximately \$364.8 million, which is included within redeemable noncontrolling interests in our Consolidated Balance Sheet. The estimated aggregate Redemption Amount of the Put Rights that are currently puttable, previously put, or becoming puttable during fiscal 2024 is approximately \$152.9 million, of which approximately \$92.4 million would be payable in fiscal 2024 should all of the eligible associated noncontrolling interest holders elect to exercise their Put Rights during fiscal 2024. See Note 13, Redeemable Noncontrolling Interests, of the Notes to Consolidated Financial Statements for further information.

See Note 5, Short-Term and Long-Term Debt, of the Notes to Consolidated Financial Statements for information regarding our long-term debt obligations.

See Note 8, Fair Value Measurements, of the Notes to Consolidated Financial Statements for information pertaining to contingent consideration obligations. As of October 31, 2023, the estimated fair value of contingent consideration payable in fiscal 2024 was \$37.3 million.

See Note 9, Leases, of the Notes to Consolidated Financial Statements for information pertaining to future minimum lease payments relating to the Company's operating and finance lease obligations.

### **Guarantor Group Summarized Financial Information**

The Notes were issued pursuant to an Indenture, dated as of July 27, 2023 (the "Base Indenture"), between HEICO and certain of its subsidiaries (collectively, the "Subsidiary Guarantors") and Truist Bank, as trustee (the "Trustee"), as supplemented by a First Supplemental Indenture, dated as of July 27, 2023 (the "First Supplemental Indenture" and, together with the Base Indenture, the "Indenture"), between us, Subsidiary Guarantors and the Trustee. The Notes are direct, unsecured senior obligations of HEICO and rank equally in right of payment with all of our existing and future senior unsecured indebtedness. Each Subsidiary Guarantor is owned either directly or indirectly by the Company and jointly and severally guarantee our obligations under the Notes. None of the Subsidiary Guarantors are organized outside of the U.S. A list of the Subsidiary Guarantors is set forth in Exhibit 22 to this Annual Report on Form 10-K.

Under the Indenture, holders of the Notes will be deemed to have consented to the release of a subsidiary guarantee provided by a subsidiary guarantor, without any action required on the part of the Trustee or any holder of the Notes, upon such subsidiary guarantor ceasing to guarantee or to be an obligor with respect to the Credit Facility. Accordingly, if the lenders under the Credit Facility release a subsidiary guarantor from its guarantee of, or obligations as a borrower under, the Credit Facility, the obligations of the subsidiary guarantors to guarantee the Notes will immediately terminate. If any of our future subsidiaries incur obligations under the Credit Facility while the Notes are outstanding, then such subsidiary will be required to guarantee the Notes.

In addition, a subsidiary guarantor will be released and relieved from all its obligations under its subsidiary guarantee in the following circumstances, each of which is permitted by the indenture:

- upon the sale or other disposition (including by way of consolidation or merger), in one transaction or a series of related transactions, of a majority of the total voting stock of such subsidiary guarantor (other than to us or any of our affiliates); or
- upon the sale or disposition of all or substantially all the property of such subsidiary guarantor (other than to any of our affiliates or another subsidiary guarantor);

provided, however, that, in each case, such transaction is permitted by the Credit Facility and after giving effect to such transaction, such subsidiary guarantor is no longer liable for any subsidiary guarantee or other obligations in respect of the Credit Facility. The subsidiary guarantee of a subsidiary guarantor also will be released if we exercise our legal defeasance, covenant defeasance option or discharge the Indenture.

We conduct our operations almost entirely through our subsidiaries. Accordingly, the Guarantor Group's cash flow and ability to service any guaranteed registered debt securities will depend on the earnings of our subsidiaries and the distribution of those earnings to the Guarantor Group, including the earnings of the non-guarantor subsidiaries, whether by dividends, loans or otherwise. Holders of the guaranteed registered debt securities will have a direct claim only against the Guarantor Group.

The following tables include summarized financial information for the Guarantor Group (in thousands). The information for the Guarantor Group is presented on a combined basis, excluding intercompany balances and transactions between us and the Guarantor Group and excluding investments in and equity in the earnings of non-guarantor subsidiaries. The Guarantor Group's amounts due from, amounts due to, and transactions with non-guarantor subsidiaries have been presented in separate line items. The consolidating schedules are provided in accordance with the reporting requirements of Rule 13-01 under SEC Regulation S-X for the issuer and guarantor subsidiaries.

|  | <b>As of<br/>October 31, 2023</b> |
|--|-----------------------------------|
| Current assets (excluding net intercompany receivable from non-guarantor subsidiaries) | \$1,440,062                       |
| Noncurrent assets  | 4,490,490                         |
| Net intercompany receivable from/ (payable to) non-guarantor subsidiaries              | 182,795                           |
| Current liabilities (excluding net intercompany payable to non-guarantor subsidiaries) | 531,466                           |
| Noncurrent liabilities   | 2,895,592                         |
| Redeemable noncontrolling interests  | 252,013                           |
| Noncontrolling interests   | 37,786                            |

|   | <b>Year ended<br/>October 31, 2023</b> |
|---|--|
| Net sales                               | \$2,365,569                            |
| Gross profit                            | 889,226                                |
| Operating income                        | 507,881                                |
| Net income from consolidated operations | 356,640                                |
| Net income attributable to HEICO        | 327,669                                |

|                              | <b>Year ended<br/>October 31, 2023</b> |
|------------------------------|--|
| Intercompany net sales       | \$1,986                                |
| Intercompany management fee  | 3,430                                  |
| Intercompany interest income | 7,120                                  |
| Intercompany dividends       | 57,080                                 |



## Critical Accounting Estimates

We believe that the following are our most critical accounting estimates, which require management to make judgments about matters that are inherently uncertain.

Assumptions utilized to determine fair value in connection with business combinations, contingent consideration arrangements and in goodwill and intangible assets impairment tests are highly judgmental. If there is a material change in such assumptions or if there is a material change in the conditions or circumstances influencing fair value, we could be required to recognize a material impairment charge. See Item 1A., *Risk Factors*, for a list of factors which may cause our actual results to differ materially from anticipated results.

### *Revenue Recognition*

HEICO recognizes revenue when it transfers control of a promised good or service to a customer in an amount that reflects the consideration it expects to receive in exchange for the good or service. Our performance obligations are satisfied and control is transferred either at a point-in-time or over-time. The majority of our revenue is recognized at a point-in-time when control is transferred, which is generally evidenced by the shipment or delivery of the product to the customer, a transfer of title, a transfer of the significant risks and rewards of ownership, and customer acceptance. For certain contracts under which we produce products with no alternative use and for which we have an enforceable right to recover costs incurred plus a reasonable profit margin for work completed to date and for certain other contracts under which we create or enhance a customer-owned asset while performing repair and overhaul services, control is transferred to the customer over-time. HEICO recognizes revenue using an over-time recognition model for these types of contracts.

We utilize the cost-to-cost method as a measure of progress for performance obligations that are satisfied over-time as we believe this input method best represents the transfer of control to the customer. Under this method, revenue for the current period is recorded at an amount equal to the ratio of costs incurred to date divided by total estimated contract costs multiplied by (i) the transaction price, less (ii) cumulative revenue recognized in prior periods. Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation.

Under the cost-to-cost method, the extent of progress toward completion is measured based on the proportion of costs incurred to date to the total estimated costs at completion of the performance obligation. These projections require management to make numerous assumptions and estimates relating to items such as the complexity of design and related development costs, performance of subcontractors, availability and cost of materials, labor productivity and cost, overhead, capital costs, and manufacturing efficiency. We review our cost estimates on a periodic basis, or when circumstances change and warrant a modification to a previous estimate. Cost estimates are largely based on negotiated or estimated purchase contract terms, historical performance trends and other economic projections.

For certain contracts with similar characteristics and for which revenue is recognized using an over-time model, we use a portfolio approach to estimate the amount of revenue to recognize. For each portfolio of contracts, the respective work in process and/or finished goods inventory balances are identified and the portfolio-specific margin is applied to estimate the pro rata portion of the transaction price to recognize in relation to the costs incurred. This approach is utilized only when the resulting revenue recognition is not expected to be materially different than if the accounting was applied to the individual contracts.

Certain of our contracts give rise to variable consideration when they contain items such as customer rebates, credits, volume purchase discounts, penalties and other provisions that may impact the total consideration we will receive. We include variable consideration in the transaction price generally by applying the most likely amount method of the consideration that we expect to be entitled to receive based on an assessment of all available information (i.e., historical experience, current and forecasted performance) and only to the extent it is probable that a significant reversal of revenue recognized will not occur when the uncertainty is resolved. We estimate variable consideration by applying the most likely amount method when there are a limited number of outcomes related to the resolution of the variable consideration.

Changes in estimates that result in adjustments to net sales and cost of sales are recognized as necessary in the period they become known on a cumulative catch-up basis. Changes in estimates did not have a material effect on net income from consolidated operations in fiscal 2023, 2022 and 2021.

#### *Valuation of Inventory*

Inventory is stated at the lower of cost or net realizable value, with cost being determined on the first-in, first-out or the average cost basis. Losses, if any, are recognized fully in the period when identified.

We periodically evaluate the carrying value of inventory, giving consideration to factors such as its physical condition, sales patterns and expected future demand in order to estimate the amount necessary to write down any slow moving, obsolete or damaged inventory. These estimates could vary significantly from actual amounts based upon future economic conditions, customer inventory levels, or competitive factors that were not foreseen or did not exist when the estimated write-downs were made.

In accordance with industry practice, all inventories are classified as a current asset including portions with long production cycles, some of which may not be realized within one year.

## *Business Combinations*

We allocate the purchase price of acquired entities to the underlying tangible and identifiable intangible assets acquired and liabilities and any noncontrolling interests assumed based on their estimated fair values, with any excess recorded as goodwill. Determining the fair value of assets acquired and liabilities and noncontrolling interests assumed requires management's judgment and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, asset lives and market multiples, among other items. We determine the fair values of intangible assets acquired generally in consultation with third-party valuation advisors.

As part of the agreement to acquire certain subsidiaries, we may be obligated to pay contingent consideration should the acquired entity meet certain earnings objectives subsequent to the date of acquisition. As of the acquisition date, contingent consideration is recorded at fair value as determined through the use of a probability-based scenario analysis approach. Under this method, a set of discrete potential future subsidiary earnings is determined using internal estimates based on various revenue growth rate assumptions for each scenario. A probability of likelihood is then assigned to each discrete potential future earnings estimate and the resultant contingent consideration is calculated and discounted using a weighted average discount rate reflecting the credit risk of HEICO. Subsequent to the acquisition date, the fair value of such contingent consideration is measured each reporting period and any changes are recorded to SG&A expenses within our Consolidated Statements of Operations. Changes in either the revenue growth rates, related earnings or the discount rate could result in a material change to the amount of contingent consideration accrued. As of October 31, 2023 and 2022, \$71.1 million and \$82.8 million of contingent consideration was accrued within our Consolidated Balance Sheets, respectively. During fiscal 2023, 2022 and 2021, such fair value measurement adjustments resulted in net (decreases) increases to SG&A expenses of (\$.7) million, (\$7.6) million and \$1.2 million, respectively. For further information regarding our contingent consideration arrangements, see Note 8, Fair Value Measurements, of the Notes to Consolidated Financial Statements.

## *Valuation of Goodwill and Other Intangible Assets*

We test goodwill for impairment annually as of October 31, or more frequently if events or changes in circumstances indicate that the carrying amount of goodwill may exceed its fair value. When testing goodwill for impairment, we have the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more-likely-than-not that the estimated fair value of a reporting unit is less than its carrying amount. If we elect to perform a qualitative assessment and determine that an impairment is more-likely-than-not, we are then required to perform a quantitative impairment test, otherwise no further analysis is required. We also may elect not to perform a qualitative assessment and, instead, proceed directly to a quantitative impairment test. When performing the quantitative impairment test, we compare the fair value of each of our reporting units to its carrying value to determine potential impairment and an impairment loss is recognized in the amount by which the carrying value of a reporting unit's goodwill exceeds its fair value. The

fair values of our reporting units are determined using a weighted average of a market approach and an income approach. Under the market approach, fair values are estimated using published market multiples for comparable companies. We calculate fair values under the income approach by taking estimated future cash flows that are based on internal projections and other assumptions deemed reasonable by management and discounting them using an estimated weighted average cost of capital. Based on the annual goodwill impairment test as of October 31, 2023, 2022 and 2021, we determined there was no impairment of our goodwill. The fair value of each of our reporting units calculated as part of our quantitative impairment test significantly exceeded its carrying value as of October 31, 2023.

We test each non-amortizing intangible asset (principally trade names) for impairment annually as of October 31, or more frequently if events or changes in circumstances indicate that the asset might be impaired. To derive the fair value of our trade names, we utilize an income approach, which relies upon management's assumptions of royalty rates, projected revenues and discount rates. We also test each amortizing intangible asset for impairment if events or circumstances indicate that the asset might be impaired. The test consists of determining whether the carrying value of such assets will be recovered through undiscounted expected future cash flows. If the total of the undiscounted future cash flows is less than the carrying amount of those assets, we recognize an impairment loss based on the excess of the carrying amount over the fair value of the assets. The determination of fair value requires us to make a number of estimates, assumptions and judgments of underlying factors such as projected revenues and related earnings as well as discount rates. Based on the intangible asset impairment tests conducted, we incurred an immaterial impairment loss in fiscal 2023 and did not recognize any impairment losses in fiscal 2022 and 2021.

### **New Accounting Pronouncements**

See Note 1, Summary of Significant Accounting Policies - New Accounting Pronouncements, of the Notes to Consolidated Financial Statements for additional information.

### **Forward-Looking Statements**

Certain statements in this report constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained herein that are not clearly historical in nature may be forward-looking and the words “anticipate,” “believe,” “expect,” “estimate” and similar expressions are generally intended to identify forward-looking statements. Any forward-looking statement contained herein, in press releases, written statements or other documents filed with the Securities and Exchange Commission or in communications and discussions with investors and analysts in the normal course of business through meetings, phone calls and conference calls, concerning our operations, economic performance and financial condition are subject to risks, uncertainties and contingencies. We have based these forward-looking statements on our current expectations and projections about future events. All forward-looking statements involve risks and uncertainties, many of which are beyond our control, which may cause actual results, performance or achievements to differ materially from anticipated results, performance or achievements. Also,

forward-looking statements are based upon management's estimates of fair values and of future costs, using currently available information. Therefore, actual results may differ materially from those expressed in or implied by those forward-looking statements. Factors that could cause such differences include:

- The severity, magnitude and duration of public health threats, such as the COVID-19 pandemic;
- Our liquidity and the amount and timing of cash generation;
- Lower commercial air travel, airline fleet changes or airline purchasing decisions, which could cause lower demand for our goods and services;
- Product specification costs and requirements, which could cause an increase to our costs to complete contracts;
- Governmental and regulatory demands, export policies and restrictions, reductions in defense, space or homeland security spending by U.S. and/or foreign customers or competition from existing and new competitors, which could reduce our sales;
- Our ability to introduce new products and services at profitable pricing levels, which could reduce our sales or sales growth;
- Product development or manufacturing difficulties, which could increase our product development and manufacturing costs and delay sales; and
- Our ability to make acquisitions, including obtaining any applicable domestic and/or foreign governmental approvals, and achieve operating synergies from acquired businesses; customer credit risk; interest, foreign currency exchange and income tax rates; and economic conditions, including the effects of inflation, within and outside of the aviation, defense, space, medical, telecommunications and electronics industries, which could negatively impact our costs and revenues.

For further information on these and other factors that potentially could materially affect our financial results, see Item 1A, *Risk Factors*. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except to the extent required by applicable law.

## **Item 7A. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***

### **Interest Rate Risk**

We have exposure to interest rate risk, mainly related to our revolving credit facility, which has variable interest rates. Interest rate risk associated with our variable rate debt is the potential increase in interest expense from an increase in interest rates. Based on our aggregate outstanding variable rate debt balance of \$1,250.0 million as of October 31, 2023, a hypothetical 10% increase in interest rates would not have a material effect on our results of operations, financial position or cash flows. We also maintain a portion of our cash and cash equivalents in financial instruments with original maturities of three months or less. These financial instruments are subject to interest rate risk and will decline in value if interest rates increase. Due to the short duration of these financial instruments, a hypothetical 10% increase in interest rates as of October 31, 2023 would not have a material effect on our results of operations, financial position or cash flows.

### **Foreign Currency Risk**

We have several foreign subsidiaries that utilize a functional currency other than the U.S. dollar, or principally the Euro. Accordingly, changes in exchange rates between such foreign currencies and the U.S. dollar will affect the translation of the financial results of our foreign subsidiaries into the U.S. dollar for purposes of reporting our consolidated financial results. A hypothetical 10% weakening in the exchange rate of the Euro to the U.S. dollar as of October 31, 2023 would not have a material effect on our results of operations, financial position or cash flows.



**Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**HEICO CORPORATION AND SUBSIDIARIES  
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## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders of  
HEICO Corporation  
Hollywood, Florida

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of HEICO Corporation and subsidiaries (the "Company") as of October 31, 2023 and 2022, the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows, for each of the three years in the period ended October 31, 2023, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of October 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended October 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of October 31, 2023, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated December 20, 2023, expressed an unqualified opinion on the Company's internal control over financial reporting.

### **Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

## Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the Finance/Audit Committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

### **Inventories, net - Refer to Notes 1 and 3 to the financial statements**

#### *Critical Audit Matter Description*

Inventory is stated at the lower of cost or net realizable value. The Company periodically evaluates the carrying value of inventory, which requires management to make significant estimates and assumptions related to sales patterns and expected future demand in order to estimate the amount necessary to write down any slow moving or obsolete inventory. Changes in the assumptions related to future demand and sales patterns could have a significant impact on the valuation of finished goods inventory for certain of the Company's distribution and aftermarket parts business units in the Flight Support Group operating segment.

Given the magnitude of the inventory balances at these business units, coupled with the judgments necessary to project sales patterns and expected future demand within these business units, auditing such estimates required a high degree of auditor judgment and an increased extent of effort when performing audit procedures and evaluating the results of those procedures.

#### *How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the expected future demand and sales patterns used by management to estimate the valuation reserve on inventory included the following, among others:

- We tested the effectiveness of controls, including those related to evaluating the reasonableness of expected future demand and sales patterns.
- We evaluated the reasonableness of management's assumptions of future demand and sales patterns by performing the following:
  - Utilized historical inventory usage data to analyze the relationship between the inventory valuation reserve calculated, the inventory on hand, and the sales trends over time.

- Compared management’s assumptions to available external market data for certain inventory items.
- We evaluated the accuracy and completeness of the valuation reserve by performing substantive analytical procedures on the reserve balance at the business unit level.
- We tested changes in the inventory valuation reserve and evaluated whether such changes were the result of the sale or write off of inventory parts or the result of changes in the significant assumptions used to develop the valuation reserve.

**Business Combinations — Refer to Notes 1, 2 and 4 to the financial statements**

*Critical Audit Matter Description*

The Company completed the acquisitions of Exxelia International SAS (“Exxelia”) on January 5, 2023 and of Wencor Group (“Wencor”) on August 4, 2023. The Company allocates the purchase price of acquired entities to the underlying tangible and identifiable intangible assets acquired and liabilities and any noncontrolling interests assumed based on their estimated fair values, with any excess recorded as goodwill. The fair value determination of these acquired intangible assets required management to make significant estimates and assumptions related to future cash flows, valuation methodology, and the selection of a royalty rate and discount rate.

We identified the acquired intangible assets for Exxelia and Wencor as a critical audit matter because of the significant estimates and assumptions management makes to fair value these assets. This required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists, when performing audit procedures to evaluate the reasonableness of management’s forecasts of future cash flows, valuation methodology, and selection of the royalty rate and discount rate for these acquired intangible assets.

*How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the forecasts of future cash flows, valuation methodology, and the selection of the royalty rate and discount rate for these intangible assets included the following, among others:

- We tested the effectiveness of controls over the valuation of acquired intangible assets, including management’s controls over forecasts of future cash flows and selection of the royalty rate and discount rate.
- We assessed the reasonableness of management’s forecasts of future cash flows by comparing the projections to historical results, certain peer companies, and industry projections.

- With the assistance of our fair value specialists, we evaluated the reasonableness of the (1) valuation methodology, (2) royalty rate, and (3) discount rate by:
  - Testing the source information underlying the determination of the royalty rate and discount rate and testing the mathematical accuracy of the calculations.
  - Developing a range of independent estimates and comparing those to the royalty rate and discount rate selected by management.
- We evaluated whether the estimated future cash flows were consistent with evidence obtained in other areas of the audit.

/s/ DELOITTE & TOUCHE LLP

Miami, Florida  
December 20, 2023

We have served as the Company's auditor since 1990.

**HEICO CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except per share data)

|  | <b>As of October 31,</b> |                    |
|--|--------------------------|--------------------|
|  | <b>2023</b>              | <b>2022</b>        |
| <b>ASSETS</b>  |                          |                    |
| Current assets:  |                          |                    |
| Cash and cash equivalents  | \$171,048                | \$139,504          |
| Accounts receivable, net   | 509,075                  | 294,848            |
| Contract assets  | 111,702                  | 93,978             |
| Inventories, net   | 1,013,680                | 582,471            |
| Prepaid expenses and other current assets  | 49,837                   | 41,929             |
| Total current assets   | <u>1,855,342</u>         | <u>1,152,730</u>   |
| Property, plant and equipment, net   | 321,848                  | 225,879            |
| Goodwill   | 3,274,327                | 1,672,425          |
| Intangible assets, net   | 1,357,281                | 733,327            |
| Other assets   | 386,265                  | 311,135            |
| Total assets   | <u>\$7,195,063</u>       | <u>\$4,095,496</u> |
| <b>LIABILITIES AND EQUITY</b>  |                          |                    |
| Current liabilities:   |                          |                    |
| Short-term debt and current maturities of long-term debt   | \$17,801                 | \$1,654            |
| Trade accounts payable   | 205,893                  | 116,551            |
| Accrued expenses and other current liabilities   | 433,101                  | 290,199            |
| Income taxes payable   | 8,547                    | 12,455             |
| Total current liabilities  | <u>665,342</u>           | <u>420,859</u>     |
| Long-term debt, net of current maturities  | 2,460,277                | 288,620            |
| Deferred income taxes  | 131,846                  | 71,162             |
| Other long-term liabilities  | 379,640                  | 338,948            |
| Total liabilities  | <u>3,637,105</u>         | <u>1,119,589</u>   |
| Commitments and contingencies (Note 16)  |                          |                    |
| Redeemable noncontrolling interests (Note 13)  | <u>364,807</u>           | <u>327,601</u>     |
| Shareholders' equity:  |                          |                    |
| Preferred Stock, \$.01 par value per share; 10,000 shares authorized; none issued  | —                        | —                  |
| Common Stock, \$.01 par value per share; 150,000 shares authorized;<br>54,721 and 54,519 shares issued and outstanding         | 547                      | 545                |
| Class A Common Stock, \$.01 par value per share; 150,000 shares authorized;<br>83,507 and 82,093 shares issued and outstanding | 835                      | 821                |
| Capital in excess of par value   | 578,809                  | 397,337            |
| Deferred compensation obligation   | 6,318                    | 5,297              |
| HEICO stock held by irrevocable trust  | (6,318)                  | (5,297)            |
| Accumulated other comprehensive loss   | (40,180)                 | (46,499)           |
| Retained earnings  | 2,605,984                | 2,253,932          |
| Total HEICO shareholders' equity   | <u>3,145,995</u>         | <u>2,606,136</u>   |
| Noncontrolling interests   | 47,156                   | 42,170             |
| Total shareholders' equity   | <u>3,193,151</u>         | <u>2,648,306</u>   |
| Total liabilities and equity   | <u>\$7,195,063</u>       | <u>\$4,095,496</u> |

The accompanying notes are an integral part of these consolidated financial statements.



**HEICO CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except per share data)

|   | Year ended October 31, |                  |                  |
|---|------------------------|------------------|------------------|
|   | 2023                   | 2022             | 2021             |
| Net sales   | \$2,968,105            | \$2,208,322      | \$1,865,682      |
| Operating costs and expenses:                             |                        |                  |                  |
| Cost of sales   | 1,814,617              | 1,345,563        | 1,138,259        |
| Selling, general and administrative expenses              | 528,149                | 365,915          | 334,523          |
| Total operating costs and expenses                        | 2,342,766              | 1,711,478        | 1,472,782        |
| Operating income  | 625,339                | 496,844          | 392,900          |
| Interest expense  | (72,984)               | (6,386)          | (7,285)          |
| Other income  | 2,928                  | 565              | 1,443            |
| Income before income taxes and noncontrolling interests   | 555,283                | 491,023          | 387,058          |
| Income tax expense  | 110,900                | 100,400          | 57,300           |
| Net income from consolidated operations                   | 444,383                | 390,623          | 329,758          |
| Less: Net income attributable to noncontrolling interests | 40,787                 | 38,948           | 25,538           |
| Net income attributable to HEICO                          | <u>\$403,596</u>       | <u>\$351,675</u> | <u>\$304,220</u> |
| Net income per share attributable to HEICO shareholders:  |                        |                  |                  |
| Basic   | \$2.94                 | \$2.59           | \$2.25           |
| Diluted   | \$2.91                 | \$2.55           | \$2.21           |
| Weighted average number of common shares outstanding:     |                        |                  |                  |
| Basic   | 137,185                | 136,010          | 135,326          |
| Diluted   | 138,905                | 138,037          | 137,854          |

The accompanying notes are an integral part of these consolidated financial statements.

**HEICO CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(in thousands)

|   | <b>Year ended October 31,</b> |             |             |
|---|-------------------------------|-------------|-------------|
|   | <b>2023</b>                   | <b>2022</b> | <b>2021</b> |
| Net income from consolidated operations   | \$444,383                     | \$390,623   | \$329,758   |
| Other comprehensive income (loss):  |                               |             |             |
| Foreign currency translation adjustments  | 6,905                         | (40,078)    | (591)       |
| Unrealized gain on defined benefit pension plan, net of tax                       | 59                            | 368         | 991         |
| Amortization of unrealized loss on defined benefit pension plan, net of tax       | 56                            | 65          | 135         |
| Total other comprehensive income (loss)   | 7,020                         | (39,645)    | 535         |
| Comprehensive income from consolidated operations                                 | 451,403                       | 350,978     | 330,293     |
| Net income attributable to noncontrolling interests                               | 40,787                        | 38,948      | 25,538      |
| Foreign currency translation adjustments attributable to noncontrolling interests | 701                           | (1,698)     | (62)        |
| Comprehensive income attributable to noncontrolling interests                     | 41,488                        | 37,250      | 25,476      |
| Comprehensive income attributable to HEICO  | \$409,915                     | \$313,728   | \$304,817   |

The accompanying notes are an integral part of these consolidated financial statements.

