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

Form 10-Q

☒ **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended October 2, 2021

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 0-7087

ASTRONICS CORPORATION
(Exact name of registrant as specified in its charter)

New York **(State or other jurisdiction of incorporation or organization)**	**16-0959303** **(IRS Employer Identification Number)**
130 Commerce Way, East Aurora, New York **(Address of principal executive offices)**	**14052** **(Zip code)**

(716) 805-1599

(Registrant's telephone number, including area code)

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

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $.01 par value per share	ATRO	NASDAQ Stock Market

NOT APPLICABLE
(Former name, former address and former fiscal year, if changed since last report)

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, 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 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 (Section 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 ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “large accelerated filer”, an “accelerated filer”, a “non-accelerated filer” and a “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☒	Emerging growth company ☐
Non-accelerated filer ☐	Smaller Reporting 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 2, 2021, 31,460,404 shares of common stock were outstanding consisting of 25,083,995 shares of common stock ($.01 par value) and 6,376,409 shares of Class B common stock ($.01 par value).

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Part I – Financial Information

Item 1. Financial Statements

ASTRONICS CORPORATION
Consolidated Condensed Balance Sheets
October 2, 2021 with Comparative Figures for December 31, 2020
(Unaudited)
(In thousands)

	October 2, 2021	December 31, 2020
Current Assets:		
Cash and Cash Equivalents	$ 29,091	$ 40,412
Accounts Receivable, Net of Allowance for Estimated Credit Losses	107,690	93,056
Inventories	157,163	157,059
Prepaid Expenses and Other Current Assets	34,135	26,420
Assets Held for Sale	3,760	—
Total Current Assets	331,839	316,947
Property, Plant and Equipment, Net of Accumulated Depreciation	97,435	106,678
Operating Right-of-Use Assets	17,585	18,953
Other Assets	6,975	8,999
Intangible Assets, Net of Accumulated Amortization	98,190	109,886
Goodwill	58,282	58,282
Total Assets	$ 610,306	$ 619,745
Current Liabilities:		
Accounts Payable	$ 24,456	$ 26,446
Current Operating Lease Liabilities	7,124	4,998
Accrued Expenses and Other Current Liabilities	47,987	37,721
Customer Advance Payments and Deferred Revenue	22,249	24,571
Total Current Liabilities	101,816	93,736
Long-term Debt	183,000	173,000
Long-term Operating Lease Liabilities	13,314	16,637
Other Liabilities	60,516	66,001
Total Liabilities	358,646	349,374
Shareholders' Equity:		
Common Stock	353	347
Accumulated Other Comprehensive Loss	(16,313)	(16,450)
Other Shareholders' Equity	267,620	286,474
Total Shareholders' Equity	251,660	270,371
Total Liabilities and Shareholders' Equity	$ 610,306	$ 619,745

See notes to consolidated condensed financial statements.

ASTRONICS CORPORATION
Consolidated Condensed Statements of Operations
Three and Nine Months Ended October 2, 2021 With Comparative Figures for 2020
(Unaudited)
(In thousands, except per share data)

	Nine Months Ended		Three Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Sales	$ 328,856	$ 387,784	$ 111,841	$ 106,506
Cost of Products Sold	281,957	310,059	94,610	91,333
Gross Profit	46,899	77,725	17,231	15,173
Selling, General and Administrative Expenses	66,829	85,941	21,729	24,170
Impairment Loss	—	87,016	—	—
Loss from Operations	(19,930)	(95,232)	(4,498)	(8,997)
Other Expense, Net of Other Income	1,627	4,546	546	369
Interest Expense, Net of Interest Income	5,252	5,091	1,795	1,775
Loss Before Income Taxes	(26,809)	(104,869)	(6,839)	(11,141)
Provision for (Benefit from) Income Taxes	373	(9,073)	335	(5,887)
Net Loss	$ (27,182)	$ (95,796)	$ (7,174)	$ (5,254)
Loss Per Share:				
Basic	$ (0.88)	$ (3.11)	$ (0.23)	$ (0.17)
Diluted	$ (0.88)	$ (3.11)	$ (0.23)	$ (0.17)

See notes to consolidated condensed financial statements.

ASTRONICS CORPORATION
Consolidated Condensed Statements of Comprehensive (Loss) Income
Three and Nine Months Ended October 2, 2021 With Comparative Figures for 2020
(Unaudited)
(In thousands)

	Nine Months Ended		Three Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Net Loss	$ (27,182)	$ (95,796)	$ (7,174)	$ (5,254)
Other Comprehensive Income (Loss):				
Foreign Currency Translation Adjustments	(1,165)	(85)	(1,143)	1,409
Retirement Liability Adjustment – Net of Tax	1,302	645	434	215
Total Other Comprehensive Income (Loss)	137	560	(709)	1,624
Comprehensive Loss	$ (27,045)	$ (95,236)	$ (7,883)	$ (3,630)

See notes to consolidated condensed financial statements.

ASTRONICS CORPORATION

Consolidated Condensed Statements of Cash Flows

Nine Months Ended October 2, 2021 With Comparative Figures for 2020

(Unaudited, In thousands)	Nine Months Ended	
Cash Flows from Operating Activities:	October 2, 2021	September 26, 2020
Net Loss	$ (27,182)	$ (95,796)
Adjustments to Reconcile Net Loss to Cash Flows from Operating Activities:		
Depreciation and Amortization	21,950	24,095
Provisions for Non-Cash Losses on Inventory and Receivables	2,750	4,535
Equity-based Compensation Expense	5,147	3,924
Deferred Tax (Benefit) Expense	(145)	1,127
Non-cash Severance Expense	182	3,007
Operating Lease Non-Cash Expense	3,783	3,352
Equity Investment Other Than Temporary Impairment	—	3,493
Impairment Loss	—	87,016
Contingent Consideration Liability Fair Value Adjustment	(2,200)	—
Other	3,010	6,622
Cash Flows from Changes in Operating Assets and Liabilities:		
Accounts Receivable	(15,027)	53,604
Inventories	(3,255)	(19,807)
Accounts Payable	(1,883)	(9,589)
Accrued Expenses	1,733	(11,340)
Other Current Assets and Liabilities	(666)	(224)
Customer Advance Payments and Deferred Revenue	(2,215)	(6,474)
Income Taxes	217	(12,316)
Operating Lease Liabilities	(4,395)	(3,412)
Supplemental Retirement and Other Liabilities	(304)	(304)
Cash Flows from Operating Activities	(18,500)	31,513
Cash Flows from Investing Activities:		
Capital Expenditures	(4,639)	(5,575)
Proceeds on Sale of Assets	30	1,600
Cash Flows from Investing Activities	(4,609)	(3,975)
Cash Flows from Financing Activities:		
Proceeds from Long-term Debt	20,000	150,000
Payments for Long-term Debt	(10,000)	(170,000)
Purchase of Outstanding Shares for Treasury	—	(7,732)
Financing Fees	—	(360)
Stock Options Activity	3,187	33
Finance Lease Principal Payments	(878)	(1,425)
Cash Flows from Financing Activities	12,309	(29,484)
Effect of Exchange Rates on Cash	(521)	(63)
Decrease in Cash and Cash Equivalents	(11,321)	(2,009)
Cash and Cash Equivalents at Beginning of Period	40,412	31,906
Cash and Cash Equivalents at End of Period	$ 29,091	$ 29,897

See notes to consolidated condensed financial statements.

ASTRONICS CORPORATION

Consolidated Condensed Statements of Shareholders' Equity

Three and Nine Months Ended October 2, 2021 With Comparative Figures for 2020

(Unaudited)

(In thousands)

	Nine Months Ended		Three Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Common Stock				
Beginning of Period	$ 278	$ 269	$ 283	$ 274
Net Exercise of Stock Options	6	—	6	—
Class B Stock Converted to Common Stock	5	8	—	3
End of Period	289	277	289	277
Convertible Class B Stock				
Beginning of Period	69	76	64	72
Net Exercise of Stock Options	—	1	—	—
Class B Stock Converted to Common Stock	(5)	(8)	—	(3)
End of Period	64	69	64	69
Additional Paid in Capital				
Beginning of Period	82,187	76,340	85,829	79,179
Net Exercise of Stock Options and Equity-based Compensation Expense	8,328	3,956	4,686	1,117
End of Period	90,515	80,296	90,515	80,296
Accumulated Comprehensive Loss				
Beginning of Period	(16,450)	(15,628)	(15,604)	(16,692)
Foreign Currency Translation Adjustments	(1,165)	(85)	(1,143)	1,409
Retirement Liability Adjustment – Net of Taxes	1,302	645	434	215
End of Period	(16,313)	(15,068)	(16,313)	(15,068)
Retained Earnings				
Beginning of Period	312,803	428,584	292,795	338,042
Net Loss	(27,182)	(95,796)	(7,174)	(5,254)
End of Period	285,621	332,788	285,621	332,788
Treasury Stock				
Beginning of Period	(108,516)	(100,784)	(108,516)	(108,516)
Purchase of Shares	—	(7,732)	—	—
End of Period	(108,516)	(108,516)	(108,516)	(108,516)
Total Shareholders’ Equity	$ 251,660	$ 289,846	$ 251,660	$ 289,846

See notes to consolidated condensed financial statements.

ASTRONICS CORPORATION
Consolidated Condensed Statements of Shareholders' Equity, Continued
Three and Nine Months Ended October 2, 2021 With Comparative Figures for 2020
(Unaudited)
(In thousands)

	Nine Months Ended		Three Months Ended	
(Shares)	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Common Stock				
Beginning of Period	27,825	26,874	28,315	27,355
Net Issuance from Exercise of Stock Options	554	69	534	44
Class B Stock Converted to Common Stock	512	790	42	334
End of Period	28,891	27,733	28,891	27,733
Convertible Class B Stock				
Beginning of Period	6,877	7,650	6,420	7,209
Net Issuance from Exercise of Stock Options	13	16	—	1
Class B Stock Converted to Common Stock	(512)	(790)	(42)	(334)
End of Period	6,378	6,876	6,378	6,876
Treasury Stock				
Beginning of Period	3,808	3,526	3,808	3,808
Purchase of Shares	—	282	—	—
End of Period	3,808	3,808	3,808	3,808

See notes to consolidated condensed financial statements.

ASTRONICS CORPORATION
Notes to Consolidated Condensed Financial Statements
October 2, 2021
(Unaudited)

1) Basis of Presentation

The accompanying unaudited statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation have been included.

Operating Results

The results of operations for any interim period are not necessarily indicative of results for the full year. In addition, the COVID-19 pandemic has increased the volatility we experience in our financial results in recent periods and this could continue in future interim and annual periods. Operating results for the nine months ended October 2, 2021 are not necessarily indicative of the results that may be expected for the year ending December 31, 2021.

The balance sheet at December 31, 2020 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by U.S. generally accepted accounting principles ("GAAP") for complete financial statements.

For further information, refer to the financial statements and footnotes thereto included in Astronics Corporation's 2020 annual report on Form 10-K.

Description of the Business

Astronics Corporation ("Astronics" or the "Company") is a leading provider of advanced technologies to the global aerospace, defense and electronics industries. Our products and services include advanced, high-performance electrical power generation, distribution and motion systems, lighting and safety systems, avionics products, systems and certification, aircraft structures and automated test systems.

We have principal operations in the United States ("U.S."), Canada, France and England, as well as engineering offices in the Ukraine and India.

On February 13, 2019, the Company completed a divestiture of its semiconductor test business within the Test Systems segment. The transaction includedtwo elements of contingent earnouts. The First Earnout is calculated based on a multiple of all future sales of existing and certain future derivative products to existing and future customers in each annual period from 2019 through 2022. The First Earnout may not exceed $35.0 million in total. The Second Earnout is calculated based on a multiple of future sales related to an existing product and program with an existing customer exceeding an annual threshold for each annual period from 2019 through 2022. The Second Earnout is not capped. For the Second Earnout, if the applicable sales in an annual period do not exceed the annual threshold, no amounts will be paid relative to such annual period; the sales in such annual period do not carry over to the next annual period. Due to the degree of uncertainty associated with estimating the future sales levels of the divested business and its underlying programs, and the lack of reliable predictive market information, the Company will recognize such earnout proceeds, if received, as additional gain on sale when such proceeds are realized or realizable.

