

HEICO CORP
Form 10-Q
February 27, 2014
Index

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended January 31, 2014

OR

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

For the transition period from _____ to _____

Commission File Number: 1-4604

HEICO CORPORATION

(Exact name of registrant as specified in its charter)

Florida

65-0341002

(State or other jurisdiction of incorporation or organization)

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

3000 Taft Street, Hollywood, Florida
(Address of principal executive offices)

33021
(Zip Code)

(954) 987-4000

(Registrant's telephone number, including area code)

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 x No ..

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes x No ..

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

Large accelerated filer x Accelerated filer .. Non-accelerated filer .. Smaller reporting company ..

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

The number of shares outstanding of each of the registrant's classes of common stock as of February 26, 2014 is as follows:

| | | |
|---------------------------------------|------------|--------|
| Common Stock, \$.01 par value | 26,797,200 | shares |
| Class A Common Stock, \$.01 par value | 39,625,923 | shares |

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HEICO CORPORATION

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PART I. FINANCIAL INFORMATION; Item 1. FINANCIAL STATEMENTS

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

| | January 31, 2014 | October 31, 2013 |
|--|------------------|------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$15,239 | \$15,499 |
| Accounts receivable, net | 150,214 | 157,022 |
| Inventories, net | 224,109 | 218,893 |
| Prepaid expenses and other current assets | 14,033 | 17,022 |
| Deferred income taxes | 31,002 | 33,036 |
| Total current assets | 434,597 | 441,472 |
| Property, plant and equipment, net | 96,802 | 97,737 |
| Goodwill | 687,044 | 688,489 |
| Intangible assets, net | 234,170 | 241,558 |
| Deferred income taxes | 1,529 | 1,791 |
| Other assets | 69,424 | 61,968 |
| Total assets | \$1,523,566 | \$1,533,015 |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Current maturities of long-term debt | \$1,148 | \$697 |
| Trade accounts payable | 51,837 | 54,855 |
| Accrued expenses and other current liabilities | 77,175 | 105,734 |
| Income taxes payable | 14,443 | — |
| Total current liabilities | 144,603 | 161,286 |
| Long-term debt, net of current maturities | 378,137 | 376,818 |
| Deferred income taxes | 124,219 | 128,482 |
| Other long-term liabilities | 90,863 | 83,976 |
| Total liabilities | 737,822 | 750,562 |
| Commitments and contingencies (Note 11) | | |
| Redeemable noncontrolling interests (Note 2) | 58,003 | 59,218 |
| Shareholders' equity: | | |
| Preferred Stock, \$.01 par value per share; 10,000 shares authorized; 300 shares designated as Series B Junior Participating Preferred Stock and 300 shares designated as Series C Junior Participating Preferred Stock; none issued | — | — |
| Common Stock, \$.01 par value per share; 75,000 shares authorized; 26,797 and 26,790 shares issued and outstanding | 268 | 268 |
| Class A Common Stock, \$.01 par value per share; 75,000 shares authorized; 39,620 and 39,586 shares issued and outstanding | 396 | 396 |
| Capital in excess of par value | 259,155 | 255,889 |

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| | | | |
|---|-------------|-------------|---|
| Deferred compensation obligation | 1,138 | 1,138 | |
| HEICO stock held by irrevocable trust | (1,138 |) (1,138 |) |
| Accumulated other comprehensive (loss) income | (2,318 |) 144 | |
| Retained earnings | 349,741 | 349,649 | |
| Total HEICO shareholders' equity | 607,242 | 606,346 | |
| Noncontrolling interests | 120,499 | 116,889 | |
| Total shareholders' equity | 727,741 | 723,235 | |
| Total liabilities and equity | \$1,523,566 | \$1,533,015 | |

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

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

| | Three months ended January 31, | |
|---|--------------------------------|-----------|
| | 2014 | 2013 |
| Net sales | \$266,826 | \$216,490 |
| Operating costs and expenses: | | |
| Cost of sales | 174,709 | 138,901 |
| Selling, general and administrative expenses | 41,732 | 42,650 |
| Total operating costs and expenses | 216,441 | 181,551 |
| Operating income | 50,385 | 34,939 |
| Interest expense | (1,281 |) (640 |
| Other income | 158 | 285 |
| Income before income taxes and noncontrolling interests | 49,262 | 34,584 |
| Income tax expense | 16,700 | 9,600 |
| Net income from consolidated operations | 32,562 | 24,984 |
| Less: Net income attributable to noncontrolling interests | 5,107 | 5,026 |
| Net income attributable to HEICO | \$27,455 | \$19,958 |
| Net income per share attributable to HEICO shareholders: | | |
| Basic | \$.41 | \$.30 |
| Diluted | \$.41 | \$.30 |
| Weighted average number of common shares outstanding: | | |
| Basic | 66,393 | 66,189 |
| Diluted | 67,352 | 66,798 |
| Cash dividends per share | \$.41 | \$1.76 |

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

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HEICO CORPORATION AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF
 COMPREHENSIVE INCOME – UNAUDITED
 (in thousands)

| | Three months ended January 31, | |
|---|--------------------------------|----------|
| | 2014 | 2013 |
| Net income from consolidated operations | \$32,562 | \$24,984 |
| Other comprehensive (loss) income: | | |
| Foreign currency translation adjustments | (2,462 |) 3,234 |
| Total other comprehensive (loss) income | (2,462 |) 3,234 |
| Comprehensive income from consolidated operations | 30,100 | 28,218 |
| Less: Comprehensive income attributable to noncontrolling interests | 5,107 | 5,026 |
| Comprehensive income attributable to HEICO | \$24,993 | \$23,192 |

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

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

| | HEICO Shareholders' Equity | | | | | | | | | Total Shareholders' Equity |
|---|-------------------------------------|----------------------|----------------------|--------------------------------|----------------------------------|---------------------------------------|---|-------------------|--------------------------|----------------------------|
| | Redeemable Noncontrolling Interests | Class A Common Stock | Class B Common Stock | Capital in Excess of Par Value | Deferred Compensation Obligation | HEICO Stock Held by Irrevocable Trust | Accumulated Other Comprehensive Income (Loss) | Retained Earnings | Noncontrolling Interests | |
| Balances as of October 31, 2013 | \$59,218 | \$268 | \$396 | \$255,889 | \$1,138 | (\$1,138) | \$144 | \$349,649 | \$116,889 | \$723,235 |
| Comprehensive income | 1,498 | — | — | — | — | — | (2,462) | 27,455 | 3,609 | 28,602 |
| Cash dividends (\$0.41 per share) | — | — | — | — | — | — | — | (27,225) | — | (27,225) |
| Issuance of common stock to HEICO | — | — | — | 683 | — | — | — | — | — | 683 |
| Savings and Investment Plan Share-based compensation expense | — | — | — | 2,600 | — | — | — | — | — | 2,600 |
| Proceeds from stock option exercises | — | — | — | 158 | — | — | — | — | — | 158 |
| Tax benefit from stock option exercises | — | — | — | 93 | — | — | — | — | — | 93 |
| Redemptions of common stock related to share-based compensation | — | — | — | (273) | — | — | — | — | — | (273) |
| Distributions to noncontrolling interests | (1,608) | — | — | — | — | — | — | — | — | — |
| Acquisitions of noncontrolling interests | (1,243) | — | — | — | — | — | — | — | — | — |
| Adjustments to redemption amount of redeemable noncontrolling interests | 138 | — | — | — | — | — | — | (138) | — | (138) |
| Other | — | — | — | 5 | — | — | — | — | 1 | 6 |