**HEICO CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(in thousands, except per share data)

|   | Redeemable Noncontrolling Interests | HEICO Shareholders' Equity |                      |                                |                                  |                                       |                                      |                   |                          | Total Shareholders' Equity |
|---|-------------------------------------|----------------------------|----------------------|--------------------------------|----------------------------------|---------------------------------------|--------------------------------------|-------------------|--------------------------|----------------------------|
|   |                                     | Common Stock               | Class A Common Stock | Capital in Excess of Par Value | Deferred Compensation Obligation | HEICO Stock Held by Irrevocable Trust | Accumulated Other Comprehensive Loss | Retained Earnings | Noncontrolling Interests |                            |
| Balances as of October 31, 2022   | \$327,601                           | \$545                      | \$821                | \$397,337                      | \$5,297                          | (\$5,297)                             | (\$46,499)                           | \$2,253,932       | \$42,170                 | \$2,648,306                |
| Comprehensive income  | 29,565                              | —                          | —                    | —                              | —                                | —                                     | 6,319                                | 403,596           | 11,923                   | 421,838                    |
| Cash dividends (\$.20 per share)  | —                                   | —                          | —                    | —                              | —                                | —                                     | —                                    | (27,370)          | —                        | (27,370)                   |
| Issuance of common stock for an acquisition                             | —                                   | —                          | 11                   | 161,362                        | —                                | —                                     | —                                    | —                 | —                        | 161,373                    |
| Issuance of common stock to HEICO Savings and Investment Plan           | —                                   | —                          | —                    | 13,677                         | —                                | —                                     | —                                    | —                 | —                        | 13,677                     |
| Share-based compensation expense  | —                                   | —                          | —                    | 15,475                         | —                                | —                                     | —                                    | —                 | —                        | 15,475                     |
| Proceeds from stock option exercises                                    | —                                   | 2                          | 3                    | 6,708                          | —                                | —                                     | —                                    | —                 | —                        | 6,713                      |
| Redemptions of common stock related to stock option exercises           | —                                   | —                          | —                    | (14,847)                       | —                                | —                                     | —                                    | —                 | —                        | (14,847)                   |
| Distributions to noncontrolling interests                               | (29,654)                            | —                          | —                    | —                              | —                                | —                                     | —                                    | —                 | (6,937)                  | (6,937)                    |
| Acquisitions of noncontrolling interests                                | (1,059)                             | —                          | —                    | (1,674)                        | —                                | —                                     | —                                    | —                 | —                        | (1,674)                    |
| Noncontrolling interests assumed related to acquisitions                | 12,137                              | —                          | —                    | —                              | —                                | —                                     | —                                    | —                 | —                        | —                          |
| Adjustments to redemption amount of redeemable noncontrolling interests | 23,866                              | —                          | —                    | —                              | —                                | —                                     | —                                    | (23,866)          | —                        | (23,866)                   |
| Deferred compensation obligation  | —                                   | —                          | —                    | —                              | 1,021                            | (1,021)                               | —                                    | —                 | —                        | —                          |
| Other   | 2,351                               | —                          | —                    | 771                            | —                                | —                                     | —                                    | (308)             | —                        | 463                        |
| Balances as of October 31, 2023   | \$364,807                           | \$547                      | \$835                | \$578,809                      | \$6,318                          | (\$6,318)                             | (\$40,180)                           | \$2,605,984       | \$47,156                 | \$3,193,151                |

|   | Redeemable Noncontrolling Interests | HEICO Shareholders' Equity |                      |                                |                                  |                                       |                                      |                   |                          | Total Shareholders' Equity |
|---|-------------------------------------|----------------------------|----------------------|--------------------------------|----------------------------------|---------------------------------------|--------------------------------------|-------------------|--------------------------|----------------------------|
|   |                                     | Common Stock               | Class A Common Stock | Capital in Excess of Par Value | Deferred Compensation Obligation | HEICO Stock Held by Irrevocable Trust | Accumulated Other Comprehensive Loss | Retained Earnings | Noncontrolling Interests |                            |
| Balances as of October 31, 2021   | \$252,587                           | \$543                      | \$812                | \$320,747                      | \$5,297                          | (\$5,297)                             | (\$8,552)                            | \$1,949,521       | \$33,868                 | \$2,296,939                |
| Comprehensive income (loss)   | 27,442                              | —                          | —                    | —                              | —                                | —                                     | (37,947)                             | 351,675           | 9,808                    | 323,536                    |
| Cash dividends (\$.18 per share)  | —                                   | —                          | —                    | —                              | —                                | —                                     | —                                    | (24,466)          | —                        | (24,466)                   |
| Issuance of common stock for an acquisition                             | —                                   | —                          | 6                    | 74,999                         | —                                | —                                     | —                                    | —                 | —                        | 75,005                     |
| Issuance of common stock to HEICO Savings and Investment Plan           | —                                   | —                          | 1                    | 11,416                         | —                                | —                                     | —                                    | —                 | —                        | 11,417                     |
| Share-based compensation expense  | —                                   | —                          | —                    | 12,646                         | —                                | —                                     | —                                    | —                 | —                        | 12,646                     |
| Proceeds from stock option exercises                                    | —                                   | 3                          | 3                    | 2,346                          | —                                | —                                     | —                                    | —                 | —                        | 2,352                      |
| Redemptions of common stock related to stock option exercises           | —                                   | (1)                        | (1)                  | (25,944)                       | —                                | —                                     | —                                    | —                 | —                        | (25,946)                   |
| Distributions to noncontrolling interests                               | (23,607)                            | —                          | —                    | —                              | —                                | —                                     | —                                    | —                 | (1,485)                  | (1,485)                    |
| Acquisitions of noncontrolling interests                                | (12,150)                            | —                          | —                    | 3,415                          | —                                | —                                     | —                                    | —                 | —                        | 3,415                      |
| Noncontrolling interests assumed related to acquisitions                | 56,770                              | —                          | —                    | —                              | —                                | —                                     | —                                    | —                 | —                        | —                          |
| Adjustments to redemption amount of redeemable noncontrolling interests | 22,798                              | —                          | —                    | —                              | —                                | —                                     | —                                    | (22,798)          | —                        | (22,798)                   |
| Other   | 3,761                               | —                          | —                    | (2,288)                        | —                                | —                                     | —                                    | —                 | (21)                     | (2,309)                    |
| Balances as of October 31, 2022   | \$327,601                           | \$545                      | \$821                | \$397,337                      | \$5,297                          | (\$5,297)                             | (\$46,499)                           | \$2,253,932       | \$42,170                 | \$2,648,306                |

The accompanying notes are an integral part of these consolidated financial statements.

**HEICO CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(in thousands, except per share data)

|   | Redeemable<br>Noncontrolling<br>Interests | HEICO Shareholders' Equity |                            |                                      |  |  |   |                      |                             | Total<br>Shareholders'<br>Equity |
|---|---|----------------------------|----------------------------|--------------------------------------|--|--|---|----------------------|-----------------------------|----------------------------------|
|   |   | Common<br>Stock            | Class A<br>Common<br>Stock | Capital in<br>Excess of<br>Par Value | Deferred<br>Compensation<br>Obligation | HEICO Stock<br>Held by<br>Irrevocable<br>Trust | Accumulated<br>Other<br>Comprehensive<br>Loss | Retained<br>Earnings | Noncontrolling<br>Interests |                                  |
| Balances as of October 31, 2020   | \$221,208                                 | \$542                      | \$809                      | \$299,930                            | \$4,886                                | (\$4,886)                                      | (\$9,149)                                     | \$1,688,045          | \$30,430                    | \$2,010,607                      |
| Comprehensive income  | 19,662                                    | —                          | —                          | —                                    | —                                      | —  | 597   | 304,220              | 5,814                       | 310,631                          |
| Cash dividends (\$.17 per share)  | —   | —                          | —                          | —                                    | —                                      | —  | —   | (23,002)             | —                           | (23,002)                         |
| Issuance of common stock to<br>HEICO Savings and<br>Investment Plan           | —   | 1                          | —                          | 9,791                                | —                                      | —  | —   | —                    | —                           | 9,792                            |
| Share-based compensation<br>expense   | —   | —                          | —                          | 9,058                                | —                                      | —  | —   | —                    | —                           | 9,058                            |
| Proceeds from stock option<br>exercises                                       | —   | —                          | 3                          | 5,341                                | —                                      | —  | —   | —                    | —                           | 5,344                            |
| Redemptions of common stock<br>related to stock option<br>exercises           | —   | —                          | —                          | (3,791)                              | —                                      | —  | —   | —                    | —                           | (3,791)                          |
| Distributions to noncontrolling<br>interests                                  | (25,746)                                  | —                          | —                          | —                                    | —                                      | —  | —   | —                    | (2,217)                     | (2,217)                          |
| Acquisitions of noncontrolling<br>interests                                   | (2,336)                                   | —                          | —                          | —                                    | —                                      | —  | —   | —                    | —                           | —                                |
| Noncontrolling interests assumed<br>related to acquisitions                   | 18,989                                    | —                          | —                          | —                                    | —                                      | —  | —   | —                    | —                           | —                                |
| Adjustments to redemption<br>amount of redeemable<br>noncontrolling interests | 19,743                                    | —                          | —                          | —                                    | —                                      | —  | —   | (19,743)             | —                           | (19,743)                         |
| Capital contributions from<br>noncontrolling interests                        | 1,067                                     | —                          | —                          | —                                    | —                                      | —  | —   | —                    | —                           | —                                |
| Deferred compensation obligation  | —   | —                          | —                          | —                                    | 411                                    | (411)  | —   | —                    | —                           | —                                |
| Other   | —   | —                          | —                          | 418                                  | —                                      | —  | —   | 1                    | (159)                       | 260                              |
| Balances as of October 31, 2021   | \$252,587                                 | \$543                      | \$812                      | \$320,747                            | \$5,297                                | (\$5,297)                                      | (\$8,552)                                     | \$1,949,521          | \$33,868                    | \$2,296,939                      |

The accompanying notes are an integral part of these consolidated financial statements.

**HEICO CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

|  | Year ended October 31, |                  |                  |
|--|------------------------|------------------|------------------|
|  | 2023                   | 2022             | 2021             |
| <b>Operating Activities:</b>   |                        |                  |                  |
| Net income from consolidated operations  | \$444,383              | \$390,623        | \$329,758        |
| Adjustments to reconcile net income from consolidated operations to net cash provided by operating activities: |                        |                  |                  |
| Depreciation and amortization  | 130,043                | 96,333           | 93,019           |
| Share-based compensation expense   | 15,475                 | 12,646           | 9,058            |
| Employer contributions to HEICO Savings and Investment Plan  | 15,276                 | 12,180           | 10,091           |
| Amendment and termination of contingent consideration agreement  | (9,057)                | —                | —                |
| Payment of contingent consideration  | (6,299)                | —                | —                |
| (Decrease) increase in accrued contingent consideration, net   | (686)                  | (7,631)          | 1,246            |
| Deferred income tax (benefit) provision  | (26,531)               | 8,876            | (15,635)         |
| Changes in operating assets and liabilities, net of acquisitions:  |                        |                  |                  |
| Increase in accounts receivable  | (65,595)               | (29,272)         | (27,300)         |
| (Increase) decrease in contract assets   | (11,642)               | (4,148)          | 376              |
| Increase in inventories  | (124,782)              | (89,186)         | (10,121)         |
| Decrease (increase) in prepaid expenses and other current assets   | 5,599                  | (10,077)         | (4,795)          |
| Increase in trade accounts payable   | 10,975                 | 25,567           | 6,907            |
| Increase in accrued expenses and other current liabilities   | 72,589                 | 34,122           | 33,634           |
| (Decrease) increase in income taxes payable  | (4,505)                | 11,597           | 2,821            |
| Net changes in other long-term liabilities and assets related to HEICO Leadership Compensation Plan            | 13,512                 | 15,398           | 12,781           |
| Other  | (10,020)               | 828              | 2,244            |
| Net cash provided by operating activities  | <u>448,735</u>         | <u>467,856</u>   | <u>444,084</u>   |
| <b>Investing Activities:</b>   |                        |                  |                  |
| Acquisitions, net of cash acquired   | (2,421,788)            | (347,308)        | (136,500)        |
| Capital expenditures   | (49,434)               | (31,982)         | (36,183)         |
| Investments related to HEICO Leadership Compensation Plan  | (18,892)               | (15,300)         | (14,000)         |
| Other  | 5,647                  | (1,239)          | 3,229            |
| Net cash used in investing activities  | <u>(2,484,467)</u>     | <u>(395,829)</u> | <u>(183,454)</u> |
| <b>Financing Activities:</b>   |                        |                  |                  |
| Proceeds from issuance of senior unsecured notes   | 1,189,452              | —                | —                |
| Borrowings on revolving credit facility  | 1,964,000              | 262,000          | —                |
| Payments on revolving credit facility  | (989,000)              | (212,000)        | (505,000)        |
| Distributions to noncontrolling interests  | (36,591)               | (25,092)         | (27,963)         |
| Cash dividends paid  | (27,370)               | (24,466)         | (23,002)         |
| Redemptions of common stock related to stock option exercises  | (14,847)               | (25,946)         | (3,791)          |
| Payment of contingent consideration  | (12,610)               | (320)            | —                |
| Debt issuance costs  | (10,060)               | (1,010)          | (1,468)          |
| Acquisitions of noncontrolling interests   | (2,733)                | (8,735)          | (2,336)          |
| Proceeds from stock option exercises   | 6,713                  | 2,352            | 5,344            |
| Capital contributions from noncontrolling interests  | —                      | —                | 534              |
| Other  | (1,905)                | (616)            | (1,286)          |
| Net cash provided by (used in) financing activities  | <u>2,065,049</u>       | <u>(33,833)</u>  | <u>(558,968)</u> |
| Effect of exchange rate changes on cash  | 2,227                  | (6,988)          | (216)            |
| Net increase (decrease) in cash and cash equivalents   | 31,544                 | 31,206           | (298,554)        |
| Cash and cash equivalents at beginning of year   | 139,504                | 108,298          | 406,852          |
| Cash and cash equivalents at end of year   | <u>\$171,048</u>       | <u>\$139,504</u> | <u>\$108,298</u> |

The accompanying notes are an integral part of these consolidated financial statements.

# HEICO CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Nature of Business**

HEICO Corporation, through its principal subsidiaries consisting of HEICO Aerospace Holdings Corp. (“HEICO Aerospace”), HEICO Flight Support Corp. (“HFSC”) and HEICO Electronic Technologies Corp. (“HEICO Electronic”) and their respective subsidiaries (collectively, the “Company”), is principally engaged in the design, manufacture and sale of aerospace, defense and electronic related products and services throughout the United States (“U.S.”) and internationally. The Company’s customer base is primarily the aviation, defense, space, medical, telecommunications and electronics industries.

#### **Basis of Presentation**

The Company has two operating segments: the Flight Support Group (“FSG”), consisting of HEICO Aerospace and HFSC and their respective subsidiaries; and the Electronic Technologies Group (“ETG”), consisting of HEICO Electronic and its subsidiaries.

The consolidated financial statements include the financial accounts of HEICO Corporation and its direct subsidiaries, all of which are wholly owned except for HEICO Aerospace, which is 20% owned by Lufthansa Technik AG (“LHT”), the technical services subsidiary of Lufthansa German Airlines. HFSC consolidates seven subsidiaries which are 70%, 74%, 82%, 84%, 85%, 89% and 96% owned, respectively, three subsidiaries that are each approximately 90% owned and five subsidiaries that are each 80.1% owned. In addition, HEICO Aerospace consolidates a joint venture, which is 84% owned. HEICO Electronic consolidates four subsidiaries that are each 80.1% owned, two subsidiaries that are each 75% owned, and seven subsidiaries which are 80.4%, 82.5%, 85%, 90%, 91%, 92.7% and 95.9% owned, respectively. Certain subsidiaries of HEICO Electronic consolidate subsidiaries that are less than wholly owned. See Note 13, Redeemable Noncontrolling Interests. All intercompany balances and transactions are eliminated.

Although the Company has largely emerged from the COVID-19 pandemic, HEICO’s results of operations in fiscal 2023 reflected some of the pandemic’s lingering effects, including its impact on the Company’s supply chain. Despite the aforementioned, the Company experienced continued improvement in operating results in fiscal 2023 as compared to fiscal 2022 principally reflecting improved demand for its commercial aerospace products and services. The FSG has reported thirteen consecutive quarters of sequential growth in net sales resulting from commercial air travel recovery in certain domestic travel markets, moderated by a slower recovery in international travel markets.



## **Use of Estimates and Assumptions**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

## **Cash and Cash Equivalents**

For purposes of the consolidated financial statements, the Company considers all highly liquid investments such as U.S. Treasury bills and money market funds with an original maturity of three months or less at the time of purchase to be cash equivalents.

## **Accounts Receivable**

Accounts receivable consist of amounts billed and currently due from customers. The valuation of accounts receivable requires that the Company set up an allowance for estimated uncollectible accounts and record a corresponding charge to bad debt expense. The Company estimates uncollectible receivables based on such factors as its prior experience, its appraisal of a customer's ability to pay, age of receivables outstanding and economic conditions within and outside of the aviation, defense, space, medical, telecommunications and electronics industries.

## **Contract Assets**

Contract assets (unbilled receivables) represent revenue recognized on contracts using an over-time recognition model in excess of amounts invoiced to the customer. See Note 6, Revenue, for additional information regarding the Company's contract assets.

## **Concentrations of Credit Risk**

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments and trade accounts receivable. The Company places its temporary cash investments with high credit quality financial institutions and limits the amount of credit exposure to any one financial institution. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers comprising the Company's customer base and their dispersion across many different geographical regions. The Company performs ongoing credit evaluations of its customers, but does not generally require collateral to support customer receivables.

## Inventory

Inventory is stated at the lower of cost or net realizable value, with cost being determined on the first-in, first-out or the average cost basis. Losses, if any, are recognized fully in the period when identified. The Company periodically evaluates the carrying value of inventory, giving consideration to factors such as its physical condition, sales patterns and expected future demand in order to estimate the amount necessary to write down any slow moving, obsolete or damaged inventory. These estimates could vary significantly from actual amounts based upon future economic conditions, customer inventory levels or competitive factors that were not foreseen or did not exist when the estimated write-downs were made. In accordance with industry practice, all inventories are classified as a current asset including portions with long production cycles, some of which may not be realized within one year.

## Property, Plant and Equipment

Property, plant and equipment is recorded at cost. Depreciation and amortization is generally provided on the straight-line method over the estimated useful lives of the various assets. The Company's property, plant and equipment is generally depreciated over the following estimated useful lives:

|                            |                |
|----------------------------|----------------|
| Buildings and improvements | 10 to 40 years |
| Machinery and equipment    | 3 to 10 years  |
| Leasehold improvements     | 2 to 20 years  |
| Tooling                    | 2 to 5 years   |

The costs of major additions and improvements are capitalized. Leasehold improvements are amortized over the shorter of the leasehold improvement's useful life or the lease term. Repairs and maintenance costs are expensed as incurred. Upon an asset's disposition, its cost and related accumulated depreciation are removed from the financial accounts and any resulting gain or loss is reflected within earnings.

## Leases

The Company's lease arrangements primarily pertain to manufacturing facilities, office buildings, equipment, land and vehicles. The Company evaluates whether a contractual arrangement that provides it with control over the use of an asset is, or contains, a lease at the inception date. The term of a lease is inclusive of any option to renew, extend, or terminate the lease when it is reasonably certain that the Company will exercise such option. The Company classifies a lease as operating or finance using the classification criteria set forth in Accounting Standards Codification ("ASC") Topic 842. HEICO recognizes lease right-of-use ("ROU") assets and corresponding lease liabilities as of the lease commencement date based on the present value of the lease payments over the lease term. The discount rate used to calculate the present value of the Company's leases is based on HEICO's incremental borrowing rate and considers credit risk, the lease term and other available information as of the commencement date since the

leases do not provide a readily determinable implicit rate. Variable lease payments that depend on an index or a rate are included in the determination of ROU assets and lease liabilities using the index or rate at the lease commencement date. Variable lease payments that do not depend on an index or rate or resulting from changes in an index or rate subsequent to the lease commencement date, are recorded as lease expense in the period in which the obligation for the payment is incurred. The Company's ROU assets are increased by any prepaid lease payments and initial direct costs and reduced by any lease incentives. The Company's leases do not contain any material residual value guarantees or restrictive covenants. See Note 9, Leases, for additional information regarding the Company's accounting policy for leases.

## **Business Combinations**

The Company allocates the purchase price of acquired entities to the underlying tangible and identifiable intangible assets acquired and liabilities and any noncontrolling interests assumed based on their estimated fair values, with any excess recorded as goodwill. The operating results of acquired businesses are included in the Company's results of operations beginning as of their effective acquisition dates. Acquisition costs totaled \$25.4 million in fiscal 2023 of which \$21.6 million was recorded as a component of selling, general and administrative ("SG&A") expenses and \$3.8 million was recorded to interest expense in the Company's Consolidated Statement of Operations. Acquisition costs were not material in fiscal 2022 and 2021. See Note 2, Acquisitions, for additional information regarding the Company's fiscal 2023 acquisition costs.

For contingent consideration arrangements, a liability is recognized at fair value as of the acquisition date with subsequent fair value adjustments recorded in operations. Additional information regarding the Company's contingent consideration arrangements may be found in Note 2, Acquisitions, and Note 8, Fair Value Measurements.

## **Goodwill and Other Intangible Assets**

The Company tests goodwill for impairment annually as of October 31, or more frequently if events or changes in circumstances indicate that the carrying amount of goodwill may exceed its fair value. When testing goodwill for impairment, the Company has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more-likely-than-not that the estimated fair value of a reporting unit is less than its carrying amount. If the Company elects to perform a qualitative assessment and determine that an impairment is more-likely-than-not, the Company is then required to perform a quantitative impairment test, otherwise no further analysis is required. The Company may also may elect not to perform a qualitative assessment and, instead, proceed directly to a quantitative impairment test. When performing the quantitative impairment test, the Company compares the fair value of each of its reporting units to its carrying value to determine potential impairment and an impairment loss is recognized in the amount by which the carrying value of a reporting unit's goodwill exceeds its fair value. The fair values of the Company's reporting units are determined by using a weighted average of a market approach and an income approach. Under the market approach, fair values are estimated using published market multiples for

comparable companies. The Company calculates fair values under the income approach by taking estimated future cash flows that are based on internal projections and other assumptions deemed reasonable by management and discounting them using an estimated weighted average cost of capital.

The Company's intangible assets not subject to amortization consist principally of its trade names. The Company's intangible assets subject to amortization are amortized on the straight-line method (except for certain customer relationships amortized on an accelerated method) over the following estimated useful lives:

|                        |               |
|------------------------|---------------|
| Customer relationships | 6 to 17 years |
| Intellectual property  | 7 to 22 years |
| Other                  | 5 to 20 years |

Amortization expense of intellectual property is recorded as a component of cost of sales and amortization expense of customer relationships is recorded as a component of SG&A expenses in the Company's Consolidated Statements of Operations. The Company tests each non-amortizing intangible asset for impairment annually as of October 31, or more frequently if events or changes in circumstances indicate that the asset might be impaired. To derive the fair value of its trade names, the Company utilizes an income approach, which relies upon management's assumptions of royalty rates, projected revenues and discount rates. The Company also tests each amortizing intangible asset for impairment if events or circumstances indicate that the asset might be impaired. The test consists of determining whether the carrying value of such assets will be recovered through undiscounted expected future cash flows. If the total of the undiscounted future cash flows is less than the carrying amount of those assets, the Company recognizes an impairment loss based on the excess of the carrying amount over the fair value of the assets. The determination of fair value requires management to make a number of estimates, assumptions and judgments of such factors as projected revenues and earnings and discount rates.

### **Customer Rebates and Credits**

The Company records accrued customer rebates and credits as a component of accrued expenses and other current liabilities in its Consolidated Balance Sheets. These amounts generally relate to discounts negotiated with customers as part of certain sales contracts that are usually tied to sales volume thresholds. The Company accrues customer rebates and credits as a reduction within net sales as the revenue is recognized based on the estimated level of discount rate expected to be earned by each customer over the life of the contractual rebate period (generally one year). Accrued customer rebates and credits are monitored by management and discount levels are updated at least quarterly.

## Product Warranties

Product warranty liabilities are estimated at the time of shipment and recorded as a component of accrued expenses and other current liabilities in the Company's Consolidated Balance Sheets. The amount recognized is based on historical claims experience.

## Defined Benefit Pension Plan

In connection with a prior year acquisition, the Company assumed a frozen qualified defined benefit pension plan (the "Plan"). The Plan's benefits are based on employee compensation and years of service; however, the accrued benefit for Plan participants was fixed as of the date of acquisition. The Company uses an actuarial valuation to determine the projected benefit obligation of the Plan and records the difference between the fair value of the Plan's assets and the projected benefit obligation as of October 31 in other long-term liabilities in its Consolidated Balance Sheets, but reclassifies any excess funded amounts to other long-term assets. Additionally, any actuarial gain or loss that arises during a fiscal year that is not recognized as a component of net periodic pension income or expense is recorded as a component of other comprehensive income or (loss), net of tax. The following table presents the fair value of the Plan's assets and projected benefit obligation as of October 31, for each of the last two fiscal years (in thousands):

|                              | As of October 31, |          |
|------------------------------|-------------------|----------|
|                              | 2023              | 2022     |
| Fair value of plan assets    | \$10,025          | \$10,106 |
| Projected benefit obligation | 9,592             | 9,924    |
| Funded status                | \$433             | \$182    |

## Revenue Recognition

The Company recognizes revenue when it transfers control of a promised good or service to a customer in an amount that reflects the consideration it expects to receive in exchange for the good or service. The Company's performance obligations are satisfied and control is transferred either at a point-in-time or over-time. The majority of the Company's revenue is recognized at a point-in-time when control is transferred, which is generally evidenced by the shipment or delivery of the product to the customer, a transfer of title, a transfer of the significant risks and rewards of ownership, and customer acceptance. For certain contracts under which the Company produces products with no alternative use and for which it has an enforceable right to recover costs incurred plus a reasonable profit margin for work completed to date and for certain other contracts under which the Company creates or enhances a customer-owned asset while performing repair and overhaul services, control is transferred to the customer over-time. The Company recognizes revenue using an over-time recognition model for these types of contracts.

The Company accounts for a contract with a customer when it has approval and commitment from both parties, the rights of the parties are identified, the payment terms are identified, the contract has commercial substance, and it is probable that the Company will

collect the consideration to which it is entitled to receive. Customer payment terms related to the sale of products and the rendering of services vary by Company subsidiary and product line. The time between receipt of payment and recognition of revenue for satisfaction of the related performance obligation is not significant.

A performance obligation is a promise within a contract to transfer a distinct good or service to the customer in exchange for payment and is the unit of account for recognizing revenue. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when or as the performance obligation is satisfied. The majority of the Company's contracts have a single performance obligation to transfer goods or services. For contracts with more than one performance obligation, the Company allocates the transaction price to each performance obligation based on its estimated standalone selling price. When standalone selling prices are not available, the transaction price is allocated using an expected cost plus margin approach as pricing for such contracts is typically negotiated on the basis of cost.

The Company accounts for contract modifications prospectively when the remaining goods or services are distinct and on a cumulative catch-up basis when the remaining goods or services are not distinct.

The Company provides assurance type warranties on many of its products and services. Since customers cannot purchase such warranties independently of the products or services under contract and they are not priced separately, warranties are not separate performance obligations.

The Company utilizes the cost-to-cost method as a measure of progress for performance obligations that are satisfied over-time as it believes this input method best represents the transfer of control to the customer. Under this method, revenue for the current period is recorded at an amount equal to the ratio of costs incurred to date divided by total estimated contract costs multiplied by (i) the transaction price, less (ii) cumulative revenue recognized in prior periods. Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation.