In February 2021, the Company was notified by the buyer that they have calculated $10.7 million as being payable to the Company under the contingent earnouts related to the year ended December 31, 2020. In April 2021, the buyer provided a revised calculation, indicating, rather, that $7.1 million is payable to the Company for the 2020 earnout. The Company and the buyer are currently reviewing the calculations and underlying data and are engaged in negotiations. The Company expects to record the additional gain when that review is complete and agreement is reached. The timing and amount of any amount realized is uncertain and subject to risks and uncertainties as we continue the review and negotiation process.

Impact of the COVID-19 Pandemic

In December 2019, a novel strain of coronavirus ("COVID-19") surfaced in Wuhan, China, and has since spread to other countries, including the United States. On March 11, 2020, the World Health Organization classified the COVID-19 outbreak as a pandemic. The COVID-19 pandemic had a sudden and significant impact on the global economy, and particularly in the aerospace industry, resulting in the grounding of the majority of the global commercial transportation fleet and significant cost cutting and cash preservation actions by the global airlines. This in turn has resulted in a significant reduction in airlines spending for both new aircraft and on upgrading their existing fleet with the Company's products. This low level of investment by the airlines has continued into 2021, and while the industry is seeing some improvement on rising vaccination rates and easing travel restrictions, the ultimate impact of COVID-19 on our business results of operations, financial condition and cash flows is dependent on future developments, including the duration of the pandemic, vaccination rates and efficacy and the related length of impact on the global economy and the aerospace industry, which are uncertain and cannot be predicted at this time.

In response to the global COVID-19 pandemic, we took immediate and aggressive action early in 2020 to minimize the spread of COVID-19 in our workplaces and reduce costs. Since the early days of the pandemic, we have been following guidance from the World Health Organization and the U.S. Center for Disease Control to protect employees and prevent the spread of the virus within all of our facilities globally. Some of the actions implemented include: social distancing; appropriate personal protective equipment; facility deep cleaning; flexible work-from-home scheduling; pre-shift temperature screenings, where allowed by law; and restrictions on facility visitors and unnecessary travel. Material actions to reduce costs included: (1) reducing our workforce to align operations with customer demand; (2) suspension of certain benefit programs; and (3) delaying non-essential capital projects and minimizing discretionary spending. At the same time, we addressed the ongoing needs of our business to continue to serve our customers. In addition to these measures, we amended our revolving credit facility in May 2020, as further described in Note 7. We are also monitoring the impacts of COVID-19 on the fair value of assets. Refer to Note 6 for a discussion of goodwill impairment charges recorded in 2020. Should future changes in sales, earnings and cash flows differ significantly from our expectations, long-lived assets to be held and used and goodwill could become impaired in the future.

The Company qualified for government subsidies from the Canadian and French governments as a result of the COVID-19 pandemic's impact on our foreign operations. The Canadian and French subsidies are income-based grants intended to reimburse the Company for certain employee wages. The grants are recognized as income over the periods in which the Company recognizes as expenses the costs the grants are intended to defray.

In September 2021 the Company also entered into an agreement with the U.S. Department of Transportation ("USDOT") under the Aviation Manufacturing Jobs Protection Program ("AMJP") for a grant of up to $14.7 million. The Company received the first installment of $7.3 million under the grant in September 2021. The remaining balance due to be received of $7.4 million has been classified within Prepaid Expenses and Other Current Assets on the Consolidated Condensed Balance Sheets as of October 2, 2021. The Company expects to receive a second installment in the range of $5 million to $6 million during the fourth quarter of 2021 and a final installment in the second or third quarter of 2022 upon final confirmation from the USDOT of the Company meeting its grant commitments. The receipt of the full award is primarily conditioned upon the Company committing to not furlough or lay off a defined group of employees during the six-month period of performance between September 2021 and March 2022. The grant benefit will be recognized over the six-month performance period as a reduction to Cost of Products Sold in proportion to the compensation expense that the award is intended to defray. During the quarter ended October 2, 2021, the Company recognized $1.1 million of the award. The unearned portion of the AMJP award of $13.6 million has been reported within Accrued Expenses and Other Current Liabilities in the Consolidated Balance Sheet at October 2, 2021.

The following table presents the COVID-19 related government assistance, including AMJP, recorded during the three and nine months ended October 2, 2021:

	Nine Months Ended		Three Months Ended	
(In thousands)	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Cost of Products Sold	$ 3,185	$ 1,457	$ 1,706	$ 906
Selling, General and Administrative Expenses	190	176	43	75
Total	$ 3,375	$ 1,633	$ 1,749	$ 981

Trade Accounts Receivable and Contract Assets

The allowance for estimated credit losses is based on the Company's assessment of the collectability of customer accounts. The Company regularly reviews the allowance by considering factors such as the age of the receivable balances, historical experience, credit quality, current economic conditions, and reasonable and supportable forecasts of future economic conditions that may affect a customer's ability to pay. The allowance for estimated credit losses balance was $3.3 million and $3.2 million at October 2, 2021 and December 31, 2020, respectively. The Company's bad debt expense was insignificant during the three and nine months ended October 2, 2021, and insignificant and $1.7 million in the three and nine months ended September 26, 2020, respectively. Total writeoffs charged against the allowance were insignificant in the three and nine months ended October 2, 2021, and $1.1 million and $1.2 million in the three and nine months ended September 26, 2020. Total recoveries were insignificant in both the three and nine months ended October 2, 2021 and September 26, 2020.

The Company's exposure to credit losses may increase if its customers are adversely affected by global economic recessions, disruption associated with the current COVID-19 pandemic, industry conditions, or other customer-specific factors. Although the Company has historically not experienced significant credit losses, it is possible that there could be a material adverse impact from potential adjustments of the carrying amount of trade receivables and contract assets as airlines and other aerospace companies' cash flows are impacted by the COVID-19 pandemic.

Assets of Business Held for Sale

Assets held for sale are to be reported at lower of its carrying amount or fair value less cost to sell. Judgment is required in estimating the sales price of assets held for sale and the time required to sell the assets. These estimates are based upon available market data and operating cash flows of the assets held for sale.

As of October 2, 2021, the Company has agreed to sell one of its facilities within the Aerospace segment as a result of consolidating certain facilities. Accordingly, the property, plant and equipment assets associated with this facility of $3.8 million have been classified as held for sale in the Consolidated Condensed Balance Sheets at October 2, 2021. The facility was sold subsequent to quarter-end. See note 19 for further information.

Cost of Products Sold, Engineering and Development, Interest, and Selling, General and Administrative Expenses

Cost of products sold includes the costs to manufacture products such as direct materials and labor and manufacturing overhead as well as all engineering and development costs. The Company is engaged in a variety of engineering and design activities as well as basic research and development activities directed to the substantial improvement or new application of the Company's existing technologies. These costs are expensed when incurred and included in cost of products sold. Research and development, design and related engineering amounted to $21.8 million and $16.4 million for the three months ended and $64.7 million and $65.0 million for the nine months ended October 2, 2021 and September 26, 2020, respectively. Selling, general and administrative expenses include costs primarily related to our sales and marketing departments and administrative departments. Interest expense is shown net of interest income. Interest income was insignificant for the three and nine months ended October 2, 2021 and September 26, 2020.

Goodwill Impairment

The Company tests goodwill at the reporting unit level on an annual basis or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

As a result of the qualitative factors related to the COVID-19 pandemic, as discussed above, we performed interim quantitative assessments for the reporting units which had goodwill as of March 28, 2020, and an additional assessment of our PECO reporting unit as of June 27, 2020. Based on our quantitative assessments, the Company recorded goodwill impairment charges associated with four Aerospace reporting units, totaling $86.3 million within the Impairment Loss line in the Consolidated Condensed Statements of Operations in the nine months ended September 26, 2020.

As of October 2, 2021, the Company concluded that no indicators of impairment relating to intangible assets or goodwill existed and an interim test was not performed in the three or nine months then ended.

For additional information regarding the quantitative test and the related goodwill impairment see Note 6.

Valuation of Long-Lived Assets

Long-lived assets are evaluated for recoverability whenever adverse effects or changes in circumstances indicate that the carrying value may not be recoverable. The recoverability test consists of comparing the undiscounted projected cash flows with the carrying amount. Should the carrying amount exceed undiscounted projected cash flows, an impairment loss would be recognized to the extent the carrying amount exceeds fair value. In conjunction with the deteriorating economic conditions associated with the COVID-19 pandemic, we recorded an impairment charge to right-of-use ("ROU") assets of approximately $0.7 million incurred in one reporting unit in the Aerospace segment within the Impairment Loss line in the Consolidated Condensed Statements of Operations in the nine months ended September 26, 2020. As of October 2, 2021 and for the three and nine month periods then ended, the Company concluded that no indicators of additional impairment relating to long-lived assets existed.

Foreign Currency Translation

The aggregate foreign currency transaction gain or loss included in operations was insignificant for the three and nine months ended October 2, 2021 and September 26, 2020.

Newly Adopted and Recent Accounting Pronouncements

Recent Accounting Pronouncements Adopted

Standard	Description	Financial Statement Effect or Other Significant Matters
ASU No. 2018-14 Compensation—Retirement Benefits—Defined Benefit Plans —General (Subtopic 715-20)	The standard includes updates to the disclosure requirements for defined benefit plans including several additions, deletions and modifications to the disclosure requirements. The provisions of this ASU are effective for years beginning after December 15, 2020, with early adoption permitted.	This ASU did not have a significant impact on our consolidated financial statements, as it only includes changes to disclosure requirements. **Date of adoption:** Q1 2021
ASU No. 2019-12 Income Taxes (Topic 740), Simplifying the Accounting for Income Taxes	The amendments in this update simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740 and improve consistent application by clarifying and amending existing guidance. The amendments of this standard are effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. Early adoption is permitted, including adoption in any interim period for which financial statements have not been issued, with the amendments to be applied on a respective, modified retrospective or prospective basis, depending on the specific amendment.	This ASU simplifies the accounting for income taxes by, among other things, eliminating certain existing exceptions related to the general approach in ASC 740 relating to franchise taxes, reducing complexity in the interim-period accounting for year-to-date loss limitations and changes in tax laws, and clarifying the accounting for transactions outside of business combination that result in a step-up in the tax basis of goodwill. As we do not have any significant activity associated with these items, this ASU did not have a material impact on consolidated results or operations and financial condition. **Date of adoption:** Q1 2021

Recent Accounting Pronouncements Not Yet Adopted

Standard	Description	Financial Statement Effect or Other Significant Matters
ASU No. 2020-04 Reference Rate Reform (Topic 848), Facilitation of the Effects of Reference Rate Reform on Financial Reporting	The amendments in Update 2020-04 are elective and apply to all entities that have contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform. The new guidance provides the following optional expedients: simplify accounting analyses under current U.S. GAAP for contract modifications, simplify the assessment of hedge effectiveness, allow hedging relationships affected by reference rate reform to continue and allow a one-time election to sell or transfer debt securities classified as held to maturity that reference a rate affected by reference rate reform.	The amendments are effective for all entities from the beginning of an interim period that includes the issuance date of the ASU. An entity may elect to apply the amendments prospectively through December 31, 2022. The administrator of LIBOR has announced it will consult on its intention to cease the publication of the one week and two month USD LIBOR settings immediately following the LIBOR publication on December 31, 2021, and the remaining USD LIBOR settings immediately following the LIBOR publication on June 30, 2023. Extending the publication of certain USD LIBOR tenors until June 30, 2023 would allow most legacy USD LIBOR contracts to mature before LIBOR experiences disruptions. The Company is currently evaluating the impact of adopting this guidance. **Planned date of adoption:** Before December 31, 2022

We consider the applicability and impact of all ASUs. ASUs not listed above were assessed and determined to be either not applicable, or had or are expected to have minimal impact on our financial statements and related disclosures.

