25 Nov 2025

HEICO (NYSE:HEI)

Company Overview

HEICO Corporation (NYSE: HEI) is a leading aerospace and defense manufacturer based in the US. The company is the world's largest manufacturer of FAA-approved jet engine and aircraft component replacement parts, outside of original equipment manufacturers. HEICO operates in two main groups which are the Flight Support Group, accounting for 68% of net sales last year, and the Electronic Technologies Group, accounting for 32% of its net sales over that same period. The Flight Support Group designs and manufactures lower-cost replacement parts for jet engines and aircraft components while also serving as a leading supplier of parts to the US Department of Defense. The Electronic Technologies Group produces electronic components for aerospace, defense, space, medical, and telecoms industries that are critical for individual companies to function properly and grow.

CEO Laurans Mendelson has been with the corporation since 1990 and has been instrumental in turning it into a multi-billion dollar company. The CFO Carlos Macau Jr. has been there for 12 years and served for 5 years as a client services partner with Deloitte. Both, as part of the rest of management, have led the company on a strong path filled with opportunity seeking and constant acquisitions. Their strong cash flow generation funds organic growth without having to take out too much debt, supporting continued acquisitions of the company.

Industry Overview

HEICO operates in the aerospace and defense aftermarket industry, which is growing steadily as airlines and militaries rely more on outsourced maintenance and certified replacement parts. The global aircraft maintenance repair and overhaul market is expected to expand at roughly a 4.75% CAGR from 2025 to 2030. This is supported by an aging fleet, rising utilization of existing aircraft, and greater use of predictive maintenance technologies. Aircraft aftermarket parts are an attractive niche, with market forecasts around 8.3% CAGR from 2025 to 2034.

Key tailwinds in the industry include the continued recovery and expansion of global air traffic, a large and aging installed base of commercial and business aircraft, sustained defense spending in many regions, and customer interest in reducing operating costs without compromising safety or regulatory compliance.

Headwinds include the inherent cyclicality of air travel, supply chain and labor bottlenecks across aviation, pricing and certification pressure from original equipment manufacturers seeking to defend their aftermarket share, and potential changes in defense budgets.

HEICO competes with large diversified aerospace and defense companies and focused component suppliers, including TransDigm, Honeywell International, Boeing, Lockheed Martin, General Dynamics, Northrop Grumman, GE, Rolls Royce, AAR, and Magellan Aerospace, so the industry rewards companies that can combine engineering expertise, regulatory know how, and long standing relationships with airlines, original equipment manufacturers, and defense agencies.

Recommendation: HOLD

Figure 1: Street Sentiment Analysis

52-Wk Range: $216.68-338.92
Current Price: $315.26
P/E (TTM): 68.98x
EPS (TTM): $4.62
Market Cap (BN): $43.89
Beta: 1.04
Yield: 0.08%
Price Target: $257.22

WACC	
Risk Free Rate:	4.03%
Beta:	1.04
Market Risk Premium:	4.33%
Cost of Equity:	**8.53%**
Interest Expense:	149
Debt:	2225
Tax Rate:	17.49%
Cost of Debt:	**5.54%**
Shareholder's Equity:	3697
Debt:	2225
Total Capital:	**$5,923**
Weight of Equity:	62.43%
Weight of Debt:	37.57%
WACC:	**7.41%**