Under the cost-to-cost method, the extent of progress toward completion is measured based on the proportion of costs incurred to date to the total estimated costs at completion of the performance obligation. These projections require the Company to make numerous assumptions and estimates relating to items such as the complexity of design and related development costs, performance of subcontractors, availability and cost of materials, labor productivity and cost, overhead, capital costs, and manufacturing efficiency. The Company reviews its cost estimates on a periodic basis, or when circumstances change and warrant a modification to a previous estimate. Cost estimates are largely based on negotiated or estimated purchase contract terms, historical performance trends and other economic projections.

For certain contracts with similar characteristics and for which revenue is recognized using an over-time model, the Company uses a portfolio approach to estimate the amount of revenue to recognize. For each portfolio of contracts, the respective work in process and/or



finished goods inventory balances are identified and the portfolio-specific margin is applied to estimate the pro rata portion of the transaction price to recognize in relation to the costs incurred. This approach is utilized only when the resulting revenue recognition is not expected to be materially different than if the accounting was applied to the individual contracts.

Certain of the Company's contracts give rise to variable consideration when they contain items such as customer rebates, credits, volume purchase discounts, penalties and other provisions that may impact the total consideration the Company will receive. The Company includes variable consideration in the transaction price generally by applying the most likely amount method of the consideration that it expects to be entitled to receive based on an assessment of all available information (i.e., historical experience, current and forecasted performance) and only to the extent it is probable that a significant reversal of revenue recognized will not occur when the uncertainty is resolved. The Company estimates variable consideration by applying the most likely amount method when there are a limited number of outcomes related to the resolution of the variable consideration. See Note 6, Revenue, for additional information regarding the Company's revenue recognition policy.

Changes in estimates that result in adjustments to net sales and cost of sales are recognized as necessary in the period they become known on a cumulative catch-up basis. Changes in estimates did not have a material effect on net income from consolidated operations in fiscal 2023, 2022 and 2021.

### **Stock-Based Compensation**

The Company records compensation expense associated with stock options in its Consolidated Statements of Operations based on the grant date fair value of those awards. The fair value of each stock option on the date of grant is estimated using the Black-Scholes pricing model based on certain valuation assumptions. Expected stock price volatility is based on the Company's historical stock prices over the expected life of the option grant and other factors. The risk-free interest rate used is based on the published U.S. Treasury yield curve in effect at the time of the option grant for instruments with a similar life. The dividend yield reflects the Company's expected dividend yield at the date of grant. The expected option life represents the period of time that the stock options are expected to be outstanding, taking into consideration the contractual term of the option grant and employee historical exercise behavior. The Company's historical rate of forfeiture is nominal and therefore not included when estimating the grant date fair value of stock option awards. As such, the Company recognizes the impact of forfeitures when they occur. The Company generally recognizes stock option compensation expense ratably over the award's vesting period.

### **Income Taxes**

Income tax expense includes U.S. and foreign income taxes. Deferred income taxes are provided on elements of income that are recognized for financial reporting purposes in periods different from when recognized for income tax purposes. Deferred tax assets and liabilities are recognized for the tax effects of temporary differences between the financial reporting and

income tax bases of assets and liabilities and are measured using enacted tax rates in effect for the year in which the differences are expected to reverse. Tax law and rate changes are reflected in income in the period such changes are enacted. The Company's policy is to recognize interest and penalties related to income tax matters as a component of income tax expense and to treat any tax on Global Intangible Low-Taxed Income ("GILTI") as a current period income tax expense. Further information regarding income taxes can be found in Note 7, Income Taxes.

### **Redeemable Noncontrolling Interests**

As further detailed in Note 13, Redeemable Noncontrolling Interests, the holders of equity interests in certain of the Company's subsidiaries have rights ("Put Rights") that require the Company to provide cash consideration for their equity interests (the "Redemption Amount") at fair value or at a formula that management intended to reasonably approximate fair value based solely on a multiple of future earnings over a measurement period. The Put Rights are embedded in the shares owned by the noncontrolling interest holders and are not freestanding. The Company tracks the carrying cost of such redeemable noncontrolling interests at historical cost plus an allocation of subsidiary earnings based on ownership interest, less dividends paid to the noncontrolling interest holders. Redeemable noncontrolling interests are recorded outside of permanent equity at the higher of their carrying cost or management's estimate of the Redemption Amount. The initial adjustment to record redeemable noncontrolling interests at the Redemption Amount results in a corresponding decrease to retained earnings. Subsequent adjustments to the Redemption Amount of redeemable noncontrolling interests may result in corresponding decreases or increases to retained earnings, provided any increases to retained earnings may only be recorded to the extent of decreases previously recorded. Adjustments to Redemption Amounts based on fair value will have no effect on net income per share attributable to HEICO shareholders whereas the portion of periodic adjustments to the carrying amount of redeemable noncontrolling interests based solely on a multiple of future earnings that reflect a redemption amount in excess of fair value will affect net income per share attributable to HEICO shareholders. Acquisitions of redeemable noncontrolling interests are treated as equity transactions.

### **Net Income per Share Attributable to HEICO Shareholders**

Basic net income per share attributable to HEICO shareholders is computed by dividing net income attributable to HEICO by the weighted average number of common shares outstanding during the period. Diluted net income per share attributable to HEICO shareholders is computed by dividing net income attributable to HEICO by the weighted average number of common shares outstanding during the period plus potentially dilutive common shares arising from the assumed exercise of stock options, if dilutive. The dilutive impact of potentially dilutive common shares is determined by applying the treasury stock method.

## **Foreign Currency**

All assets and liabilities of foreign subsidiaries that do not utilize the U.S. dollar as its functional currency are translated at period-end exchange rates, while revenue and expenses are translated using average exchange rates for the period. Unrealized translation gains or losses are reported as foreign currency translation adjustments through other comprehensive income or (loss) in shareholders' equity. Transaction gains or losses related to monetary balances denominated in a currency other than the functional currency are recorded in the Company's Consolidated Statements of Operations.

## **Contingencies**

Losses for contingencies such as product warranties, litigation and environmental matters are recognized in income when they are probable and can be reasonably estimated. Gain contingencies are not recognized in income until they have been realized.

## **New Accounting Pronouncements**

In October 2021, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2021-08, "Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers," which requires contract assets and contract liabilities acquired in a business combination to be recognized and measured by the acquirer on the acquisition date in accordance with ASC 606, "Revenue from Contracts with Customers," as if the acquirer had originated the contracts. The Company adopted ASU 2021-08 in the first quarter of fiscal 2023, resulting in no material effect on the Company's consolidated results of operations, financial position or cash flows.

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures," which expands reportable segment disclosure requirements by requiring disclosures of significant reportable segment expenses that are regularly provided to the Chief Operating Decision Maker ("CODM") and included within each reported measure of a segment's profit or loss. The ASU also requires disclosure of the title and position of the individual identified as the CODM and an explanation of how the CODM uses the reported measures of a segment's profit or loss in assessing segment performance and deciding how to allocate resources. Additionally, ASU 2023-07 requires all segment profit or loss and assets disclosures to be provided on an annual and interim basis. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, or in fiscal 2025 for HEICO, and interim periods within fiscal years beginning one year later. Early adoption is permitted and the amendments must be applied retrospectively to all prior periods presented. The adoption of this guidance will not affect the Company's consolidated results of operations, financial position or cash flows and the Company is currently evaluating the effect the guidance will have on its disclosures.

## 2. ACQUISITIONS

### Wencor Acquisition

On August 4, 2023, the Company acquired Wencor Group ("Wencor") from affiliates of Warburg Pincus LLC and Wencor's management (the "Wencor Acquisition"). The Wencor Acquisition was completed pursuant to an Agreement and Plan of Merger (the "Merger Agreement"), by and among the Company, its newly formed wholly owned subsidiary Magnolia MergeCo Inc. ("Merger Sub"), Jazz Parent, Inc., the owner of Wencor ("Target"), and Jazz Topco GP LLC, solely in its capacity as representative for purposes of certain provisions of the Merger Agreement. Pursuant to the Merger Agreement, Merger Sub merged with and into the Target, and the Target continued as the surviving entity and a wholly owned subsidiary of the Company. Subsequent to the acquisition date, the Company integrated Wencor into the FSG. Wencor is a large commercial and military aircraft aftermarket company offering factory-new FAA-approved aircraft replacement parts, value-added distribution of high-use commercial & military aftermarket parts, and aircraft & engine accessory component repair and overhaul services. Wencor expands the Company's aftermarket product offerings, enabling the combined company to offer even greater savings and capabilities to its customers, while expanding its new products and services development capacity. The aggregate purchase price consisted of \$1.9 billion in cash, subject to certain working capital, debt and other customary adjustments, and 1,137,628 shares of HEICO Class A Common Stock. The cash consideration was paid using proceeds from the Company's revolving credit facility and from the sale of senior unsecured notes. See Note 5, Short-Term and Long-Term Debt, for additional information. The total consideration includes an accrual of \$17.0 million as of the acquisition date representing the estimated fair value of contingent consideration the Company may be obligated to pay in accordance with an agreement it assumed related to an acquisition Wencor consummated in fiscal 2023 prior to the Wencor Acquisition. See Note 8, Fair Value Measurements, for additional information regarding the Company's contingent consideration obligation.

The following table summarizes the total consideration for the acquisition of Wencor (in thousands):

|   |                           |
|---|---------------------------|
| Cash paid                                   | \$1,923,098               |
| Less: cash acquired                         | (29,984)                  |
| Cash paid, net                              | 1,893,114                 |
| Issuance of common stock for an acquisition | 161,373                   |
| Additional purchase consideration           | (353)                     |
| Total consideration paid, net               | <u><u>\$2,054,134</u></u> |

The following table summarizes the allocation of the total consideration for the acquisition of Wencor to the estimated fair values of the tangible and identifiable intangible assets acquired and liabilities assumed (in thousands):

|                                       |                           |
|---------------------------------------|---------------------------|
| Assets acquired:                      |                           |
| Goodwill                              | \$1,260,507               |
| Customer relationships                | 397,400                   |
| Intellectual property                 | 120,400                   |
| Trade names                           | 53,200                    |
| Inventories                           | 249,917                   |
| Accounts receivable                   | 105,947                   |
| Property, plant and equipment         | 35,170                    |
| Contract assets                       | 5,276                     |
| Other assets                          | 29,568                    |
| Total assets acquired, excluding cash | <u>2,257,385</u>          |
| Liabilities assumed:                  |                           |
| Accrued expenses                      | 62,442                    |
| Accounts payable                      | 56,187                    |
| Deferred income taxes                 | 56,108                    |
| Other liabilities                     | 28,514                    |
| Total liabilities assumed             | <u>203,251</u>            |
| Net assets acquired, excluding cash   | <u><u>\$2,054,134</u></u> |

The allocation of the total consideration to the tangible and identifiable intangible assets acquired and liabilities assumed is preliminary until the Company obtains final information regarding their fair values. The primary items that generated the goodwill recognized were the premiums paid by the Company for the future earnings potential of Wencor and the value of its assembled workforce that do not qualify for separate recognition. The weighted-average amortization periods of the customer relationships, intellectual property and trade names acquired are 13 years, 14 years and indefinite, respectively. Acquisition costs associated with the purchase of Wencor totaled \$20.0 million in fiscal 2023 and were expensed in the Company's Consolidated Statement of Operations. The acquisition costs were recorded to SG&A expenses with the exception of a \$3.8 million fee paid in August 2023 and charged to interest expense upon the termination of the May 14, 2023 commitment letter with Truist Bank and Truist Securities, Inc., as amended, related to a bridge financing to finance a portion of the Wencor Acquisition as such financing was no longer necessary. The operating results of Wencor were included in the Company's results of operations from the effective acquisition date. The Company's consolidated net sales and net income attributable to HEICO for the fiscal year ended October 31, 2023 includes approximately \$185.7 million and \$22.6 million, respectively, from the acquisition of Wencor.

Had the acquisition of Wencor occurred as of November 1, 2021, net sales on a pro forma basis for fiscal 2023 would have been \$3,476.3 million and net income from consolidated operations, net income attributable to HEICO, and basic and diluted net income per share attributable to HEICO shareholders on a pro forma basis for fiscal 2023 would not have been materially different than the reported amounts.

The following table presents unaudited pro forma financial information for fiscal 2022 as if the acquisition of Wencor had occurred as of November 1, 2021 (in thousands, except per share data):

|  | <b>Year ended,<br/>October 31, 2022</b> |
|--|---|
| Net sales  | \$2,682,328                             |
| Net income from consolidated operations                  | \$365,189                               |
| Net income attributable to HEICO                         | \$326,241                               |
| Net income per share attributable to HEICO shareholders: |   |
| Basic  | \$2.38                                  |
| Diluted  | \$2.34                                  |

The pro forma financial information is presented for comparative purposes only and is not necessarily indicative of the results of operations that actually would have been achieved if the acquisition had taken place as of November 1, 2021. The unaudited pro forma financial information includes adjustments to historical amounts such as increased interest expense associated with debt used to finance the acquisition, the reclassification of acquisition costs associated with the purchase of Wencor from fiscal 2023 to fiscal 2022 and additional amortization expense related to the intangible assets acquired.



## Exxelia Acquisition

On January 5, 2023, the Company, through HEICO Electronic, acquired 93.69% of the outstanding common stock and all of the preferred stock of Exxelia International SAS (“Exxelia”). Exxelia designs, manufactures and sells high reliability (“Hi-Rel”), complex, passive electronic components and rotary joint assemblies for mostly aerospace and defense applications, in addition to other high-end applications, such as medical and energy uses, including emerging “clean energy” and electrification applications. The Company believes that this acquisition will further HEICO's strategy of expanding its already wide range of mission-critical and Hi-Rel components for the most demanding applications, as well as provide HEICO with added broad geographic and product diversity, including in the important European market. The majority of the remaining 6.31% interest is owned by certain members of Exxelia's management team. See Note 13, Redeemable Noncontrolling Interests, for additional information. Additionally, as a result of this acquisition, the Company also obtained a 90% ownership interest in Alcon Electronics Pvt. Ltd. (“Alcon”), which is an existing subsidiary of Exxelia. The remaining 10% interest continues to be owned by a certain member of Alcon’s management team. See Note 13, Redeemable Noncontrolling Interests, for additional information. The purchase price of this acquisition was paid in cash, using proceeds from the Company's revolving credit facility.

The following table summarizes the total consideration for the acquisition of Exxelia (in thousands):

|                               |                  |
|-------------------------------|------------------|
| Cash paid                     | \$515,785        |
| Less: cash acquired           | (11,789)         |
| Total consideration paid, net | <u>\$503,996</u> |

As noted above, the Company acquired all of the preferred stock of Exxelia. Pursuant to the terms of the acquisition, Exxelia’s preferred stock accrues dividends at 5.18% per annum.

The following table summarizes the allocation of the total consideration for the acquisition of Exxelia to the estimated fair values of the tangible and identifiable intangible assets acquired and liabilities and noncontrolling interests assumed (in thousands):

|   |                         |
|---|-------------------------|
| Assets acquired:                                      |                         |
| Goodwill  | \$327,398               |
| Customer relationships                                | 61,943                  |
| Intellectual property                                 | 44,044                  |
| Trade names   | 21,703                  |
| Property, plant and equipment                         | 53,640                  |
| Inventories   | 53,351                  |
| Accounts receivable                                   | 41,688                  |
| Other assets  | 13,155                  |
| Total assets acquired, excluding cash                 | <u>616,922</u>          |
| Liabilities assumed:                                  |                         |
| Deferred income taxes                                 | 31,690                  |
| Accounts payable                                      | 21,858                  |
| Accrued expenses                                      | 18,159                  |
| Short-term debt                                       | 15,082                  |
| Other liabilities                                     | 13,982                  |
| Total liabilities assumed                             | <u>100,771</u>          |
| Noncontrolling interests in consolidated subsidiaries | <u>12,155</u>           |
| Net assets acquired, excluding cash                   | <u><u>\$503,996</u></u> |

The allocation of the total consideration to the tangible and identifiable intangible assets acquired and liabilities and noncontrolling interests assumed is preliminary until the Company obtains final information regarding their fair values. The primary items that generated the goodwill recognized were the premiums paid by the Company for the future earnings potential of Exxelia and the value of its assembled workforce that do not qualify for separate recognition, however, benefit both the Company and the noncontrolling interest holders. The fair value of the noncontrolling interests were determined based on the consideration paid by the Company for its controlling ownership interest adjusted for a lack of control that a market participant would consider when estimating the fair value of the noncontrolling interest. The weighted-average amortization periods of the customer relationships, intellectual property and trade names acquired are 15 years, 15 years and indefinite, respectively. Acquisition costs associated with the purchase price of Exxelia totaled \$5.5 million, of which \$5.1 million was incurred in fiscal 2023, and were recorded to SG&A expenses in the Company's Consolidated Statement of Operations. The operating results of Exxelia were included in the Company's results of operations from the

effective acquisition date. The Company's consolidated net sales for the fiscal year ended October 31, 2023 includes approximately \$179.0 million from the acquisition of Exxelia. Net income attributable to HEICO for the fiscal year ended October 31, 2023 was not materially impacted by the acquisition of Exxelia.

Had the acquisition of Exxelia occurred as of November 1, 2021, net sales on a pro forma basis for fiscal 2023 would not have been materially different than the reported amount and net sales on a pro forma basis for fiscal 2022 would have been \$2,402.5 million. Additionally, net income from consolidated operations, net income attributable to HEICO, and basic and diluted net income per share attributable to HEICO shareholders on a pro forma basis for fiscal 2023 and fiscal 2022 would not have been materially different than the reported amounts. The pro forma financial information is presented for comparative purposes only and is not necessarily indicative of the results of operations that actually would have been achieved if the acquisition had taken place as of November 1, 2021. The unaudited pro forma financial information includes adjustments to historical amounts such as increased interest expense associated with borrowings to finance the acquisition, the reclassification of acquisition costs associated with the purchase of Exxelia from fiscal 2023 to fiscal 2022, additional amortization expense related to the intangible assets acquired, and inventory purchase accounting adjustments charged to cost of sales as the inventory is sold. Additionally, the pro forma information reflects HEICO's initial ownership interest of 93.69% of Exxelia's common stock as of the date of acquisition. During the second quarter of fiscal 2023, the Company sold an additional 2.72% of the common stock of Exxelia to its existing noncontrolling interest holders and certain members of Exxelia's management team, which decreased the Company's ownership interest in the subsidiary to 90.97%. See Note 13, Redeemable Noncontrolling Interests, for additional information.

## **Other Acquisitions**

In March 2023, the Company, through a subsidiary of HEICO Electronic, entered into an exclusive license and acquired certain assets for the Aircraft Emergency Locator Transmitter (“ELT”) product line from Honeywell International. ELTs provide critical emergency transmission signals in the event of aircraft impact on land or water to enable first responders to locate the aircraft. The transaction provides the HEICO Electronic subsidiary with all rights to produce, sell and repair both fixed and portable Honeywell ELTs, as well as various support equipment. The purchase price of this acquisition was paid in cash using cash provided by operating activities.

In September 2022, the Company, through a subsidiary of HEICO Electronic, acquired 100% of the stock of TRAD Tests & Radiations SAS (“TRAD”). TRAD specializes in radiation engineering, including test and simulation of radiation effects on electronic components and materials, developing and providing software for radiation testing and effects modeling, and sourcing/screening radiation tolerant and radiation hardened components. The purchase price of this acquisition was paid in cash using cash provided by operating activities.

In September 2022, the Company, through a subsidiary of HEICO Electronic, acquired 80.36% of the stock of Ironwood Electronics, Inc. ("Ironwood"). Ironwood designs and manufactures high performance test sockets and adapters for both engineering and production use of semiconductor devices. The remaining 19.64% interest continues to be owned by certain members of Ironwood's management team. See Note 13, Redeemable Noncontrolling Interests, for additional information. The total consideration includes an accrual of \$6.4 million as of the acquisition date representing the estimated fair value of contingent consideration the Company may be obligated to pay should Ironwood meet certain earnings objectives following the acquisition. See Note 8, Fair Value Measurements, for additional information regarding the Company's contingent consideration obligation.

In August 2022, the Company, through HEICO Electronic, acquired 100% of the stock of Sensor Systems, Inc. ("Sensor"). Sensor designs and manufactures airborne antennas for commercial and military applications. The purchase price of this acquisition was paid for with a proportional combination of cash using proceeds from the Company's revolving credit facility and 576,338 shares of HEICO Class A Common Stock.

In August 2022, the Company, through a subsidiary of HEICO Electronic, acquired 100% of the stock of Charter Engineering, Inc. ("Charter"). Charter designs and manufactures a complete line of RF and Microwave coaxial switches for the aerospace, defense, commercial, Automated Test Equipment ("ATE"), and instrumentation markets. The purchase price of this acquisition was paid in cash using cash provided by operating activities.

In July 2022, the Company, through a subsidiary of HFSC, acquired 96% of the stock of Accurate Metal Machining, Inc. ("Accurate"). Accurate is a manufacturer of high-reliability components and assemblies. The remaining 4% interest continues to be owned by certain members of Accurate's management team. See Note 13, Redeemable Noncontrolling Interests, for additional information. The total consideration includes an accrual of \$13.1 million as of the acquisition date representing the estimated fair value of contingent consideration the Company may be obligated to pay should Accurate meet certain earnings objectives following the acquisition. See Note 8, Fair Value Measurements, for additional information regarding the Company's contingent consideration obligation.

In March 2022, the Company, through a subsidiary of HFSC, acquired 74% of the membership interests of Pioneer Industries, LLC ("Pioneer"). Pioneer is a specialty distributor of spares for military aviation, marine, and ground platforms. The remaining 26% interest continues to be owned by certain members of Pioneer's management team. See Note 13, Redeemable Noncontrolling Interests, for additional information. The total consideration includes an accrual of \$9.8 million as of the acquisition date representing the estimated fair value of contingent consideration the Company may be obligated to pay should Pioneer meet a certain earnings objective following the acquisition. See Note 8, Fair Value Measurements, for additional information regarding the Company's contingent consideration obligation.

In March 2022, the Company, through a subsidiary of HEICO Electronic, acquired 100% of the stock of Flight Microwave Corporation ("Flight Microwave"). Flight Microwave is a designer and manufacturer of custom high power filters and filter assemblies used in space and defense applications. The purchase price of this acquisition was paid in cash using cash provided by operating activities.

In October 2021, the Company, through a subsidiary of HEICO Electronic, acquired all of the outstanding stock of Paciwave, Inc. ("Paciwave"). Paciwave is a designer and manufacturer of Radio Frequency (RF) and microwave components and integrated assemblies specializing particularly in PIN Diode Switches, PIN Attenuators, PIN Limiters, Switching Assemblies and integrated subsystems found in defense and other complex electronic applications. The purchase price of this acquisition was paid in cash using cash provided by operating activities.

In September 2021, the Company, through HEICO Electronic, acquired 80.1% of the stock of R.H. Laboratories, Inc. ("RH Labs"). RH Labs designs and manufactures state-of-the-art RF and microwave integrated assemblies, sub-assemblies and components used in a broad range of demanding defense applications operating in harsh environments including Space. The remaining 19.9% interest continues to be owned by certain members of RH Lab's management team. See Note 13, Redeemable Noncontrolling Interests, for additional information. The purchase price of this acquisition was paid in cash using cash provided by operating activities.

In August 2021, the Company, through HFSC, acquired 89% of the membership interests of Ridge HoldCo, LLC, which owns all of Ridge Engineering, Inc. ("Ridge") and The Bechdon Company, Inc. ("Bechdon"). Ridge performs tight-tolerance machining and brazing of large-sized parts in mission-critical defense and aerospace applications. Bechdon provides machining, fabrication and welding services for aerospace, defense and other industrial applications. The remaining 11% interests continue to be owned by certain members of Ridge's and Bechdon's management teams. See Note 13, Redeemable Noncontrolling Interests, for additional information. The total consideration included an accrual of \$18.3 million as of the acquisition date representing the estimated fair value of contingent consideration the Company may have been obligated to pay if Ridge and Bechdon had met certain earnings objectives following the acquisition. See Note 8, Fair Value Measurements, for additional information regarding the Company's contingent consideration obligation. The purchase price of this acquisition was paid in cash using cash provided by operating activities.

In June 2021, the Company, through HFSC, acquired certain assets and liabilities of Camtronics, LLC ("Camtronics"). Camtronics is a Federal Aviation Administration ("FAA")-certified Part 145 repair station with extensive proprietary FAA-designated engineering representative repairs for a variety of domestic and international commercial and cargo airlines. As a result of the transaction, HFSC has an 80.1% interest in Camtronics. Additionally, the noncontrolling interest holders of an 84% owned subsidiary of HFSC have a 9.9% interest in Camtronics and the remaining 10% interest continues to be owned by certain members of Camtronics' management team. See Note 13, Redeemable Noncontrolling Interests, for

additional information. The purchase price of this acquisition was paid in cash using cash provided by operating activities.

In March 2021, the Company, through HEICO Electronic, acquired all of the business, assets and certain liabilities of Pyramid Semiconductor LLC ("Pyramid"). Pyramid is a specialty semiconductor designer and manufacturer offering a well-developed line of processors, static random-access memory (SRAM), electronically erasable programmable read-only memory (EEPROM) and Logic products on a diverse array of military, space and medical platforms. The purchase price of this acquisition was paid in cash using cash provided by operating activities.

Unless otherwise noted, the purchase price of each of the above referenced other acquisitions was paid in cash, principally using proceeds from the Company's revolving credit facility, and is not material or significant to the Company's consolidated financial statements.