2) Revenue

Revenue is recognized when, or as, the Company transfers control of promised products or services to a customer in an amount that reflects the consideration the Company expects to be entitled in exchange for transferring those products or services. Sales shown on the Company's Consolidated Condensed Statements of Operations are from contracts with customers.

Payment terms and conditions vary by contract, although terms generally include a requirement of payment within a range from 30 to 90 days after the performance obligation has been satisfied; or in certain cases, up-front deposits. In circumstances where the timing of revenue recognition differs from the timing of invoicing, the Company has determined that the Company's contracts generally do not include a significant financing component. Taxes collected from customers, which are subsequently remitted to governmental authorities, are excluded from sales.

The Company recognizes an asset for the incremental, material costs of obtaining a contract with a customer if the Company expects the benefit of those costs to be longer than one year and the costs are expected to be recovered. These incremental costs include, but are not limited to, sales commissions incurred to obtain a contract with a customer. As of October 2, 2021, the Company does not have material incremental costs on any open contracts with an original expected duration of greater than one year.

The Company recognizes an asset for certain, material costs to fulfill a contract if it is determined that the costs relate directly to a contract or an anticipated contract that can be specifically identified, generate or enhance resources that will be used in satisfying performance obligations in the future, and are expected to be recovered. Such costs are amortized on a systematic basis that is consistent with the transfer to the customer of the goods to which the asset relates. Start-up costs are expensed as incurred. Capitalized fulfillment costs are included in Inventories in the accompanying Consolidated Condensed Balance Sheets. Should future orders not materialize or it is determined the costs are no longer probable of recovery, the capitalized costs are written off. As of October 2, 2021, the Company does not have material capitalized fulfillment costs.

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the unit of account. The majority of our contracts have a single performance obligation as the promise to transfer the individual goods or services is not separately identifiable from other promises in the contracts which are, therefore, not distinct. Thus, the contract's transaction price is the revenue recognized when or as that performance obligation is satisfied. Promised goods or services that are immaterial in the context of the contract are not separately assessed as performance obligations.

Some of our contracts have multiple performance obligations, most commonly due to the contract covering multiple phases of the product lifecycle (development, production, maintenance and support). For contracts with multiple performance obligations, the contract’s transaction price is allocated to each performance obligation using our best estimate of the standalone selling price of each distinct good or service in the contract. The primary method used to estimate standalone selling price is the expected cost plus margin approach, under which expected costs are forecast to satisfy a performance obligation and then an appropriate margin is added for that distinct good or service. Shipping and handling activities that occur after the customer has obtained control of the good are considered fulfillment activities, not performance obligations.

Some of our contracts offer price discounts or free units after a specified volume has been purchased. The Company evaluates these options to determine whether they provide a material right to the customer, representing a separate performance obligation. If the option provides a material right to the customer, revenue is allocated to these rights and recognized when those future goods or services are transferred, or when the option expires.

Contract modifications are routine in the performance of our contracts. Contracts are often modified to account for changes in contract specifications or requirements. In most instances, contract modifications are for goods or services that are distinct, and, therefore, are accounted for as new contracts. The effect of modifications has been reflected when identifying the satisfied and unsatisfied performance obligations, determining the transaction price and allocating the transaction price.

The majority of the Company’s revenue from contracts with customers is recognized at a point in time, when the customer obtains control of the promised product, which is generally upon delivery and acceptance by the customer. These contracts may provide credits or incentives, which may be accounted for as variable consideration. Variable consideration is estimated at the most likely amount to predict the consideration to which the Company will be entitled, and only to the extent it is probable that a subsequent change in estimate will not result in a significant revenue reversal when estimating the amount of revenue to recognize. Variable consideration is treated as a change to the sales transaction price and based on an assessment of all information (i.e., historical, current and forecasted) that is reasonably available to the Company, and estimated at contract inception and updated at the end of each reporting period as additional information becomes available. Most of our contracts do not contain rights to return product; where this right does exist, it is evaluated as possible variable consideration.

For contracts that are subject to the requirement to accrue anticipated losses, the Company recognizes the entire anticipated loss in the period that the loss becomes probable.

For contracts with customers in which the Company promises to provide a product to the customer that has no alternative use to the Company and the Company has enforceable rights to payment for progress completed to date inclusive of profit, the Company satisfies the performance obligation and recognizes revenue over time, using costs incurred to date relative to total estimated costs at completion to measure progress toward satisfying our performance obligations. Incurred cost represents work performed, which corresponds with, and thereby best depicts, the transfer of control to the customer. Contract costs include labor, material and overhead.

The Company also recognizes revenue from service contracts (including service-type warranties) over time. The Company recognizes revenue over time during the term of the agreement as the customer is simultaneously receiving and consuming the benefits provided throughout the Company's performance. The Company typically recognizes revenue on a straight-line basis throughout the contract period.

On October 2, 2021, we had $354.4 million of remaining performance obligations, which we refer to as total backlog. We expect to recognize approximately $113.3 million of our remaining performance obligations as revenue in the remainder of 2021.

Costs in excess of billings includes unbilled amounts resulting from revenues under contracts with customers that are satisfied over time and when the cost-to-cost measurement method of revenue recognition is utilized and revenue recognized exceeds the amount billed to the customer, and right to payment is not just subject to the passage of time. Amounts may not exceed their net realizable value. Costs in excess of billings are classified as current assets, within Accounts Receivable, Net of Allowance for Estimated Credit Losses on our Consolidated Condensed Balance Sheets.

Billings in excess of cost includes billings in excess of revenue recognized as well as other elements of deferred revenue, which includes advanced payments, up-front payments, and progress billing payments. Billings in excess of cost are reported in our Consolidated Condensed Balance Sheets, classified as current liabilities, within Customer Advance Payments and Deferred Revenue, and non-current liabilities, within Other Liabilities. To determine the revenue recognized in the period from the beginning balance of billings in excess of cost, the contract liability as of the beginning of the period is recognized as revenue on a contract-by-contract basis when the Company satisfies the performance obligation related to the individual contract. Once the beginning contract liability balance for an individual contract has been fully recognized as revenue, any additional payments received in the period are recognized as revenue once the related costs have been incurred.

We recognized $6.5 million and $8.5 million during the three months ended and $15.1 million and $20.1 million during the nine months ended October 2, 2021 and September 26, 2020, respectively, in revenues that were included in the contract liability balance at the beginning of the period.

The Company's contract assets and contract liabilities consist primarily of costs and profits in excess of billings and billings in excess of cost and profits, respectively.The following table presents the beginning and ending balances of contract assets and contract liabilities during the nine months ended October 2, 2021:

(In thousands)	Contract Assets	Contract Liabilities
Beginning Balance, January 1, 2021	$ 17,697	$ 28,641
Ending Balance, October 2, 2021	$ 23,381	$ 26,516

The following table presents our revenue disaggregated by Market Segments as follows:

	Nine Months Ended		Three Months Ended	
(In thousands)	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Aerospace Segment				
Commercial Transport	$ 143,550	$ 214,390	$ 57,549	$ 44,067
Military	54,847	50,329	17,064	18,164
Business Jet	41,131	45,259	12,109	14,711
Other	26,874	16,213	9,044	5,606
Aerospace Total	266,402	326,191	95,766	82,548
Test Systems Segment				
Semiconductor	—	3,407	—	585
Aerospace & Defense	62,454	58,186	16,075	23,373
Test Systems Total	62,454	61,593	16,075	23,958
Total	$ 328,856	$ 387,784	$ 111,841	$ 106,506

The following table presents our revenue disaggregated by Product Lines as follows:

	Nine Months Ended		Three Months Ended	
(In thousands)	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Aerospace Segment				
Electrical Power & Motion	$ 102,742	$ 148,500	$ 38,650	$ 32,481
Lighting & Safety	76,929	90,973	25,461	25,320
Avionics	47,355	57,381	14,491	16,104
Systems Certification	7,937	5,596	6,099	605
Structures	4,565	7,528	2,021	2,432
Other	26,874	16,213	9,044	5,606
Aerospace Total	266,402	326,191	95,766	82,548
Test Systems	62,454	61,593	16,075	23,958
Total	$ 328,856	$ 387,784	$ 111,841	$ 106,506

3) Inventories

Inventories consisted of the following:

(In thousands)	October 2, 2021	December 31, 2020
Finished Goods	$ 24,868	$ 26,964
Work in Progress	25,761	21,987
Raw Material	106,534	108,108
	$ 157,163	$ 157,059

The Company has evaluated the carrying value of existing inventories and believe they are properly reflected at their lower of carrying value or net realizable value. Future changes in demand or other market developments could result in future inventory charges. The Company is actively managing inventories and aligning them to meet known current and future demand.

4) Property, Plant and Equipment

Property, Plant and Equipment consisted of the following:

(In thousands)	October 2, 2021	December 31, 2020
Land	$ 8,654	$ 9,891
Buildings and Improvements	70,673	75,493
Machinery and Equipment	123,049	119,444
Construction in Progress	5,807	5,843
	208,183	210,671
Less Accumulated Depreciation	110,748	103,993
	$ 97,435	$ 106,678

Additionally, net Property, Plant and Equipment of $3.8 million is classified in Assets Held for Sale at October 2, 2021.

5) Intangible Assets

The following table summarizes acquired intangible assets as follows:

(In thousands)	Weighted Average Life	October 2, 2021 Gross Carrying Amount	October 2, 2021 Accumulated Amortization	December 31, 2020 Gross Carrying Amount	December 31, 2020 Accumulated Amortization
Patents	11 years	$ 2,146	$ 1,957	$ 2,146	$ 1,891
Non-compete Agreement	4 years	11,082	10,465	11,082	10,085
Trade Names	10 years	11,465	8,278	11,512	7,537
Completed and Unpatented Technology	9 years	47,962	29,285	48,043	25,766
Customer Relationships	15 years	142,330	66,810	142,478	60,096
Total Intangible Assets	12 years	$ 214,985	$ 116,795	$ 215,261	$ 105,375

All acquired intangible assets other than goodwill and one trade name are being amortized. Amortization expense for acquired intangibles is summarized as follows:

	Nine Months Ended		Three Months Ended	
(In thousands)	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Amortization Expense	$ 11,565	$ 13,024	$ 3,853	$ 4,382

Amortization expense for acquired intangible assets expected for 2021 and for each of the next five years is summarized as follows:

(In thousands)	
2021	$ 15,382
2022	$ 14,911
2023	$ 13,878
2024	$ 12,856
2025	$ 10,935
2026	$ 9,533

6) Goodwill

The following table summarizes the changes in the carrying amount of goodwill for the nine months ended October 2, 2021:

(In thousands)	December 31, 2020	Foreign Currency Translation	October 2, 2021
Aerospace	$ 36,648	$ —	$ 36,648
Test Systems	21,634	—	21,634
	$ 58,282	$ —	$ 58,282

The Company tests goodwill at the reporting unit level on an annual basis or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

Beginning in the first quarter of 2020, the COVID-19 pandemic negatively impacted the global economy and aerospace industry. Management considered these qualitative factors and the impact to each reporting unit's revenue and earnings, and determined that it was more likely than not that the fair value of several reporting units was less than its carrying value. Therefore, we performed a quantitative test for all eight reporting units with goodwill as of March 28, 2020. We determined that the estimated fair value of four of the eight reporting units was less than their respective carrying values.

During the second quarter of 2020, further commercial aircraft order reductions, delays and cancellations at a major customer of our PECO reporting unit resulted in revisions to PECO's forecast. We therefore performed a quantitative test for the PECO reporting unit as of June 27, 2020 and we determined that the estimated fair value was less than the respective carrying value.

Based on our quantitative assessments, the Company recorded non-cash goodwill impairment charges associated withfour Aerospace reporting units, totaling $86.3 million within the Impairment Loss line in the Consolidated Condensed Statements of Operations in the nine months ended September 26, 2020.

