



Target Price	Current Price	52wk High	52wk Low	P/E	Market Cap	Div. Yield	Beta
\$115.79	\$87.67	\$100.34	\$64.48	13.55x	\$9.094B	0.6%	1.06

Business Description:

Spirit AeroSystems is one of the world’s largest non-OEM designers and manufacturers of aero structures for commercial and defense aircrafts. Spirit applies research and emerging technologies in designing, fabricating, assembling and integrating components and structures for premier commercial and defense aerospace programs like Boeing and Airbus. Their business has three primary segments: Fuselage Systems (55.4%), Propulsion Systems (23.6%), Wing Systems (20.9%) and All Other (0.1%).

Strategic M&A:

- Asco Industries
 - Purchase Price: \$420M (all cash)
 - 4 facilities (~1.5M Sq. Ft.)
 - Helps SPR significantly increase exposure to Airbus contracts as well as defense contacts
- Bombardier Facilities
 - Purchase Price: \$1,090M (all cash)
 - 3 Primary facilities (~3.21M Sq. Ft.)
 - Further diversify revenue stream away from Boeing

Industry Outlook:

Strong travel demand as well as military spending continue to drive growth in the Aerospace and Defense Industry. Commercial Aircraft backlog reached its peak of more than 14,000 in 2018 with over 40,000 more planes expected to be produced within the next 20 years. Spirit is in prime position to capitalize on this high demand.

Management:

- Thomas C. Gentile III – President & CEO
- Bill Brown – SVP Boeing Programs
- Stacy Cozad – CCO & General Counsel
- Jose I. Garcia – CFO
- John A. Pilla – CTO

5-Year: SPR vs. S&P 500 Index



Risks:

Some events that could adversely affect Spirit's business are a significant rise in raw material pricing, a breach of contract with their suppliers and or customers, as well as additional malfunctions or delays associated with the 737 program. However, we believe that their recent strategic acquisitions will allow SPR to decrease their concentration and reliance on Boeing in order to further drive growth.

Competitive Analysis:

Spirit’s long relationships with its customers and suppliers provides a very integrated operations process based upon mutually beneficial agreements throughout the supply chain. This is due to the high switching costs associated with switching suppliers as well as Spirit having the mechanical, technical, and personnel abilities to produce at the quality and high quantity required by massive OEM’s.

Valuation Assumptions:

- WACC: 9%
- Perpetuity Growth: 3%
- FCF Growth: ~4%
- Implied Equity Value: \$11,984
- Margin of Safety: ~32.08%

ESG/CSR Analysis	SPR	Peers Median
Independent Directors % (higher is better)	77.8%	73.9%
Board Size (lower is better)	10	12
Employees Unionized % (higher is better)	83.2%	33.5%
Women on Board	22.2%	22.2%