The following table summarizes the aggregate total consideration for the Company's other acquisitions based on the year of acquisition (in thousands):

|   | <b>Year ended October 31,</b> |                  |                  |
|---|-------------------------------|------------------|------------------|
|   | <b>2023</b>                   | <b>2022</b>      | <b>2021</b>      |
| Cash paid                                   | \$20,000                      | \$348,606        | \$136,995        |
| Less: cash acquired                         | —                             | (1,815)          | (616)            |
| Cash paid, net                              | 20,000                        | 346,791          | 136,379          |
| Issuance of common stock for an acquisition | —                             | 75,005           | —                |
| Contingent consideration                    | —                             | 29,732           | 18,334           |
| Additional purchase consideration           | —                             | 5,758            | 292              |
| <b>Total consideration</b>                  | <b>\$20,000</b>               | <b>\$457,286</b> | <b>\$155,005</b> |



The following table summarizes the allocation of the aggregate total consideration for the Company's other acquisitions to the estimated fair values of the tangible and identifiable intangible assets acquired and liabilities and noncontrolling interests assumed (in thousands, and based on the year of acquisition):

|   | <b>Year ended October 31,</b> |                  |                  |
|---|-------------------------------|------------------|------------------|
|   | <b>2023</b>                   | <b>2022</b>      | <b>2021</b>      |
| <b>Assets acquired:</b>                               |                               |                  |                  |
| Goodwill  | \$8,232                       | \$244,620        | \$59,445         |
| Customer relationships                                | 8,740                         | 131,479          | 30,910           |
| Intellectual property                                 | 2,870                         | 45,165           | 23,920           |
| Trade names   | —                             | 41,784           | 9,920            |
| Property, plant and equipment                         | 58                            | 25,974           | 24,613           |
| Inventories   | 100                           | 23,974           | 6,391            |
| Accounts receivable                                   | —                             | 24,353           | 6,866            |
| Contract assets                                       | —                             | 10,607           | 18,386           |
| Other assets  | —                             | 5,965            | 1,126            |
| Total assets acquired, excluding cash                 | <u>20,000</u>                 | <u>553,921</u>   | <u>181,577</u>   |
| <b>Liabilities assumed:</b>                           |                               |                  |                  |
| Deferred income taxes                                 | —                             | 21,684           | 414              |
| Accrued expenses                                      | —                             | 10,146           | 4,502            |
| Accounts payable                                      | —                             | 7,575            | 2,338            |
| Other liabilities                                     | —                             | 560              | 266              |
| Total liabilities assumed                             | <u>—</u>                      | <u>39,965</u>    | <u>7,520</u>     |
| Noncontrolling interests in consolidated subsidiaries | —                             | 56,670           | 19,052           |
| Net assets acquired, excluding cash                   | <u>\$20,000</u>               | <u>\$457,286</u> | <u>\$155,005</u> |

The following table summarizes the weighted average amortization period of the definite-lived intangible assets acquired in connection with the Company's other fiscal 2023, 2022 and 2021 acquisitions (in years):

|                        | <b>Year ended October 31,</b> |             |             |
|------------------------|-------------------------------|-------------|-------------|
|                        | <b>2023</b>                   | <b>2022</b> | <b>2021</b> |
| Customer relationships | 8                             | 15          | 12          |
| Intellectual property  | 8                             | 13          | 13          |

The allocation of the total consideration for the fiscal 2023 other acquisition to the tangible and identifiable intangible assets acquired is preliminary until the Company obtains final information regarding their fair values. However, the Company does not expect any adjustment to such allocations to be material to the Company's consolidated financial statements. The

allocation of the total consideration for the fiscal 2022 and 2021 acquisitions to the tangible and identifiable intangible assets acquired and liabilities and noncontrolling interests assumed is final and inclusive of any measurement period adjustments made during the respective subsequent fiscal year, which were immaterial. The primary items that generated the goodwill recognized were the premiums paid by the Company for the future earnings potential of the businesses acquired and the value of their assembled workforces that do not qualify for separate recognition, which, in the case of Ironwood, Accurate, Pioneer, RH Labs, Ridge, Bechdon, and Camtronics benefit both the Company and the noncontrolling interest holders. The fair value of the noncontrolling interests in these entities was determined based on the consideration paid by the Company for its controlling ownership interest adjusted for a lack of control that a market participant would consider when estimating the fair value of the noncontrolling interest.

The operating results of the other fiscal 2023 acquisition was included in the Company's results of operations from the effective acquisition date. The amount of net sales and earnings of the other fiscal 2023 acquisition included in the Consolidated Statement of Operations for fiscal 2023 is not material. Had the other fiscal 2023 acquisition occurred as of November 1, 2021, net sales, net income from consolidated operations, net income attributable to HEICO, and basic and diluted net income per share attributable to HEICO on a pro forma basis for fiscal 2023 and 2022 would not have been materially different than the reported amounts.

The operating results of the fiscal 2022 acquisitions were included in the Company's results of operations from each of the effective acquisition dates. The amount of net sales and earnings of the fiscal 2022 acquisitions included in the Consolidated Statement of Operations for fiscal 2022 is not material. Had the fiscal 2022 acquisitions occurred as of November 1, 2020, net sales on a pro forma basis for fiscal 2022 would have been \$2,325.2 million and net income from consolidated operations, net income attributable to HEICO, and basic and diluted net income per share attributable to HEICO shareholders on a pro forma basis for fiscal 2022 would not have been materially different than the reported amounts.

The following table presents unaudited pro forma financial information for fiscal 2021 as if the fiscal 2022 acquisitions had occurred as of November 1, 2020 (in thousands, except per share data):

|  | <b>Year ended</b><br><b>October 31, 2021</b> |
|--|--|
| Net sales  | \$2,043,464                                  |
| Net income from consolidated operations                  | \$349,208                                    |
| Net income attributable to HEICO                         | \$319,660                                    |
| Net income per share attributable to HEICO shareholders: |  |
| Basic  | \$2.35                                       |
| Diluted  | \$2.31                                       |

The pro forma financial information is presented for comparative purposes only and is not necessarily indicative of the results of operations that actually would have been achieved if the acquisitions had taken place as of November 1, 2020. The unaudited pro forma financial information includes adjustments to historical amounts such as additional amortization expense related to the intangible assets acquired and increased interest expense associated with borrowings to finance the acquisitions.

The operating results of the fiscal 2021 acquisitions were included in the Company's results of operations from each of the effective acquisition dates. The amount of net sales and earnings of the fiscal 2021 acquisitions included in the Consolidated Statement of Operations for fiscal 2021 is not material. Had the fiscal 2021 acquisitions occurred as of November 1, 2019, net sales, net income from consolidated operations, net income attributable to HEICO, and basic and diluted net income per share attributable to HEICO shareholders on a pro forma basis for fiscal 2021 would not have been materially different than the reported amounts.

### 3. SELECTED FINANCIAL STATEMENT INFORMATION

#### Accounts Receivable

| (in thousands)                        | As of October 31, |                  |
|---------------------------------------|-------------------|------------------|
|                                       | 2023              | 2022             |
| Accounts receivable                   | \$521,696         | \$303,181        |
| Less: Allowance for doubtful accounts | (12,621)          | (8,333)          |
| Accounts receivable, net              | <u>\$509,075</u>  | <u>\$294,848</u> |

#### Inventories

| (in thousands)                            | As of October 31,  |                  |
|---|--------------------|------------------|
|   | 2023               | 2022             |
| Finished products                         | \$622,395          | \$285,024        |
| Work in process                           | 79,789             | 59,739           |
| Materials, parts, assemblies and supplies | 311,496            | 237,708          |
| Inventories, net of valuation reserves    | <u>\$1,013,680</u> | <u>\$582,471</u> |

## Property, Plant and Equipment

| (in thousands)                                  | As of October 31, |                  |
|---|-------------------|------------------|
|   | 2023              | 2022             |
| Land  | \$19,706          | \$17,579         |
| Buildings and improvements                      | 202,499           | 148,598          |
| Machinery, equipment and tooling                | 386,602           | 322,252          |
| Construction in progress                        | 25,867            | 14,533           |
|   | <u>634,674</u>    | <u>502,962</u>   |
| Less: Accumulated depreciation and amortization | (312,826)         | (277,083)        |
| Property, plant and equipment, net              | <u>\$321,848</u>  | <u>\$225,879</u> |

The amounts set forth above include tooling costs having a net book value of \$6.5 million and \$6.0 million as of October 31, 2023 and 2022, respectively. Amortization expense on capitalized tooling was \$2.3 million, \$2.5 million and \$2.8 million in fiscal 2023, 2022 and 2021, respectively.

Depreciation and amortization expense, exclusive of tooling, on property, plant and equipment was \$40.3 million, \$30.3 million and \$27.8 million in fiscal 2023, 2022 and 2021, respectively.

## Accrued Expenses and Other Current Liabilities

| (in thousands)  | As of October 31, |                  |
|---|-------------------|------------------|
|   | 2023              | 2022             |
| Accrued employee compensation and related payroll taxes | \$181,906         | \$130,837        |
| Contract liabilities                                    | 87,556            | 58,757           |
| Contingent consideration                                | 37,305            | 28,849           |
| Accrued customer rebates and credits                    | 24,508            | 17,938           |
| Current operating lease liabilities                     | 20,503            | 14,656           |
| Accrued interest  | 18,705            | 329              |
| Other   | 62,618            | 38,833           |
| Accrued expenses and other current liabilities          | <u>\$433,101</u>  | <u>\$290,199</u> |

The increase in accrued employee compensation and related payroll taxes principally reflects a higher level of accrued performance-based compensation resulting from the improved consolidated operating results and the impact of our fiscal 2023 acquisitions. See Note 6, Revenue, for additional information pertaining to the increase in contract liabilities. See Note 8, Fair Value Measurements, for additional information regarding the Company's contingent consideration obligations. The increase in accrued interest principally reflects the issuance of senior unsecured notes (see Note 5, Short-Term and Long-Term Debt, for additional information). The total customer rebates and credits deducted within net sales in fiscal 2023, 2022 and 2021 was \$9.4 million, \$7.6 million and \$3.3 million, respectively.

## Other Long-Term Assets and Liabilities

The Company provides eligible employees, officers and directors of the Company the opportunity to voluntarily defer base salary, bonus payments, commissions, long-term incentive awards and directors fees, as applicable, on a pre-tax basis through the HEICO Corporation Leadership Compensation Plan (the "LCP"), a nonqualified deferred compensation plan that conforms to Section 409A of the Internal Revenue Code. The Company matches 50% of the first 6% of base salary deferred by each participant. Director fees that would otherwise be payable in Company common stock may be deferred into the LCP, and, when distributable, are distributed in actual shares of Company common stock. The deferred compensation obligation associated with Company common stock is recorded as a component of shareholders' equity at cost and subsequent changes in fair value are not reflected in operations or shareholders' equity of the Company. Further, while the Company has no obligation to do so, the LCP also provides the Company the opportunity to make discretionary contributions. The Company's matching contributions and any discretionary contributions are subject to vesting and forfeiture provisions set forth in the LCP. Company contributions to the LCP charged to income in fiscal 2023, 2022 and 2021 totaled \$9.2 million, \$7.2 million and \$7.1 million, respectively. The aggregate liabilities of the LCP were \$226.2 million and \$203.0 million as of October 31, 2023 and 2022, respectively, and are classified within other long-term liabilities and accrued expenses and other current liabilities in the Company's Consolidated Balance Sheets. The assets of the LCP, totaling \$233.5 million and \$204.7 million as of October 31, 2023 and 2022, respectively, are classified within other assets in the Company's Consolidated Balance Sheets and principally represent cash surrender values of life insurance policies that are held within an irrevocable trust that may be used to satisfy the obligations of the LCP. Additional information regarding the assets of the LCP may be found in Note 8, Fair Value Measurements.

## Research and Development Expenses

The amount of new product research and development ("R&D") expenses included in cost of sales is as follows (in thousands):

|              | Year ended October 31, |          |          |
|--------------|------------------------|----------|----------|
|              | 2023                   | 2022     | 2021     |
| R&D expenses | \$95,773               | \$76,061 | \$68,877 |

## Accumulated Other Comprehensive Loss

Changes in the components of accumulated other comprehensive loss during fiscal 2023 and 2022 are as follows (in thousands):

|                                 | Foreign Currency<br>Translation | Defined Benefit<br>Pension Plan | Accumulated<br>Other<br>Comprehensive<br>Loss |
|---------------------------------|---------------------------------|---------------------------------|---|
| Balances as of October 31, 2021 | (\$6,989)                       | (\$1,563)                       | (\$8,552)                                     |
| Unrealized (loss) gain          | (38,380)                        | 368                             | (38,012)                                      |
| Amortization of unrealized loss | —                               | 65                              | 65  |
| Balances as of October 31, 2022 | (45,369)                        | (1,130)                         | (46,499)                                      |
| Unrealized gain                 | 6,204                           | 59                              | 6,263   |
| Amortization of unrealized loss | —                               | 56                              | 56  |
| Balances as of October 31, 2023 | (\$39,165)                      | (\$1,015)                       | (\$40,180)                                    |

## 4. GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in the carrying amount of goodwill by operating segment during fiscal 2023 and 2022 are as follows (in thousands):

|  | Segment     |             | Consolidated |
|--|-------------|-------------|--------------|
|  | FSG         | ETG         | Totals       |
| Balances as of October 31, 2021          | \$468,288   | \$982,107   | \$1,450,395  |
| Goodwill acquired                        | 106,919     | 137,123     | 244,042      |
| Foreign currency translation adjustments | (6,335)     | (8,672)     | (15,007)     |
| Adjustments to goodwill                  | (6,911)     | (94)        | (7,005)      |
| Balances as of October 31, 2022          | 561,961     | 1,110,464   | 1,672,425    |
| Goodwill acquired                        | 1,260,507   | 335,630     | 1,596,137    |
| Foreign currency translation adjustments | 2,793       | 2,394       | 5,187        |
| Adjustments to goodwill                  | (956)       | 1,534       | 578          |
| Balances as of October 31, 2023          | \$1,824,305 | \$1,450,022 | \$3,274,327  |

The goodwill acquired during fiscal 2023 and 2022 pertains to the acquisitions consummated in those respective years as described in Note 2, Acquisitions, and represents the residual value after the allocation of the total consideration to the tangible and identifiable intangible assets acquired and liabilities and noncontrolling interests assumed. Foreign currency translation adjustments are included in other comprehensive income (loss) in the Company's Consolidated Statements of Comprehensive Income. The adjustments to goodwill in fiscal 2023 represent immaterial measurement period adjustments to the purchase consideration of certain fiscal 2022 acquisitions. The adjustments to goodwill in fiscal 2022 principally reflect a measurement period adjustment of the write-up to fair value of property, plant and equipment associated with a fiscal 2021 acquisition. The Company estimates that \$131 million and



\$98 million of the goodwill acquired in fiscal 2023 and 2022, respectively, will be deductible for income tax purposes. Based on the annual test for goodwill impairment as of October 31, 2023, the Company determined there was no impairment of its goodwill.

Identifiable intangible assets consist of the following (in thousands):

|                        | As of October 31, 2023 |                          |                     | As of October 31, 2022 |                          |                     |
|------------------------|------------------------|--------------------------|---------------------|------------------------|--------------------------|---------------------|
|                        | Gross Carrying Amount  | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount  | Accumulated Amortization | Net Carrying Amount |
| Amortizing Assets:     |                        |                          |                     |                        |                          |                     |
| Customer relationships | \$967,090              | (\$227,089)              | \$740,001           | \$539,529              | (\$208,127)              | \$331,402           |
| Intellectual property  | 448,336                | (121,503)                | 326,833             | 284,171                | (98,983)                 | 185,188             |
| Other                  | 8,685                  | (7,404)                  | 1,281               | 8,700                  | (7,017)                  | 1,683               |
|                        | <u>1,424,111</u>       | <u>(355,996)</u>         | <u>1,068,115</u>    | <u>832,400</u>         | <u>(314,127)</u>         | <u>518,273</u>      |
| Non-Amortizing Assets: |                        |                          |                     |                        |                          |                     |
| Trade names            | 289,166                | —                        | 289,166             | 215,054                | —                        | 215,054             |
|                        | <u>\$1,713,277</u>     | <u>(\$355,996)</u>       | <u>\$1,357,281</u>  | <u>\$1,047,454</u>     | <u>(\$314,127)</u>       | <u>\$733,327</u>    |

The increase in the gross carrying amount of customer relationships, intellectual property and trade names as of October 31, 2023 compared to October 31, 2022 principally relates to such intangible assets recognized in connection with the fiscal 2023 acquisitions (see Note 2, Acquisitions), net of the write-off of fully amortized customer relationship intangible assets previously recognized in connection with certain historical acquisitions and an immaterial partial impairment of the trade name of a fiscal 2022 FSG acquisition.

Amortization expense related to intangible assets was \$85.9 million, \$62.5 million and \$61.3 million in fiscal 2023, 2022 and 2021, respectively. Amortization expense for each of the next five fiscal years and thereafter is estimated to be \$117.6 million in fiscal 2024, \$112.0 million in fiscal 2025, \$106.4 million in fiscal 2026, \$102.1 million in fiscal 2027, \$96.7 million in fiscal 2028 and \$533.3 million thereafter.

## 5. SHORT-TERM AND LONG-TERM DEBT

A subsidiary of the Company acquired in the first quarter of fiscal 2023 has a short-term borrowing arrangement with a balance of \$15.1 million as of the acquisition date and \$13.5 million as of October 31, 2023.

Long-term debt consists of the following (in thousands):

|   | As of October 31,  |                  |
|---|--------------------|------------------|
|   | 2023               | 2022             |
| Borrowings under revolving credit facility      | \$1,250,000        | \$275,000        |
| 2028 senior unsecured notes                     | 600,000            | —                |
| 2033 senior unsecured notes                     | 600,000            | —                |
| Finance leases and notes payable <sup>(1)</sup> | 28,024             | 15,274           |
| Less: Debt discount and debt issuance costs     | (13,478)           | —                |
|   | 2,464,546          | 290,274          |
| Less: Current maturities of long-term debt      | (4,269)            | (1,654)          |
|   | <u>\$2,460,277</u> | <u>\$288,620</u> |

<sup>(1)</sup> See Note 9, Leases, for additional information regarding the Company's finance leases.

### Revolving Credit Facility

As of October 31, 2023 and 2022, the weighted average interest rate on borrowings under the Company's revolving credit facility ("Credit Facility") was 6.7% and 4.6%, respectively. The Credit Facility contains both financial and non-financial covenants. As of October 31, 2023, the Company was in compliance with all such covenants.

In November 2017, the Company entered into a \$1.3 billion Credit Facility with a bank syndicate. The Credit Facility may be used to finance acquisitions and for working capital and other general corporate purposes, including capital expenditures. In December 2020, the Company entered into an amendment to increase the capacity by \$200 million to \$1.5 billion. In April 2022, the Company entered into an amendment to extend the maturity date of its Credit Facility by one year to November 2024 and to replace the Eurocurrency Rate with Adjusted Term SOFR as an election in which borrowings under the Credit Facility accrue interest, as such capitalized terms are defined in the Credit Facility. In July 2023, the Company entered into a third amendment to its Credit Facility, to, among other things, (i) increase the capacity by \$500 million to \$2.0 billion, (ii) extend the maturity date to July 2028, and (iii) increase the applicable rate with respect to certain total leverage ratio tiers in the pricing grid. The Credit Facility includes a feature that will allow the Company to increase the capacity by \$750 million to become a \$2.75 billion facility through increased commitments from existing lenders.

Borrowings under the Credit Facility accrue interest at the Company's election of the Base Rate or Adjusted Term SOFR, plus in each case, the Applicable Rate (based on the Company's Total Leverage Ratio) as such capitalized terms are defined in the Credit Facility. The Base Rate for any day is a fluctuating rate per annum equal to the highest of (i) the Prime Rate; (ii) the Federal Funds Rate plus .50%; and (iii) Adjusted Term SOFR for an Interest Period of one month plus 100 basis points. Adjusted Term SOFR is the rate per annum equal to Term SOFR plus a Term SOFR Adjustment of .10%; provided that Adjusted Term SOFR as so determined shall never be less than 0%. The Applicable Rate for SOFR Loans ranges from 1.125% to 2.00%. The Applicable Rate for Base Rate Loans ranges from .125% to 1.00%. A fee is charged on the amount of the unused commitment ranging from .15% to .35% (depending on the Company's Total Leverage Ratio). The Credit Facility also includes a \$200 million sublimit for swingline borrowings and \$100 million sublimits for borrowings made in foreign currencies and for letters of credit. Outstanding principal, accrued and unpaid interest and other amounts payable under the Credit Facility may be accelerated upon an event of default, as such events are described in the Credit Facility. The Credit Facility is unsecured and contains covenants that require, among other things, the maintenance of a Total Leverage Ratio and an Interest Coverage Ratio, as such capitalized terms are defined in the Credit Facility.

The Company incurred \$6.7 million of debt issuance costs related to the third amendment of the Credit Facility, which were classified as other assets in the Company's Consolidated Balance Sheet and are being amortized to SG&A expenses in the Company's Consolidated Statement of Operations over the remaining term of the Credit Facility.

### **Senior Unsecured Notes**

On July 27, 2023, the Company completed the public offer and sale of senior unsecured notes, which consisted of \$600 million principal amount of 5.25% Senior Notes due August 1, 2028 (the "2028 Notes") and \$600 million principal amount of 5.35% Senior Notes due August 1, 2033 (the "2033 Notes" and, collectively with the 2028 Notes, the "Notes"). The Company used the net proceeds from the sale of the Notes to repay the outstanding borrowings under its Credit Facility and to fund a portion of the purchase price of the Wencor Acquisition. See Note 2, Acquisitions, for additional information. Interest on the Notes is payable semi-annually in arrears on February 1 and August 1 of each year, commencing February 1, 2024. The 2028 Notes and 2033 Notes each have an effective interest rate of 5.5%.

The Notes were issued pursuant to an Indenture, dated as of July 27, 2023 (the "Base Indenture"), between the Company and certain of its subsidiaries (collectively, the "Subsidiary Guarantors") and Truist Bank, as trustee (the "Trustee"), as supplemented by a First Supplemental Indenture, dated as of July 27, 2023 (the "First Supplemental Indenture" and, together with the Base Indenture, the "Indenture"), between the Company, Subsidiary Guarantors and the Trustee. The Notes are direct, unsecured senior obligations of the Company and rank equally in right of payment with all of the Company's existing and future senior unsecured indebtedness.

The Notes are fully and unconditionally guaranteed on a senior unsecured basis by all of the Company's existing and future subsidiaries that guarantee the Company's obligations under the Credit Facility (the "Guarantor Group"). The Company may redeem the Notes at any time in whole, or from time to time in part, prior to the applicable par call date at the applicable redemption price described in the Indenture. On or after the applicable par call date, the Notes will be redeemable, at the Company's option, at any time in whole, or from time to time in part, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed plus accrued and unpaid interest on the Notes to be redeemed to, but excluding, the date of redemption. The Company may be required to make an offer to purchase the Notes upon the occurrence of a "change of control triggering event" as described in the Indenture.

The Indenture includes certain customary covenants that, among other things, limit the Company's and its restricted subsidiaries' ability to grant liens to secure indebtedness or engage in sale and leaseback transactions and the Company's ability to merge or consolidate with, or convey, transfer or lease all or substantially all of its assets to, a third party, as further described in the Indenture. Each of these limitations is subject to certain important qualifications and exceptions. The Indenture also includes certain customary events of default. The occurrence of an event of default will either automatically, in certain instances, or upon declaration by the Trustee or the holders of at least 25% in aggregate principal amount of the Notes at the time outstanding, in other instances, cause the acceleration of the amounts due under the Notes. As of October 31, 2023, the Company was in compliance with all such covenants.

The Company received net proceeds of \$1,189.5 million from the issuance of the Notes, which was net of a debt discount and underwriting fees. The Company also incurred an additional \$3.4 million of debt issuance fees related to the Notes. The aggregate debt discount and debt issuance costs of \$13.9 million are classified as a contra liability within long-term debt in the Company's Consolidated Balance Sheet and are being amortized to interest expense in the Company's Consolidated Statement of Operations over the respective term of each senior note using the effective interest method.

The following table sets forth the carrying value and estimated fair value of the Company's Notes, which are classified as Level 2 financial instruments in the fair value hierarchy (in thousands). The Company estimated the fair value of the Notes by taking the weighted average of market quotes for the exact security that was actively traded on October 31, 2023.

|              | <b>October 31, 2023</b> |                    |
|--------------|-------------------------|--------------------|
|              | <b>Carrying Value</b>   | <b>Fair Value</b>  |
| 2028 Notes   | \$594,158               | \$579,762          |
| 2033 Notes   | 592,364                 | 552,594            |
| <b>Total</b> | <b>\$1,186,522</b>      | <b>\$1,132,356</b> |

## 6. REVENUE

### Contract Balances

Contract assets (unbilled receivables) represent revenue recognized on contracts using an over-time recognition model in excess of amounts invoiced to the customer. Contract liabilities (deferred revenue) represent customer advances and billings in excess of revenue recognized and are included within accrued expenses and other current liabilities in the Company's Consolidated Balance Sheets.

Changes in the Company's contract assets and liabilities during fiscal 2023 and 2022 are as follows (in thousands):

|                      | <u>October 31, 2023</u> | <u>October 31, 2022</u> | <u>Change</u>     |
|----------------------|-------------------------|-------------------------|-------------------|
| Contract assets      | \$111,702               | \$93,978                | \$17,724          |
| Contract liabilities | 87,556                  | 58,757                  | 28,799            |
| Net contract assets  | <u>\$24,146</u>         | <u>\$35,221</u>         | <u>(\$11,075)</u> |

The increase in the Company's contract assets during fiscal 2023 principally reflects additional unbilled receivables on certain customer contracts using an over-time recognition model in excess of billings, mainly at the FSG, as well as the contract assets of certain businesses acquired during fiscal 2023. The increase in the Company's contract liabilities during fiscal 2023 principally reflects the receipt and billings of advance deposits on certain customer contracts, mainly at the FSG, as well as the contract liabilities of certain businesses acquired during fiscal 2023.

The amount of revenue that the Company recognized during fiscal 2023 that was included in contract liabilities as of the beginning of fiscal 2023 was \$43.9 million.

### Remaining Performance Obligations

As of October 31, 2023, the Company had \$722.9 million of remaining performance obligations associated with contracts with an original duration of greater than one year pertaining to the majority of the products offered by the ETG as well as certain products of the FSG's specialty products and aftermarket replacement parts product lines. The Company will recognize net sales as these obligations are satisfied. The Company expects to recognize \$421.4 million of this amount during fiscal 2024 and \$301.5 million thereafter, of which more than half is expected to occur in fiscal 2025.

## Disaggregation of Revenue

The following table summarizes the Company's net sales by product line for each operating segment (in thousands):

|  | Year Ended October 31, |                    |                    |
|--|------------------------|--------------------|--------------------|
|  | 2023                   | 2022               | 2021               |
| <b>Flight Support Group:</b>   |                        |                    |                    |
| Aftermarket replacement parts <sup>(1)</sup>   | \$1,040,502            | \$694,900          | \$535,217          |
| Repair and overhaul parts and services <sup>(2)</sup>  | 366,566                | 264,986            | 208,215            |
| Specialty products <sup>(3)</sup>  | 363,117                | 295,326            | 183,657            |
| <b>Total net sales</b>   | <b>1,770,185</b>       | <b>1,255,212</b>   | <b>927,089</b>     |
| <b>Electronic Technologies Group:</b>  |                        |                    |                    |
| Electronic component parts primarily for defense, space and aerospace equipment <sup>(4)</sup> | 918,374                | 672,147            | 709,621            |
| Electronic component parts for equipment in various other industries <sup>(5)</sup>            | 306,848                | 300,328            | 249,549            |
| <b>Total net sales</b>   | <b>1,225,222</b>       | <b>972,475</b>     | <b>959,170</b>     |
| <b>Intersegment sales</b>  | <b>(27,302)</b>        | <b>(19,365)</b>    | <b>(20,577)</b>    |
| <b>Total consolidated net sales</b>  | <b>\$2,968,105</b>     | <b>\$2,208,322</b> | <b>\$1,865,682</b> |

<sup>(1)</sup> Includes various jet engine and aircraft component replacement parts.

<sup>(2)</sup> Includes primarily the sale of parts consumed in various repair and overhaul services on selected jet engine and aircraft components, avionics, instruments, composites and flight surfaces of commercial and military aircraft.

<sup>(3)</sup> Includes primarily the sale of specialty components such as thermal insulation blankets, renewable/reusable insulation systems, advanced niche components, complex composite assemblies, and expanded foil mesh as well as machining, brazing, fabricating and welding services generally to original equipment manufacturers.