Figure 2: Discount Rate Calculation

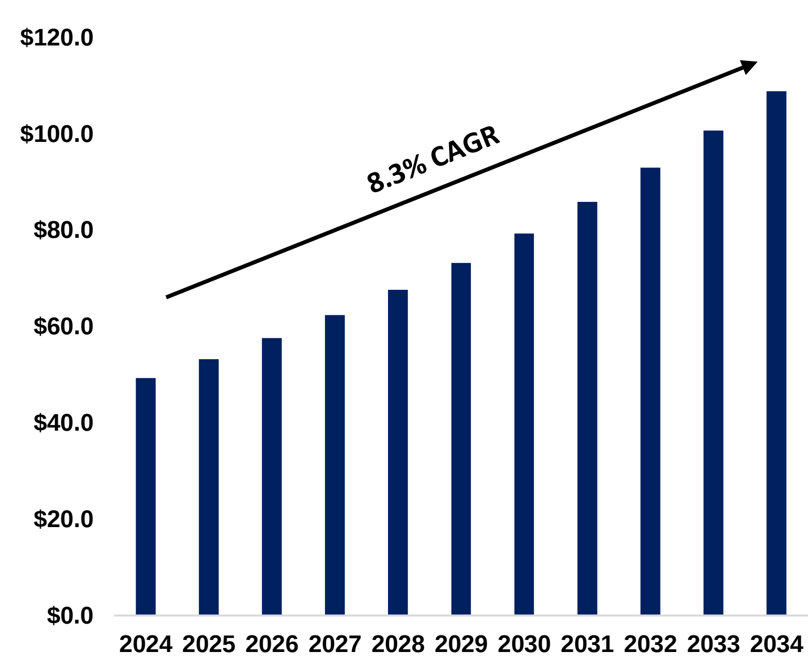

Figure 3: CAGR Forecast, Source: Market.us

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Investment Thesis

Acquisition Strategy: HEICO is always looking to expand its business through M&A, frequently searching for new opportunities. Within the past year, they've acquired 70% of SVM, expanding their footprint in India, 90% of Millennium International, LLC, all of Rosen Aviation, as well as multiple other businesses. Acquisitions totaled up to $651.4 million, adding over $91 million in PP&E. This type of expansion strategy yields significant growth across business segments. The company's already strong organic growth was bolstered by 5% due to these acquisitions in the Flight Support Group. This aggressivity is a very positive sign heading into the future, strategically positioning HEICO to grow and maintain financial strength, which is exemplified by their liquidity improving significantly, ~20%, from a current ratio of 2.79x to 3.35x.

Advantageous Business Model/Value Proposition: HEICO's FSG manufactures FAA-approved aircraft replacement parts, or PMAs, and provides repair and overhaul services. Aircraft and cargo carriers buy form them as their parts cost 20-40% less than OEM parts from the likes of Boeing, GE, etc. They're reverse-engineered parts earn regulatory approval and can sell at discounts but still maintain very high margins of around 40% compared to the industry average of ~25-28%. Moreover, once a part is approved, airlines normally stay with them, providing recurring revenue and stability for the company. The company's ETG designs highly critical technical parts for defense systems, spacecraft, medical devices, and more, with their customers including NASA, medical OEMs, and more. Many of their products are often sole-source since they're custom-designed with very specific requirements for each system. These parts are often mission-critical, and while small, they have extremely specific metrics that HEICO reverse-engineers. Once these are set and FAA-approved, companies don't switch away since there are high-switching costs caused by re-approval, re-testing, etc. HEICO prides itself on ultra-high reliability, filling in a niche profitability area.