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| Balances as of | | | | | | | | | | |
|---|-------------------------------------|--------------|----------------------|--------------------------------|----------------------------------|---------------------------------------|-----------------------------------|-------------------|--------------------------|----------------------------|
| January 31, 2014 | \$58,003 | \$268 | \$396 | \$259,155 | \$1,138 | (\$1,138) | (\$2,318) | \$349,741 | \$120,499 | \$727,741 |
| | HEICO Shareholders' Equity | | | | | | | | | |
| | Redeemable Noncontrolling Interests | Common Stock | Class A Common Stock | Capital in Excess of Par Value | Deferred Compensation Obligation | HEICO Stock Held by Irrevocable Trust | Other Comprehensive Income (Loss) | Retained Earnings | Noncontrolling Interests | Total Shareholders' Equity |
| Balances as of | | | | | | | | | | |
| October 31, 2012 | \$67,166 | \$213 | \$315 | \$244,632 | \$823 | (\$823) | (\$3,572) | \$375,085 | \$103,086 | \$719,759 |
| Comprehensive income | 2,168 | — | — | — | — | — | 3,234 | 19,958 | 2,858 | 26,050 |
| Cash dividends (\$1.76 per share) | — | — | — | — | — | — | — | (116,645) | — | (116,645) |
| Share-based compensation expense | — | — | — | 1,094 | — | — | — | — | — | 1,094 |
| Proceeds from stock option exercises | — | 1 | 1 | 284 | — | — | — | — | — | 286 |
| Tax benefit from stock option exercises | — | — | — | 5,170 | — | — | — | — | — | 5,170 |
| Redemptions of common stock related to share-based compensation | — | — | — | (2,364) | — | — | — | — | — | (2,364) |
| Distributions to noncontrolling interests | (2,310) | — | — | — | — | — | — | — | — | — |
| Acquisitions of noncontrolling interests | (16,610) | — | — | — | — | — | — | — | — | — |
| Adjustments to redemption amount of redeemable noncontrolling interests | 804 | — | — | — | — | — | — | (804) | — | (804) |
| Deferred compensation obligation | — | — | — | — | 105 | (105) | — | — | — | — |
| Other | — | — | — | 1 | — | — | — | (1) | (2) | (2) |
| Balances as of | | | | | | | | | | |
| January 31, 2013 | \$51,218 | \$214 | \$316 | \$248,817 | \$928 | (\$928) | (\$338) | \$277,593 | \$105,942 | \$632,544 |

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

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HEICO CORPORATION AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED
 (in thousands)

| | Three months ended January 31, | |
|--|--------------------------------|-----------|
| | 2014 | 2013 |
| Operating Activities: | | |
| Net income from consolidated operations | \$32,562 | \$24,984 |
| Adjustments to reconcile net income from consolidated operations to net cash provided by operating activities: | | |
| Depreciation and amortization | 12,050 | 8,140 |
| Share-based compensation expense | 2,600 | 1,094 |
| Issuance of common stock to HEICO Savings and Investment Plan | 683 | — |
| Tax benefit from stock option exercises | 93 | 5,170 |
| Excess tax benefit from stock option exercises | (93) | (5,105) |
| Deferred income tax (benefit) provision | (1,999) | 803 |
| Decrease in value of contingent consideration | (7,046) | (159) |
| Changes in operating assets and liabilities, net of acquisitions: | | |
| Decrease in accounts receivable | 6,586 | 12,142 |
| Increase in inventories | (5,536) | (4,960) |
| Decrease (increase) in prepaid expenses and other current assets | 2,875 | (2,456) |
| Decrease in trade accounts payable | (2,949) | (8,115) |
| Decrease in accrued expenses and other current liabilities | (20,813) | (16,605) |
| Increase (decrease) in income taxes payable | 14,405 | (2,393) |
| Other | 131 | 743 |
| Net cash provided by operating activities | 33,549 | 13,283 |
| Investing Activities: | | |
| Capital expenditures | (3,990) | (4,466) |
| Acquisitions, net of cash acquired | (569) | (1,242) |
| Other | (34) | (3) |
| Net cash used in investing activities | (4,593) | (5,711) |
| Financing Activities: | | |
| Borrowings on revolving credit facility | 23,000 | 145,000 |
| Payments on revolving credit facility | (21,000) | (22,000) |
| Cash dividends paid | (27,225) | (116,645) |
| Distributions to noncontrolling interests | (1,608) | (2,310) |
| Acquisitions of noncontrolling interests | (1,243) | (16,610) |
| Revolving credit facility issuance costs | (767) | (570) |
| Redemptions of common stock related to share-based compensation | (273) | (2,364) |
| Proceeds from stock option exercises | 158 | 286 |
| Excess tax benefit from stock option exercises | 93 | 5,105 |
| Other | (181) | (152) |
| Net cash used in financing activities | (29,046) | (10,260) |
| Effect of exchange rate changes on cash | (170) | 326 |
| Net decrease in cash and cash equivalents | (260) | (2,362) |
| Cash and cash equivalents at beginning of year | 15,499 | 21,451 |

| | | |
|--|----------|----------|
| Cash and cash equivalents at end of period | \$15,239 | \$19,089 |
|--|----------|----------|

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

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HEICO CORPORATION AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – UNAUDITED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of HEICO Corporation and its subsidiaries (collectively, “HEICO,” or the “Company”) have been prepared in conformity with accounting principles generally accepted in the United States of America for interim financial information and in accordance with the instructions to Form 10-Q. Therefore, the condensed consolidated financial statements do not include all information and footnotes normally included in annual consolidated financial statements and should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended October 31, 2013. The October 31, 2013 Condensed Consolidated Balance Sheet has been derived from the Company’s audited consolidated financial statements. In the opinion of management, the unaudited condensed consolidated financial statements contain all adjustments (consisting principally of normal recurring accruals) necessary for a fair presentation of the condensed consolidated balance sheets, statements of operations, statements of comprehensive income, statements of shareholders' equity and statements of cash flows for such interim periods presented. The results of operations for the three months ended January 31, 2014 are not necessarily indicative of the results which may be expected for the entire fiscal year.