<sup>(4)</sup> Includes various component parts such as electro-optical infrared simulation and test equipment, electro-optical laser products, electro-optical, microwave and other power equipment, high-speed interface products, power conversion products, underwater locator beacons, emergency locator transmission beacons, traveling wave tube amplifiers, microwave power modules, a wide variety of memory products and radio frequency (RF) and microwave products, crashworthy and ballistically self-sealing auxiliary fuel systems, high performance communications and electronic intercept receivers and tuners, high performance active antenna systems and airborne antennas, technical surveillance countermeasures (TSCM) equipment, custom high power filters and filter assemblies, radiation assurance services and products, and high-reliability, complex, passive electronic components and rotary joint assemblies.

<sup>(5)</sup> Includes various component parts such as electromagnetic and radio frequency interference shielding, high voltage interconnection devices, high voltage advanced power electronics, harsh environment

connectivity products, custom molded cable assemblies, silicone material for a variety of demanding applications, and rugged small form-factor embedded computing solutions, and high performance test sockets and adaptors.

The following table summarizes the Company's net sales by industry for each operating segment (in thousands):

|                                       | Year ended October 31, |                    |                    |
|---------------------------------------|------------------------|--------------------|--------------------|
|                                       | 2023                   | 2022               | 2021               |
| <b>Flight Support Group:</b>          |                        |                    |                    |
| Aerospace                             | \$1,257,650            | \$876,254          | \$660,867          |
| Defense and Space                     | 434,229                | 316,460            | 224,236            |
| Other <sup>(1)</sup>                  | 78,306                 | 62,498             | 41,986             |
| <b>Total net sales</b>                | <b>1,770,185</b>       | <b>1,255,212</b>   | <b>927,089</b>     |
| <b>Electronic Technologies Group:</b> |                        |                    |                    |
| Defense and Space                     | 603,414                | 545,384            | 599,570            |
| Other <sup>(2)</sup>                  | 438,189                | 340,311            | 284,834            |
| Aerospace                             | 183,619                | 86,780             | 74,766             |
| <b>Total net sales</b>                | <b>1,225,222</b>       | <b>972,475</b>     | <b>959,170</b>     |
| <b>Intersegment sales</b>             | <b>(27,302)</b>        | <b>(19,365)</b>    | <b>(20,577)</b>    |
| <b>Total consolidated net sales</b>   | <b>\$2,968,105</b>     | <b>\$2,208,322</b> | <b>\$1,865,682</b> |

<sup>(1)</sup> Principally industrial products.

<sup>(2)</sup> Principally other electronics and medical products.



## 7. INCOME TAXES

The components of income before income taxes and noncontrolling interests are as follows (in thousands):

|  | <b>Year ended October 31,</b> |                  |                  |
|--|-------------------------------|------------------|------------------|
|  | <b>2023</b>                   | <b>2022</b>      | <b>2021</b>      |
| Domestic   | \$479,990                     | \$429,329        | \$345,733        |
| Foreign  | 75,293                        | 61,694           | 41,325           |
| Income before taxes and noncontrolling interests | <u>\$555,283</u>              | <u>\$491,023</u> | <u>\$387,058</u> |

The components of the provision for income taxes on income before income taxes and noncontrolling interests are as follows (in thousands):

|                          | <b>Year ended October 31,</b> |                  |                 |
|--------------------------|-------------------------------|------------------|-----------------|
|                          | <b>2023</b>                   | <b>2022</b>      | <b>2021</b>     |
| Current:                 |                               |                  |                 |
| Federal                  | \$96,492                      | \$63,861         | \$47,839        |
| State                    | 18,225                        | 13,015           | 11,639          |
| Foreign                  | 22,714                        | 14,648           | 13,457          |
|                          | <u>137,431</u>                | <u>91,524</u>    | <u>72,935</u>   |
| Deferred:                |                               |                  |                 |
| Federal                  | (19,049)                      | 8,154            | (10,097)        |
| State                    | (4,311)                       | 1,129            | (3,251)         |
| Foreign                  | (3,171)                       | (407)            | (2,287)         |
|                          | <u>(26,531)</u>               | <u>8,876</u>     | <u>(15,635)</u> |
| Total income tax expense | <u>\$110,900</u>              | <u>\$100,400</u> | <u>\$57,300</u> |

A reconciliation of the federal statutory income tax rate to the Company's effective tax rate is as follows:

|  | <b>Year ended October 31,</b> |              |              |
|--|-------------------------------|--------------|--------------|
|  | <b>2023</b>                   | <b>2022</b>  | <b>2021</b>  |
| Federal statutory income tax rate                                    | 21.0%                         | 21.0%        | 21.0%        |
| State taxes, net of federal income tax benefit                       | 2.5%                          | 2.6%         | 2.9%         |
| Tax benefit related to stock option exercises                        | (1.1%)                        | (3.6%)       | (3.7%)       |
| Tax-exempt (gains) losses on corporate-owned life insurance policies | (.6%)                         | 2.8%         | (2.9%)       |
| Research and development tax credits                                 | (1.9%)                        | (1.5%)       | (2.5%)       |
| Foreign derived intangible income deduction                          | (1.9%)                        | (1.9%)       | (1.9%)       |
| Nondeductible compensation   | 1.4%                          | 1.2%         | 1.2%         |
| Other, net   | .6%                           | (.2%)        | .7%          |
| Effective tax rate   | <u>20.0%</u>                  | <u>20.4%</u> | <u>14.8%</u> |

The Company's effective tax rate decreased to 20.0% in fiscal 2023, down from 20.4% in fiscal 2022. The decrease in the Company's effective tax rate principally reflects a favorable impact from tax-exempt unrealized gains in the cash surrender values of life insurance policies related to the HEICO Leadership Compensation Plan (the "LCP") in fiscal 2023 as compared to tax-exempt unrealized losses recognized in fiscal 2022. This was partially offset by a larger tax benefit from stock option exercises recognized in the first quarter of fiscal 2022 and the portion of acquisition costs associated with fiscal 2023 acquisitions that were not deductible for income tax purposes. The Company recognized a discrete tax benefit from stock option exercises in both the first quarter of fiscal 2023 and 2022 of \$6.2 million and \$17.8 million, respectively.

The Company's effective tax rate was 20.4% in fiscal 2022, as compared to 14.8% in fiscal 2021. The increase in the Company's effective tax rate principally reflects a 5.7% unfavorable impact from tax-exempt unrealized losses in the cash surrender values of life insurance policies related to the LCP recognized in fiscal 2022 as compared to the tax-exempt unrealized gains recognized on such policies in fiscal 2021.

The Company files income tax returns in the U.S. federal jurisdiction and in multiple state jurisdictions. The Company is also subject to income taxes in certain jurisdictions outside the U.S., none of which are individually material to the accompanying consolidated financial statements. Generally, the Company is no longer subject to U.S. federal, state or foreign examinations by tax authorities for years prior to fiscal 2019. One of the Company's foreign subsidiaries files income tax returns in The Netherlands and Thailand where the statute of limitations is open for its fiscal 2015 returns.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company believes that it is more likely than not that it will generate sufficient future taxable income to utilize all of its deferred tax assets and has therefore not recorded a valuation allowance on any such asset.

Significant components of the Company's deferred tax assets and liabilities are as follows (in thousands):

|  | <b>As of October 31,</b>  |                          |
|--|---------------------------|--------------------------|
|  | <b>2023</b>               | <b>2022</b>              |
| <b>Deferred tax assets:</b>                |                           |                          |
| Inventories                                | \$85,560                  | \$51,505                 |
| Deferred compensation plan liability       | 44,882                    | 42,285                   |
| Capitalized research and development costs | 29,142                    | 543                      |
| Operating lease liabilities                | 26,771                    | 20,043                   |
| Interest expense limitation carryforward   | 24,770                    | 24                       |
| Share-based compensation                   | 10,665                    | 9,177                    |
| Performance-based compensation accrual     | 6,632                     | 4,482                    |
| Customer rebates accrual                   | 4,145                     | 3,323                    |
| Other                                      | 17,832                    | 17,107                   |
| Total deferred tax assets                  | <u>250,399</u>            | <u>148,489</u>           |
| <b>Deferred tax liabilities:</b>           |                           |                          |
| Goodwill and other intangible assets       | (324,774)                 | (176,436)                |
| Property, plant and equipment              | (28,533)                  | (21,746)                 |
| Operating lease right-of-use assets        | (25,620)                  | (19,344)                 |
| Other                                      | (3,318)                   | (2,125)                  |
| Total deferred tax liabilities             | <u>(382,245)</u>          | <u>(219,651)</u>         |
| Net deferred tax liability                 | <u><u>(\$131,846)</u></u> | <u><u>(\$71,162)</u></u> |

The increases in the Company's deferred tax assets for inventories and the interest expense limitation carryforward and in the Company's deferred tax liabilities for intangible assets are principally related to such deferred tax assets and liabilities recognized in connection with the fiscal 2023 acquisitions (see Note 2, Acquisitions). Additionally, as a result of the Tax Cuts and Jobs Act, the Company began capitalizing research and development costs beginning in fiscal 2023, which are now amortized over five years for income tax purposes.

As of October 31, 2023 and 2022, the Company's liability for gross unrecognized tax benefits related to uncertain tax positions was \$4.4 million and \$3.5 million, respectively, of which \$3.4 million and \$2.8 million, respectively, would decrease the Company's income tax expense and effective income tax rate if the tax benefits were recognized. A reconciliation of the activity related to the liability for gross unrecognized tax benefits during fiscal 2023 and 2022 is as follows (in thousands):

|   | <b>Year ended October 31,</b> |                |
|---|-------------------------------|----------------|
|   | <b>2023</b>                   | <b>2022</b>    |
| Balances as of beginning of year                | \$3,503                       | \$4,072        |
| Increases related to current year tax positions | 1,356                         | 870            |
| Increases related to prior year tax positions   | 214                           | —              |
| Decreases related to prior year tax positions   | —                             | (286)          |
| Settlements                                     | —                             | (522)          |
| Lapses of statutes of limitations               | (710)                         | (631)          |
| Balance as of end of year                       | <u>\$4,363</u>                | <u>\$3,503</u> |

## 8. FAIR VALUE MEASUREMENTS

The Company's assets and liabilities that were measured at fair value on a recurring basis are set forth by level within the fair value hierarchy in the following tables (in thousands):

|                                | As of October 31, 2023  |  |  |                  |
|--------------------------------|---|--|--|------------------|
|                                | Quoted Prices<br>in Active Markets<br>for Identical Assets<br>(Level 1) | Significant<br>Other Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Total            |
| <b>Assets:</b>                 |   |  |  |                  |
| Deferred compensation plan:    |   |  |  |                  |
| Corporate-owned life insurance | \$—   | \$227,710  | \$—  | \$227,710        |
| Money market fund              | 5,829   | —  | —  | 5,829            |
| <b>Total assets</b>            | <b>\$5,829</b>  | <b>\$227,710</b>                                       | <b>\$—</b>   | <b>\$233,539</b> |
| <b>Liabilities:</b>            |   |  |  |                  |
| Contingent consideration       | \$—   | \$—  | \$71,136   | \$71,136         |
|                                |   |  |  |                  |
|                                | As of October 31, 2022  |  |  |                  |
|                                | Quoted Prices<br>in Active Markets<br>for Identical Assets<br>(Level 1) | Significant<br>Other Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Total            |
| <b>Assets:</b>                 |   |  |  |                  |
| Deferred compensation plan:    |   |  |  |                  |
| Corporate-owned life insurance | \$—   | \$201,239  | \$—  | \$201,239        |
| Money market fund              | 3,477   | —  | —  | 3,477            |
| <b>Total assets</b>            | <b>\$3,477</b>  | <b>\$201,239</b>                                       | <b>\$—</b>   | <b>\$204,716</b> |
| <b>Liabilities:</b>            |   |  |  |                  |
| Contingent consideration       | \$—   | \$—  | \$82,803   | \$82,803         |

The Company maintains the HEICO Corporation Leadership Compensation Plan (the "LCP"), which is a non-qualified deferred compensation plan. The assets of the LCP principally represent cash surrender values of life insurance policies, which derive their fair values from investments in mutual funds that are managed by an insurance company, and are classified within Level 2 and valued using a market approach. Certain other assets of the LCP represent investments in money market funds that are classified within Level 1. The assets of the LCP are held within an irrevocable trust and classified within other assets in the Company's Consolidated Balance Sheets.

In connection with a fiscal 2023 acquisition that is part of the FSG, the Company assumed an agreement which may obligate it to pay contingent consideration of up to \$17.5 million in fiscal 2024 should certain operating entities of the acquired company meet a calendar year 2023 earnings objective and obtain a certain level of new orders with deliveries scheduled in calendar year 2024, of which both targets are tied to a specific customer contract. As of October 31, 2023, both requirements had been met and the estimated fair value of the contingent consideration was \$17.3 million.

As part of the agreement to acquire 80.36% of the stock of a subsidiary by the ETG in fiscal 2022, the Company may be obligated to pay contingent consideration of up to \$12.1 million in fiscal 2027 based on the earnings of the acquired entity during fiscal years 2025 and 2026 provided the entity meets a certain earnings objective during each of fiscal years 2024 to 2026. As of October 31, 2023, the estimated fair value of the contingent consideration was \$5.5 million.

As part of the agreement to acquire 96% of the stock of a subsidiary by the FSG in fiscal 2022, the Company may be obligated to pay contingent consideration of up to \$27.4 million in fiscal 2027 based on the earnings of the acquired entity during fiscal years 2025 and 2026 provided the entity meets certain earnings objectives during each of fiscal years 2022 to 2024. Based on an improving forecast during fiscal 2023 for the subsidiary's products over the earnout period, the estimated fair value of the contingent consideration increased from \$12.7 million as of October 31, 2022 to \$19.8 million as of October 31, 2023.

As part of the agreement to acquire 74% of the membership interests of a subsidiary by the FSG in fiscal 2022, the Company would be obligated to pay contingent consideration of \$14.1 million in fiscal 2027 only if the acquired entity met a certain earnings objective during the five-year period following the acquisition. Based on the actual earnings of the acquired entity subsequent to the acquisition and forecasted earnings over the remainder of the earnout period, the Company does not expect that the required earnings objective will be met. Accordingly, the \$9.1 million estimated fair value of contingent consideration as of October 31, 2022 was reversed in fiscal 2023, including \$6.4 million in the fourth quarter.

As part of the agreement to acquire 89% of the membership interests of a subsidiary by the FSG in fiscal 2021, the Company may have been obligated to pay contingent consideration of up to \$26.7 million should the acquired entity have met certain earnings objectives following the acquisition. In March 2023, at the request of the noncontrolling interest holders, the agreement was amended and the Company paid \$8.9 million to the noncontrolling interest holders in consideration for the termination of the contingent consideration arrangement. Accordingly, of the \$18.0 million estimated fair value of contingent consideration as of October 31, 2022, the remaining \$9.1 million (after the \$8.9 million payment) was reversed in the second quarter of fiscal 2023.

As part of the agreement to acquire 89.99% of the equity interests of a subsidiary by the ETG in fiscal 2020, the Company may be obligated to pay contingent consideration of up to CAD \$13.5 million, or \$9.7 million, in fiscal 2025 should the acquired entity meet certain earnings objectives during fiscal 2023 and 2024. As of October 31, 2023, the estimated fair value of the contingent consideration was CAD \$11.9 million, or \$8.6 million. Additionally, the acquired entity achieved a required earnings objective during fiscal years 2021 and 2022 that obligated the Company to pay additional contingent consideration of CAD \$13.5 million, or \$10.0 million, which was paid in the first quarter of fiscal 2023.

As part of the agreement to acquire a subsidiary by the ETG in fiscal 2017, the Company is obligated to pay contingent consideration of \$20.0 million in fiscal 2024 as the acquired entity met a certain earnings objective during the first six years following the acquisition. The \$20.0 million of contingent consideration accrued as of October 31, 2023 was paid in December 2023.

The following unobservable inputs were used to derive the estimated fair value of the Company's Level 3 contingent consideration liabilities as of October 31, 2023 (\$ in thousands):

| Acquisition Date | Fair Value | Unobservable Input                  | Range       | Weighted Average <sup>(1)</sup> |
|------------------|------------|-------------------------------------|-------------|---------------------------------|
| 8-4-2023         | \$17,305   | Discount rate                       | 6.7% - 6.7% | 6.7%                            |
| 9-1-2022         | 5,459      | Compound annual revenue growth rate | 9% - 23%    | 17%                             |
|                  |            | Discount rate                       | 9.2% - 9.2% | 9.2%                            |
| 7-18-2022        | 19,768     | Compound annual revenue growth rate | 1% - 11%    | 6%                              |
|                  |            | Discount rate                       | 9.2% - 9.2% | 9.2%                            |
| 8-18-2020        | 8,604      | Compound annual revenue growth rate | 11% - 25%   | 19%                             |
|                  |            | Discount rate                       | 9.9% - 9.9% | 9.9%                            |
| 9-15-2017        | 20,000     | Discount rate                       | 0.0% - 0.0% | 0.0%                            |

<sup>(1)</sup> Unobservable inputs were weighted by the relative fair value of the contingent consideration liability.



Changes in the Company's contingent consideration liabilities measured at fair value on a recurring basis using unobservable inputs (Level 3) during fiscal 2023 and 2022 are as follows (in thousands):

|   | <b>Liabilities</b> |
|---|--------------------|
| Balance as of October 31, 2021  | \$62,286           |
| Contingent consideration related to acquisitions                                      | 29,732             |
| Decrease in accrued contingent consideration, net                                     | (7,631)            |
| Foreign currency transaction adjustments  | (1,264)            |
| Payment of contingent consideration   | (320)              |
| Balance as of October 31, 2022  | 82,803             |
| Payment of contingent consideration   | (18,909)           |
| Contingent consideration related to an acquisition                                    | 17,018             |
| Amendment and termination of contingent consideration agreement                       | (9,057)            |
| Decrease in accrued contingent consideration, net                                     | (686)              |
| Foreign currency transaction adjustments  | (33)               |
| Balance as of October 31, 2023  | <u>\$71,136</u>    |
| Included in the accompanying Consolidated Balance Sheet under the following captions: |                    |
| Accrued expenses and other current liabilities  | \$37,305           |
| Other long-term liabilities   | 33,831             |
|   | <u>\$71,136</u>    |

The Company records changes in accrued contingent consideration and foreign currency transaction adjustments within SG&A expenses in its Consolidated Statements of Operations.

The carrying amounts of the Company's cash and cash equivalents, accounts receivable, trade accounts payable and accrued expenses and other current liabilities approximate fair value as of October 31, 2023 due to the relatively short maturity of the respective instruments. The carrying amount of borrowings under the Company's credit facility approximates fair value due to its variable interest rate.

## 9. LEASES

HEICO's lease ROU assets represent its right to use an underlying asset during the lease term and its lease liabilities represent the Company's obligation to make lease payments arising from the lease. HEICO's operating lease ROU assets are included within other assets and its operating lease liabilities are included within other long-term liabilities and accrued expenses and other current liabilities in the Company's Consolidated Balance Sheet. HEICO's finance lease ROU assets are included within property, plant and equipment, net and its finance lease liabilities are included within long-term debt, net of current maturities and short-term debt and current maturities of long-term debt within the Company's Consolidated Balance Sheet. The following table presents the Company's lease ROU assets and lease liabilities (in thousands):

|                             | Operating Leases<br>As of October 31, |          | Finance Leases<br>As of October 31, |          |
|-----------------------------|---------------------------------------|----------|-------------------------------------|----------|
|                             | 2023                                  | 2022     | 2023                                | 2022     |
| Right-of-use assets         | \$121,373                             | \$89,752 | \$26,608                            | \$15,786 |
| Current lease liabilities   | \$20,503                              | \$14,656 | \$4,254                             | \$1,620  |
| Long-term lease liabilities | 104,759                               | 76,965   | 23,564                              | 13,376   |
| Total lease liabilities     | \$125,262                             | \$91,621 | \$27,818                            | \$14,996 |

The Company's operating lease expenses are recorded within cost of sales and/or SG&A expenses in the Company's Consolidated Statements of Operations. The Company's finance lease expenses consist of amortization of ROU assets and interest on lease liabilities, which are included within cost of sales and/or SG&A expenses, and interest expense, respectively, in the Company's Consolidated Statements of Operations. Further, interest expense on finance leases is recognized using the effective interest method based on the discount rate determined at lease commencement. The following table presents the components of lease expense for fiscal 2023 and 2022 (in thousands):

|  | Year ended October 31, |          |
|--|------------------------|----------|
|  | 2023                   | 2022     |
| Operating Leases:                            |                        |          |
| Operating lease expense                      | \$24,192               | \$19,877 |
| Variable lease expense                       | 4,047                  | 3,552    |
| Total operating lease expense <sup>(1)</sup> | \$28,239               | \$23,429 |
| Finance Leases:                              |                        |          |
| Amortization of finance lease ROU assets     | \$3,026                | \$1,540  |
| Interest on finance lease liabilities        | 1,211                  | 578      |
| Variable lease expense                       | 617                    | 319      |
| Total finance lease expense                  | \$4,854                | \$2,437  |

<sup>(1)</sup> Excludes short-term lease expense, which is not material.

The following table presents a maturity analysis of the Company's lease liabilities as of October 31, 2023 for the next five fiscal years and thereafter (in thousands):

|   | <b>Operating Leases</b> | <b>Finance Leases</b> |
|---|-------------------------|-----------------------|
| Year ending October 31,                 |                         |                       |
| 2024                                    | \$27,034                | \$5,625               |
| 2025                                    | 26,882                  | 5,274                 |
| 2026                                    | 22,976                  | 4,632                 |
| 2027                                    | 19,344                  | 4,535                 |
| 2028                                    | 13,744                  | 4,113                 |
| Thereafter                              | 44,337                  | 9,994                 |
| Total minimum lease payments            | 154,317                 | 34,173                |
| Less: imputed interest                  | (29,055)                | (6,355)               |
| Present value of minimum lease payments | <u>\$125,262</u>        | <u>\$27,818</u>       |

The Company does not have any material leases that have been signed but have yet to commence as of October 31, 2023.

The following table presents the weighted average remaining lease term and discount rate of the Company's leases:

|   | <b>Operating Leases<br/>As of October 31,</b> |             | <b>Finance Leases<br/>As of October 31,</b> |             |
|---|---|-------------|---|-------------|
|   | <b>2023</b>                                   | <b>2022</b> | <b>2023</b>                                 | <b>2022</b> |
| Weighted average remaining lease term (years) | 7.1   | 7.9         | 7.5   | 9.0         |
| Weighted average discount rate                | 6.2%  | 5.4%        | 6.1%  | 5.5%        |

The following table presents supplemental disclosures of cash flow information associated with the Company's leases for fiscal 2023 and 2022 (in thousands):

|   | <b>Operating Leases<br/>As of October 31,</b> |             | <b>Finance Leases<br/>As of October 31,</b> |             |
|---|---|-------------|---|-------------|
|   | <b>2023</b>                                   | <b>2022</b> | <b>2023</b>                                 | <b>2022</b> |
| Cash paid for amounts included in the measurement of lease liabilities:                 |   |             |   |             |
| Operating cash flows  | \$22,058                                      | \$19,323    | \$1,211                                     | \$578       |
| Financing cash flows  | —   | —           | 2,663                                       | 1,568       |
| Right-of-use assets obtained in exchange for new lease liabilities, net of terminations | 26,271  | 31,865      | 5   | 5,373       |

## **10. SHAREHOLDERS' EQUITY**

### **Common Stock and Class A Common Stock**

The Company has two classes of common stock that are virtually identical in all economic respects except voting rights. Each share of Common Stock is entitled to one vote per share. Each share of Class A Common Stock is entitled to a 1/10 vote per share. Holders of the Company's common stock are entitled to receive dividends and other distributions payable in cash, property, stock or otherwise, when and if declared by the Board of Directors. In the event of liquidation, after payment of debts and other liabilities of the Company, the remaining assets of the Company will be distributable ratably among the holders of both classes of common stock.

### **Share Repurchases**

In 1990, the Company's Board of Directors authorized a share repurchase program, which allows the Company to repurchase shares of Company common stock in the open market or in privately negotiated transactions at the Company's discretion, subject to certain restrictions included in the Company's revolving credit agreement. As of October 31, 2023, the maximum number of shares that may yet be purchased under this program was 4,886,353 of either or both of the Company's Class A Common Stock and the Company's Common Stock. The repurchase program does not have a fixed termination date. During fiscal 2023, 2022 and 2021, the Company did not repurchase any shares of Company common stock under this program.

During fiscal 2023, the Company repurchased an aggregate 33,992 shares and 61,658 shares of Class A Common Stock and Common Stock, respectively, at a total cost of \$4.4 million and \$10.4 million, respectively. During fiscal 2022, the Company repurchased an aggregate 104,867 shares and 87,593 shares of Class A Common Stock and Common Stock, respectively, at a total cost of \$13.3 million and \$12.7 million, respectively. During fiscal 2021, the Company repurchased an aggregate 32,355 shares of Class A Common Stock at a total cost of \$3.8 million. The shares repurchased represent shares tendered as payments to satisfy employee withholding taxes due upon exercises of stock option awards. The shares repurchased in fiscal 2023, 2022 and 2021 did not impact the number of shares authorized for future purchase under the Company's share repurchase program and are reflected as redemptions of common stock related to stock option exercises in the Company's Consolidated Statements of Shareholders' Equity and Consolidated Statements of Cash Flows.

### **Issuance of Common Stock for Acquisitions**

On August 4, 2023, the Company acquired Wencor. The purchase price of this acquisition consisted of a combination of cash and 1,137,628 shares of HEICO Class A Common Stock. 1,054,606 shares of HEICO Class A Common Stock issued in connection with this acquisition were registered for resale pursuant to a Registration Statement on Form S-3 declared effective on August 4, 2023. See Note 2, Acquisitions, for additional information.

In August 2022, the Company acquired 100% of the stock of Sensor. The purchase price of this acquisition was paid for with a proportional combination of cash using proceeds from the Company's revolving credit facility and 576,338 shares of HEICO Class A Common Stock. The shares of Class A Common Stock issued in connection with this acquisition were registered for resale pursuant to a Registration Statement on Form S-3 declared effective on August 31, 2022. See Note 2, Acquisitions, for additional information.

## **11. SHARE-BASED COMPENSATION**

The Company currently has one stock option plan, the HEICO Corporation 2018 Incentive Compensation Plan ("2018 Plan"), which enables the Company to grant various forms of share-based compensation awards including stock options, restricted stock, restricted stock awards and stock appreciation rights. The 2018 Plan became effective in fiscal 2018 and replaced the Company's 2012 Incentive Compensation Plan ("2012 Plan"). Options outstanding under the Company's 2012 Plan and Non-Qualified Stock Option Plan may be exercised pursuant to their terms. The total number of shares approved by the shareholders of the Company for the 2018 Plan is 5.0 million plus any options outstanding under the 2012 Plan as of the 2018 Plan's effective date that are subsequently forfeited or expire. A total of 6.4 million shares of the Company's common stock are reserved for issuance to employees, directors, officers and consultants as of October 31, 2023, including 2.4 million shares currently under option and approximately 4.0 million shares available for future grants.