As of October 2, 2021, the Company concluded that no indicators of additional impairment relating to intangible assets or goodwill existed and an interim test was not performed in the three or nine months then ended.

7) Long-term Debt and Notes Payable

The Company's Fifth Amended and Restated Credit Agreement (the "Agreement") provided for a $500 million revolving credit line with the option to increase the line by up to $150 million. The maturity date of the loans under the Agreement is February 16, 2023. The maximum leverage ratio of funded debt, net of cash to Adjusted EBITDA (as defined in the Agreement) was 3.75 to 1, increasing to 4.50 to 1 for up to four fiscal quarters following the closing of an acquisition permitted under the Agreement, subject to limitations. The Company paid interest on the unpaid principal amount of the facility at a rate equal to one-, three- or six-month LIBOR plus between 1.00% and 1.50% based upon the Company's leverage ratio. The Company also paid a commitment fee to the lenders in an amount equal to between 0.10% and 0.20% on the undrawn portion of the credit facility, based upon the Company's leverage ratio.

In May 2020, the Company executed an amendment to the Agreement (the "Amended Facility"), which reduced the revolving credit line from $500 million to $375 million. The Amended Facility suspended the application of the leverage ratio up through and including the second quarter of 2021 (the "suspension period"). The maximum net leverage ratio is set at 6.00 to 1 for the third quarter of 2021, 5.50 to 1 for the fourth quarter of 2021, 4.50 to 1 for the first quarter of 2022, and returns to 3.75 to 1 for each quarter thereafter.

At October 2, 2021, there was $183.0 million outstanding on the revolving credit facility and there remained $190.9 million available subject to the minimum liquidity covenant discussed below, net of outstanding letters of credit. The credit facility allocates up to $20 million of the $375 million revolving credit line for the issuance of letters of credit, including certain existing letters of credit. At October 2, 2021, outstanding letters of credit totaled $1.1 million.

Through the third quarter of 2021, the Amended Facility required the Company to maintain minimum liquidity, defined as unrestricted cash plus the unused revolving credit commitments, of $180 million at all times. Through the second quarter of 2021, the Company was required to maintain a minimum interest coverage ratio of 1.75x on a quarterly basis, except for the first quarter of 2021, which was set at 1.50x. As noted above, the maximum net leverage ratio was set at 6.00 to 1 for the quarter ended October 2, 2021. The Company was in compliance with its financial covenants at October 2, 2021. During the suspension period, the Company paid interest on the unpaid principal amount of the Amended Facility at a rate equal to one-, three- or six-month LIBOR (which shall be at least 1.00%) plus 2.25%. The Company paid a commitment fee to the lenders in an amount equal to 0.35% on the undrawn portion of the Amended Facility. After the suspension period, the Company pays interest on the unpaid principal amount of the Amended Facility at a rate equal to one-, three- or six-month LIBOR (which shall be at least 1.00%) plus between 1.00% to 2.25% based upon the Company's leverage ratio. The Company also pays a commitment fee to the lenders in an amount equal to 0.10% to 0.35% on the undrawn portion of the Amended Facility, based upon the Company's leverage ratio. The Amended Facility provided for the payment of a consent fee of 15 basis points of the commitment for each consenting lender. The Amended Facility also temporarily restricts certain activities, including acquisitions and share repurchases, through the second quarter of 2022.

The Company's obligations under the Amended Facility are jointly and severally guaranteed by each domestic subsidiary of the Company other than non-material subsidiaries. The obligations are secured by a first priority lien on substantially all of the Company's and the guarantors' assets.

In the event of voluntary or involuntary bankruptcy of the Company or any subsidiary, all unpaid principal and other amounts owing under the Amended Facility automatically become due and payable. Other events of default, such as failure to make payments as they become due and breach of financial and other covenants, change of control, judgments over a certain amount, and cross default under other agreements give the agent the option to declare all such amounts immediately due and payable.

8) Product Warranties

In the ordinary course of business, the Company warrants its products against defects in design, materials and workmanship typically over periods ranging from twelve to sixty months. The Company determines warranty reserves needed by product line based on experience and current facts and circumstances.

Activity in the warranty accrual is summarized as follows:

	Nine Months Ended		Three Months Ended	
(In thousands)	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Balance at Beginning of Period	$ 7,018	$ 7,660	$ 6,835	$ 6,965
Warranties Issued	3,506	1,618	1,485	95
Warranties Settled	(2,427)	(1,324)	(764)	(16)
Reassessed Warranty Exposure	(808)	(596)	(267)	314
Balance at End of Period	$ 7,289	$ 7,358	$ 7,289	$ 7,358

9) Leases

The Company has operating and finance leases for leased office and manufacturing facilities and equipment leases. We have concluded that when an agreement grants us the right to substantially all of the economic benefits associated with an identified asset, and we are able to direct the use of that asset throughout the term of the agreement, the agreement contains a lease. We lease certain facilities and office equipment under finance leases, and we lease certain production facilities, office equipment and vehicles under operating leases. Some of our leases include options to extend or terminate the leases and these options have been included in the relevant lease term to the extent that they are reasonably certain to be exercised.

The weighted-average remaining term for the Company's operating and financing leases are approximately5 and 1 years, respectively. The weighted-average discount rates for the Company's operating and financing leases are approximately 3.3% and 1.3%, respectively.

The following is a summary of the Company's ROU assets and liabilities:

(In thousands)	October 2, 2021	December 31, 2020
Operating Leases:		
Operating Right-of-Use Assets, Gross	$ 30,324	$ 28,678
Less Accumulated Right-of-Use Asset Impairment	1,710	1,710
Less Accumulated Amortization	11,029	8,015
Operating Right-of-Use Assets, Net	$ 17,585	$ 18,953
Short-term Operating Lease Liabilities	$ 7,124	$ 4,998
Long-term Operating Lease Liabilities	13,314	16,637
Operating Lease Liabilities	$ 20,438	$ 21,635
Finance Leases:		
Finance Right-of-Use Assets, Gross	$ 177	$ 3,484
Less Accumulated Amortization	83	2,039
Finance Right-of-Use Assets, Net — Included in Other Assets	$ 94	$ 1,445
Short-term Finance Lease Liabilities — Included inAccrued Expenses and Other Current Liabilities	$ 94	$ 2,081
Long-term Finance Lease Liabilities — Included inOther Liabilities	2	734
Finance Lease Liabilities	$ 96	$ 2,815

The following is a summary of the Company's total lease costs:

(In thousands)	Nine Months Ended October 2, 2021	Nine Months Ended September 26, 2020	Three Months Ended October 2, 2021	Three Months Ended September 26, 2020
Finance Lease Cost:				
Amortization of Right-of-Use Assets	$ 550	$ 765	$ 23	$ 255
Interest on Lease Liabilities	78	170	10	50
Total Finance Lease Cost	628	935	33	305
Operating Lease Cost	4,297	3,957	1,614	1,314
Right-of-Use Asset Impairment	—	691	—	—
Variable Lease Cost	1,135	1,010	390	377
Short-term Lease Cost (excluding month-to-month)	104	155	28	41
Less Sublease and Rental (Income) Expense	(943)	(1,085)	(321)	(348)
Total Operating Lease Cost	4,593	4,728	1,711	1,384
Total Net Lease Cost	$ 5,221	$ 5,663	$ 1,744	$ 1,689

The following is a summary of the Company's maturity of lease liabilities:

(In thousands)	Operating Leases	Finance Leases
Remainder of 2021	$ 1,876	$ 24
2022	7,299	73
2023	3,813	—
2024	2,886	—
2025	2,807	—
Thereafter	3,360	—
Total Lease Payments	22,041	97
Less: Interest	1,603	1
Total Lease Liability	$ 20,438	$ 96

10) Income Taxes

The effective tax rates were approximately (4.9)% and 52.8% for the three months ended and (1.4)% and 8.7% for the nine months ended October 2, 2021 and September 26, 2020, respectively. The tax rate in the 2021 period was impacted by State and Foreign income taxes as well as changes in the valuation allowance previously recorded against U.S. Federal deferred tax assets. As discussed below, the tax rate in the 2020 period was impacted primarily by the initial recording of a valuation allowance against U.S. Federal deferred tax assets and permanently nondeductible goodwill impairments.

As a result of the COVID-19 pandemic and its adverse effects on the global economy and aerospace industry that began to take shape in the first quarter of fiscal 2020, through October 2, 2021 the Company is continuing to forecast that it will generate a taxable loss in 2021. The Company records a valuation allowance against the deferred tax assets if and to the extent it is more likely than not that the Company will not recover the deferred tax assets. In evaluating the need for a valuation allowance, the Company weights all relevant positive and negative evidence, and considers among other factors, historical financial performance, projected future taxable income, scheduled reversals of deferred tax liabilities, the overall business environment, and tax planning strategies. Losses in recent periods and cumulative pre-tax losses in the three-year period ending with the current year, combined with the significant uncertainty brought about by the COVID-19 pandemic, is collectively considered significant negative evidence under ASC 740 when assessing whether an entity can use projected income as a basis for concluding that deferred tax assets are realizable on a more-likely-than not basis. For purposes of assessing the recoverability of deferred tax assets, in the first quarter of 2020 the Company determined that it could not include future projected earnings in the analysis due to recent history of losses and therefore had insufficient objective positive evidence that the Company will generate sufficient future pre-tax income to overcome the negative evidence of cumulative losses. As a result, the Company recorded a valuation allowance against its U.S. federal deferred tax assets in the first quarter of 2020 and continues to maintain the valuation allowance against its U.S. Federal deferred tax assets as of October 2, 2021.

On March 11, 2021, the American Rescue Plan Act, or ARPA, was signed into law. The ARPA enacted certain provisions that are relevant to corporate income tax. These provisions did not have a material impact on our income tax provision for the three or nine months ended October 2, 2021.

11) Earnings Per Share

Basic and diluted weighted-average shares outstanding are as follows:

	Nine Months Ended		Three Months Ended	
(In thousands)	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Weighted Average Shares - Basic	30,927	30,780	30,954	30,770
Net Effect of Dilutive Stock Options	—	—	—	—
Weighted Average Shares - Diluted	30,927	30,780	30,954	30,770

Stock options with exercise prices greater than the average market price of the underlying common shares are excluded from the computation of diluted earnings per share because they are out-of-the-money and the effect of their inclusion would be anti-dilutive. The number of common shares covered by out-of-the-money stock options was approximately 647,000 shares as of October 2, 2021 and 831,000 shares as of September 26, 2020. Further, due to our net loss in the three and nine month periods ended October 2, 2021 and September 26, 2020, the assumed exercise of stock compensation had an antidilutive effect and therefore was excluded from the computation of diluted loss per share.

12) Shareholders' Equity

Share Buyback Program

The Company's Board of Directors from time to time authorizes the repurchase of common stock, which allows the Company to purchase shares of its common stock in accordance with applicable securities laws on the open market or through privately negotiated transactions. Most recently, on September 17, 2019, the Company's Board of Directors authorized a repurchase of up to $50 million. Approximately 282,000 shares were repurchased in the first quarter of 2020 at a cost of $7.7 million before the 10b5-1 plan associated with the share repurchase program was terminated on February 3, 2020. Under its current credit agreement, and as described further in Note 7, the Company is currently restricted from further stock repurchases.