Stock Split

All applicable fiscal 2013 share and per share information has been adjusted retrospectively to reflect a 5-for-4 stock split effected in October 2013.

New Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2013-02, “Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income,” which requires disclosure about changes in and amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement of operations or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income, but only if the amount reclassified is required to be reclassified to net income in its entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional detail about those amounts. The Company adopted ASU 2013-02 in the first quarter of fiscal 2014, resulting in only expanded disclosure regarding the changes in accumulated other comprehensive income and no impact on the Company's consolidated results of operations, financial position or cash flows.

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In March 2013, the FASB issued ASU 2013-05, "Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity," which clarifies the applicable guidance for the release of any cumulative translation adjustments into net earnings. ASU 2013-05 specifies that the entire amount of cumulative translation adjustments should be released into earnings when an entity ceases to have a controlling financial interest in a subsidiary or group of assets within a consolidated foreign entity and the sale or transfer results in the complete or substantially complete liquidation of the investment in the foreign entity. ASU 2013-05 is effective prospectively for fiscal years and interim reporting periods within those years beginning after December 15, 2013, or in fiscal 2015 for HEICO. Early adoption is permitted. The Company is currently evaluating the effect, if any, the adoption of this guidance will have on its consolidated results of operations, financial position or cash flows.

2. SELECTED FINANCIAL STATEMENT INFORMATION

| | | |
|--|------------------|------------------|
| Accounts Receivable (in thousands) | January 31, 2014 | October 31, 2013 |
| Accounts receivable | \$153,386 | \$160,118 |
| Less: Allowance for doubtful accounts | (3,172 |) (3,096 |
| Accounts receivable, net | \$150,214 | \$157,022 |
| Costs and Estimated Earnings on Uncompleted Percentage-of-Completion Contracts (in thousands) | January 31, 2014 | October 31, 2013 |
| Costs incurred on uncompleted contracts | \$23,236 | \$22,548 |
| Estimated earnings | 24,998 | 25,391 |
| | 48,234 | 47,939 |
| Less: Billings to date | (37,683 |) (40,676 |
| | \$10,551 | \$7,263 |
| Included in the accompanying Condensed Consolidated Balance Sheets under the following captions: | | |
| Accounts receivable, net (costs and estimated earnings in excess of billings) | \$12,948 | \$9,540 |
| Accrued expenses and other current liabilities (billings in excess of costs and estimated earnings) | (2,397 |) (2,277 |
| | \$10,551 | \$7,263 |

Changes in estimates pertaining to percentage-of-completion contracts did not have a material effect on net income from consolidated operations for the three months ended January 31, 2014 and 2013.

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| Inventories (in thousands) | January 31, 2014 | October 31, 2013 |
|---|------------------|------------------|
| Finished products | \$106,886 | \$103,234 |
| Work in process | 27,662 | 26,810 |
| Materials, parts, assemblies and supplies | 81,767 | 79,863 |
| Contracts in process | 8,241 | 9,941 |
| Less: Billings to date | (447 |) (955 |
| Inventories, net of valuation reserves | \$224,109 | \$218,893 |

Contracts in process represents accumulated capitalized costs associated with fixed price contracts for which revenue is recognized on the completed-contract method. Related progress billings and customer advances (“billings to date”) are classified as a reduction to contracts in process, if any, and any excess is included in accrued expenses and other liabilities.

| Property, Plant and Equipment (in thousands) | January 31, 2014 | October 31, 2013 |
|---|------------------|------------------|
| Land | \$4,513 | \$4,515 |
| Buildings and improvements | 60,133 | 60,105 |
| Machinery, equipment and tooling | 134,152 | 131,855 |
| Construction in progress | 5,556 | 4,932 |
| | 204,354 | 201,407 |
| Less: Accumulated depreciation and amortization | (107,552 |) (103,670 |
| Property, plant and equipment, net | \$96,802 | \$97,737 |

Accrued Customer Rebates and Credits

The aggregate amount of accrued customer rebates and credits included within accrued expenses and other current liabilities in the accompanying Condensed Consolidated Balance Sheets was \$15.5 million and \$14.8 million as of January 31, 2014 and October 31, 2013, respectively. The total customer rebates and credits deducted within net sales for the three months ended January 31, 2014 and 2013 was \$1.7 million and \$1.4 million, respectively.

Employee Retirement Plan

In connection with an acquisition during the third quarter of fiscal 2013, the Company assumed a frozen qualified defined benefit pension plan. The components of net pension income for the three months ended January 31, 2014 that were recorded within the Company's Condensed Consolidated Statement of Operations are as follows (in thousands):

| | |
|--------------------------------|-------|
| Expected return on plan assets | \$185 |
| Interest cost | 153 |
| Net pension income | \$32 |

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Redeemable Noncontrolling Interests

The holders of equity interests in certain of the Company's subsidiaries have put rights that may be exercised on varying dates causing the Company to give cash consideration to purchase their equity interests based on fair value or a formula that management intended to reasonably approximate fair value based solely on a multiple of future earnings over a measurement period. Management's estimate of the aggregate redemption amount of all put rights that the Company could be required to pay at varying dates through fiscal 2022 is as follows (in thousands):

| | January 31, 2014 | October 31, 2013 |
|---|------------------|------------------|
| Redeemable at fair value | \$47,867 | \$47,839 |
| Redeemable based on a multiple of future earnings | 10,136 | 11,379 |
| Redeemable noncontrolling interests | \$58,003 | \$59,218 |

The decrease in the aggregate redemption amount since the prior fiscal year end represents a payment made in the first quarter of fiscal 2014 by the Company, through its HEICO Aerospace Holdings Corp. subsidiary, of a purchase price adjustment for the portion of the redeemable noncontrolling interests acquired in December 2012 that was based on the acquired entity's actual fiscal 2013 earnings.