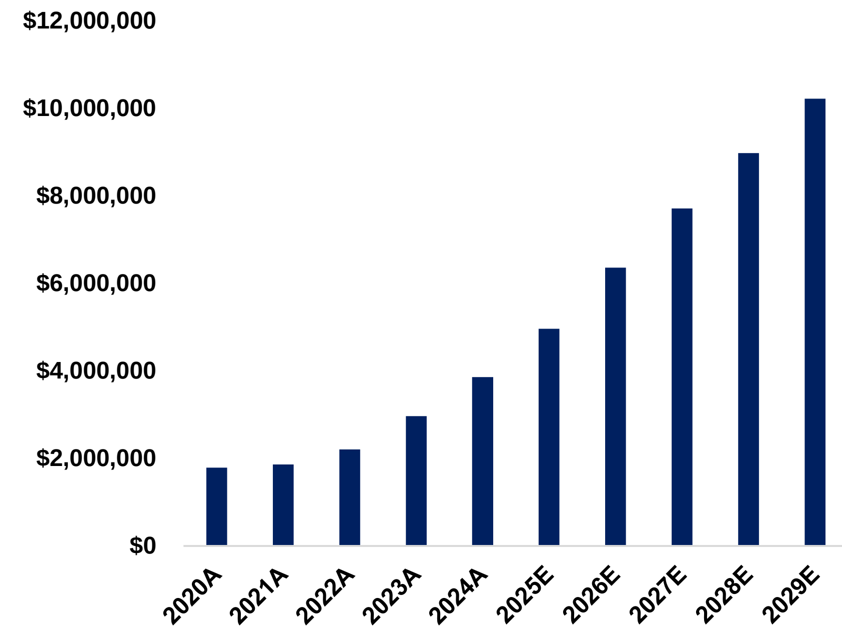

Figure 4: Revenue Projection

Ticker	Market Cap (BN)	EV (BN)	EV/EBITDA	EV/Revenue	P/E
NYSE: TDG	76.30	103.50	22.70x	11.70x	42.20x
NYSE: HON	128.00	N/A	14.70x	N/A	20.00x
NYSE: BA	136.59	164.17	N/A	2.47x	N/A
NYSE: LMT	105.00	124.80	17.20x	1.70x	26.00x
NYSE: GD	99.00	100.00	15.90x	1.92x	22.10x
NYSE: NOC	82.00	95.90	13.70x	2.35x	20.40x
NYSE: AVAV	13.90	14.00	123.00x	12.90x	N/A
NYSE: GE	303.20	290.64	N/A	7.51x	46.20x
NYSE: RTX	227.50	263.18	24.10x	3.26x	47.70x
NYSE: HEI	36.69	36.76	38.80x	10.05x	71.40x
Average			33.04x	5.48x	32.09x
Median			**17.20x**	**2.87x**	**26.00x**
High			123.00x	12.90x	47.70x
Low			13.70x	1.70x	20.00x