Comprehensive Loss and Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss are as follows:

(In thousands)	October 2, 2021	December 31, 2020
Foreign Currency Translation Adjustments	$ (5,633)	$ (4,468)
Retirement Liability Adjustment – Before Tax	(12,962)	(14,264)
Tax Benefit of Retirement Liability Adjustment	2,282	2,282
Retirement Liability Adjustment – After Tax	(10,680)	(11,982)
Accumulated Other Comprehensive Loss	$ (16,313)	$ (16,450)

The components of other comprehensive income (loss) are as follows:

	Nine Months Ended		Three Months Ended	
(In thousands)	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Foreign Currency Translation Adjustments	$ (1,165)	$ (85)	$ (1,143)	$ 1,409
Retirement Liability Adjustments:				
Reclassifications to General and Administrative Expense:				
Amortization of Prior Service Cost	302	302	101	101
Amortization of Net Actuarial Losses	1,000	515	333	171
Tax Benefit	—	(172)	—	(57)
Retirement Liability Adjustment	1,302	645	434	215
Other Comprehensive Income (Loss)	$ 137	$ 560	$ (709)	$ 1,624

13) Supplemental Retirement Plan and Related Post Retirement Benefits

The Company has two non-qualified supplemental retirement defined benefit plans ("SERP" and "SERP II") for certain executive officers. The following table sets forth information regarding the net periodic pension cost for the plans.

	Nine Months Ended		Three Months Ended	
(In thousands)	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Service Cost	$ 146	$ 167	$ 49	$ 56
Interest Cost	573	627	192	209
Amortization of Prior Service Cost	290	290	97	97
Amortization of Net Actuarial Losses	970	486	324	162
Net Periodic Cost	$ 1,979	$ 1,570	$ 662	$ 524

Participants in the SERP are entitled to paid medical, dental and long-term care insurance benefits upon retirement under the plan. The net periodic cost was insignificant for the three and nine months ended October 2, 2021 and September 26, 2020.

The service cost component of net periodic benefit costs above is recorded in Selling, General and Administrative Expenses within the Consolidated Condensed Statements of Operations, while the remaining components are recorded in Other Expense, Net of Other Income.

14) Sales to Major Customers

The loss of major customers or a significant reduction in business with a major customer would significantly, negatively impact our sales and earnings. In the three and nine months ended October 2, 2021, the Company had no customer in excess of 10% of consolidated sales. Sales to two customers in the Aerospace segment represented 6% and 10% of consolidated sales for the three months ended and 12% and 9% for the nine months ended September 26, 2020, respectively.

15) Legal Proceedings

Lufthansa

One of the Company's subsidiaries is involved in numerous patent infringement actions brought by Lufthansa Technik AG ("Lufthansa") in Germany, UK and France. The Company is vigorously defending all such litigation and proceedings. Additional information about these legal proceedings can be found in Note 19 "Legal Proceedings" in the Company's Annual Report on Form 10-K for the year ended December 31, 2020. There were no significant developments in any of these matters during the three and nine months ended October 2, 2021. The reserve for the German indirect claim was approximately $17.1 million at October 2, 2021, which included an additional $0.1 million and $0.4 million in interest accrued during the three and nine months then ended. We currently believe it is unlikely that the appeals process will be completed and the damages and related interest will be paid within the next twelve months. Therefore, the liability related to this matter is classified within Other Liabilities (non-current) in the Consolidated Condensed Balance Sheets at October 2, 2021 and December 31, 2020.

Other

On March 23, 2020, Teradyne, Inc. filed a complaint against the Company and its subsidiary, Astronics Test Systems ("ATS") (together, "the Defendants") in the United States District Court for the Central District of California alleging patent and copyright infringement, and certain other related claims. The Defendants moved to dismiss certain claims from the case. On November 6, 2020, the Court dismissed the Company from the case, and also dismissed a number of claims, though the patent and copyright infringement claims remain. The case is currently in discovery. In addition, on December 21, 2020, ATS filed a petition with the U.S. Patent Trial and Appeal Board ("PTAB"), seeking to invalidate the subject patent. The parties are waiting to learn whether the PTAB will institute the proceeding. Fact discovery has begun on both the patent and copyright claims and is not scheduled to be completed until February 2022. A summary judgment hearing is scheduled for May 19, 2022 and the jury trial is scheduled to begin on July 12, 2022. No amounts have been accrued for this matter in the October 2, 2021 financial statements, as loss exposure is neither probable nor estimable at this time.

Other than these proceedings, we are not party to any significant pending legal proceedings that management believes will result in a material adverse effect on our financial condition or results of operations.

16) Segment Information

Below are the sales and operating profit (loss) by segment for the three and nine months ended October 2, 2021 and September 26, 2020 and a reconciliation of segment operating profit (loss) to income before income taxes. Operating profit is net sales less cost of products sold and other operating expenses excluding interest and corporate expenses. Cost of products sold and other operating expenses are directly identifiable to the respective segment.

	Nine Months Ended		Three Months Ended	
(In thousands)	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Sales:				
Aerospace	$ 266,425	$ 326,282	$ 95,775	$ 82,548
Less Inter-segment Sales	(23)	(91)	(9)	—
Total Aerospace Sales	266,402	326,191	95,766	82,548
Test Systems	62,811	62,391	16,128	24,406
Less Inter-segment Sales	(357)	(798)	(53)	(448)
Total Test Systems Sales	62,454	61,593	16,075	23,958
Total Consolidated Sales	$ 328,856	$ 387,784	$ 111,841	$ 106,506
Segment Measure of Operating (Loss) Profit and Margins				
Aerospace	$ (6,352)	$ (86,567)	$ 1,917	$ (6,332)
	(2.4)%	(26.5)%	2.0 %	(7.7)%
Test Systems	(1,958)	4,270	(2,201)	936
	(3.1)%	6.9 %	(13.7)%	3.9 %
Total Segment Measure of Operating Loss	(8,310)	(82,297)	(284)	(5,396)
	(2.5)%	(21.2)%	(0.3)%	(5.1)%
Deductions from Segment Measure of Operating Loss				
Interest Expense, Net of Interest Income	5,252	5,091	1,795	1,775
Corporate Expenses and Other	13,247	17,481	4,760	3,970
Loss Before Income Taxes	$ (26,809)	$ (104,869)	$ (6,839)	$ (11,141)

Total Assets:

(In thousands)	October 2, 2021	December 31, 2020
Aerospace	$ 474,042	$ 484,885
Test Systems	99,323	105,079
Corporate	36,941	29,781
Total Assets	$ 610,306	$ 619,745

17) Fair Value

A fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. Fair value is based upon an exit price model. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and involves consideration of factors specific to the asset or liability.

The Company follows a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.

Level 3 inputs are unobservable inputs based on our own assumptions used to measure assets and liabilities at fair value.

On a Recurring Basis:

A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

On October 4, 2019, the Company acquired the stock of the primary operating subsidiaries as well as certain other assets from mass transit and defense market test solution provider, Diagnosys Test Systems Limited for $7.0 million in cash, plus an earn-out estimated at a fair value of $2.5 million at the time of acquisition. The terms of the Diagnosys acquisition allow for a potential earn-out of up to an additional $13.0 million over the three years post-acquisition based on achievement of new order levels of over $72.0 million during that period. The fair value of this contingent consideration was estimated at $2.2 million as of December 31, 2020. The fair value assigned to the earnout was determined using the real options method, which requires Level 3 inputs such as new order forecasts, discount rate, volatility factors, and other market variables to assess the probability of Diagnosys achieving certain order levels over the period. Based on actual and forecasted new orders, the fair value was zero as of October 2, 2021, with the contingent consideration liability fair value adjustment of $2.2 million recorded within the Selling, General and Administrative line in the Consolidated Condensed Statements of Operations in the nine months ended October 2, 2021.

There were no other financial assets or liabilities carried at fair value measured on a recurring basis at December 31, 2020 or October 2, 2021.

On a Non-recurring Basis:

The Company tests goodwill at the reporting unit level on an annual basis or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. In accordance with the provisions of ASC Topic 350, *Intangibles – Goodwill and Other*, the Company estimates the fair value of reporting units, utilizing unobservable Level 3 inputs. Level 3 inputs require significant management judgment due to the absence of quoted market prices or observable inputs for assets of a similar nature. The inputs underlying the fair value measurement of the reporting unit under the step-one analysis of the quantitative goodwill impairment test are classified as Level 3 inputs.

As further discussed in Note 6, we performed interim quantitative assessments for the reporting units which had goodwill as of March 28, 2020. Based on our quantitative assessments, the Company recorded non-cash goodwill impairment charges associated with four Aerospace reporting units, totaling approximately $86.3 million within the Impairment Loss line in the Consolidated Condensed Statements of Operations in the nine months ended September 26, 2020. The impairment loss was calculated as the difference between the fair value of the reporting unit (which was calculated using level 3 inputs) and the carrying value of the reporting unit. As of October 2, 2021, the Company concluded that no indicators of additional impairment relating to intangible assets or goodwill existed and an interim test was not performed in the three or nine months then ended.

Long-lived assets are evaluated for recoverability whenever adverse effects or changes in circumstances indicate that the carrying value may not be recoverable. The recoverability test consists of comparing the undiscounted projected cash flows of the asset or asset group (which are Level 3 inputs) with the asset of asset group's carrying amount. Should the carrying amount exceed undiscounted projected cash flows, an impairment loss would be recognized to the extent the carrying amount exceeds fair value. In conjunction with the deteriorating economic conditions associated with the COVID-19 pandemic, we recorded an impairment charge to ROU assets of approximately $0.7 million incurred in the Aerospace segment within the Impairment Loss line in the Consolidated Condensed Statements of Operations in the nine months ended September 26, 2020. As of October 2, 2021, the Company concluded that no indicators of additional impairment relating to long-lived assets existed.

Due to their short-term nature, the carrying value of cash and equivalents, accounts receivable, accounts payable, and notes payable approximate fair value. The carrying value of the Company's variable rate long-term debt instruments also approximates fair value due to the variable rate feature of these instruments.

18) Restructuring Charges

The COVID-19 pandemic has significantly impacted the global economy, and particularly the aerospace industry, resulting in reduced expectations of the Company's anticipated future operating results. As a result, the Company executed restructuring activities in the form of workforce reduction, primarily in the second quarter of 2020, to align capacity with expected demand. Additional restructuring activities occurred during 2021 to align the workforce to expected activities and to consolidate certain facilities.

In the fourth quarter of 2019, in an effort to reduce the significant operating losses at our AeroSat business, the Company initiated a restructuring plan to reduce costs and minimize losses of our AeroSat antenna business.

There were $0.5 million and $0.7 million in restructuring-related severance charges and other charges recorded in the three and nine months ended October 2, 2021. The Company incurred $0.2 million and $5.6 million in restructuring charges during the three and nine months ended September 26, 2020.

The following tables reconcile the beginning and ending liability for restructuring charges:

		2021
Balance as of January 1	$	5,631
Restructuring Charges		713
Cash Paid		(2,801)
Balance as of October 2	$	3,543

The liability is within Accrued Expenses and Other Current Liabilities and is comprised of employee termination benefits expected to be paid within the next 12 months as well as payments to be made under AeroSat's non-cancelable inventory purchase commitments. The non-cancelable purchase commitments are for inventory in the future which was not expected to be purchased prior to the expiration date of such agreements as a result of the restructuring plan.

19) Subsequent Events

As of October 2, 2021, the Company has agreed to sell one of its facilities within the Aerospace segment as a result of consolidating certain facilities. Accordingly, the property, plant and equipment assets associated with these facilities of $3.8 million have been classified as held for sale in the Consolidated Condensed Balance Sheets at October 2, 2021. On October 6, 2021, the transaction closed and control of the assets transferred to the buyer. The net cash proceeds from the sale totaled approximately $8.8 million. The net gain on sale of approximately $5.0 million will be recognized in the fourth quarter of 2021.

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

(The following should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations contained in the Company's Form 10-K for the year ended December 31, 2020.)

OVERVIEW

Astronics Corporation ("Astronics" or the "Company") is a leading supplier of advanced technologies and products to the global aerospace and defense industries. Our products and services include advanced, high-performance electrical power generation and distribution systems, seat motion solutions, lighting and safety systems, avionics products, aircraft structures, systems certification, and automated test systems.