Stock options granted pursuant to the 2018 Plan may be designated as Common Stock and/or Class A Common Stock in such proportions as shall be determined by the Board of Directors or the Stock Option Plan Committee at its sole discretion. The exercise price per share of a stock option granted under the 2018 Plan may not be less than the fair market value of the designated class of Company common stock as of the date of grant and stock option grants vest ratably over a period specified as of the date of grant (generally five years) and expire ten years after the date of grant. Options issued under the 2018 Plan may be designated as incentive stock options or non-qualified stock options, but only employees are eligible to receive incentive stock options and no incentive stock options were outstanding as of October 31, 2023. The 2018 Plan will terminate no later than the tenth anniversary of its effective date.

Information concerning share-based activity for each of the last three fiscal years ended October 31 is as follows (in thousands, except per share data):

|                                    | Shares Available For Grant | Shares Under Option |                                 |
|------------------------------------|----------------------------|---------------------|---------------------------------|
|                                    |                            | Shares              | Weighted Average Exercise Price |
| Outstanding as of October 31, 2020 | 4,064                      | 3,993               | \$36.75                         |
| Granted                            | (699)                      | 699                 | \$125.57                        |
| Exercised                          | —                          | (342)               | \$21.88                         |
| Cancelled                          | 9                          | (9)                 | \$64.78                         |
| Outstanding as of October 31, 2021 | 3,374                      | 4,341               | \$52.16                         |
| Granted                            | (56)                       | 56                  | \$120.76                        |
| Exercised                          | —                          | (762)               | \$22.40                         |
| Cancelled                          | 6                          | (6)                 | \$67.98                         |
| Outstanding as of October 31, 2022 | 3,324                      | 3,629               | \$59.44                         |
| Granted                            | (969)                      | 969                 | \$144.72                        |
| Exercised                          | —                          | (537)               | \$29.23                         |
| Cancelled                          | 7                          | (7)                 | \$111.41                        |
| Outstanding as of October 31, 2023 | 2,362                      | 4,054               | \$83.74                         |

Information concerning stock options outstanding (all of which are vested or expected to vest) and stock options exercisable by class of common stock as of October 31, 2023 is as follows (in thousands, except per share and contractual life data):

|                      | Options Outstanding |                                 |   |                           |
|----------------------|---------------------|---------------------------------|---|---------------------------|
|                      | Number Outstanding  | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (Years) | Aggregate Intrinsic Value |
| Common Stock         | 1,676               | \$84.81                         | 5.3   | \$125,273                 |
| Class A Common Stock | 2,378               | \$82.99                         | 6   | 108,190                   |
|                      | 4,054               | \$83.74                         | 5.7   | \$233,463                 |

|                      | Options Exercisable |                                 |   |                           |
|----------------------|---------------------|---------------------------------|---|---------------------------|
|                      | Number Exercisable  | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (Years) | Aggregate Intrinsic Value |
| Common Stock         | 1,123               | \$51.27                         | 3.5   | \$120,299                 |
| Class A Common Stock | 1,388               | \$54.40                         | 4.2   | 100,977                   |
|                      | 2,511               | \$53.00                         | 3.9   | \$221,276                 |

Information concerning stock options exercised is as follows (in thousands):

|  | <b>Year ended October 31,</b> |             |             |
|--|-------------------------------|-------------|-------------|
|  | <b>2023</b>                   | <b>2022</b> | <b>2021</b> |
| Cash proceeds from stock option exercises        | \$6,713                       | \$2,352     | \$5,344     |
| Tax benefit realized from stock option exercises | 6,101                         | 17,752      | 14,186      |
| Intrinsic value of stock option exercises        | 63,710                        | 86,015      | 33,428      |

Net income from consolidated operations for the fiscal years ended October 31, 2023, 2022 and 2021 includes compensation expense of \$15.5 million, \$12.6 million and \$9.1 million, respectively, and an income tax benefit of \$2.0 million, \$1.7 million and \$1.5 million, respectively, related to the Company's stock options. Substantially all of the stock option compensation expense was recorded as a component of SG&A expenses in the Company's Consolidated Statements of Operations. As of October 31, 2023, there was \$70.3 million of pre-tax unrecognized compensation expense related to nonvested stock options, which is expected to be recognized over a weighted average period of approximately 4.0 years. The total fair value of stock options that vested in fiscal 2023, 2022 and 2021 was \$11.1 million, \$14.3 million and \$9.4 million, respectively. If there were a change in control of the Company, all of the unvested options outstanding as of October 31, 2023 would become immediately exercisable.

The fair value of each stock option grant in fiscal 2023, 2022 and 2021 was estimated on the date of grant using the Black-Scholes option-pricing model based on the following weighted average assumptions:

|                                 | <b>2023</b>         |                             | <b>2022</b>                 | <b>2021</b>         |                             |
|---------------------------------|---------------------|-----------------------------|-----------------------------|---------------------|-----------------------------|
|                                 | <b>Common Stock</b> | <b>Class A Common Stock</b> | <b>Class A Common Stock</b> | <b>Common Stock</b> | <b>Class A Common Stock</b> |
| Expected stock price volatility | 31.48%              | 33.59%                      | 32.61%                      | 30.17%              | 32.65%                      |
| Risk-free interest rate         | 3.63%               | 3.64%                       | 1.72%                       | 1.40%               | 1.09%                       |
| Dividend yield                  | .15%                | .17%                        | .18%                        | .17%                | .19%                        |
| Forfeiture rate                 | .00%                | .00%                        | .00%                        | .00%                | .00%                        |
| Expected option life (years)    | 8                   | 6                           | 6                           | 9                   | 6                           |
| Weighted average fair value     | \$69.57             | \$50.90                     | \$41.00                     | \$51.16             | \$39.00                     |



## 12. EMPLOYEE RETIREMENT PLANS

The HEICO Savings and Investment Plan (the “401(k) Plan”) is a qualified defined contribution retirement plan under which eligible employees of the Company and its participating subsidiaries may make Elective Deferral Contributions up to the limitations set forth in Section 402(g) of the Internal Revenue Code. The Company generally makes a 50% Employer Matching Contribution, as determined by the Board of Directors, based on a participant’s Elective Deferral Contribution up to 6% of the participant’s Compensation for the Elective Deferral Contribution period. The 401(k) Plan also provides that the Company may make additional Employer Contributions. Employer Contributions may be contributed in the form of the Company’s common stock or cash, as determined by the Company. Employer Contributions awarded in the form of Company common stock are valued based on the fair value of the underlying shares as of the effective date of contribution. Employer Contributions may be diversified by a participant into any of the participant-directed investment options of the 401(k) Plan; however, Employee Contributions may not be invested in Company common stock. Unless specified otherwise, all capitalized terms herein are defined in the 401(k) Plan document.

Participants receive 100% vesting in Employee Contributions and on cash dividends received on Company common stock. Vesting in Employer Contributions is based on a participant’s number of Years of Service. Employer Contributions to the 401(k) Plan charged to income in fiscal 2023, 2022 and 2021 totaled \$15.3 million, \$12.2 million and \$10.1 million, respectively, and were made through the issuance of new shares of Company common stock and the use of forfeited shares within the 401(k) Plan.

Information concerning share-based activity pertaining to the 401(k) Plan for each of the last three fiscal years ended October 31 is as follows (in thousands):

|  | <b>Common Stock</b> | <b>Class A<br/>Common Stock</b> |
|--|---------------------|---------------------------------|
| Shares available for issuance as of October 31, 2020 | 228                 | 228                             |
| Issuance of common stock to the 401(k) Plan          | (40)                | (40)                            |
| Shares available for issuance as of October 31, 2021 | 188                 | 188                             |
| Issuance of common stock to the 401(k) Plan          | (43)                | (43)                            |
| Shares available for issuance as of October 31, 2022 | 145                 | 145                             |
| Issuance of common stock to the 401(k) Plan          | (48)                | (48)                            |
| Shares available for issuance as of October 31, 2023 | 97                  | 97                              |

### 13. REDEEMABLE NONCONTROLLING INTERESTS

The holders of equity interests in certain of the Company’s subsidiaries have rights (“Put Rights”) that may be exercised on varying dates causing the Company to purchase their equity interests through fiscal 2032. The Put Rights, all of which relate either to common shares or membership interests in limited liability companies, provide that the cash consideration to be paid for their equity interests (the “Redemption Amount”) be at fair value or at a formula that management intended to reasonably approximate fair value based solely on a multiple of future earnings over a measurement period. The Redemption Amounts were determined using probability-adjusted internal estimates of future subsidiary earnings while considering the earliest exercise date, the measurement period and any applicable fair value adjustments. Management's estimate of the aggregate Redemption Amount of all Put Rights that the Company could be required to pay is as follows (in thousands):

|   | As of October 31, |           |
|---|-------------------|-----------|
|   | 2023              | 2022      |
| Redeemable at fair value                          | \$308,472         | \$300,693 |
| Redeemable based on a multiple of future earnings | 56,335            | 26,908    |
| Redeemable noncontrolling interests               | \$364,807         | \$327,601 |

A summary of the Put Rights associated with the redeemable noncontrolling interests in certain of the Company's subsidiaries as of October 31, 2023 is as follows:

| Subsidiary Acquisition Year | Operating Segment | Company Ownership Interest | Earliest Put Right Year | Purchase Period (Years) |
|-----------------------------|-------------------|----------------------------|-------------------------|-------------------------|
| 2005                        | ETG               | 95.9%                      | 2024 <sup>(1)</sup>     | 1 <sup>(3)</sup>        |
| 2006                        | FSG               | 80.1%                      | 2024 <sup>(1)</sup>     | 4                       |
| 2008                        | FSG               | 90.0%                      | 2024                    | 4                       |
| 2009                        | ETG               | 82.5%                      | 2024 <sup>(1)</sup>     | 1                       |
| 2012                        | FSG               | 84.0%                      | 2024 <sup>(1)</sup>     | 4                       |
| 2012                        | FSG               | 80.1%                      | 2027                    | 4 <sup>(4)</sup>        |
| 2015                        | FSG               | 82.0%                      | 2024 <sup>(1)</sup>     | 3 <sup>(5)</sup>        |
| 2015                        | FSG               | 80.1%                      | 2024 <sup>(1)</sup>     | 4                       |
| 2015                        | FSG               | 85.1%                      | 2024 <sup>(2)</sup>     | 4                       |
| 2015                        | ETG               | 80.1%                      | 2024 <sup>(1)</sup>     | 2                       |
| 2017                        | FSG               | 90.1%                      | 2024 <sup>(2)</sup>     | 1                       |
| 2018                        | ETG               | 85.0%                      | 2024 <sup>(1)</sup>     | 1                       |
| 2018                        | FSG               | 90.0%                      | 2027                    | 4                       |
| 2019                        | ETG               | 92.7%                      | 2024 <sup>(1)</sup>     | 4                       |
| 2019                        | ETG               | 85.0%                      | 2024                    | 4                       |
| 2019                        | FSG               | 80.1%                      | 2026                    | 4                       |
| 2019                        | ETG               | 75.0%                      | 2024                    | 4 <sup>(6)</sup>        |
| 2020                        | ETG               | 80.1%                      | 2025                    | 4                       |
| 2020                        | FSG               | 70.0%                      | 2027                    | 4                       |
| 2020                        | ETG               | 75.0%                      | 2024                    | 4 <sup>(6)</sup>        |
| 2020                        | ETG               | 90.0%                      | 2025                    | 4                       |
| 2021                        | FSG               | 80.1%                      | 2026                    | 4                       |
| 2021                        | FSG               | 89.0%                      | 2028                    | 4                       |
| 2021                        | ETG               | 80.1%                      | 2024                    | 3 <sup>(7)</sup>        |
| 2022                        | FSG               | 74.0%                      | 2029                    | 4                       |
| 2022                        | FSG               | 96.0%                      | 2029                    | 4                       |
| 2022                        | ETG               | 80.4%                      | 2027                    | 4                       |
| 2023                        | ETG               | 90.0%                      | 2025                    | 1                       |
| 2023                        | ETG               | 91.0%                      | 2028                    | 1                       |

<sup>(1)</sup> Currently puttable.

<sup>(2)</sup> Put Right previously exercised.

<sup>(3)</sup> The Put Right for a 2.6% noncontrolling interest is to be purchased in a lump sum and the Put Right for the remaining 1.5% interest is to be purchased over a four-year period.

- (4) The Put Rights for a 14.9% noncontrolling interest and the remaining 5.0% interest may be exercised beginning in fiscal 2027 and 2029, respectively, with each purchase over a four-year period.
- (5) The Put Right for a 15% noncontrolling interest may be exercised in 5% increments annually and the first increment is currently puttable. The Put Right for the remaining 3% noncontrolling interest may be exercised in one-fifth increments beginning in fiscal 2028.
- (6) The exercise of a Put Right for either entity will automatically trigger a Put Right exercise for the other entity. The Put Rights for a 10% noncontrolling interest and the remaining 15% interest may be exercised beginning in fiscal 2024 and 2025, respectively, with each purchase over a four-year period.
- (7) The Put Rights for an aggregate 13.5% noncontrolling interest may be exercised beginning in fiscal 2024 with the purchase over a three-year period. The Put Right for the remaining 6.4% noncontrolling interest may be exercised beginning in fiscal 2028 with the purchase over a four-year period.

The estimated aggregate Redemption Amount of the Put Rights that are currently puttable, previously put, or becoming puttable during fiscal 2024 is approximately \$152.9 million, of which approximately \$92.4 million would be payable in fiscal 2024 should all of the eligible associated noncontrolling interest holders elect to exercise their Put Rights during fiscal 2024. Additionally, the Company has call rights to purchase the equity interests of the noncontrolling holders over the same purchase period as the Put Rights.

As discussed in Note 2, Acquisitions, the Company, through HEICO Electronic, acquired 93.69% of the common stock of Exxelia in January 2023. During the second quarter of fiscal 2023, the Company sold an additional 2.72% of the common stock of Exxelia to its existing noncontrolling interest holders and certain members of Exxelia's management team, which decreased the Company's ownership interest in the common stock of the subsidiary to 90.97%. As part of the liquidity agreement, the noncontrolling interest holders have the right to cause the Company to purchase their equity interest beginning in fiscal 2028, or sooner under certain conditions, and the Company has the right to purchase the same equity interest beginning in the same period.

As discussed in Note 2, Acquisitions, the Company, as a result of its acquisition of Exxelia, acquired 90% of the stock of Alcon in January 2023. As part of the shareholders' agreement, the noncontrolling interest holder has the right to cause the Company to purchase their equity interest beginning in fiscal 2025, or sooner under certain conditions, and the Company has the right to purchase the same equity interest beginning in the same period.

During fiscal 2022, the holder of a 19.9% noncontrolling equity interest in a subsidiary of the FSG that was acquired in fiscal 2015 exercised their option to cause the Company to purchase their noncontrolling interest over a four-year period ending in fiscal 2026. Accordingly, the Company acquired one-fourth of such interest in December 2022, which increased the Company's ownership interest in the subsidiary to 85.1%.

During fiscal 2022, the holder of a 19.9% noncontrolling equity interest in a subsidiary of the FSG that was acquired in fiscal 2017 exercised their option to cause the Company to purchase one-half of the noncontrolling interest in fiscal 2022 and the remaining one-half in fiscal 2024. Accordingly, the Company acquired an additional 9.95% equity interest in May 2022, which increased the Company's ownership interest in the subsidiary to 90.05%.

During fiscal 2022, the Company sold a 3% equity interest in a subsidiary of the FSG that was acquired in fiscal 2015, which decreased the Company's ownership interest in the subsidiary to 82%. As part of the operating agreement, the noncontrolling interest holder has the right to cause the Company to purchase one-fifth of its equity interest beginning in fiscal 2028, or sooner under certain conditions, and each remaining one-fifth equity interest following the first anniversary of the most recent put option exercise. The Company has the right to purchase the same equity interest over the same period. During fiscal 2020, the holder of a then 20% noncontrolling interest in the subsidiary exercised their option to cause the Company to purchase one-fourth of their interest in May 2020.

During fiscal 2022, the Company sold 10% of the membership interests of a subsidiary of the FSG that was acquired in fiscal 2018, which decreased the Company's ownership interest in the subsidiary to 90%. As part of the operating agreement, the noncontrolling interest holder has the right to cause the Company to purchase its membership interest over a four-year period beginning in fiscal 2027, or sooner under certain conditions, and the Company has the right to purchase the same membership interest over the same period.

During fiscal 2020, the holder of a 17.7% noncontrolling equity interest in a subsidiary of the FSG that was acquired in fiscal 2008 exercised their option to cause the Company to purchase a portion of their noncontrolling interest over a two-year period ending in fiscal 2021. In June 2020, the Company acquired half of such interest, which increased the Company's ownership in the subsidiary to 86.2%. In May 2021, the Company acquired the second half of such interest, which increased the Company's ownership interest in the subsidiary to 90%.

The \$2.7 million, \$8.7 million and \$2.3 million aggregate Redemption Amounts for the redeemable noncontrolling interests acquired in fiscal 2023, 2022 and 2021, respectively, were paid using cash provided by operating activities.

## 14. NET INCOME PER SHARE ATTRIBUTABLE TO HEICO SHAREHOLDERS

The computation of basic and diluted net income per share attributable to HEICO shareholders is as follows (in thousands, except per share data):

|  | Year ended October 31, |           |           |
|--|------------------------|-----------|-----------|
|  | 2023                   | 2022      | 2021      |
| Numerator:   |                        |           |           |
| Net income attributable to HEICO                         | \$403,596              | \$351,675 | \$304,220 |
| Denominator:   |                        |           |           |
| Weighted average common shares outstanding - basic       | 137,185                | 136,010   | 135,326   |
| Effect of dilutive stock options                         | 1,720                  | 2,027     | 2,528     |
| Weighted average common shares outstanding - diluted     | 138,905                | 138,037   | 137,854   |
| Net income per share attributable to HEICO shareholders: |                        |           |           |
| Basic  | \$2.94                 | \$2.59    | \$2.25    |
| Diluted  | \$2.91                 | \$2.55    | \$2.21    |
| Anti-dilutive stock options excluded                     | 1,281                  | 749       | 185       |

## 15. OPERATING SEGMENTS

The Company has two operating segments: the Flight Support Group (“FSG”), consisting of HEICO Aerospace and HFSC and their collective subsidiaries; and the Electronic Technologies Group (“ETG”), consisting of HEICO Electronic and its subsidiaries. The Company's operating segment reporting structure is consistent with how management reviews the business, makes investing and resource decisions and assesses operating performance. Additionally, characteristics such as similarity of products, customers, economic characteristics and various other factors are considered when identifying the Company's operating segments.

The FSG designs and manufactures jet engine and aircraft component replacement parts, which are approved by the FAA. In addition, the FSG repairs, overhauls and distributes jet engine and aircraft components, avionics and instruments for domestic and foreign commercial air carriers and aircraft repair companies as well as military and business aircraft operators. The FSG also manufactures and sells specialty parts as a subcontractor for aerospace and industrial original equipment manufacturers and the U.S government. Additionally, the FSG is a leading supplier, distributor, and integrator of military aircraft parts and support services primarily to the U.S. Department of Defense, defense prime contractors, and foreign military organizations allied with the U.S. Further, the FSG is a leading manufacturer of advanced niche components and complex composite assemblies for commercial aviation, defense and space applications. The FSG also engineers, designs and manufactures thermal insulation blankets and parts as well as

removable/reusable insulation systems for aerospace, defense, commercial and industrial applications; manufactures expanded foil mesh for lightning strike protection in fixed and rotary wing aircraft; distributes aviation electrical interconnect products and electromechanical parts; overhauls industrial pumps, motors, and other hydraulic units with a focus on the support of legacy systems for the U.S. Navy; and performs tight-tolerance machining, brazing, fabricating and welding services for aerospace, defense and other industrial applications.

The ETG collectively designs, manufactures and sells various types of electronic, data and microwave, and electro-optical products, including infrared simulation and test equipment, laser rangefinder receivers, electrical power supplies, back-up power supplies, power conversion products, underwater locator beacons, emergency locator transmission beacons, flight deck annunciators, panels and indicators, electromagnetic and radio frequency interference shielding and filters, high power capacitor charging power supplies, amplifiers, traveling wave tube amplifiers, photodetectors, amplifier modules, microwave power modules, flash lamp drivers, laser diode drivers, arc lamp power supplies, custom power supply designs, cable assemblies, high voltage power supplies, high voltage interconnection devices and wire, high voltage energy generators, high frequency power delivery systems; memory products, including three-dimensional microelectronic and stacked memory, static random-access memory (SRAM) and electronically erasable programmable read-only memory (EEPROM); harsh environment electronic connectors and other interconnect products, RF and microwave amplifiers, transmitters, and receivers and integrated assemblies, sub-assemblies and components; RF sources, detectors and controllers, wireless cabin control systems, solid state power distribution and management systems, crashworthy and ballistically self-sealing auxiliary fuel systems, nuclear radiation detectors, communications and electronic intercept receivers and tuners, fuel level sensing systems, high-speed interface products that link devices, high performance active antenna systems and airborne antennas for commercial and military aircraft, precision guided munitions, other defense applications and commercial uses; silicone material for a variety of demanding applications; precision power analog monolithic, hybrid and open frame components; high-reliability ("Hi-Rel") ceramic-to-metal feedthroughs and connectors, technical surveillance countermeasures (TSCM) equipment to detect devices used for espionage and information theft; rugged small-form factor embedded computing solutions; custom high power filters and filter assemblies; test sockets and adapters for both engineering and production use of semiconductor devices; and radiation assurance services and products; and Hi-Rel, complex, passive electronic components and rotary joint assemblies for mostly aerospace and defense applications.

The Company's reportable operating segments offer distinctive products and services that are marketed through different channels. They are managed separately because of their unique technology and service requirements.

### **Segment Profit or Loss**

The accounting policies of the Company's operating segments are the same as those described in Note 1, Summary of Significant Accounting Policies. Management evaluates segment performance based on segment operating income.



Information on the Company's two operating segments, the FSG and the ETG, for each of the last three fiscal years ended October 31 is as follows (in thousands):

|                              | Segment     |             | Other,<br>Primarily<br>Corporate and<br>Intersegment <sup>(1)</sup> | Consolidated<br>Totals |
|------------------------------|-------------|-------------|---|------------------------|
|                              | FSG         | ETG         |   |                        |
| Year ended October 31, 2023: |             |             |   |                        |
| Net sales                    | \$1,770,185 | \$1,225,222 | (\$27,302)  | \$2,968,105            |
| Depreciation                 | 18,699      | 20,478      | 1,101   | 40,278                 |
| Amortization                 | 36,957      | 51,296      | 1,512   | 89,765                 |
| Operating income             | 387,297     | 285,053     | (47,011)  | 625,339                |
| Capital expenditures         | 22,775      | 26,493      | 166   | 49,434                 |
| Year ended October 31, 2022: |             |             |   |                        |
| Net sales                    | \$1,255,212 | \$972,475   | (\$19,365)  | \$2,208,322            |
| Depreciation                 | 15,656      | 13,602      | 999   | 30,257                 |
| Amortization                 | 24,268      | 40,690      | 1,118   | 66,076                 |
| Operating income             | 267,167     | 269,473     | (39,796)  | 496,844                |
| Capital expenditures         | 15,588      | 15,530      | 864   | 31,982                 |
| Year ended October 31, 2021: |             |             |   |                        |
| Net sales                    | \$927,089   | \$959,170   | (\$20,577)  | \$1,865,682            |
| Depreciation                 | 13,992      | 12,839      | 973   | 27,804                 |
| Amortization                 | 20,648      | 43,431      | 1,136   | 65,215                 |
| Operating income             | 151,930     | 277,306     | (36,336)  | 392,900                |
| Capital expenditures         | 8,915       | 26,496      | 772   | 36,183                 |

<sup>(1)</sup> Intersegment activity principally consists of net sales from the ETG to the FSG.

Total assets by operating segment are as follows (in thousands):

| As of October 31, | Segment     |             | Other,<br>Primarily<br>Corporate | Consolidated<br>Totals |
|-------------------|-------------|-------------|----------------------------------|------------------------|
|                   | FSG         | ETG         |                                  |                        |
| 2023              | \$4,006,748 | \$2,915,300 | \$273,015                        | 7,195,063              |
| 2022              | \$1,635,229 | \$2,230,744 | \$229,523                        | 4,095,496              |

## Major Customer and Geographic Information

The Company markets its products and services in approximately 125 countries. The following table summarizes the Company's net sales to customers located in the United States and to those in other countries for each of the last three fiscal years ended October 31 (in thousands). Net sales are attributed to countries based on the location of the customer. Net sales

to any one customer or originating from any one foreign country did not account for 10% or more of the Company's consolidated net sales during any of the last three fiscal years. The following table also summarizes the Company's long-lived assets held within and outside of the United States as of October 31 for each of the last three fiscal years (in thousands). Long-lived assets consist of net property, plant and equipment.

|                          | <b>2023</b>        | <b>2022</b>        | <b>2021</b>        |
|--------------------------|--------------------|--------------------|--------------------|
| Net sales:               |                    |                    |                    |
| United States of America | \$1,963,451        | \$1,443,581        | \$1,194,869        |
| Other countries          | 1,004,654          | 764,741            | 670,813            |
| Total net sales          | <u>\$2,968,105</u> | <u>\$2,208,322</u> | <u>\$1,865,682</u> |
| Long-lived assets:       |                    |                    |                    |
| United States of America | \$240,875          | \$190,148          | \$155,537          |
| Other countries          | 80,973             | 35,731             | 38,101             |
| Total long-lived assets  | <u>\$321,848</u>   | <u>\$225,879</u>   | <u>\$193,638</u>   |

## 16. COMMITMENTS AND CONTINGENCIES

### Guarantees

As of October 31, 2023, the Company has arranged for standby letters of credit aggregating \$5.3 million, which are supported by its revolving credit facility and principally pertain to performance guarantees related to customer contracts entered into by certain of the Company's subsidiaries as well as payment guarantees related to potential workers' compensation claims.

### Product Warranty

Changes in the Company's product warranty liability in fiscal 2023 and 2022 are as follows (in thousands):

|                                  | <b>Year ended October 31,</b> |                |
|----------------------------------|-------------------------------|----------------|
|                                  | <b>2023</b>                   | <b>2022</b>    |
| Balances as of beginning of year | \$3,296                       | \$3,379        |
| Accruals for warranties          | 2,565                         | 2,026          |
| Acquired warranty liabilities    | 498                           | 242            |
| Warranty claims settled          | (2,512)                       | (2,351)        |
| Balance as of end of year        | <u>\$3,847</u>                | <u>\$3,296</u> |

## Litigation

On April 20, 2021, an indirect subsidiary of HFSC, which was acquired in June 2020, received a grand jury subpoena from the United States District Court for the Southern District of California requiring the production of documents for the time period December 1, 2017 through February 4, 2019 related to the subsidiary's employment of a certain individual and its performance of work on certain Navy vessels during that time period. The Company is cooperating with the investigation. The Company has completed its production of documents responsive to the subpoena, although the Company has a continuing obligation to produce such documents should any be located. The Company cannot predict the outcome of the investigation or when the investigation will ultimately be resolved; nor can the Company reasonably estimate the possible range of loss or impact to its business, if any, that may result from this matter.

With the exception of the matter noted above, the Company is involved in various legal actions arising in the normal course of business. Based upon the Company's and its legal counsel's evaluations of any claims or assessments, management is of the opinion that the outcome of these matters will not have a material adverse effect on the Company's results of operations, financial position or cash flows.