Figure 5: Trading Comps

YTD Stock Chart

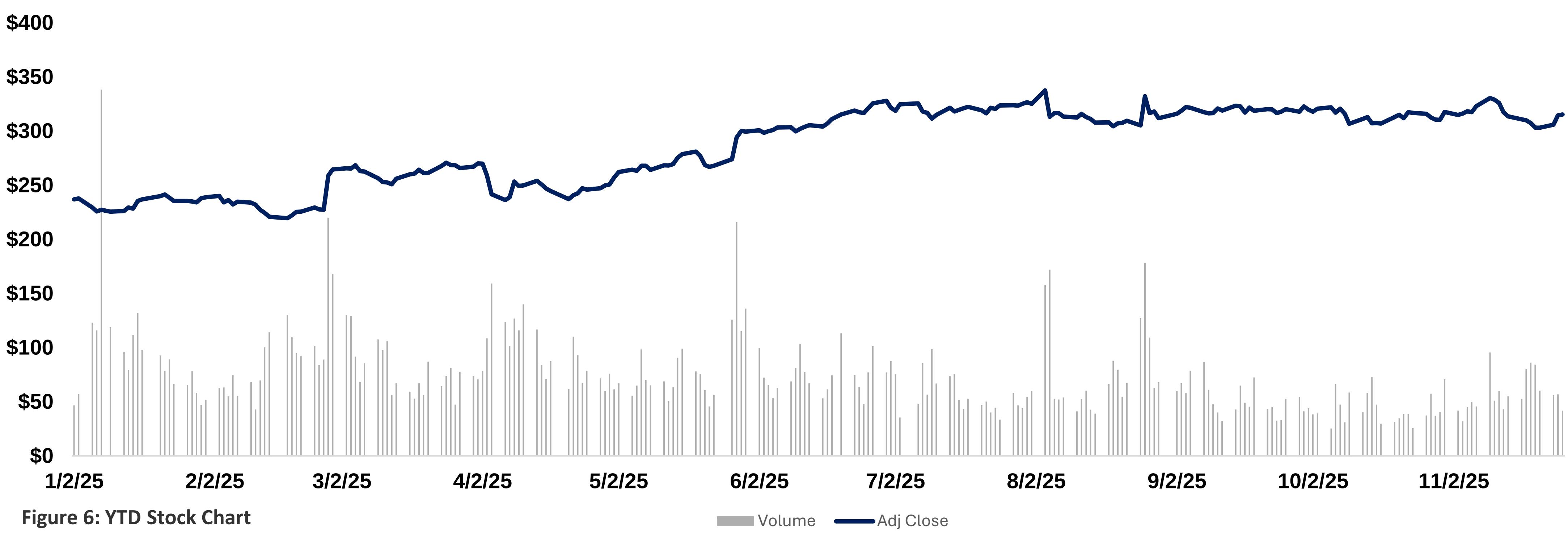

Figure 6: YTD Stock Chart

Risks & Mitigants

Fluctuations in global air travel: A large portion of HEICO's revenue is tied to airlines' maintenance budgets. When passenger demand weakens due to economic or geopolitical conditions airlines typically defer nonessential maintenance and delay component upgrades, which reduces aftermarket parts purchases. This creates revenue volatility for suppliers that rely heavily on commercial aviation cycles.
Mitigant: Diversification across commercial and business aviation, space, and defense electronics, which have different demand drivers.

Competitive pressure from original equipment manufacturers: This remains a persistent structural challenge. Original equipment manufacturers like GE or Honeywell generate a significant share of their business from aftermarket parts, so they use long term service contracts to protect their position, limiting airlines' ability to adopt new equipment manufacturer parts, directly affecting HEICO's growth potential.
Mitigant: HEICO deliberately targets smaller, niche components where original equipment manufacturers have limited economic incentive to keep share. The company's business model centers on efficient manufacturing and an exceptional regulatory approval track record, allowing it to maintain strong credibility with the FAA.

S**upply chain constraints:** These create operational and financial pressures that affect HEICO's delivery performance and cost structure. Aviation components often rely on precision metals, electronics, and more that have long lead times. Shortages in inputs can slow production.
Mitigant: HEICO uses an asset light and decentralized operating model that allows subsidiaries to manage their own supply chains. The company maintains solid inventory levels and creates strong supplier relationships to provide financial flexibility.