Our Aerospace segment designs and manufactures products for the global aerospace industry. Product lines include lighting and safety systems, electrical power generation, distribution and seat motions systems, aircraft structures, avionics products, systems certification, and other products. Our primary Aerospace customers are the airframe manufacturers ("OEM") that build aircraft for the commercial, military and general aviation markets, suppliers to those OEM's, aircraft operators such as airlines, suppliers to the aircraft operators, and branches of the U.S. Department of Defense ("USDOD"). Our Test Systems segment designs, develops, manufactures and maintains automated test systems that support the aerospace and defense, communications and mass transit industries as well as training and simulation devices for both commercial and military applications. In the Test Systems segment, Astronics' products are sold to a global customer base including OEM's and prime government contractors for both electronics and military products.

Our strategy is to increase our value by developing technologies and capabilities, either internally or through acquisition, and using those capabilities to provide innovative solutions to our targeted markets where our technology can be beneficial.

Important factors affecting our growth and profitability are the ongoing impacts of the COVID-19 pandemic and the timing and extent of recovery (as discussed more fully below), the rate at which new aircraft are produced, government funding of military programs, our ability to have our products designed into new aircraft and the rates at which aircraft owners, including commercial airlines, refurbish or install upgrades to their aircraft. New aircraft build rates and aircraft owners spending on upgrades and refurbishments is cyclical and dependent on the strength of the global economy. Once designed into a new aircraft, the spare parts business is frequently retained by the Company. Future growth and profitability of the Test Systems business is dependent on developing and procuring new and follow-on business. The nature of our Test Systems business is such that it pursues large, often multi-year, projects. There can be significant periods of time between orders in this business which may result in large fluctuations of sales and profit levels and backlog from period to period. Test Systems segment customers include the USDOD, prime contractors to the USDOD, mass transit operators and prime contractors to mass transit operators.

In September 2021 the Company also entered into an agreement with the U.S. Department of Transportation ("USDOT") under the Aviation Manufacturing Jobs Protection Program ("AMJP") for a grant of up to $14.7 million. The Company received the first installment of $7.3 million under the grant in September 2021. The remaining balance due to be received of $7.4 million has been classified within Prepaid Expenses and Other Current Assets on the Consolidated Condensed Balance Sheets as of October 2, 2021. The Company expects to receive a second installment in the range of $5 million to $6 million during the fourth quarter of 2021 and a final installment in the second or third quarter of 2022 upon final confirmation from the USDOT of the Company meeting its grant commitments. The receipt of the full award is primarily conditioned upon the Company committing to not furlough or lay off a defined group of employees during the six-month period of performance between September 2021 and March 2022. The grant benefit will be recognized over the six-month performance period as a reduction to Cost of Products Sold in proportion to the compensation expense that the award is intended to defray. During the quarter ended October 2, 2021, the Company recognized $1.1 million of the award. The unearned portion of the AMJP award of $13.6 million has been reported within Accrued Expenses and Other Current Liabilities in the Consolidated Balance Sheet at October 2, 2021.

On February 13, 2019, the Company completed a divestiture of its semiconductor test business within the Test Systems segment. The total proceeds of the divestiture amounted to $103.8 million plus certain contingent purchase consideration ("earn-out").

The transaction included two elements of contingent earnouts. The First Earnout is calculated based on a multiple of all future sales of existing and certain future derivative products to existing and future customers in each annual period from 2019 through 2022. The First Earnout may not exceed $35.0 million in total. The Second Earnout is calculated based on a multiple of future sales related to an existing product and program with an existing customer exceeding an annual threshold for each annual period from 2019 through 2022. The Second Earnout is not capped. For the Second Earnout, if the applicable sales in an annual period do not exceed the annual threshold, no amounts will be paid relative to such annual period; the sales in such annual period do not carry over to the next annual period. Due to the degree of uncertainty associated with estimating the future sales levels of the divested business and its underlying programs, and the lack of reliable predictive market information, the Company will recognize such earnout proceeds, if received, as additional gain on sale when such proceeds are realized or realizable. No amounts were payable for the year ended December 31, 2019.

In February 2021, the Company was notified by the buyer that they have calculated $10.7 million as being payable to the Company under the contingent earnouts related to the year ended December 31, 2020. In April 2021, the buyer provided a revised calculation, indicating, rather, that $7.1 million is payable to the Company for the 2020 earnout. The Company and the buyer are currently reviewing the calculations and underlying data and are engaged in negotiations. The Company expects to record the additional gain when that review is complete and agreement is reached. The timing and amount of any amount realized is uncertain and subject to risks and uncertainties as we continue the review and negotiation process.

CONSOLIDATED RESULTS OF OPERATIONS AND OUTLOOK

	Nine Months Ended		Three Months Ended	
($ in thousands)	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Sales	$ 328,856	$ 387,784	$ 111,841	$ 106,506
Gross Profit (sales less cost of products sold)	$ 46,899	$ 77,725	$ 17,231	$ 15,173
Gross Margin	14.3 %	20.0 %	15.4 %	14.2 %
Selling, General and Administrative Expenses	$ 66,829	$ 85,941	$ 21,729	$ 24,170
SG&A Expenses as a Percentage of Sales	20.3 %	22.2 %	19.4 %	22.7 %
Impairment Loss	$ —	$ 87,016	$ —	$ —
Interest Expense, Net of Interest Income	$ 5,252	$ 5,091	$ 1,795	$ 1,775
Effective Tax Rate	(1.4)%	8.7 %	(4.9)%	52.8 %
Net Loss	$ (27,182)	$ (95,796)	$ (7,174)	$ (5,254)

A discussion by segment can be found at “Segment Results of Operations and Outlook” in this MD&A.

CONSOLIDATED THIRD QUARTER RESULTS

Consolidated sales were up $5.3 million from the third quarter of 2020. Aerospace sales were up $13.2 million, or 16.0%, and Test System sales decreased $7.9 million. Total sales and volume continued to reflect the ongoing impacts of the COVID-19 pandemic on the global aerospace industry. Supply chain pressures impacted delivery schedules and costs, limiting the Company’s ability to respond to accelerated or quick-turn delivery requests from customers and delayed shipments that otherwise would have been made during the quarter. The Company estimates that revenue would have been $8 million to $10 million higher in the third quarter if its supply chain was functioning normally.

Consolidated cost of products sold in the third quarter of 2021 was $94.6 million, compared with $91.3 million in the prior-year period. The increase was primarily due to higher sales volume driven by improvement in the global aerospace industry, offset by $1.1 million recognized as an offset to cost of products sold from the AMJP program. The grant is benefiting cost of products sold over the six-month period of performance.

Selling, general and administrative (“SG&A”) expenses were $21.7 million in the third quarter of 2021 compared with $24.2 million in the prior-year period due primarily to lower legal expenses in the current year’s third quarter related to a patent claim.

The effective tax rate for the quarter was (4.9)%, compared with 52.8% in the third quarter of 2020. The 2021 tax rate was impacted by State and Foreign income taxes. The 2020 tax rate was impacted by a discrete adjustment related to accrued state income tax refunds of approximately $3.1 million. In addition, the 2020 tax rate was impacted by changes in the forecasted tax rate related to permanently non-deductible goodwill impairments and an expected U.S. Federal net operating loss carryback.

Consolidated net loss was $7.2 million, or $0.23 per diluted share, compared with net loss of $5.3 million, or $0.17 per diluted share, in the prior year. The prior-year net loss benefited from a $3.1 million tax adjustment related to a revised state income tax filing position.

Bookings were $153.5 million, for a book-to-bill ratio of 1.37:1. Backlog at the end of the quarter was $354.4 million. Approximately $113.3 million, or 32%, of backlog is expected to ship in the remainder of 2021.

CONSOLIDATED YEAR-TO-DATE RESULTS

Consolidated sales were down $58.9 million. Aerospace sales were down $59.8 million from the prior-year period and continued to be negatively affected by the continued impacts of the COVID-19 pandemic, while the prior-year period was inclusive of pre-pandemic levels during the first quarter. Test System sales increased $0.9 million.

Consolidated cost of products sold in 2021 was $282.0 million, compared with $310.1 million in the prior-year period. The decrease was primarily due to lower volume related to the continued impacts of the COVID-19 pandemic on the global aerospace industry. The current year period benefited from $1.1 million recognized as an offset to cost of products sold related to the AMJP award.

SG&A expenses were $66.8 million in 2021 compared with $85.9 million the prior-year period. The decrease was primarily due to the cost control measures implemented at the onset of the pandemic late in the first quarter of 2020 which resulted in lower labor costs and discretionary spending. Lower legal expenses associated with a patent claim contributed to the decrease. The current year period benefited from a $2.2 million non-cash reduction of the fair value of a contingent consideration liability. The Company incurred $5.6 million in restructuring-related severance charges in the prior-year period, primarily in the Aerospace segment.

Non-cash goodwill and long-lived asset impairment charges of $87.0 million in the Aerospace segment were recognized in 2020 due to reduced expectations of future operating results caused by the COVID-19 pandemic.

Other Expense, Net of Other Income in the prior year included a $3.5 million impairment of an equity investment.

The effective tax rate for the first nine months 2021 was (1.4)%, compared with 8.7% in the prior-year period. The tax rate in the 2021 period was impacted by State and Foreign income taxes as well as changes in the valuation allowance previously recorded against U.S. Federal and most State deferred tax assets. The 2020 tax rate was impacted by permanently non-deductible goodwill impairments of $60.8 million, a U.S. Federal valuation allowance recorded of approximately $7.5 million, and a discrete adjustment related to accrued state income tax refunds of approximately $3.1 million.

Consolidated net loss was $27.2 million, or $0.88 per diluted share, compared with net loss of $95.8 million, or $3.11 per diluted share, in the prior year. The after-tax impact of the prior year impairment was $2.64 per diluted share.

COVID-19 Impacts on Our Business

The spread of the COVID-19 outbreak has disrupted businesses on a global scale. On March 11, 2020, the World Health Organization classified the outbreak as a pandemic. COVID-19 has caused disruption and volatility in the global capital markets, and has authored an economic slowdown in the Aerospace industry in particular. As we entered this crisis, the Company established two clear priorities: first and foremost the health and safety of our employees and their families, and second, continuing to meet the needs of our customers and secure the financial well-being of the Company. Substantially all of our operations and production activities have, to-date, remained operational. In response to the COVID-19 crisis, we implemented changes in our work practices to maintain a safe working environment for production employees at our facilities, while enabling other employees to productively work from home. As we commence bringing employees back to the workplace and return to in-person meetings with customers and suppliers, we are adopting a flexible work approach. This will allow for a smooth transition from COVID-19 conditions to a future that better meets the needs of the business and the interests of our employees. In terms of maintaining our financial health and liquidity, in early 2020, we implemented workforce reduction activities to align capacity with expected demand. We also implemented significant cost conservation measures, and we continue to closely monitor spending priorities. As economic activity recovers, we continue to monitor the situation, to assess further possible implications on our operations, supply chain, liquidity, cash flow and customer orders, and to take actions in an effort to mitigate adverse consequences. We believe that our existing financial arrangements are sufficient to meet our operating needs, and have adequate borrowings availability under our Credit Agreement that could provide additional relief if necessary.

See Part II, Item 1A, Risk Factors, for an additional discussion of risk related to supply chain disruptions and the recent government vaccine mandates.

Outlook

We are expecting to close 2021 with a higher shipment level in the final quarter. Supply chain challenges introduce a level of uncertainty, but we expect fourth quarter revenues of $115 million to $118 million. We expect shipping volume to continue to strengthen as we move into 2022, but we are not yet comfortable providing guidance for the year.

Based on current estimates, we expect the AMJP to contribute approximately $7.3 million to gross profit as an offset to cost of goods sold in the fourth quarter, with the remaining benefit to gross profit of approximately $6.2 million to be recorded in the first quarter of 2022. However, actual benefit between the two quarters may differ from these estimates based on actual payroll attribution for the eligible employee group.

Consolidated backlog at October 2, 2021 was $354.4 million. Approximately 32% of the backlog is expected to be recognized as revenue in 2021.

Planned capital expenditures for 2021 have been reduced to approximately $8 million to $9 million from previous expectations of $10 million to $11 million.