Accumulated Other Comprehensive Income (Loss)

Changes in the components of accumulated other comprehensive income (loss) for the three months ended January 31, 2014 are as follows (in thousands):

| | Foreign Currency Translation | Pension Benefit Obligation | Accumulated Other Comprehensive Income (Loss) |
|------------------------------|---------------------------------|-------------------------------|---|
| Balances at October 31, 2013 | (\$466 |) \$610 | \$144 |
| Unrealized loss | (2,462 |) — | (2,462 |
| Balances at January 31, 2014 | (\$2,928 |) \$610 | (\$2,318 |

3. GOODWILL AND OTHER INTANGIBLE ASSETS

The Company has two operating segments: the Flight Support Group ("FSG") and the Electronic Technologies Group ("ETG"). Changes in the carrying amount of goodwill by operating segment for the three months ended January 31, 2014 are as follows (in thousands):

| | Segment FSG | ETG | Consolidated Totals |
|--|----------------|-----------|------------------------|
| Balances as of October 31, 2013 | \$279,855 | \$408,634 | \$688,489 |
| Foreign currency translation adjustments | — | (1,445 |) (1,445 |
| Balances as of January 31, 2014 | \$279,855 | \$407,189 | \$687,044 |

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

| | As of January 31, 2014 | | | As of October 31, 2013 | | |
|-------------------------------|------------------------|--------------------------|---------------------|------------------------|--------------------------|---------------------|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Amortizing Assets: | | | | | | |
| Customer relationships | \$155,240 | (\$42,153) |) \$113,087 | \$156,801 | (\$38,461) |) \$118,340 |
| Intellectual property | 74,887 | (12,504) |) 62,383 | 75,095 | (10,795) |) 64,300 |
| Licenses | 2,900 | (1,447) |) 1,453 | 2,900 | (1,381) |) 1,519 |
| Non-compete agreements | 1,120 | (1,120) |) — | 1,132 | (1,132) |) — |
| Patents | 673 | (363) |) 310 | 642 | (351) |) 291 |
| Trade names | 566 | (476) |) 90 | 566 | (448) |) 118 |
| | 235,386 | (58,063) |) 177,323 | 237,136 | (52,568) |) 184,568 |
| Non-Amortizing Assets: | | | | | | |
| Trade names | 56,847 | — |) 56,847 | 56,990 | — |) 56,990 |
| | \$292,233 | (\$58,063) |) \$234,170 | \$294,126 | (\$52,568) |) \$241,558 |

Amortization expense related to intangible assets for the three months ended January 31, 2014 and 2013 was \$7.1 million and \$4.5 million, respectively. The increase in amortization expense for the three months ended January 31, 2014 compared to the three months ended January 31, 2013 principally relates to the incremental amortization expense of intangible assets recognized in connection with fiscal 2013 acquisitions. Amortization expense related to intangible assets for the remainder of fiscal 2014 is estimated to be \$20.9 million. Amortization expense for each of the next five fiscal years and thereafter is estimated to be \$26.1 million in fiscal 2015, \$24.2 million in fiscal 2016, \$23.1 million in fiscal 2017, \$20.9 million in fiscal 2018, \$18.6 million in fiscal 2019 and \$43.5 million thereafter.

4. LONG-TERM DEBT

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

| | January 31, 2014 | October 31, 2013 |
|--|------------------|------------------|
| Borrowings under revolving credit facility | \$375,000 | \$373,000 |
| Capital leases and notes payable | 4,285 | 4,515 |
| | 379,285 | 377,515 |
| Less: Current maturities of long-term debt | (1,148) |) (697) |
| | \$378,137 | \$376,818 |

As of January 31, 2014 and October 31, 2013, the weighted average interest rate on borrowings under the Company's revolving credit facility was 1.3%. The revolving credit facility contains both financial and non-financial covenants. As of January 31, 2014, the Company was in compliance with all such covenants.

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In November 2013, the Company entered into an amendment to extend the maturity date of its revolving credit facility one year to December 2018 and to increase the aggregate principal amount to \$800 million. Furthermore, the amendment includes a feature that will allow the Company to increase the aggregate principal amount by an additional \$200 million to become a \$1.0 billion facility through increased commitments from existing lenders or the addition of new lenders.

5. INCOME TAXES

As of January 31, 2014, the Company's liability for gross unrecognized tax benefits related to uncertain tax positions was \$1.0 million of which \$.7 million 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 for the three months ended January 31, 2014 is as follows (in thousands):

| | | |
|---|---------|---|
| Balance as of October 31, 2013 | \$1,072 | |
| Increases related to current year tax positions | 27 | |
| Settlements | (22 |) |
| Lapse of statutes of limitations | (60 |) |
| Balance as of January 31, 2014 | \$1,017 | |

There were no material changes in the liability for unrecognized tax positions resulting from tax positions taken during the current or a prior year, settlements with other taxing authorities or a lapse of applicable statutes of limitations. The accrual of interest and penalties related to the unrecognized tax benefits was not material for the three months ended January 31, 2014. Further, the Company does not expect the total amount of unrecognized tax benefits to materially change in the next twelve months.

The Company's effective tax rate in the first quarter of fiscal 2014 increased to 33.9% from 27.8% in the first quarter of fiscal 2013. The increase is principally due to an income tax credit for qualified research and development activities for the last ten months of fiscal 2012 that was recognized in the first quarter of fiscal 2013 resulting from the retroactive extension of Section 41 of the Internal Revenue Code, "Credit for Increasing Research Activities," in January 2013 to cover the two-year period from January 1, 2012 to December 31, 2013 and the expiration of Section 41 on December 31, 2013 that limited the tax credit recognized in the first quarter of fiscal 2014 to just the first two months of fiscal 2014 qualified research and development activities. Additionally, the increase is partially the result of a larger income tax deduction recognized in the first quarter of fiscal 2013 under Section 404(k) of the Internal Revenue Code for the special and extraordinary cash dividend paid in December 2012 to participants of the HEICO Savings and Investment Plan holding HEICO common stock.