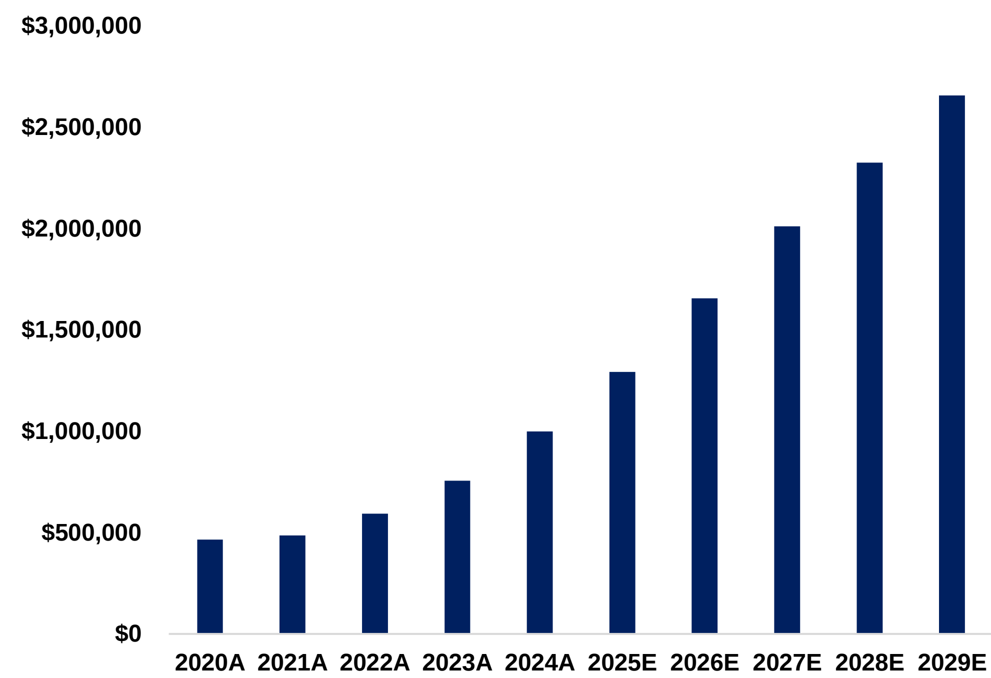

Figure 7: EBITDA Projections

$257.25	5.41%	6.41%	7.41%	8.41%	9.41%
15.20x	$252.23	$241.00	$230.37	$220.32	$210.80
16.20x	$266.97	$255.06	$243.80	$233.14	$223.04
17.20x	$281.72	$269.13	**$257.22**	$245.95	$235.28
18.20x	$296.46	$283.19	$270.64	$258.77	$247.52
19.20x	$311.21	$297.26	$284.07	$271.58	$259.76

Figure 8: Price Sensitivity

Comps/DCF Overview

Our DCF model concludes that HEICO is currently overvalued. We believe the company has solid fundamentals and an attractive business model, making for a good investment at some point, but now isn't the time. Our current valuation is set at $257.25, which presents a downside risk of 18.40%. Price sensitivity indicates that even considering the best-case multiple scenario, its valuation would still not reach its current price. Also, as a quick note, we decided to go with EV/EBITDA industry multiples derived from comparable analysis to determine the terminal value, rather than Perpetuity Growth analysis due to how unpredictable HEICO's revenue growth areas have been. Regardless, with the right entry target, HEICO remains on our radar due to the points laid out in the investment thesis.

A further comps analysis reveals that HEICO is overvalued by every industry metric, further supporting our DCF model. While HEICO does have some structural competitive advantages and high long-term earnings potential, we don't believe these currently outweigh its premium multiple enough to settle on a BUY rating. Therefore, we settled on the middle ground, taking a rating of HOLD.