While core aerospace markets have strengthened as vaccination rates rise and passenger traffic accelerated, the ultimate impact of COVID-19 on our business, results of operations, financial condition and cash flows is dependent on future developments, including the duration of the pandemic, virus variants, vaccination rates and efficacy and the related length of impact on the global economy and specifically on the markets we are active in, which are uncertain and cannot be predicted at this time.

SEGMENT RESULTS OF OPERATIONS AND OUTLOOK

Operating profit, as presented below, is sales less cost of products sold and other operating expenses, excluding interest expense and other corporate expenses. Cost of products sold and other operating expenses are directly identifiable to the respective segment. Operating profit (loss) is reconciled to loss before income taxes in Note 16 of the Notes to Consolidated Condensed Financial Statements included in this report.

AEROSPACE SEGMENT

	Nine Months Ended		Three Months Ended	
(In thousands)	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Sales	$ 266,425	$ 326,282	$ 95,775	$ 82,548
Less Inter-segment Sales	(23)	(91)	(9)	—
Total Aerospace Sales	$ 266,402	$ 326,191	$ 95,766	$ 82,548
Operating Loss	$ (6,352)	$ (86,567)	$ 1,917	$ (6,332)
Operating Margin	(2.4)%	(26.5)%	2.0 %	(7.7)%
Aerospace Sales by Market				
(In thousands)				
Commercial Transport	$ 143,550	$ 214,390	$ 57,549	$ 44,067
Military	54,847	50,329	17,064	18,164
Business Jet	41,131	45,259	12,109	14,711
Other	26,874	16,213	9,044	5,606
	$ 266,402	$ 326,191	$ 95,766	$ 82,548
Aerospace Sales by Product Line				
(In thousands)				
Electrical Power & Motion	$ 102,742	$ 148,500	$ 38,650	$ 32,481
Lighting & Safety	76,929	90,973	25,461	25,320
Avionics	47,355	57,381	14,491	16,104
Systems Certification	7,937	5,596	6,099	605
Structures	4,565	7,528	2,021	2,432
Other	26,874	16,213	9,044	5,606
	$ 266,402	$ 326,191	$ 95,766	$ 82,548

(In thousands)	October 2, 2021	December 31, 2020
Total Assets	$ 474,042	$ 484,885
Backlog	$ 285,806	$ 191,081

AEROSPACE THIRD QUARTER RESULTS

Aerospace segment sales increased $13.2 million, or 16.0%, to $95.8 million. Commercial aerospace sales were up 30.6%, or $13.5 million, and drove the improvement even as sales remain below pre-pandemic levels. Sales to this market were $57.5 million, or 51.5% of consolidated revenue in the quarter, compared with $44.1 million, or 41.4% of consolidated revenue in the third quarter of 2020. Improving domestic travel, increased production rates including the 737 MAX and higher fleet utilization are driving increased demand for Astronics products.

General Aviation sales were down $2.6 million, or 17.7%, to $12.1 million as higher demand in the business jet market somewhat offset lower VVIP activity. The Company expects the strong demand being realized in the business jet industry to translate into higher demand for its products as production levels begin to increase in 2022.

Military Aircraft sales decreased $1.1 million, or 6.1%, to $17.1 million. The prior-year period benefited from incremental non-recurring engineering revenue associated with development of new programs.

Other revenue increased $3.4 million to $9.0 million driven by increased contract manufacturing programs.

Aerospace segment operating profit was $1.9 million compared with operating loss of $6.3 million for the same period last year driven by increased sales, reflecting improvements in commercial aerospace, and the $1.1 million AMJP benefit which helped offset the impacts of supply chain constraints.

Sequentially, compared with the second quarter of 2021, Aerospace revenue grew 7% and operating profit improved $4.6 million to $1.9 million.

AEROSPACE YEAR-TO-DATE RESULTS

Aerospace segment sales decreased $59.8 million, or 18.3%, to $266.4 million. Sales continued to be negatively affected by the continued impacts of the COVID-19 pandemic, while the prior-year period was inclusive of pre-pandemic levels during the first quarter of the year.

Aerospace segment operating loss was $6.4 million compared with operating loss of $86.6 million for the same period last year. Leverage lost on reduced commercial aircraft sales significantly impacted operating results. Aerospace operating loss in the prior-year period was impacted by impairment charges of $87.0 million, of which $86.3 million was related to goodwill, and restructuring-related severance charges of $5.3 million.

AEROSPACE OUTLOOK

Aerospace bookings in the third quarter of 2021 were $142.5 million, for a book-to-bill ratio of 1.49:1. The Aerospace segment’s backlog at the end of the third quarter of 2021 was $285.8 million with approximately $101.1 million expected to be recognized as revenue over the remaining part of 2021 and $231.3 million scheduled over the next 12 months.

TEST SYSTEMS SEGMENT

(In thousands)	Nine Months Ended October 2, 2021	Nine Months Ended September 26, 2020	Three Months Ended October 2, 2021	Three Months Ended September 26, 2020
Sales	$ 62,811	$ 62,391	$ 16,128	$ 24,406
Less Inter-segment Sales	(357)	(798)	(53)	(448)
Total Test Systems Sales	$ 62,454	$ 61,593	$ 16,075	$ 23,958
Operating (loss) profit	$ (1,958)	$ 4,270	$ (2,201)	$ 936
Operating Margin	(3.1)%	6.9 %	(13.7)%	3.9 %
Test Systems Sales by Market				
(In thousands)				
Semiconductor	$ —	$ 3,407	$ —	$ 585
Aerospace & Defense	62,454	58,186	16,075	23,373
	$ 62,454	$ 61,593	$ 16,075	$ 23,958

(In thousands)	October 2, 2021	December 31, 2020
Total Assets	$ 99,323	$ 105,079
Backlog	$ 68,598	$ 92,337

TEST SYSTEMS THIRD QUARTER RESULTS

Test Systems segment sales were $16.1 million, down $7.9 million compared with the prior-year period driven by lower defense and transit revenue caused by COVID-related delays.

Test Systems operating loss was $2.2 million, or 13.7% of sales, compared with operating profit of $0.9 million, or 3.9% of sales, in the third quarter of 2020. Operating loss in the third quarter of 2021 was negatively affected by lower volume and $1.0 million in legal fees related to infringement claims and contractual disputes. Operating results in 2020 benefited from $0.6 million in semiconductor warranty revenue.

TEST SYSTEMS YEAR-TO-DATE RESULTS

Test Systems segment sales were $62.5 million, up $0.9 million compared with the prior-year period. Aerospace & Defense sales increased $4.3 million.Sales from the divested semiconductor business contributed $3.4 million in the prior-year period.

Test Systems operating loss was $2.0 million, or 3.1% of sales, compared with operating profit of $4.3 million, or 6.9% of sales, in the third quarter of 2020. Operating profit in 2021 was negatively affected by low volume and $2.9 million in legal fees related to infringement claims and contractual disputes. Operating results in 2020 benefited from $3.4 million in semiconductor warranty revenue.

TEST SYSTEMS OUTLOOK

Bookings for the Test Systems segment in the quarter were $11.1 million, for a book-to-bill ratio of 0.69:1 for the quarter. The Test Systems segment's backlog at the end of the third quarter of 2021 was $68.6 million, with approximately $12.2 million expected to be recognized as revenue over the remaining part 2021 and approximately $33.8 million scheduled over the next 12 months.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities:

Cash used for operating activities totaled $18.5 million for the first nine months of 2021, as compared with $31.5 million cash provided by operating activities during the same period in 2020. Cash flow from operating activities decreased compared with the same period of 2020 primarily due to changes in net operating assets, primarily increases in accounts receivable and inventory.

Investing Activities:

Cash used for investing activities was $4.6 million for the first nine months of 2021 compared with $4.0 million in cash used for investing activities in the same period of 2020. A higher level of capital expenditures in the prior-year period was partially offset by proceeds from the sale of assets in that period. The Company expects capital spending in 2021 to be in the range of $8 million and $9 million.

Financing Activities:

Cash provided by financing activities totaled $12.3 million for the first nine months of 2021, as compared with $29.5 million cash used for financing activities during the same period in 2020. Cash flow provided by financing activities increased compared with the same period of 2020 due to net proceeds on our senior credit facility of $10.0 million in the first nine months of 2021 compared with net repayments of $20.0 million in the first nine months of 2020. Cash used in 2020 also included $7.7 million of share repurchases in the prior year before the 10b-5 plan associated with the share repurchase program was terminated.

The Company's Fifth Amended and Restated Credit Agreement (the “Agreement”) provided for a $500 million revolving credit line with the option to increase the line by up to $150 million. The maturity date of the loans under the Agreement is February 16, 2023. The maximum leverage ratio of funded debt, net of cash to Adjusted EBITDA (as defined in the Agreement) was 3.75 to 1, increasing to 4.50 to 1 for up to four fiscal quarters following the closing of an acquisition permitted under the Agreement, subject to limitations. The Company paid interest on the unpaid principal amount of the facility at a rate equal to one-, three- or six-month LIBOR plus between 1.00% and 1.50% based upon the Company’s leverage ratio. The Company also paid a commitment fee to the lenders in an amount equal to between 0.10% and 0.20% on the undrawn portion of the credit facility, based upon the Company’s leverage ratio.

In May 2020, the Company executed an amendment to the Agreement (the “Amended Facility”), which reduced the revolving credit line from $500 million to $375 million. The Amended Facility suspended the application of the leverage ratio up through and including the second quarter of 2021 (the “suspension period”). The maximum net leverage ratio is set at 6.00 to 1 for the third quarter of 2021, 5.50 to 1 for the fourth quarter of 2021, 4.50 to 1 for the first quarter of 2022, and returns to 3.75 to 1 for each quarter thereafter.

At October 2, 2021, there was $183.0 million outstanding on the revolving credit facility and there remained $190.9 million available subject to the minimum liquidity covenant discussed below, net of outstanding letters of credit. The credit facility allocates up to $20 million of the $375 million revolving credit line for the issuance of letters of credit, including certain existing letters of credit. At October 2, 2021, outstanding letters of credit totaled $1.1 million.

Through the third quarter of 2021, the Amended Facility required the Company to maintain minimum liquidity, defined as unrestricted cash plus the unused revolving credit commitments, of $180 million at all times. Through the second quarter of 2021, the Company was required to maintain a minimum interest coverage ratio of 1.75x on a quarterly basis, except for the first quarter of 2021, which was set at 1.50x. As noted above, the maximum net leverage ratio was set at 6.00 to 1 for the quarter ended October 2, 2021. The Company was in compliance with its financial covenants at October 2, 2021. During the suspension period, the Company paid interest on the unpaid principal amount of the Amended Facility at a rate equal to one-, three- or six-month LIBOR (which shall be at least 1.00%) plus 2.25%. The Company paid a commitment fee to the lenders in an amount equal to 0.35% on the undrawn portion of the Amended Facility. After the suspension period, the Company pays interest on the unpaid principal amount of the Amended Facility at a rate equal to one-, three- or six-month LIBOR (which shall be at least 1.00%) plus between 1.00% to 2.25% based upon the Company’s leverage ratio. The Company also pays a commitment fee to the lenders in an amount equal to 0.10% to 0.35% on the undrawn portion of the Amended Facility, based upon the Company’s leverage ratio. The Amended Facility provided for the payment of a consent fee of 15 basis points of the commitment for each consenting lender. The Amended Facility also temporarily restricts certain activities, including acquisitions and share repurchases, through the second quarter of 2022.

The Company’s obligations under the Amended Facility are jointly and severally guaranteed by each domestic subsidiary of the Company other than non-material subsidiaries. The obligations are secured by a first priority lien on substantially all of the Company’s and the guarantors’ assets.

In the event of voluntary or involuntary bankruptcy of the Company or any subsidiary, all unpaid principal and other amounts owing under the Amended Facility automatically become due and payable. Other events of default, such as failure to make payments as they become due and breach of financial and other covenants, change of control, judgments over a certain amount, and cross default under other agreements give the agent the option to declare all such amounts immediately due and payable.