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6. FAIR VALUE MEASUREMENTS

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

| | As of January 31, 2014 | | | |
|--------------------------------|---|--|---|----------|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| Assets: | | | | |
| Deferred compensation plans: | | | | |
| Corporate owned life insurance | \$— | \$58,971 | \$— | \$58,971 |
| Equity securities | 2,013 | — | — | 2,013 |
| Mutual funds | 2,069 | — | — | 2,069 |
| Money market deposit accounts | 986 | — | — | 986 |
| Other | 421 | 46 | — | 467 |
| Total assets | \$5,489 | \$59,017 | \$— | \$64,506 |
| Liabilities: | | | | |
| Contingent consideration | \$— | \$— | \$22,264 | \$22,264 |

| | As of October 31, 2013 | | | |
|--------------------------------|---|--|---|----------|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| Assets: | | | | |
| Deferred compensation plans: | | | | |
| Corporate owned life insurance | \$— | \$52,655 | \$— | \$52,655 |
| Equity securities | 1,940 | — | — | 1,940 |
| Mutual funds | 1,529 | — | — | 1,529 |
| Money market deposit accounts | 1,470 | — | — | 1,470 |
| Other | — | 46 | — | 46 |
| Total assets | \$4,939 | \$52,701 | \$— | \$57,640 |
| Liabilities: | | | | |
| Contingent consideration | \$— | \$— | \$29,310 | \$29,310 |

The Company maintains two non-qualified deferred compensation plans. The assets of the HEICO Corporation Leadership Compensation Plan (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 are valued using a market approach. The assets of the Company's other deferred compensation plan are principally invested in equity securities, mutual funds, and money market deposit accounts that are classified within Level 1. The assets of both plans are held within irrevocable

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trusts and classified within other assets in the Company's Condensed Consolidated Balance Sheets and have an aggregate value of \$64.5 million as of January 31, 2014 and \$57.6 million as of October 31, 2013, of which the LCP related assets were \$59.4 million and \$52.7 million as of January 31, 2014 and October 31, 2013, respectively. The related liabilities of the two deferred compensation plans are included within other long-term liabilities in the Company's Condensed Consolidated Balance Sheets and have an aggregate value of \$63.9 million as of January 31, 2014 and \$56.9 million as of October 31, 2013, of which the LCP related liability was \$58.8 million and \$51.9 million as of January 31, 2014 and October 31, 2013, respectively.

As part of the agreement to acquire a subsidiary by the ETG in fiscal 2013, the Company may have been obligated to pay contingent consideration of up to \$20.0 million should the acquired entity have met certain earnings objectives during the last three months of the calendar year of acquisition and may be obligated to pay contingent consideration of up to \$30.0 million should the acquired entity meet certain earnings objectives during the subsequent two calendar years (2014 and 2015). In December 2013, the acquired entity incurred unanticipated costs associated with certain contracts for which revenue is recognized on the percentage-of-completion method and as a result, did not meet its calendar 2013 related earnings objectives. Accordingly, the \$7.0 million contingent consideration accrued as of October 31, 2013 was recorded as a reduction to selling, general and administrative expenses in the Company's Condensed Consolidated Statement of Operations for the three months ended January 31, 2014. The estimated fair value of the contingent consideration for the calendar 2014 and 2015 earnings period was \$13.7 million as of both January 31, 2014 and October 31, 2013.

As part of the agreement to acquire a subsidiary by the ETG in fiscal 2012, the Company may be obligated to pay contingent consideration of up to \$12.9 million in aggregate should the acquired entity meet certain earnings objectives during each of the next four years following the first anniversary date of the acquisition. As of January 31, 2014 and October 31, 2013, the estimated fair value of the contingent consideration was \$8.5 million and \$8.6 million, respectively.

The estimated fair values of the contingent consideration arrangements described above are classified within Level 3 and were determined using a probability-based scenario analysis approach. Under this method, a set of discrete potential future subsidiary earnings were determined using internal estimates based on various revenue growth rate assumptions for each scenario. A probability of likelihood was assigned to each discrete potential future earnings estimate and the resultant contingent consideration was calculated. The resulting probability-weighted contingent consideration amounts were discounted using a weighted average discount rate reflecting the credit risk of a market participant. 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 and such changes will be recorded in the Company's condensed consolidated statements of operations.

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The Level 3 inputs used to derive the estimated fair values of the contingent consideration as of January 31, 2014 were as follows:

| | Fiscal 2013 Subsidiary | Fiscal 2012 Subsidiary |
|---|---------------------------|---------------------------|
| Compound annual revenue growth rate range | (4%) - 31% | (5%) - 18% |
| Weighted average discount rate | 2.7% | 2.8% |

Changes in the Company's contingent consideration measured at fair value on a recurring basis using unobservable inputs (Level 3) for the three months ended January 31, 2014 are as follows (in thousands):

| | Liabilities |
|---|-------------|
| Balances as of October 31, 2013 | \$29,310 |
| Decrease in value of contingent consideration | (7,046) |
| Balances as of January 31, 2014 | \$22,264 |

Included in the accompanying Condensed Consolidated Balance Sheet under the following captions:

| | |
|--|----------|
| Accrued expenses and other current liabilities | \$— |
| Other long-term liabilities | \$22,264 |
| | \$22,264 |

The Company did not have any transfers between Level 1 and Level 2 fair value measurements during the three months ended January 31, 2014.

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 January 31, 2014 due to the relatively short maturity of the respective instruments. The carrying amount of long-term debt approximates fair value due to its variable interest rates.

7. SHAREHOLDERS' EQUITY

In January 2014, the Company paid a special and extraordinary \$.35 per share cash dividend on both classes of HEICO's common stock as well as its regular semi-annual \$.06 per share cash dividend. The dividends, which aggregated \$27.2 million, were principally funded from borrowings under the Company's revolving credit facility.

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8. RESEARCH AND DEVELOPMENT EXPENSES

Cost of sales for the three months ended January 31, 2014 and 2013 includes approximately \$9.1 million and \$7.3 million, respectively, of new product research and development expenses.

9. 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):

| | Three months ended January 31, | |
|--|--------------------------------|----------|
| | 2014 | 2013 |
| Numerator: | | |
| Net income attributable to HEICO | \$27,455 | \$19,958 |
| Denominator: | | |
| Weighted average common shares outstanding-basic | 66,393 | 66,189 |
| Effect of dilutive stock options | 959 | 609 |
| Weighted average common shares outstanding-diluted | 67,352 | 66,798 |
| Net income per share attributable to HEICO shareholders: | | |
| Basic | \$.41 | \$.30 |
| Diluted | \$.41 | \$.30 |
| Anti-dilutive stock options excluded | 544 | 934 |

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10. OPERATING SEGMENTS

Information on the Company's two operating segments, the Flight Support Group ("FSG"), consisting of HEICO Aerospace and HEICO Flight Support Corp. and their collective subsidiaries; and the Electronic Technologies Group ("ETG"), consisting of HEICO Electronic Technologies Corp. and its subsidiaries, for the three months ended January 31, 2014 and 2013, respectively, is as follows (in thousands):

| | Segment | | Other, Primarily Corporate and Intersegment | Consolidated Totals |
|--------------------------------------|-----------|----------|--|------------------------|
| | FSG | ETG | | |
| Three months ended January 31, 2014: | | | | |
| Net sales | \$181,585 | \$87,492 | (\$2,251 |) \$266,826 |
| Depreciation and amortization | 4,920 | 6,925 | 205 | 12,050 |
| Operating income | 32,203 | 22,904 | (4,722 |) 50,385 |
| Capital expenditures | 2,025 | 1,708 | 257 | 3,990 |
| Three months ended January 31, 2013: | | | | |
| Net sales | \$138,998 | \$78,841 | (\$1,349 |) \$216,490 |
| Depreciation and amortization | 2,835 | 5,113 | 192 | 8,140 |
| Operating income | 24,245 | 15,546 | (4,852 |) 34,939 |
| Capital expenditures | 2,387 | 2,035 | 44 | 4,466 |