Revenue Build

Revenue Buildout *USD($) in thousands* Revenue	2020A $1,787,009	2021A $1,865,682	2022A $2,208,322	2023A $2,968,105	2024A $3,857,669	2025E $4,960,585	2026E $6,356,677	2027E $7,714,123	2028E $8,976,258	2029E $10,216,507
Flight Support Group:	$924,812	$927,089	$1,255,212	$1,770,185	$2,639,354	$3,647,220	$4,949,288	$6,257,689	$7,474,962	$8,708,087
Aftermarket replacement parts	525636	535217	694900	1040502	1658431	2321803	3134435	3855355	4433658	5098706
Repair and overhaul parts and services:	193164	208215	264986	366566	593237	860194	1247281	1721247	2237622	2685146
Specialty products	206012	183657	295326	363117	387686	465223	567572	681087	803682	924235
Electronic Technologies Group:	$874,987	$959,170	$972,475	$1,225,222	$1,263,626	$1,382,905	$1,518,458	$1,630,365	$1,776,380	$1,941,337
Electronic component parts for defense, space, and aerospace	679901	709621	672147	918374	1004511	1117776	1263107	1389417	1541061	1715168
Electronic component parts for equipment in various other industries	195086	249549	300328	306848	259115	265129	255352	240947	235319	226169
Intersegment Sales:	($12,790)	($20,577)	($19,365)	($27,302)	($45,311)	($69,541)	($111,069)	($173,930)	($275,083)	($432,917)
Intersegment Sales	(12790)	(20577)	(19365)	(27302)	(45311)	(69541)	(111069)	(173930)	(275083)	(432917)
Disaggregated Revenue Projections										
Flight Support Group:										
Aftermarket replacement parts	525636	535217	694900	1040502	1658431	2321803	3134435	3855355	4433658	5098706
% Growth						**40.00%**	**35.00%**	**23.00%**	**15.00%**	**15.00%**
Bear						35.00%	30.00%	18.00%	10.00%	10.00%
Base	-	1.82%	29.84%	49.73%	59.39%	40.00%	35.00%	23.00%	15.00%	15.00%
Bull						45.00%	40.00%	28.00%	20.00%	20.00%
Repair and overhaul parts and services:	193164	208215	264986	366566	593237	860194	1247281	1721247	2237622	2685146
% Growth						**45.00%**	**45.00%**	**38.00%**	**30.00%**	**20.00%**
Bear						40.00%	35.00%	33.00%	25.00%	15.00%
Base	-	7.79%	27.27%	38.33%	61.84%	45.00%	40.00%	38.00%	30.00%	20.00%
Bull						50.00%	45.00%	43.00%	35.00%	25.00%
Specialty Products	206012	183657	295326	363117	387686	465223	567572	681087	803682	924235
% Growth						**20.00%**	**22.00%**	**20.00%**	**18.00%**	**15.00%**
Bear						15.00%	10.00%	5.00%	5.00%	3.00%
Base	-	-10.85%	60.80%	22.95%	6.77%	20.00%	15.00%	10.00%	10.00%	8.00%
Bull						25.00%	20.00%	15.00%	15.00%	13.00%
Electronic Technologies Group:										
Electronic component parts for defense, space, and aerospace	679901	709621	672147	918374	1004511	1117776	1263107	1389417	1541061	1715168
% Growth						**11.28%**	**13.00%**	**10.00%**	**10.91%**	**11.30%**
Bear						6.28%	8.00%	5.00%	5.91%	6.30%
Base	-	4.37%	-5.28%	36.63%	9.38%	11.28%	13.00%	10.00%	10.91%	11.30%
Bull						16.28%	18.00%	15.00%	15.91%	16.30%
Electronic component parts for equipment in various other industries	195086	249549	300328	306848	259115	265129	255352	240947	235319	226169
% Growth						**2.32%**	**-3.69%**	**-5.64%**	**-2.34%**	**-3.89%**
Bear						-2.68%	-8.69%	-10.64%	-7.34%	-8.89%
Base	-	27.92%	20.35%	2.17%	-15.56%	2.32%	-3.69%	-5.64%	-2.34%	-3.89%
Bull						7.32%	1.31%	-0.64%	2.66%	1.11%
Intersegment Sales:										
Intersegment Sales	(12790)	(20577)	(19365)	(27302)	(45311)	(69541)	(111069)	(173930)	(275083)	(432917)
% Growth						**53.47%**	**59.72%**	**56.60%**	**58.16%**	**57.38%**
Bear						43.47%	49.72%	46.60%	48.16%	47.38%
Base	-	60.88%	-5.89%	40.99%	65.96%	53.47%	59.72%	56.60%	58.16%	57.38%
Bull						63.47%	69.72%	66.60%	68.16%	67.38%

Figure 9: Revenue Build

DCF Model

DCF	2020A	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
EBIT	376648	392900	496844	625339	824455	1062314	1365587	1663736	1919226	2190791
Income Tax Expense	29000	57300	100400	110900	118500	192303	269641	365547	479166	646213
EBIAT	**$347,648**	**$335,600**	**$396,444**	**$514,439**	**$705,955**	**$870,011**	**$1,095,946**	**$1,298,189**	**$1,440,060**	**$1,544,578**
D&A	88561	93019	96333	130043	175331	192276	256380	343109	464464	625206
CapEx		36183	31982	49434	58261	77853	103396	120649	142467	160551
Change in NWC		($281,959)	$89,366	$458,129	$208,441	$449,816	$701,764	$595,968	$519,818	$584,475
UFCF		**$674,395**	**$371,429**	**$136,919**	**$614,584**	**$534,618**	**$547,167**	**$924,681**	**$1,242,238**	**$1,424,758**
NPV FCF		**$674,395**	**$371,429**	**$136,919**	**$614,584**	**$497,749**	**$474,299**	**$746,261**	**$933,406**	**$996,720**

WACC:	**7.41%**

EBITDA	**17.20x**
Terminal Value:	$45,698,464
NPV TV:	**$31,969,332**
NPV FCF:	**$3,648,434**
EV:	**$35,617,766**
(-) Debt:	2225267
(+) Cash:	162103
Equity Value:	**$33,554,602**
Shares Outstanding:	138455
Implied Share Price:	**$257.25**
Current Share Price:	$315.26
Upside(Downside):	**-18.40%**

Figure 10: DCF Model