## 17. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

The following table presents supplemental disclosures of cash flow information and non-cash investing activities for fiscal 2023, 2022 and 2021 (in thousands):

|   | Year ended October 31, |          |          |
|---|------------------------|----------|----------|
|   | 2023                   | 2022     | 2021     |
| Cash paid for income taxes                  | \$138,667              | \$80,995 | \$67,661 |
| Cash received from income tax refunds       | (3,846)                | (2,522)  | (993)    |
| Cash paid for interest                      | 54,143                 | 6,037    | 7,355    |
| Contingent consideration                    | 17,018                 | 29,732   | 18,334   |
| Additional purchase consideration           | (353)                  | 5,758    | 292      |
| Issuance of common stock for an acquisition | (161,373)              | (75,005) | —        |

See Note 9, Leases, for additional information regarding supplemental disclosures of cash flow information.

**Item 9. *CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE***

None.

**Item 9A. *CONTROLS AND PROCEDURES***

**Evaluation of Disclosure Controls and Procedures**

The Company's management, with the participation of the Company's Chief Executive Officer and its Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this annual report. Based upon that evaluation, the Company's Chief Executive Officer and its Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective as of the end of the period covered by this annual report.

**Management's Annual Report on Internal Control Over Financial Reporting**

Management of HEICO Corporation is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, under the supervision of and with the participation of the Company's Chief Executive Officer and the Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control - Integrated Framework (2013)*. Based on its assessment, management concluded that the Company's internal control over financial reporting is effective as of October 31, 2023.

As permitted by the Securities and Exchange Commission, companies are allowed to exclude acquisitions from their assessment of internal control over financial reporting during the first year of an acquisition and management elected to exclude Wencor Group and Exxelia International SAS (collectively, the "Excluded Acquisitions") from its assessment of internal control over financial reporting as of October 31, 2023. See Note 2, Acquisitions, of the Notes to Consolidated Financial Statements for additional information. The aggregate assets (excluding goodwill and intangible assets, net) and net sales of the Excluded Acquisitions constitute 9.0% and 12.3% of the Company's consolidated total assets and net sales as of and for the year ended October 31, 2023, respectively.

Deloitte & Touche LLP, an independent registered public accounting firm, audited the Company's consolidated financial statements and financial statement schedule included in this Annual Report on Form 10-K for the year ended October 31, 2023. A copy of their report is included in Item 8, *Financial Statements and Supplementary Data*, of this Annual Report on Form 10-K. Deloitte & Touche LLP has issued their attestation report on management's internal control over financial reporting, which is set forth below.

### **Changes in Internal Control Over Financial Reporting**

There have been no changes in the Company's internal control over financial reporting during the fourth quarter ended October 31, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

As described in *Management's Annual Report on Internal Control Over Financial Reporting*, the Company made several acquisitions during fiscal 2023 and is in the process of integrating each one into its overall internal control over financial reporting process.

### **Attestation Report of the Company's Independent Registered Public Accounting Firm**

#### **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders of  
HEICO Corporation  
Hollywood, Florida

### **Opinion on Internal Control over Financial Reporting**

We have audited the internal control over financial reporting of HEICO Corporation and subsidiaries (the "Company") as of October 31, 2023, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of October 31, 2023, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements and financial statement schedule as of and for the year ended October 31, 2023, of the Company and our report dated December 20, 2023, expressed an unqualified opinion on those financial statements and financial statement schedule.

As described in *Management's Annual Report on Internal Control Over Financial Reporting*, management excluded from its assessment the internal control over financial reporting at Wencor Group and Exxelia international SAS (collectively, the "Excluded Acquisitions") which were acquired during the year ended October 31, 2023, and whose financial statements (excluding goodwill and intangible assets, net) constitute 9.0% of total assets and 12.3% of net sales of the Company's consolidated financial statement amounts as of and for the year ended October 31, 2023, respectively. Accordingly, our audit did not include the internal control over financial reporting of the Excluded Acquisitions.

### **Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Annual Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### **Definition and Limitations of Internal Control over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of

the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

Miami, Florida  
December 20, 2023

**Item 9B. *OTHER INFORMATION***

None of our directors or officers adopted, modified or terminated a "Rule 10b5-1 trading arrangement" or a "non-rule 10b5-1 trading arrangement," as each item is defined in Item 408(a) of Regulation S-K, during the fourth quarter ended October 31, 2023.

**Item 9C. *DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS***

Not applicable.

**PART III**

**Item 10. *DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE***

Information concerning the members of the Board of Directors of the Company, including the Finance/Audit Committee of the Board of Directors, the independence of its members and the "audit committee financial expert" as defined by the Securities and Exchange Commission ("SEC"), as well as information concerning other corporate governance matters and compliance with Section 16(a) of the Securities Exchange Act of 1934 is hereby incorporated by reference to the Company's definitive proxy statement, which will be filed with the SEC within 120 days after the close of fiscal 2023.

Information concerning the Executive Officers of the Company is set forth in Item 1 of Part I hereof under the caption "Information About Our Executive Officers."

The Company has adopted a code of ethics that applies to its principal executive officer, principal financial officer, principal accounting officer or controller and persons performing similar functions. The code of ethics is located on the Company's Internet website at <http://>



www.heico.com. Any amendments to or waivers from a provision of this code of ethics will be posted on the Company's website.

## Item 11. EXECUTIVE COMPENSATION

Information concerning executive compensation required by this item is hereby incorporated by reference to the Company's definitive proxy statement, which will be filed with the SEC within 120 days after the close of fiscal 2023.

## Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information concerning security ownership of certain beneficial owners and management and related stockholder matters required by this item is hereby incorporated by reference to the Company's definitive proxy statement, which will be filed with the SEC within 120 days after the close of fiscal 2023.

### Equity Compensation Plan Information

The following table summarizes information about our equity compensation plans as of October 31, 2023 (in thousands, except per share data):

| Plan Category   | Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a) | Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b) | Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c) <sup>(2)</sup> |
|---|---|---|--|
| Equity compensation plans approved by security holders <sup>(1)</sup> | 4,054   | \$83.74   | 2,362  |
| Equity compensation plans not approved by security holders            | —   | —   | —  |
| <b>Total</b>  | <b>4,054</b>  | <b>\$83.74</b>  | <b>2,362</b>   |

(1) Represents aggregated information pertaining to our three equity compensation plans: the HEICO Corporation 2018 Incentive Compensation Plan, the 2012 Incentive Compensation Plan and the Non-Qualified Stock Option Plan. See Note 11, Share-Based Compensation, of the Notes to Consolidated Financial Statements for further information regarding these plans.

(2) Shares are available for future grant in column (c) solely under the HEICO Corporation 2018 Incentive Compensation Plan, under a formula that counts one share against the available share reserve for each one share subject to a stock option or stock appreciation right, and counts 2.5 shares against the available share reserve for each one share subject to a restricted stock award, a restricted stock unit award, a free-standing dividend equivalent award, or any other stock-based award or a performance award denominated in shares. Additionally, the remaining number of securities available for future issuance may be designated as Common Stock and/or Class A Common Stock in such proportions as shall be determined by the Board of Directors or the Stock Option Plan Committee at its sole discretion.

**Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

Information concerning certain relationships and related transactions and director independence required by this item is hereby incorporated by reference to the Company's definitive proxy statement, which will be filed with the SEC within 120 days after the close of fiscal 2023.

**Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

Information concerning fees and services by the principal accountant required by this item is hereby incorporated by reference to the Company's definitive proxy statement, which will be filed with the SEC within 120 days after the close of fiscal 2023.

**PART IV**

**Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

**(a)(1) Financial Statements**

The following consolidated financial statements of the Company and subsidiaries and report of independent registered public accounting firm are included in Part II, Item 8:

|  | <b>Page</b> |
|--|-------------|
| Report of Independent Registered Public Accounting Firm  | 51          |
| Consolidated Balance Sheets as of October 31, 2023 and 2022  | 55          |
| Consolidated Statements of Operations for the years ended<br>October 31, 2023, 2022 and 2021           | 56          |
| Consolidated Statements of Comprehensive Income for the years ended<br>October 31, 2023, 2022 and 2021 | 57          |
| Consolidated Statements of Shareholders' Equity for the years ended<br>October 31, 2023, 2022 and 2021 | 58          |
| Consolidated Statements of Cash Flows for the years ended<br>October 31, 2023, 2022 and 2021           | 60          |
| Notes to Consolidated Financial Statements   | 61          |

**(a)(2) Financial Statement Schedules**

The following financial statement schedule of the Company and subsidiaries is included herein:

|   |     |
|---|-----|
| Schedule II – Valuation and Qualifying Accounts | 127 |
|---|-----|

All other schedules have been omitted because the required information is not applicable or the information is included in the consolidated financial statements or notes thereto presented in Part II, Item 8.

**(a)(3) Exhibits**

| <b><u>Exhibit</u></b> | <b><u>Description</u></b>  |
|-----------------------|--|
| 2.1                   | — Amended and Restated Agreement of Merger and Plan of Reorganization, dated as of March 22, 1993, by and among HEICO Corporation, HEICO Industries, Corp. and New HEICO, Inc. is incorporated by reference to Exhibit 2.1 to the Registrant's Registration Statement on Form S-4 (Registration No. 33-57624) Amendment No. 1 filed on March 19, 1993. * |
| 2.2                   | — Agreement and Plan of Merger by and among HEICO Corporation, Magnolia MergeCo Inc., Jazz Parent, Inc. and Jazz Topco GP LLC, is incorporated by reference to Exhibit 2.1 to the Form 8-K filed on May 18, 2023. *  |
| 3.1                   | — Articles of Incorporation of the Registrant are incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-4 (Registration No. 33-57624) Amendment No. 1 filed on March 19, 1993. *  |
| 3.2                   | — Articles of Amendment of the Articles of Incorporation of the Registrant, dated April 27, 1993, are incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form 8-B dated April 29, 1993. *   |
| 3.3                   | — Articles of Amendment of the Articles of Incorporation of the Registrant, dated November 3, 1993, are incorporated by reference to Exhibit 3.3 to the Form 10-K for the year ended October 31, 1993. *   |
| 3.4                   | — Articles of Amendment of the Articles of Incorporation of the Registrant, dated March 19, 1998, are incorporated by reference to Exhibit 3.4 to the Company's Registration Statement on Form S-3 (Registration No. 333-48439) filed on March 23, 1998. *   |
| 3.5                   | — Articles of Amendment of the Articles of Incorporation of the Registrant, dated as of November 2, 2003, are incorporated by reference to Exhibit 3.5 to the Form 10-K for the year ended October 31, 2003. *   |
| 3.6                   | — Articles of Amendment of the Articles of Incorporation of the Registrant, dated March 26, 2012, are incorporated by reference to Exhibit 3.1 to the Form 8-K filed on March 29, 2012. *  |
| 3.7                   | — Articles of Amendment of the Articles of Incorporation of the Registrant, dated March 16, 2018, are incorporated by reference to Exhibit 3.1 to the Form 8-K filed on March 20, 2018. *  |
| 3.8                   | — Amended and Restated Bylaws of the Registrant, effective as of September 22, 2014, are incorporated by reference to Exhibit 3.1 to the Form 8-K filed on September 25, 2014. *   |
| 4.1                   | — Description of HEICO Corporation Capital Stock is incorporated by reference to Exhibit 4.1 to the Form 10-K for the year ended October 31, 2019. *   |
| 4.2                   | — Indenture, dated July 27, 2023, between HEICO Corporation and certain of its subsidiaries and Truist Bank, as trustee, is incorporated by reference to Exhibit 4.1 to the Form 8-K filed on July 27, 2023. *   |

| <b><u>Exhibit</u></b> | <b><u>Description</u></b>   |
|-----------------------|---|
| 4.3                   | — First Supplemental Indenture, dated July 27, 2023, between HEICO Corporation and certain of its subsidiaries and Truist Bank, as trustee, is incorporated by reference to Exhibit 4.2 to the Form 8-K filed on July 27, 2023. *   |
| 4.4                   | — Form of 5.250% Notes due 2028 (form included as Exhibit A to the First Supplemental Indenture filed therein as Exhibit 4.2) is incorporated by reference to Exhibit 4.3 to the Form 8-K filed on July 27, 2023. *   |
| 4.5                   | — Form of 5.350% Notes due 2033 (form included as Exhibit B to the First Supplemental Indenture filed therein as Exhibit 4.2) is incorporated by reference to Exhibit 4.4 to the Form 8-K filed on July 27, 2023. *   |
| 10.1#                 | — HEICO Savings and Investment Plan, as amended and restated effective as of March 30, 2022 is incorporated by reference to Exhibit 10.1 to the Form 10-Q for the quarterly period ended April 30, 2022. *  |
| 10.2#                 | — Non-Qualified Stock Option Agreement for Directors, Officers and Employees is incorporated by reference to Exhibit 10.8 to the Form 10-K for the year ended October 31, 1985. *   |
| 10.3#                 | — HEICO Corporation 2012 Incentive Compensation Plan is incorporated by reference to Exhibit 10.1 to the Form 8-K filed on March 29, 2012. *  |
| 10.4#                 | — HEICO Corporation 2018 Incentive Compensation Plan is incorporated by reference to Exhibit 10.1 to the Form 8-K filed on March 20, 2018. *  |
| 10.5#                 | — HEICO Corporation Directors' Retirement Plan, as amended, dated as of May 31, 1991, is incorporated by reference to Exhibit 10.19 to the Form 10-K for the year ended October 31, 1992. *   |
| 10.6#                 | — HEICO Corporation Leadership Compensation Plan, effective October 1, 2006, as Re-Amended and Restated effective January 1, 2017, is incorporated by reference to Exhibit 10.7 to the Form 10-K for the year ended October 31, 2016. *   |
| 10.7#                 | — First Amendment to the HEICO Leadership Compensation Plan, as Re-Amended and Restated effective January 1, 2017 is incorporated by reference to Exhibit 10.1 to the Form 8-K filed on March 24, 2021. *   |
| 10.8#                 | — Employment Agreement and Non-Competition and Non-Solicitation Agreement, effective June 1, 2012, by and between HEICO Corporation and Carlos Macau is incorporated by reference to Exhibit 10.1 to the Form 8-K filed on June 1, 2012. *  |
| 10.9                  | — Shareholders Agreement, dated October 30, 1997, by and between HEICO Aerospace Holdings Corp., HEICO Aerospace Corporation and all of the shareholders of HEICO Aerospace Holdings Corp. and Lufthansa Technik AG is incorporated by reference to Exhibit 10.32 to the Form 10-K/A for the year ended October 31, 1997. * |

| <b><u>Exhibit</u></b> | <b><u>Description</u></b>   |
|-----------------------|---|
| 10.10                 | — Revolving Credit Agreement, dated as of November 6, 2017, among HEICO Corporation, as Borrower, the Lenders from time to time party hereto, SunTrust Bank, as Administrative Agent, L/C Issuer and Swingline Lender; Wells Fargo Bank, National Association and Bank of America, N.A., as Co-Syndication Agents; and PNC Bank, National Association, Branch Banking and Trust Company, Capital One, National Association, Fifth Third Bank, JPMorgan Chase Bank, N.A., TD Bank N.A. and U.S. Bank National Association, as Co-Documentation Agents, is incorporated by reference to Exhibit 10.1 to the Form 8-K filed on November 8, 2017. * |
| 10.11                 | — First Amendment to Revolving Credit Agreement, effective as of December 11, 2020, among HEICO Corporation, as Borrower, the Lenders from time to time party thereto and Truist Bank (as successor by merger to SunTrust Bank), as Administrative Agent is incorporated by reference to Exhibit 10.1 to the Form 8-K filed on December 14, 2020. *   |
| 10.12                 | — Second Amendment to Revolving Credit Agreement, effective as of April 7, 2022, among HEICO Corporation, as Borrower, the Lenders from time to time party thereto and Truist Bank (as successor by merger to SunTrust Bank), as Administrative Agent is incorporated by reference to Exhibit 10.1 to the Form 8-K filed on April 14, 2022. *   |
| 10.13                 | — Third Amendment to Revolving Credit Agreement, effective as of July 14, 2023, among HEICO Corporation, as Borrower, the Lenders from time to time party thereto and Truist Bank (as successor by merger to SunTrust Bank), as Administrative Agent, is incorporated by reference to Exhibit 10.1 to the Form 8-K filed on July 17, 2023. *  |
| 10.14                 | — Stock Purchase Agreement Between and Among HEICO Electronic Technologies Corp., AeroAntenna Technology, Inc., Yosef (Joseph) Klein, Carmela Klein, Carmela Klein, Trustee of the Carmela Klein Exempt Trust under the Yosef Klein 2008 Irrevocable Delaware Trust, dated September 5, 2008 and Yosef Klein, Trustee of the Carmela Klein 2010 Irrevocable Delaware Trust, dated April 1, 2010; dated as of August 17, 2017, is incorporated by reference to Exhibit 2.1 to the Form 10-Q for the quarterly period ended July 31, 2017. *  |
| 10.15                 | — Put Option Agreement, dated July 26, 2022, by and among HEICO Electronic Technologies Corp., EGEE International 2 SA, Faraday Management 1, Faraday Management 2 and Mr. Paul Maisonner, is incorporated by reference to Exhibit 10.1 to the Form 8-K filed on July 29, 2022. *   |
| 10.16                 | — Securities Purchase Agreement, dated August 5, 2022, by and between HEICO Electronic Technologies Corporation, HEICO Corporation on the one hand and the Sellers Identified Herein on the other hand, with respect to Exxelia International, Faraday Management 1 and Faraday Management 2, is incorporated by reference to Exhibit 10.1 to the Form 8-K filed on August 9, 2022. *   |
| 10.17                 | — Registration Rights Agreement, dated August 4, 2023, between HEICO Corporation and the selling stockholders, is incorporated by reference to Exhibit 10.1 to the Registration Statement on Form S-3ASR filed on August 4, 2023. *   |
| 21                    | — Subsidiaries of HEICO Corporation. **   |

| <b><u>Exhibit</u></b> | <b><u>Description</u></b>   |
|-----------------------|---|
| 22.1                  | — Subsidiary Guarantors and Issuers of Guaranteed Securities. **  |
| 23                    | — Consent of Independent Registered Public Accounting Firm. **  |
| 31.1                  | — Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer. **   |
| 31.2                  | — Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer. **   |
| 32.1                  | — Section 1350 Certification of Chief Executive Officer. ***  |
| 32.2                  | — Section 1350 Certification of Chief Financial Officer. ***  |
| 97                    | — HEICO Corporation Clawback Policy. **   |
| 101.INS               | — Inline XBRL Instance Document - The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL Document. ** |
| 101.SCH               | — Inline XBRL Taxonomy Extension Schema Document. **  |
| 101.CAL               | — Inline XBRL Taxonomy Extension Calculation Linkbase Document. **  |
| 101.DEF               | — Inline XBRL Taxonomy Extension Definition Linkbase Document. **   |
| 101.LAB               | — Inline XBRL Taxonomy Extension Labels Linkbase Document. **   |
| 101.PRE               | — Inline XBRL Taxonomy Extension Presentation Linkbase Document. **   |
| 104                   | — Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101). **  |

- 
- # Management contract or compensatory plan or arrangement required to be filed as an exhibit.
- \* Previously filed.
- \*\* Filed herewith.
- \*\*\* Furnished herewith.

**Item 16. FORM 10-K SUMMARY**

None

**HEICO CORPORATION AND SUBSIDIARIES**  
**SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS**

|  | <b>Year ended October 31,</b> |                |                 |
|--|-------------------------------|----------------|-----------------|
|  | <b>2023</b>                   | <b>2022</b>    | <b>2021</b>     |
| <b>Allowance for doubtful accounts (in thousands):</b> |                               |                |                 |
| Allowance as of beginning of year                      | \$8,333                       | \$10,874       | \$12,738        |
| Deductions charged to costs and expenses               | (50)                          | (1,070)        | (1,720)         |
| Additions charged to other accounts <sup>(a)</sup>     | 7,729                         | 476            | 360             |
| Deductions <sup>(b)</sup>                              | (3,391)                       | (1,947)        | (504)           |
| Allowance as of end of year                            | <u>\$12,621</u>               | <u>\$8,333</u> | <u>\$10,874</u> |

(a) Principally additions from acquisitions and foreign currency translation adjustments.

(b) Principally write-offs of uncollectible accounts receivables.

|  | <b>Year ended October 31,</b> |                  |                  |
|--|-------------------------------|------------------|------------------|
|  | <b>2023</b>                   | <b>2022</b>      | <b>2021</b>      |
| <b>Inventory valuation reserves (in thousands):</b>    |                               |                  |                  |
| Reserves as of beginning of year                       | \$154,995                     | \$142,593        | \$126,933        |
| Additions charged to costs and expenses <sup>(a)</sup> | 11,499                        | 13,980           | 17,202           |
| Additions charged to other accounts <sup>(b)</sup>     | 95,596                        | 275              | 1,261            |
| Deductions <sup>(c)</sup>                              | (3,159)                       | (1,853)          | (2,803)          |
| Reserves as of end of year                             | <u>\$258,931</u>              | <u>\$154,995</u> | <u>\$142,593</u> |

(a) Additions charged to costs and expenses were higher in fiscal 2021 as compared to fiscal 2022 and fiscal 2023 principally due to the significant decline in global commercial air travel due to COVID-19 pandemic resulting in lower demand for the Company's commercial aviation products and services and certain specific obsolescence reserves following the announced retirement of certain aircraft types and engine platforms by major U.S. carriers.

(b) Principally additions from acquisitions and foreign currency translation adjustments.

(c) Principally write-offs of slow-moving, obsolete or damaged inventory.



## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: December 20, 2023

HEICO CORPORATION

By: /s/ CARLOS L. MACAU, JR.

Carlos L. Macau, Jr.  
Executive Vice President - Chief  
Financial Officer and Treasurer  
(Principal Financial Officer)

By: /s/ STEVEN M. WALKER

Steven M. Walker  
Chief Accounting Officer  
and Assistant Treasurer  
(Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

| <u>Name</u>   | <u>Position(s)</u>   | <u>Date</u>       |
|---|--|-------------------|
| <u>/s/ LAURANS A. MENDELSON</u><br>Laurans A. Mendelson | Chairman of the Board; Chief<br>Executive Officer; and Director<br>(Principal Executive Officer) | December 20, 2023 |
| <u>/s/ THOMAS M. CULLIGAN</u><br>Thomas M. Culligan     | Director   | December 20, 2023 |
| <u>/s/ CAROL F. FINE</u><br>Carol F. Fine               | Director   | December 20, 2023 |
| <u>/s/ ADOLFO HENRIQUES</u><br>Adolfo Henriques         | Director   | December 20, 2023 |
| <u>/s/ MARK H. HILDEBRANDT</u><br>Mark H. Hildebrandt   | Director   | December 20, 2023 |
| <u>/s/ ERIC A. MENDELSON</u><br>Eric A. Mendelson       | Co-President and Director  | December 20, 2023 |
| <u>/s/ VICTOR H. MENDELSON</u><br>Victor H. Mendelson   | Co-President and Director  | December 20, 2023 |
| <u>/s/ JULIE NEITZEL</u><br>Julie Neitzel               | Director   | December 20, 2023 |
| <u>/s/ ALAN SCHRIESHEIM</u><br>Alan Schriesheim         | Director   | December 20, 2023 |
| <u>/s/ FRANK J. SCHWITTER</u><br>Frank J. Schwitter     | Director   | December 20, 2023 |