Total assets by operating segment as of January 31, 2014 and October 31, 2013 are as follows (in thousands):

| | Segment | | Other, Primarily Corporate | Consolidated Totals |
|-------------------------------------|-----------|-----------|----------------------------------|------------------------|
| | FSG | ETG | | |
| Total assets as of January 31, 2014 | \$675,955 | \$748,250 | \$99,361 | \$1,523,566 |
| Total assets as of October 31, 2013 | 679,839 | 759,807 | 93,369 | 1,533,015 |

11. COMMITMENTS AND CONTINGENCIES

Guarantees

The Company has arranged for a standby letter of credit for \$1.5 million to meet the security requirement of its insurance company for potential workers' compensation claims, which is supported by the Company's revolving credit facility.

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Product Warranty

Changes in the Company's product warranty liability for the three months ended January 31, 2014 and 2013, respectively, are as follows (in thousands):

| | Three months ended January 31, | |
|---|--------------------------------|---------|
| | 2014 | 2013 |
| Balances as of beginning of fiscal year | \$3,233 | \$2,571 |
| Accruals for warranties | 413 | (579) |
| Warranty claims settled | (397) | (339) |
| Balances as of January 31 | \$3,249 | \$1,653 |

Litigation

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.

12. SUBSEQUENT EVENT

Consistent with the Company's past practice of increasing its ownership in certain non-wholly-owned subsidiaries, on February 18, 2014, HEICO Corporation acquired the 20% noncontrolling interest held by its partner, Lufthansa Technik AG ("LHT"), in four of the Company's existing subsidiaries principally operating in the specialty products and distribution businesses within its HEICO Aerospace Holdings Corp. subsidiary (the "Transaction"). Pursuant to the Transaction, HEICO Aerospace Holdings Corp. declared dividends proportional to the ownership (80%/20%) to HEICO and LHT, and HEICO transferred the businesses to the HEICO Flight Support Corp., a wholly-owned subsidiary of HEICO. HEICO did not record any gain or loss in connection with the transaction. LHT's dividend approximates \$67 million and will be funded through a borrowing under the Company's existing credit facility. After the Transaction, LHT remains a 20% owner in HEICO Aerospace Holdings Corp., a leading producer of PMA parts and component repair and overhaul services.

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Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

This discussion of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and notes thereto included herein. The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates if different assumptions were used or different events ultimately transpire.

Our critical accounting policies, which require management to make judgments about matters that are inherently uncertain, are described in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," under the heading "Critical Accounting Policies" in our Annual Report on Form 10-K for the year ended October 31, 2013. There have been no material changes to our critical accounting policies during the three months ended January 31, 2014.

Our business is comprised of two operating segments: the Flight Support Group ("FSG"), consisting of HEICO Aerospace Holdings Corp. ("HEICO Aerospace") and HEICO Flight Support Corp. and their collective subsidiaries, and the Electronic Technologies Group ("ETG"), consisting of HEICO Electronic Technologies Corp. ("HEICO Electronic") and its subsidiaries.

Our results of operations for the three months ended January 31, 2014 have been affected by the fiscal 2013 acquisitions as further detailed in Note 2, Acquisitions, of the Notes to the Consolidated Financial Statements of our Annual Report on Form 10-K for the year ended October 31, 2013.

All fiscal 2013 per share information has been adjusted retrospectively to reflect a 5-for-4 stock split effected in October 2013.

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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 Condensed Consolidated Statements of Operations (in thousands):

| | Three months ended January 31, | | | |
|---|--------------------------------|-----------|---|---|
| | 2014 | 2013 | | |
| Net sales | \$266,826 | \$216,490 | | |
| Cost of sales | 174,709 | 138,901 | | |
| Selling, general and administrative expenses | 41,732 | 42,650 | | |
| Total operating costs and expenses | 216,441 | 181,551 | | |
| Operating income | \$50,385 | \$34,939 | | |
| Net sales by segment: | | | | |
| Flight Support Group | \$181,585 | \$138,998 | | |
| Electronic Technologies Group | 87,492 | 78,841 | | |
| Intersegment sales | (2,251 |) (1,349 |) |) |
| | \$266,826 | \$216,490 | | |
| Operating income by segment: | | | | |
| Flight Support Group | \$32,203 | \$24,245 | | |
| Electronic Technologies Group | 22,904 | 15,546 | | |
| Other, primarily corporate | (4,722 |) (4,852 |) |) |
| | \$50,385 | \$34,939 | | |
| Net sales | 100.0 | % 100.0 | | % |
| Gross profit | 34.5 | % 35.8 | | % |
| Selling, general and administrative expenses | 15.6 | % 19.7 | | % |
| Operating income | 18.9 | % 16.1 | | % |
| Interest expense | 0.5 | % 0.3 | | % |
| Other income | 0.1 | % 0.1 | | % |
| Income tax expense | 6.3 | % 4.4 | | % |
| Net income attributable to noncontrolling interests | 1.9 | % 2.3 | | % |
| Net income attributable to HEICO | 10.3 | % 9.2 | | % |

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Comparison of First Quarter of Fiscal 2014 to First Quarter of Fiscal 2013

Net Sales

Our net sales in the first quarter of fiscal 2014 increased by 23% to \$266.8 million, as compared to net sales of \$216.5 million in the first quarter of fiscal 2013. The increase in net sales principally reflects an increase of \$42.6 million (a 31% increase) to \$181.6 million in net sales within the FSG as well as an increase of \$8.7 million to \$87.5 million in net sales within the ETG. The net sales increase in the FSG reflects organic growth of approximately 19% as well as additional net sales of \$15.6 million from a fiscal 2013 acquisition. The organic growth in the FSG principally reflects new product offerings and continued improving market conditions resulting in net sales increases of \$21.9 million within our aftermarket replacement parts and repair and overhaul services product lines and \$5.1 million within our specialty products lines. The net sales increase in the ETG reflects additional net sales of \$8.1 million from a fiscal 2013 acquisition and organic growth of approximately 1%. Sales price changes were not a significant contributing factor to the FSG and ETG net sales growth in the first quarter of fiscal 2014.

Gross Profit and Operating Expenses

Our consolidated gross profit margin decreased to 34.5% in the first three months of fiscal 2014 as compared to 35.8% in the first three months of fiscal 2013, principally reflecting a decrease of 2.7% in the ETG's gross profit margin. The decrease in the ETG's gross profit margin is principally attributed to a less favorable product mix for certain of our defense and space products. Total new product research and development expenses included within our consolidated cost of sales increased to \$9.1 million in the first quarter of fiscal 2014 compared to \$7.3 million in the first quarter of fiscal 2013.

Selling, general and administrative ("SG&A") expenses were \$41.7 million and \$42.7 million in the first quarter of fiscal 2014 and fiscal 2013, respectively. The decrease in SG&A expenses reflects a \$7.0 million reduction in the value of contingent consideration related to a fiscal 2013 acquisition partially offset by \$4.7 million of SG&A expenses attributable to fiscal 2013 acquired businesses and a \$1.3 million increase in SG&A expenses pertaining to our existing businesses of which \$.9 million was in selling expenses to support the organic sales growth.

SG&A expenses as a percentage of net sales decreased from 19.7% in the first quarter of fiscal 2013 to 15.6% in the first quarter of fiscal 2014 principally reflecting the impact of the reduced contingent consideration as well as the impact of higher sales volumes on the fixed portion of SG&A expenses.

Operating Income

Operating income in the first quarter of fiscal 2014 increased by 44% to \$50.4 million as compared to operating income of \$34.9 million in the first quarter of fiscal 2013. The increase in operating income reflects an \$8.0 million increase (a 33% increase) to \$32.2 million in operating

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income of the FSG in the first quarter of fiscal 2014, up from \$24.2 million in the first quarter of fiscal 2013 and a \$7.4 million increase (a 47% increase) in operating income of the ETG to \$22.9 million in the first quarter of fiscal 2014, up from \$15.5 million in the first quarter of fiscal 2013. The increase in the operating income of the FSG is principally attributed to the previously mentioned net sales growth. The increase in the operating income of the ETG reflects the previously mentioned \$7.0 million decrease in accrued contingent consideration partially offset by lower than expected operating income at the acquired business of approximately \$3.0 million principally due to unanticipated costs associated with certain contracts for which revenue is recognized on the percentage-of-completion method. The balance of the increase in the operating income of the ETG results primarily from the previously mentioned net sales growth.

As a percentage of net sales, our consolidated operating income increased to 18.9% in the first quarter of fiscal 2014, up from 16.1% in the first quarter of fiscal 2013. The increase in consolidated operating income as a percentage of net sales reflects an increase in the ETG's operating income as a percentage of net sales from 19.7% in the first quarter of fiscal 2013 to 26.2% in the first quarter of fiscal 2014 and an increase in the FSG's operating income as a percentage of net sales from 17.4% in the first quarter of fiscal 2013 to 17.7% in the first quarter of fiscal 2014. The increase in operating income as a percentage of net sales for the FSG reflects the higher net sales volumes. The increase in operating income as a percentage of net sales for the ETG is principally attributable to the aforementioned increase in operating income from the acquired business.

Interest Expense

Interest expense increased to \$1.3 million in the first quarter of fiscal 2014 from \$.6 million in the first quarter of fiscal 2013. The increase was principally due to a higher weighted average balance outstanding under our revolving credit facility in the first quarter of fiscal 2014 associated with fiscal 2013 acquisitions.

Other Income

Other income in the first quarter of fiscal 2014 and 2013 was not material.

Income Tax Expense

Our effective tax rate in the first quarter of fiscal 2014 increased to 33.9% from 27.8% in the first quarter of fiscal 2013. The increase is principally due to an income tax credit for qualified research and development activities for the last ten months of fiscal 2012 that was recognized in the first quarter of fiscal 2013 resulting from the retroactive extension of Section 41 of the Internal Revenue Code, "Credit for Increasing Research Activities," in January 2013 to cover the two-year period from January 1, 2012 to December 31, 2013 and the expiration of Section 41 on December 31, 2013 that limited the tax credit recognized in the first quarter of fiscal 2014 to just the first two months of fiscal 2014 qualified research and development activities. Additionally, the increase is the result of a larger income tax deduction recognized in the first quarter of fiscal 2013 under Section 404(k) of the Internal Revenue Code for the special

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and extraordinary cash dividend paid in December 2012 to participants of the HEICO Savings and Investment Plan holding HEICO common stock.

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 and the noncontrolling interests held by others in certain subsidiaries of the FSG and ETG. Net income attributable to noncontrolling interests was \$5.1 million in the first quarter of fiscal 2014 compared to \$5.0 million in the first quarter of fiscal 2013. The increase in the first quarter of fiscal 2014 principally reflects higher earnings of HEICO Aerospace in which the 20% noncontrolling interest is held partially offset by our purchase of certain noncontrolling interests during fiscal 2013 resulting in lower allocations of net income to noncontrolling interests.

Net Income Attributable to HEICO

Net income attributable to HEICO increased to \$27.5 million, or \$.41 per diluted share, in the first quarter of fiscal 2014 from \$20.0 million, or \$.30 per diluted share, in the first quarter of fiscal 2013, principally reflecting the previously mentioned increased operating income.

Outlook

As we look ahead to the remainder of fiscal 2014, we continue to anticipate organic growth within our product lines that serve the commercial aviation markets. We expect overall organic growth within the ETG consistent with the prior year, reflecting higher demand for the majority of our products, moderated by lower demand for certain of our defense-related products. During the remainder of fiscal 2014, we plan to continue our focus on new product development, further market penetration, executing our acquisition strategies and maintaining our financial strength. Based on the aforementioned, we continue to estimate consolidated fiscal 2014 year-over-year growth in net sales of 12% - 14% and growth in net income of 10% - 12%.

Liquidity and Capital Resources

Our principal uses of cash include acquisitions, cash dividends, capital expenditures, distributions to noncontrolling interests and working capital needs. Capital expenditures in fiscal 2014 are anticipated to approximate \$25 million. We finance our activities primarily from our operating and financing activities, including borrowings under our revolving credit facility.

In November 2013, we entered into an amendment to extend the maturity date of our revolving credit facility by one year to December 2018 and to increase the aggregate principal amount to \$800 million. Furthermore, the amendment includes a feature that will allow us to increase the aggregate principal amount by an additional \$200 million to become a \$1.0 billion facility through increased commitments from existing lenders or the addition of new lenders. In January 2014, we paid a special and extraordinary cash dividend of \$.35 per share on both classes of our common stock as well as our regular semi-annual \$.06 per share cash dividend.