## SUBSIDIARIES OF HEICO CORPORATION

| <u>Name</u>                        | <u>State or Other<br/>Jurisdiction of Incorporation</u> |
|------------------------------------|---|
| HEICO Aerospace Holdings Corp.     | Florida   |
| HEICO Aerospace Corporation        | Florida   |
| Jet Avion Corporation              | Florida   |
| LPI Industries Corporation         | Florida   |
| Parts Advantage, LLC               | Delaware  |
| McClain International, Inc.        | Georgia   |
| Rogers-Dierks, Inc.                | Florida   |
| Turbine Kinetics, Inc.             | Florida   |
| ATK Acquisition Corp.              | Florida   |
| AD HEICO Acquisition Corp.         | Florida   |
| AeroDesign, Inc.                   | Tennessee   |
| Battery Shop, L.L.C.               | Tennessee   |
| Aviation Facilities, Inc.          | Florida   |
| JA Engineering I Corp.             | Florida   |
| JA Engineering II Corp.            | Florida   |
| Jetavi Engineering Private Limited | India   |
| DEC Technologies, Inc.             | Florida   |
| Meridian Industrial, Inc.          | Florida   |
| Dynatech Acquisition Corp.         | Florida   |
| HEICO Parts Group, Inc.            | Florida   |

| <u>Name</u>                            | <u>State or Other<br/>Jurisdiction of Incorporation</u> |
|--|---|
| HEICO Flight Support Corp.             | Florida   |
| HEICO Repair, LLC                      | Florida   |
| Aircraft Technology, Inc.              | Florida   |
| Northwings Accessories Corp.           | Florida   |
| Aviation Engineered Services Corp.     | Florida   |
| HEICO Repair Group Aerostructures, LLC | Florida   |
| Future Aviation, Inc.                  | Florida   |
| Inertial Airline Services, Inc.        | Ohio  |
| HEICO Aerospace Parts Corp.            | Florida   |
| Niacc-Avitech Technologies Inc.        | Florida   |
| Prime Air, LLC                         | Florida   |
| Avisource Limited                      | United Kingdom  |
| Prime Air Europe Limited               | United Kingdom  |
| Sunshine Avionics LLC                  | Florida   |
| HNW Building Corp.                     | Florida   |
| HNW2 Building Corp.                    | Florida   |
| CSI Aerospace, Inc.                    | Florida   |
| Action Research Corporation            | Florida   |
| Reinhold Holdings, Inc.                | Delaware  |
| Reinhold Industries, Inc.              | Delaware  |
| Carbon by Design Corporation           | Florida   |
| Carbon by Design LLC                   | California  |
| Optical Display Engineering, Inc.      | Florida   |
| Optical Display Engineering, LLC       | Florida   |
| Thermal Structures, Inc.               | California  |
| Thermal Energy Products, Inc.          | California  |
| Jetseal, Inc.                          | Delaware  |
| Seal Dynamics LLC                      | Florida   |
| Seal Dynamics LLC (Singapore Branch)   | Singapore   |
| Seal Dynamics Limited                  | United Kingdom  |
| Seal Q Corp.                           | Florida   |
| Blue Aerospace LLC                     | Florida   |

| <u>Name</u>                                  | <u>State or Other<br/>Jurisdiction of Incorporation</u> |
|--|---|
| HEICO International Holdings B.V.            | Netherlands   |
| Aeroworks International Holding B.V.         | Netherlands   |
| Aeroworks Europe B.V.                        | Netherlands   |
| Aeroworks (Lao) Co., Ltd.                    | Laos  |
| DIRI Co., Ltd.                               | Laos  |
| Aeroworks Lao II Co., Ltd.                   | Laos  |
| Aeroworks (Asia) Ltd.                        | Thailand  |
| Aeroworks Manufacturing Services (Asia) Ltd. | Thailand  |
| Aeroworks Composites (Asia) Ltd.             | Thailand  |
| HFSC III Corp.                               | Florida   |
| Harter Aerospace, LLC                        | Florida   |
| Aerospace & Commercial Technologies, LLC     | Florida   |
| Astroseal Products Mfg. Corporation          | Connecticut   |
| Astro Property, LLC                          | Connecticut   |
| HFSC IV Corp.                                | Florida   |
| LLP Enterprises, LLC                         | Florida   |
| Air Cost Control US, LLC                     | Florida   |
| Air Cost Control PTE, Ltd.                   | Singapore   |
| A2C Air Cost Control SAS                     | France  |
| Air Cost Control Germany GmbH                | Germany   |
| 60 Sequin LLC                                | Connecticut   |
| HFSC V, LLC                                  | Florida   |
| Decavo LLC                                   | Oregon  |
| HFSC VI, LLC                                 | Florida   |
| Accurate Metal Machining, Inc.               | Ohio  |
| HFSC VII, LLC                                | Florida   |
| Rocky Mountain Hydrostatics, LLC             | Colorado  |
| Camtronics, LLC                              | Florida   |
| HFSC VIII, LLC                               | Florida   |
| Ridge HoldCo, LLC                            | Florida   |
| Ridge Engineering, LLC                       | Maryland  |
| Bridon, LLC                                  | Maryland  |
| The Bechdon Company, LLC                     | Maryland  |
| 6707 Whitestone LLC                          | Maryland  |
| HFSC XI Corp.                                | Florida   |
| Pioneer Industries, LLC                      | Delaware  |
| HEICO Engineered Systems Corp.               | Florida   |
| 34 Freedom Court, Corp.                      | Florida   |

| <u>Name</u>                             | <u>State or Other<br/>Jurisdiction of Incorporation</u> |
|---|---|
| Wencor Parent, Inc.                     | Delaware  |
| Wencor Acquisition, Inc.                | Delaware  |
| Wencor Investment I, LLC                | Delaware  |
| Wencor Group, LLC                       | Delaware  |
| ASC International, Inc.                 | Texas   |
| Kitco, LLC                              | Utah  |
| Wencor, LLC                             | Utah  |
| Fortner Eng. & Mfg. Inc.                | California  |
| Silver Wings Aerospace, Inc.            | Florida   |
| Aviatron, Inc.                          | Vermont   |
| PHS / MWA                               | California  |
| Silver Fox Services, Inc.               | North Carolina  |
| Accessory Technologies Corporation      | New York  |
| Wencor Asia Pacific PTE. LTD.           | Singapore   |
| Wencor China Holding Company Limited    | Hong Kong   |
| Wencor Aviation Services Co., Ltd.      | China   |
| Aftermarket Spares & Services Ltd.      | United Kingdom  |
| Wencor, LLC (Netherlands Branch)        | Netherlands   |
| Wencor, LLC (Turkey Branch)             | Turkey  |
| Wencor, LLC (Singapore Branch)          | Singapore   |
| Wencor, LLC (Spain Branch)              | Spain   |
| Integrated Supplier Alliance, LLC       | Delaware  |
| Dixie Aerospace, LLC                    | Delaware  |
| Flight Line Products, LLC               | Delaware  |
| Aftermarket Spares & Services, LLC      | Delaware  |
| Aerospace Coatings International, LLC   | Delaware  |
| Absolute Aviation Services, LLC         | Delaware  |
| Star Aero, LLC                          | Arizona   |
| Soundair Repair Group, LLC              | Delaware  |
| Xtra Aerospace, LLC                     | Delaware  |
| Wencor MRO, LLC                         | Delaware  |
| Wencor Defense, LLC                     | Delaware  |
| Wencor Defense Intermediate Holdco, LLC | Delaware  |
| Aero-Glen International, LLC            | Texas   |

| <u>Name</u>                         | <u>State or Other<br/>Jurisdiction of Incorporation</u> |
|-------------------------------------|---|
| HEICO Electronic Technologies Corp. | Florida   |
| Radiant Power Corp.                 | Florida   |
| Radiant-Seacom Repairs Corp.        | Florida   |
| HETC IV, LLC                        | Florida   |
| Radiant Power IDC, LLC              | Florida   |
| Radiant Power PR LLC                | Puerto Rico   |
| Leader Tech, Inc.                   | Florida   |
| FerriShield, Inc.                   | Pennsylvania  |
| Santa Barbara Infrared, Inc.        | California  |
| IRCameras LLC                       | Florida   |
| Sensor Technology Engineering, LLC  | Florida   |
| Analog Modules, Inc.                | Florida   |
| Sierra Microwave Technology, LLC    | Delaware  |
| Connectronics Corp.                 | Florida   |
| Lumina Power, Inc.                  | Florida   |
| 26 Ward Hill Property, LLC          | Florida   |
| De-Icing Investment Holdings Corp.  | Florida   |
| HVT Group, Inc.                     | Delaware  |
| Dielectric Sciences, Inc.           | Massachusetts   |
| Essex X-Ray & Medical Equipment LTD | United Kingdom  |
| High Voltage Technology Limited     | United Kingdom  |
| Engineering Design Team, Inc.       | Oregon  |
| EMD Acquisition Corp.               | Florida   |
| EMD Technologies Incorporated       | Canada  |
| VPT, Inc.                           | Virginia  |
| SI-REL, Inc.                        | Delaware  |
| SST Components, Inc.                | Delaware  |
| VPT GaN, LLC                        | Virginia  |
| Dukane Seacom, Inc.                 | Florida   |
| AeroELT, LLC                        | Florida   |
| dB Control Corp.                    | Florida   |
| Paciwave, Inc.                      | California  |
| Charter Engineering, Inc.           | Florida   |
| TTT-Cubed, Inc.                     | California  |
| 3D Acquisition Corp.                | Florida   |

| <u>Name</u>                                | <u>State or Other<br/>Jurisdiction of Incorporation</u> |
|--|---|
| 3D Plus SAS                                | France  |
| Bernier Connect SAS                        | France  |
| TRAD Tests & Radiations SAS                | France  |
| TRAD Mpt, Test & Radiations SARL           | France  |
| 3D Plus U.S.A., Inc.                       | Delaware  |
| Trad Tests & Radiations, Inc.              | Florida   |
| Switchcraft Holdco, Inc.                   | Delaware  |
| Switchcraft, Inc.                          | Illinois  |
| Conxall Corporation                        | Illinois  |
| Switchcraft Far East Company, Ltd.         | Republic of South Korea                                 |
| Ramona Research, Inc.                      | California  |
| Mastiff Design, Inc.                       | Florida   |
| Lucix Corporation                          | California  |
| Flight Microwave Corporation               | California  |
| Midwest Microwave Solutions, Inc.          | Iowa  |
| Robertson Fuel Systems, L.L.C.             | Arizona   |
| AeroAntenna Technology, Inc.               | California  |
| HETC I, LLC                                | Florida   |
| Research Electronics International, L.L.C. | Tennessee   |
| Specialty Silicone Products, Inc.          | New York  |
| 3 McCrea Property Company, LLC             | Florida   |
| HETC II Corp.                              | Florida   |
| Apex Holding Corp.                         | Delaware  |
| Apex Microtechnology, Inc.                 | Arizona   |
| HETC III, LLC                              | Florida   |
| Solid Sealing Technology, Inc.             | New York  |
| Quell Corporation                          | Colorado  |
| HETC V, LLC                                | Florida   |
| TSID Holdings, LLC                         | Florida   |
| Transformational Security, LLC             | Maryland  |
| Intelligent Devices, LLC                   | Delaware  |
| 1260041 B.C. LTD.                          | Canada  |
| Connect Tech Inc.                          | Canada  |
| Connect Tech Real Estate Holdings Inc.     | Canada  |
| Pyramid Semiconductor Corp.                | Florida   |
| R.H. Laboratories, Inc.                    | New Hampshire   |
| Sensor Systems, Inc.                       | Nevada  |



| <b><u>Name</u></b>                      | <b><u>State or Other<br/>Jurisdiction of Incorporation</u></b> |
|---|--|
| 8929 Fullbright Property, LLC           | California   |
| Ironwood Electronics, Inc.              | Minnesota  |
| HETC VII, LLC                           | Florida  |
| Exxelia Electronic Technologies SAS     | France   |
| Exxelia International SAS               | France   |
| Exxelia SAS                             | France   |
| Exxelia USA, Inc.                       | Delaware   |
| Micropen Technologies Corporation       | New York   |
| Papermill Place Inc.                    | New York   |
| Exxelia Maroc SA                        | Morocco  |
| Exxelia Vietnam Company Limited         | Vietnam  |
| Alcon Electronics Pvt. Ltd.             | India  |
| Alcap Electronics Pvt. Ltd.             | India  |
| Exxelia Singapore PTE Ltd               | Singapore  |
| N'Ergy China                            | China  |
| Exxelia Northern Europe (Sweden Branch) | Sweden   |
| Bay Equipment Corp.                     | Delaware   |
| HEICO East Corporation                  | Florida  |
| 16-1741 Property, Inc.                  | Florida  |

## GUARANTOR SUBSIDIARIES OF HEICO CORPORATION

As of October 31, 2023, the following subsidiaries of HEICO Corporation are guarantors of the Company's 5.25% Senior Notes due 2028 and 5.35% Senior Notes due 2033:

### Name

16-1741 Property, Inc.  
 26 Ward Hill Property, LLC  
 3 McCrea Property Company, LLC  
 34 Freedom Court, Corp.  
 3D Plus U.S.A., Inc.  
 60 Sequin LLC  
 8929 Fullbright Property, LLC  
 Absolute Aviation Services, LLC  
 Accessory Technologies Corporation  
 Accurate Metal Machining, Inc.  
 Action Research Corporation  
 Aero-Glen International, LLC  
 AeroAntenna Technology, Inc.  
 AeroDesign, Inc.  
 AeroELT, LLC  
 Aerospace & Commercial Technologies, LLC  
 Aerospace Coatings International, LLC  
 Aircraft Technology, Inc.  
 Analog Modules, Inc.  
 Apex Holding Corp.  
 Apex Microtechnology, Inc.  
 ASC International, Inc.  
 Astro Property, LLC  
 Astroseal Products Mfg. Corporation  
 Aviatron, Inc.  
 Bay Equipment Corp.  
 Blue Aerospace LLC  
 Breidon, LLC  
 Camtronics, LLC  
 Carbon by Design Corporation  
 Carbon by Design LLC  
 Charter Engineering, Inc.  
 Connectronics Corp.  
 Conxall Corporation  
 CSI Aerospace, Inc.  
 dB Control Corp.

### Name

Decavo LLC  
 Dielectric Sciences, Inc.  
 Dixie Aerospace, LLC  
 Dukane Seacom, Inc.  
 Engineering Design Team, Inc.  
 Flight Microwave Corporation  
 Fortner Eng. & Mfg. Inc.  
 Future Aviation, Inc.  
 Harter Aerospace, LLC  
 HEICO Aerospace Corporation  
 HEICO Aerospace Holdings Corp.  
 HEICO Aerospace Parts Corp.  
 HEICO East Corporation  
 HEICO Electronic Technologies Corp.  
 HEICO Flight Support Corp.  
 HEICO Parts Group, Inc.  
 HEICO Repair Group Aerostructures, LLC  
 HEICO Repair, LLC  
 HETC I, LLC  
 HETC II Corp.  
 HETC III, LLC  
 HETC IV, LLC  
 HETC V, LLC  
 HFSC III Corp.  
 HFSC IV Corp.  
 HFSC V, LLC  
 HFSC VI, LLC  
 HFSC VII, LLC  
 HFSC VIII, LLC  
 HFSC XI Corp.  
 HNW2 Building Corp.  
 HNW Building Corp.  
 HVT Group, Inc.  
 Inertial Airline Services, Inc.  
 Intelligent Devices, LLC  
 IRCameras LLC

**Name**

Ironwood Electronics, Inc.  
Jet Avion Corporation  
Jetseal, Inc.  
Kitco, LLC  
Leader Tech, Inc.  
LPI Industries Corporation  
Lucix Corporation  
Lumina Power, Inc.  
Mastiff Design, Inc.  
McClain International, Inc.  
Midwest Microwave Solutions, Inc.  
Niacc-Avitech Technologies Inc.  
Northwings Accessories Corp.  
Optical Display Engineering, Inc.  
Optical Display Engineering, LLC  
Paciwave, Inc.  
PHS / MWA  
Pioneer Industries, LLC  
Prime Air, LLC  
Pyramid Semiconductor Corp.  
Quell Corporation  
R.H. Laboratories, Inc.  
Radiant Power Corp.  
Radiant Power IDC, LLC  
Radiant-Seacom Repairs Corp.  
Ramona Research, Inc.  
Reinhold Holdings, Inc.  
Reinhold Industries, Inc.  
Research Electronics International, L.L.C.  
Ridge Engineering, LLC  
Ridge HoldCo, LLC

**Name**

Robertson Fuel Systems, L.L.C.  
Rocky Mountain Hydrostatics, LLC  
Santa Barbara Infrared, Inc.  
Seal Dynamics LLC  
Seal Q Corp.  
Sensor Systems, Inc.  
Sensor Technology Engineering, LLC  
Sierra Microwave Technology, LLC  
Silver Wings Aerospace, Inc.  
Solid Sealing Technology, Inc.  
Soundair Repair Group, LLC  
Specialty Silicone Products, Inc.  
Sunshine Avionics LLC  
Switchcraft Holdco, Inc.  
Switchcraft, Inc.  
The Bechdon Company, LLC  
Thermal Energy Products, Inc.  
Thermal Structures, Inc.  
Trad Tests & Radiations, Inc.  
Transformational Security, LLC  
TSID Holdings, LLC  
TTT-Cubed, Inc.  
Turbine Kinetics, Inc.  
Wencor Acquisition, Inc.  
Wencor Defense Intermediate Holdco, LLC  
Wencor Defense, LLC  
Wencor Group, LLC  
Wencor Investment I, LLC  
Wencor MRO, LLC  
Wencor Parent, Inc.  
Wencor, LLC

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement Nos. 33-4945, 333-180454, 333-210043 and 333-223790 on Form S-8 and Registration Statement Nos. 333-273297 and 333-273742 on Form S-3 of our reports dated December 20, 2023, relating to the consolidated financial statements and financial statement schedule of HEICO Corporation and subsidiaries and the effectiveness of HEICO Corporation and subsidiaries' internal control over financial reporting, appearing in this Annual Report on Form 10-K of HEICO Corporation for the year ended October 31, 2023.

/s/ DELOITTE & TOUCHE LLP

Miami, Florida  
December 20, 2023

**RULE 13a-14(a)/15d-14(a) CERTIFICATION**

I, Laurans A. Mendelson, certify that:

- (1) I have reviewed this Annual Report on Form 10-K of HEICO Corporation;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 20, 2023

/s/ LAURANS A. MENDELSON  
Laurans A. Mendelson  
Chief Executive Officer  
(Principal Executive Officer)

**RULE 13a-14(a)/15d-14(a) CERTIFICATION**

I, Carlos L. Macau, Jr., certify that:

- (1) I have reviewed this Annual Report on Form 10-K of HEICO Corporation;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 20, 2023

/s/ CARLOS L. MACAU, JR.  
Carlos L. Macau, Jr.  
Chief Financial Officer  
(Principal Financial Officer)

**SECTION 1350 CERTIFICATION**

In connection with the Annual Report of HEICO Corporation (the “Company”) on Form 10-K for the period ended October 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Laurans A. Mendelson, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 20, 2023

/s/ LAURANS A. MENDELSON  
Laurans A. Mendelson  
Chief Executive Officer  
(Principal Executive Officer)



**SECTION 1350 CERTIFICATION**

In connection with the Annual Report of HEICO Corporation (the “Company”) on Form 10-K for the period ended October 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Carlos L. Macau, Jr., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 20, 2023

/s/ CARLOS L. MACAU, JR.  
Carlos L. Macau, Jr.  
Chief Financial Officer  
(Principal Financial Officer)

**HEICO CORPORATION  
CLAWBACK POLICY**

(effective October 2, 2023)

**1. Introduction and Purpose**

**1.1 Introduction.** This document sets forth the HEICO Corporation Clawback Policy (the “Policy”), effective October 2, 2023.

**1.2 Purpose.** HEICO Corporation (the “Company”) has established this Policy to appropriately align the interests of the executives of the Company with those of the Company and to provide for the recovery of Erroneously Awarded Compensation from Section 16 Officers. This Policy is designed to comply with the applicable rules of The New York Stock Exchange Listed Company Manual (the “NYSE Rules”) and with Section 10D and Rule 10D-1 of the Exchange Act (“Rule 10D-1”). All capitalized terms not defined herein shall have the meanings set forth in Section 3.3 of this Policy.

**2. Mandatory Recovery as Required by the SEC and the NYSE****2.1 Recovery of Erroneously Awarded Compensation due to an Accounting Restatement.**

- (a) In the event of an Accounting Restatement, the Board will reasonably promptly recover the Erroneously Awarded Compensation in accordance with the NYSE Rules and Rule 10D-1 as follows:
- (i) Upon the occurrence of an Accounting Restatement, the Committee shall determine the amount of any Erroneously Awarded Compensation and shall promptly deliver a written notice to each Section 16 Officer containing the amount of any Erroneously Awarded Compensation and a demand for repayment or return of such compensation, as applicable. For the avoidance of doubt, recovery of Erroneously Awarded Compensation is on a “no fault” basis, meaning that it will occur regardless of whether the Section 16 Officer engaged in misconduct or was otherwise directly or indirectly responsible, in whole or in part, for the Accounting Restatement.
- A. To determine the amount of any Erroneously Awarded Compensation for Incentive-based Compensation that is based on a Financial Reporting Measure other than stock price or TSR, after an Accounting Restatement:
1. The Company shall recalculate the applicable Financial Reporting Measure and the amount of Incentive-based Compensation that would have been Received based on such Financial Reporting Measure; and
  2. The Company shall determine whether the Section 16 Officers Received a greater amount of Incentive-based Compensation than would have been Received applying the recalculated Financial Reporting Measure, based on: (i) the originally calculated Financial Reporting Measure, and (ii) taking into consideration any discretion that the Committee applied to reduce the amount originally received.
- B. To determine the amount of any Erroneously Awarded Compensation for Incentive-based Compensation that is based on stock price or TSR, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the applicable Accounting Restatement:
1. The amount to be repaid or returned shall be determined by the Committee based on a reasonable estimate of the effect of the Accounting Restatement on the Company’s stock price or TSR upon which the Incentive-based Compensation was Received; and
  2. The Company shall maintain documentation of the determination of such reasonable estimate and provide the relevant documentation as required to the NYSE.
- (ii) The Committee shall have discretion to determine the appropriate means of recouping Erroneously Awarded Compensation hereunder based on the particular facts and circumstances which may include, without limitation:

- A. requiring reimbursement of cash Incentive-based Compensation previously paid;
  - B. seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer, or other disposition of any equity-based awards;
  - C. offsetting the recouped amount from any compensation otherwise owed by the Company to the Section 16 Officer;
  - D. canceling outstanding vested or unvested equity awards; and/or
  - E. taking any other remedial and recovery action permitted by law, as determined by the Committee, in its sole discretion.
- (iii) Notwithstanding the foregoing in Section 2.1(a)(ii), except as set forth in Section 2.1(b) below, in no event may the Company accept an amount that is less than the amount of Erroneously Awarded Compensation in satisfaction of a Section 16 Officer's obligations hereunder.
- (iv) To the extent that a Section 16 Officer fails to repay all Erroneously Awarded Compensation to the Company when due, the Company shall take all actions reasonable and appropriate to recover such Erroneously Awarded Compensation from the applicable Section 16 Officer. The applicable Section 16 Officer shall be required to reimburse the Company for any and all expenses reasonably incurred (including legal fees) by the Company in recovering such Erroneously Awarded Compensation in accordance with the immediately preceding sentence.
- (b) Notwithstanding anything herein to the contrary, the Company shall not be required to take the actions contemplated by Section 2.1(a) above if the Committee determines that recovery would be impracticable and any of the following three conditions are met.
- (i) The Committee has determined that the direct expenses, such as reasonable legal expenses and consulting fees, paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered. In order for the Committee to make this determination, the Company must make a reasonable attempt to recover the Erroneously Awarded Compensation, document such attempt(s) to recover, and provide such documentation to the NYSE;
  - (ii) Recovery would violate home country law that was adopted prior to November 28, 2022 (and the Company has obtained an opinion of home country counsel, acceptable to the NYSE, that recovery would result in such a violation, and provided such opinion to the NYSE); or
  - (iii) Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Section 401(a)(13) or Section 411(a) of the Code.

**2.2 Mandatory Disclosure.** The Company shall file this Policy and, in the event of an Accounting Restatement, will disclose information related to such Accounting Restatement in accordance with applicable law, including, for the avoidance of doubt, Rule 10-D1 and the NYSE Rules.

**2.3 Prohibition of Indemnification.** The Company shall not be permitted to insure or indemnify any Section 16 Officer against (i) the loss of any Erroneously Awarded Compensation that is repaid, returned, or recovered pursuant to the terms of this Policy, or (ii) any claims relating to the Company's enforcement of its rights under this Policy. While Section 16 Officers subject to this Policy may purchase insurance to cover their potential recovery obligations, the Company shall not be permitted to pay or reimburse the Section 16 Officer for premiums for such an insurance policy. Further, the Company shall not enter into any agreement that exempts any Incentive-based Compensation that is granted, paid, or awarded to a Section 16 Officer from the application of this Policy or that waives the Company's right to recovery of any Erroneously Awarded Compensation, and this Policy shall supersede any such agreement (whether entered into before, on, or after the Effective Date of this Policy), including, for the avoidance of doubt, the Company's Indemnification Agreement.

**2.4 Other Recoupment Rights.** This Policy shall be binding and enforceable against all Section 16 Officers and, to the extent required by applicable law or guidance from the SEC or NYSE, their beneficiaries, heirs, executors, administrators, or other legal representatives. The Administrator intends that this Policy will be applied to the fullest extent required by applicable law. Any employment agreement, equity award agreement, compensatory plan, or any other agreement or arrangement with a Section 16 Officer shall be deemed to include, as a condition to the grant of any benefit thereunder, an agreement by the Section 16 Officer to abide by the terms of this Policy. Any right of recovery under this Policy is in addition to, and not in lieu of, any other remedies or rights of recovery that may be available to the Company under applicable law, regulation, or rule pursuant to the terms of any policy of the Company or any provision in any employment agreement, equity award agreement, compensatory plan, agreement, or other arrangement.

### 3. Miscellaneous and Definitions

**3.1 Administration and Interpretation.** This Policy shall be administered by the Committee or by the Board acting as the Committee (either of these, as applicable, the “Administrator”), which shall have authority to (i) exercise all of the powers granted to it under the Policy, (ii) construe, interpret, and implement this Policy, (iii) make all determinations necessary or advisable in administering this Policy and for the Company’s compliance with NYSE Rules, Section 10D and Rule 10D-1, and any other applicable law, regulation, rule, or interpretation of the SEC or NYSE Rules promulgated or issued in connection therewith, and (iv) amend this Policy, including to reflect changes in applicable law or stock exchange regulation. Any determinations made by the Administrator shall be final and binding on all affected individuals.

**3.2 Amendment; Termination.** The Administrator may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary. Notwithstanding anything in this Section 3.2 to the contrary, no amendment or termination of this Policy shall be effective if such amendment or termination would (after taking into account any actions taken by the Company contemporaneously with such amendment or termination) cause the Company to violate any federal securities laws, Rule 10D-1, or any NYSE Rules.

**3.3 Definitions.** For purposes of this Policy, the following terms shall have the following meanings:

- (a) “Accounting Restatement” means an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (a “Big R” restatement), or that corrects an error that is not material to previously issued financial statements but would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (a “little R” restatement).
- (b) “Adoption Date” means October [•], 2023.
- (c) “Board” means the Board of Directors of the Company.
- (d) “Clawback Eligible Incentive Compensation” means all Incentive-based Compensation Received by a Section 16 Officer (i) on or after the Effective Date, (ii) after beginning service as a Section 16 Officer, (iii) who served as a Section 16 Officer at any time during the applicable performance period relating to any Incentive-based Compensation (whether or not such Section 16 Officer is serving at the time any Erroneously Awarded Compensation is required to be repaid to the Company), (iv) while the Company has a class of securities listed on a national securities exchange or a national securities association, and (v) during the applicable Clawback Period.
- (e) “Clawback Period” means, with respect to any Accounting Restatement, the three completed fiscal years of the Company immediately preceding the Restatement Date and if the Company changes its fiscal year, any transition period of less than nine months within or immediately following those three completed fiscal years.
- (f) “Code” means the Internal Revenue Code of 1986, as amended, and regulations thereunder.
- (g) “Committee” means the Compensation Committee of the Board of Directors of the Company, which is required to be composed entirely of independent directors.
- (h) “Effective Date” means October 2, 2023.
- (i) “Erroneously Awarded Compensation” means, with respect to each Section 16 Officer in connection with an Accounting Restatement, the amount of Clawback Eligible Incentive Compensation that exceeds the amount of Incentive-based Compensation that would have been Received had it been determined based on the restated amounts in the Accounting Restatement, computed without regard to any taxes paid.
- (j) “Exchange Act” means the Securities Exchange Act of 1934, as amended.
- (k) “Financial Reporting Measures” means measures that are determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and all other measures that are derived wholly or in part from such measures. Stock price and TSR (and any measures that are derived wholly or in part from stock price or TSR) shall, for purposes of this Policy, be considered Financial Reporting Measures. For the avoidance of doubt, a Financial Reporting Measure need not be presented in the Company’s financial statements or included in a filing with the SEC.
- (l) “Incentive-based Compensation” means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure.
- (m) “NYSE” means the New York Stock Exchange.

- (n) “Received” means, with respect to any Incentive-based Compensation, actual or deemed receipt, and Incentive-based Compensation shall be deemed received in the Company’s fiscal period during which the Financial Reporting Measure specified in the Incentive-based Compensation award is attained even if the payment or grant of the Incentive-based Compensation to the Section 16 Officer occurs after the end of that period. For the avoidance of doubt, Incentive-based Compensation shall only be treated as Received during one (and only one) fiscal year, even if such Incentive-based Compensation is deemed received in one fiscal year and actually received in a later fiscal year. For example, if an amount is deemed received in 2024, but actually received in 2025, such amount shall be treated as Received under this definition only in 2024.
- (o) “Restatement Date” means the earlier to occur of (i) the date the Board, a committee of the Board, or officers of the Company authorized to take action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement, or (ii) the date a court, regulator, or other legally authorized body directs the Company to prepare an Accounting Restatement.
- (p) “SEC” means the U.S. Securities and Exchange Commission.
- (q) “Section 16 Officer” means each individual who is currently or was previously designated as an “officer” of the Company, within the meaning of Rule 10D-1(d).
- (r) “TSR” means total shareholder return.

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**Exhibit A**

**ATTESTATION AND ACKNOWLEDGEMENT OF CLAWBACK POLICY**

By my signature below, I acknowledge and agree that:

- I have received and read the attached Clawback Policy (this “Policy”).
- I hereby agree to abide by all of the terms of this Policy both during and after my employment with HEICO Corporation (the “Company”), including, without limitation, by promptly repaying or returning any Erroneously Awarded Compensation to the Company as determined in accordance with this Policy.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Date: \_\_\_\_\_









**HEICO Corporation**  
3000 Taft Street  
Hollywood, FL 33021  
[www.heico.com](http://www.heico.com)