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The dividends, which aggregated \$27.2 million, were principally funded from borrowings under our revolving credit facility.

The revolving credit facility contains both financial and non-financial covenants. As of January 31, 2014, we were in compliance with all such covenants. As of January 31, 2014, our net debt to shareholders' equity ratio was 50.0%, with net debt (total debt less cash and cash equivalents) of \$364.0 million.

Based on our current outlook, we believe that our net cash provided by operating activities and available borrowings under our revolving credit facility will be sufficient to fund cash requirements for at least the next twelve months.

Operating Activities

Net cash provided by operating activities was \$33.5 million in the first quarter of fiscal 2014 and consisted primarily of net income from consolidated operations of \$32.6 million and depreciation and amortization of \$12.1 million (a non-cash item) partially offset by a decrease in the value of contingent consideration of \$7.0 million (a non-cash item) and a net increase in operating assets and liabilities of \$5.4 million. Net cash provided by operating activities increased by \$20.2 million in the first quarter of fiscal 2014 from \$13.3 million in the first quarter of fiscal 2013. The increase in net cash provided by operating activities in fiscal 2014 is principally due to a \$17.0 million increase in income taxes payable due to the timing of estimated tax payments and a reduction in the tax benefit from stock option exercises.

Investing Activities

Net cash used in investing activities of \$4.6 million in the first quarter of fiscal 2014 principally reflects capital expenditures.

Financing Activities

Net cash used in financing activities in the first quarter of fiscal 2014 totaled \$29.0 million and related primarily to \$27.2 million in cash dividends paid on our common stock.

Contractual Obligations

There have not been any material changes to the amounts presented in the table of contractual obligations that was included in our Annual Report on Form 10-K for the year ended October 31, 2013.

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Off-Balance Sheet Arrangements

Guarantees

We have arranged for a standby letter of credit for \$1.5 million to meet the security requirement of our insurance company for potential workers' compensation claims, which is supported by our revolving credit facility.

New Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income," which requires disclosure about changes in and amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement of operations or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income, but only if the amount reclassified is required to be reclassified to net income in its entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional detail about those amounts. We adopted ASU 2013-02 in the first quarter of fiscal 2014, resulting in only expanded disclosure regarding the changes in accumulated other comprehensive income and no impact on our consolidated results of operations, financial position or cash flows.

In March 2013, the FASB issued ASU 2013-05, "Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity," which clarifies the applicable guidance for the release of any cumulative translation adjustments into net earnings. ASU 2013-05 specifies that the entire amount of cumulative translation adjustments should be released into earnings when an entity ceases to have a controlling financial interest in a subsidiary or group of assets within a consolidated foreign entity and the sale or transfer results in the complete or substantially complete liquidation of the investment in the foreign entity. ASU 2013-05 is effective prospectively for fiscal years and interim reporting periods within those years beginning after December 15, 2013, or in fiscal 2015 for HEICO. Early adoption is permitted. We are currently evaluating the effect, if any, the adoption of this guidance will have on our consolidated results of operations, financial position or cash flows.

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

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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 or implied in those statements. Factors that could cause such differences include: lower demand for commercial air travel or airline fleet changes or airline purchasing decisions, which could cause lower demand for our goods and services; product development or 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; product development difficulties, which could increase our product development costs and delay sales; our ability to make acquisitions and achieve operating synergies from acquired businesses, customer credit risk, interest and income tax rates and economic conditions within and outside of the aviation, defense, space, medical, telecommunications and electronics industries, which could negatively impact our costs and revenues; and defense budget cuts, which could reduce our defense-related revenue. 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.

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Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have not been any material changes in our assessment of HEICO's sensitivity to market risk that was disclosed in Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," in our Annual Report on Form 10-K for the year ended October 31, 2013.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our 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 quarterly report. Based upon that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that HEICO's disclosure controls and procedures are effective as of the end of the period covered by this quarterly report.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the first quarter ended January 31, 2014 that have materially affected, or are reasonably likely to materially affect, HEICO's internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides information about issuer purchases of equity securities during the first quarter ended January 31, 2014:

| Period | Total Number of Shares Purchased ⁽¹⁾ | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs ⁽²⁾ |
|--------------------------------------|---|------------------------------|--|---|
| November 1, 2013 - November 30, 2013 | | | | |
| Common Stock | — | — | — | — |
| Class A Common Stock | — | — | — | 2,501,813 |
| December 1, 2013 - December 31, 2013 | | | | |
| Common Stock | — | — | — | — |
| Class A Common Stock | 6,833 | \$40.03 | — | 2,501,813 |
| January 1, 2014 - January 31, 2014 | | | | |
| Common Stock | — | — | — | — |
| Class A Common Stock | — | — | — | 2,501,813 |
| Total | | | | |
| Common Stock | — | — | — | — |
| Class A Common Stock | 6,833 | \$40.03 | — | 2,501,813 |

The shares purchased represent shares tendered as payment of employee withholding taxes due upon the issuance (1) of a share-based award and did not impact the shares that may be purchased under our existing share repurchase program.

In 1990, our Board of Directors authorized a share repurchase program, which allows us to repurchase our shares in the open market or in privately negotiated transactions at our discretion, subject to certain restrictions included (2) in our revolving credit agreement. As of January 31, 2014, the maximum number of shares that may yet be purchased under this program was 2,501,813 of either or both of our Class A Common Stock and our Common Stock. The repurchase program does not have a fixed termination date.

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Item 6. EXHIBITS

| Exhibit | Description |
|---------|--|
| 10.1 | Fourth Amendment to Revolving Credit Agreement, effective as of November 22, 2013, among HEICO Corporation, as Borrower, the Lenders from time to time party hereto and SunTrust Bank, as Administrative Agent, is incorporated by reference to Exhibit 10.1 to the Form 8-K filed on November 27, 2013. * |
| 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. *** |
| 101.INS | XBRL Instance Document. ** |
| 101.SCH | XBRL Taxonomy Extension Schema Document. ** |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document. ** |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document. ** |
| 101.LAB | XBRL Taxonomy Extension Labels Linkbase Document. ** |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document. ** |

* Previously filed.

** Filed herewith.

*** Furnished herewith.

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SIGNATURES

Pursuant to the requirements 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: February 27, 2014

HEICO CORPORATION

By: /s/ CARLOS L. MACAU, JR.
Carlos L. Macau, Jr.
Executive Vice President - Chief
Financial Officer
(Principal Financial Officer)

By: /s/ STEVEN M. WALKER
Steven M. Walker
Chief Accounting Officer
and Assistant Treasurer
(Principal Accounting Officer)

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EXHIBIT INDEX

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|---------|--|
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