Other

Subsequent to October 2, 2021, the Company sold one of its Aerospace facilities for $9.1 million. Net cash proceeds were approximately $8.8 million. A gain on sale of approximately $5.0 million will be recorded during the fourth quarter of 2021.

In September, the U.S. Department of Transportation announced that it had approved for the Company to receive up to $14.7 million under the AMJP program. The Company received its first installment of approximately $7.3 million in September. The Company expects to receive a second installment in the range of $5 million to $6 million in the fourth quarter of 2021, and a final installment in the second or third quarter of 2022, upon final confirmation of meeting its award commitments.

The Company expects additional cash inflows over the next several quarters related to an earn-out from the 2019 sale of its semiconductor test business, an approximate $10 million tax refund and improved sales volumes.

OFF BALANCE SHEET ARRANGEMENTS

We do not have any material off balance sheet arrangements that have or are reasonably likely to have a material future effect on our results of operations or financial condition.

BACKLOG

The Company's backlog at October 2, 2021 was $354.4 million compared with $283.4 million at December 31, 2020 and $282.2 million at September 26, 2020.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Our contractual obligations and commitments have not changed materially from the disclosures in our 2020 Annual Report on Form 10-K.

MARKET RISK

The Company believes that there have been no material changes in the current year regarding the market risk information for its exposure to interest rate fluctuations. Although the majority of our sales, expenses and cash flows are transacted in U.S. dollars, we have exposure to changes in foreign currency exchange rates related primarily to the Euro and the Canadian dollar. The Company believes that the impact of changes in foreign currency exchange rates in 2021 have not been significant.

CRITICAL ACCOUNTING POLICIES

Refer to Note 2 of the Notes to Consolidated Condensed Financial Statements included in this report for the Company's critical accounting policies with respect to revenue recognition. For a complete discussion of the Company's other critical accounting policies, refer to the Company's annual report on Form 10-K for the year ended December 31, 2020.

RECENT ACCOUNTING PRONOUNCEMENTS

Refer to Note 1 of the Notes to Consolidated Condensed Financial Statements included in this report.

FORWARD-LOOKING STATEMENTS

Information included in this report that does not consist of historical facts, including statements accompanied by or containing words such as "may," "will," "should," "believes," "expects," "expected," "intends," "plans," "projects," "approximate," "estimates," "predicts," "potential," "outlook," "forecast," "anticipates," "presume" and "assume," are forward-looking statements. Such forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements are not guarantees of future performance and are subject to several factors, risks and uncertainties, the impact or occurrence of which could cause actual results to differ materially from the expected results described in the forward-looking statements. Certain of these factors, risks and uncertainties are discussed in the sections of this report entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." New factors, risks and uncertainties may emerge from time to time that may affect the forward-looking statements made herein. Given these factors, risks and uncertainties, investors should not place undue reliance on forward-looking statements as predictive of future results. We disclaim any obligation to update the forward-looking statements made in this report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

See Market Risk in Item 2, above.

Item 4. Controls and Procedures

a. Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as of October 2, 2021. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of October 2, 2021.

b. Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Currently, we are involved in legal proceedings relating to an allegation of patent infringement and based on rulings to date we have concluded that losses related to these proceedings are probable. For a discussion of contingencies related to legal proceedings, see Note 15 of the Notes to Consolidated Condensed Financial Statements.

Item 1a. Risk Factors

In addition to other information set forth in this report, you should carefully consider the factors discussed in Part 1, Item 1A. "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2020, which could materially affect our business, financial condition or results of operations. The risks described in our Annual Report on Form 10-K are not the only risks facing us. There have been no material changes to the Risk Factors except as set forth below:

If critical components or raw materials used to manufacture our products or used in our development programs become scarce or unavailable, then we may incur delays in manufacturing and delivery of our products and in completing our development programs, which has damaged, and could continue to damage, our business, results of operations and financial condition. We purchase certain components, subassemblies and systems from a limited group of suppliers, some of which are sole source suppliers. We often do not have long-term agreements in place with these suppliers that obligate them to continue to sell components, subassemblies, systems or other products to us. Our substantial reliance on these suppliers involves significant risks and uncertainties, including whether our suppliers will be able to provide an adequate supply of required components, subassemblies, or systems of sufficient quality, will increase prices, including significantly, for the components, subassemblies or systems that they sell to us and will perform their supply obligations to us on a timely basis. The occurrence of these types of supply chain pressures have negatively impacted, and may in the future continue to negatively impact, our ability to meet delivery deadlines and to respond to accelerated or quick-turn delivery requests from customers. Consequently, these supply chain pressures have had, and may continue in the future to have, a negative impact on our revenues and results of operations. These types of negative financial impacts on our business may become only more acute as supply chain pressures increase.

In addition, certain critical components or raw materials used in the manufacture of our products and used in our development programs have been, and may in the future continue to be, periodically subject to supply shortages, and, as a result, our supply chain is subject to the risk of price increases and periodic delays in delivery, which, in turn, have impacted, and in the future may continue to impact, our ability to meet the product delivery dates for our end customers. Particularly, the market for electronic components is experiencing increased demand, creating substantial uncertainty regarding our suppliers' continued production of key components for our products. If we are unable to obtain components from third party suppliers in the quantities and of the quality that we require, on a timely basis and at acceptable prices, then we may not be able to timely complete development programs or deliver our products on a timely or cost effective basis to our customers, which could cause customers to terminate their contracts with us, increase our costs and seriously damage our business, results of operations and financial condition. Moreover, if any of our suppliers become financially unstable, or otherwise unable or unwilling to provide us with raw materials or components, then we may have to find new suppliers. It may take several months to locate alternative suppliers, if required, or to redesign our products to accommodate components from different suppliers. We may experience significant delays in manufacturing and shipping our products to customers and incur additional development, manufacturing and other costs to establish alternative sources of supply if we lose any of these sources or are required to redesign our products. We cannot predict if we will be able to obtain replacement components within the time frames that we require at an acceptable cost, if at all. In particular, governmental measures responsive to the global COVID-19 pandemic have disrupted manufacturing and many supply chains, including our supply chain, which has had, and is expected to continue to have, a significant impact, both direct and indirect, on businesses and commerce worldwide, including our business. Although we have had some, though not yet materially significant, delays from our suppliers and we keep stock of all our raw materials and other product components with long lead times to assist in the event that our supply chain is disrupted, if the COVID-19 outbreak continues or worsens and results in a prolonged period of commercial and/or governmental restrictions, this may further impact our ability to acquire certain raw materials and components used in the manufacture of our products and in our development programs.

Government vaccine mandates could result in workforce attrition for us and our suppliers which could adversely affect our operations and supply chain. On September 9, 2021, President Biden issued an executive order requiring all employers with U.S. Government contracts to ensure that their U.S.-based employees, contractors, and subcontractors, that work in affected facilities or work on or in support of U.S. Government contracts are fully vaccinated. The deadline for vaccination was initially December 8, 2021, but the White House announced on November 4, 2021 that the deadline is being extended to January 4, 2022. The executive order includes on-site and remote U.S.-based employees, contractors and subcontractors and permits only limited exceptions for medical and religious reasons. Substantially all of our subsidiaries are either directly subject to the executive order, or will be required to comply with the executive order via flowdown from our affected customers. In addition, on November 4, 2021, the Occupational Safety and Health Administration (OSHA) issued an emergency temporary standard (ETS) mandating that employers with 100 or more employees ensure that their employees are either fully vaccinated against, or tested weekly for, COVID-19. This requirement includes all U.S.-based employees, except those who work exclusively remotely or outdoors. It applies as of January 4, 2022 and permits only limited exceptions for medical and religious reasons. It is currently not possible to predict with certainty the impact the executive order or OSHA ETS will have on our workforce, or on our suppliers who may also be impacted. As a U.S. Government contractor, and as a supplier to customers who are U.S. Government contractors, we are requiring all U.S.-based employees, contractors and subcontractors that service or support our U.S. Government contracts, and who do not qualify for medical or religious exemptions, to be fully vaccinated by January 4, 2022. Employees who are not subject to this requirement and do not work exclusively remotely or outdoors will be subject to the ETS that will require them to either become fully vaccinated or get a COVID-19 test at least once a week. Additional vaccine mandates may be announced in jurisdictions in which our businesses operate. Implementation of these requirements may result in attrition, including attrition of critically skilled labor, and difficulty securing future labor needs, which could have a material adverse effect on our business, financial condition, and results of operations. Further, implementation of these requirements by our suppliers may result in workforce attrition at our suppliers, which may result in disruption to our supply chain which, in turn, may have a negative impact on our revenues and results of operations by impacting ability to acquire certain raw materials and components used in the manufacture of our products and in our development programs.

Our financial results could be adversely impacted by the escalation of labor and benefit costs. Consistent with the experience of other employers, our labor, medical and workers' compensation costs have increased substantially in recent years and are expected to continue to rise. If this trend continues, the cost of labor and to provide healthcare and other benefits to our employees could increase, adversely impacting profitability. As the labor market recovers from the effects of the COVID-19 pandemic, competition for employees has escalated which has increased costs associated with attracting and retaining employees. We cannot be certain that we will be able to maintain an adequately skilled labor force necessary to operate efficiently or that our labor costs will not increase as a result of a shortage in the availability of skilled employees. Changes to healthcare regulations involving the Patient Protection and Affordable Care Act may also increase the cost of providing such benefits to our employees. We cannot predict the ultimate content, timing, or effect of any healthcare reform legislation or the impact of potential legislation or related proposals and policies on our results. Any significant increases in the costs attributable to our self-insured health and workers' compensation plans could adversely impact our business, results of operations, financial condition and cash flows.

Item 2. Unregistered sales of equity securities and use of proceeds

c. The following table summarizes our purchases of our common stock for the quarter ended October 2, 2021.

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Dollar Value of Shares that may yet be Purchased Under the Program (1)
July 4, 2021 - October 2, 2021	—	—	—	$41,483,815

In connection with the exercise of stock options, we accept, from time to time, delivery of shares to pay the exercise price of stock options.

(1) On September 17, 2019, the Company's Board of Directors authorized an additional repurchase of up to $50 million. Approximately 310,000 shares were repurchased at a cost of $8.5 million before the 10b5-1 plan associated with the share repurchase program was terminated on February 3, 2020.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit 31.1	Section 302 Certification - Chief Executive Officer
Exhibit 31.2	Section 302 Certification - Chief Financial Officer
Exhibit 32	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 101.1*	Instance Document
Exhibit 101.2*	Schema Document
Exhibit 101.3*	Calculation Linkbase Document
Exhibit 101.4*	Labels Linkbase Document
Exhibit 101.5*	Presentation Linkbase Document
Exhibit 101.6*	Definition Linkbase Document

* Submitted electronically herewith.

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.

			ASTRONICS CORPORATION
			(Registrant)
Date:	November 9, 2021	By:	/s/ David C. Burney
			David C. Burney Executive Vice President and Chief Financial Officer (Principal Financial Officer)

Exhibit 31.1

SECTION 302 CERTIFICATION

Certification of Chief Executive Officer pursuant to Exchange Act rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Peter J. Gundermann, President and Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Astronics 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 registrant's board of directors (or persons performing 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: 11/9/2021

/s/ Peter J. Gundermann

Peter J. Gundermann
President and Chief Executive Officer

Exhibit 31.2

SECTION 302 CERTIFICATION

Certification of Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, David C. Burney, Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Astronics 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 registrant's board of directors (or persons performing 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: 11/9/2021

/s/ David C. Burney

David C. Burney
Chief Financial Officer

Exhibit 32

Certification pursuant to
18 U.S.C. Section 1350,
as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officers of Astronics Corporation (the "Company") hereby certify that:

The Company's Quarterly Report on Form 10-Q for the quarter ended October 2, 2021 fully complies with the requirements of section 13(a) or 15(d) of the Securities and Exchange Act of 1934 and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 9, 2021	/s/ Peter J. Gundermann
	Peter J. Gundermann
	Title: Chief Executive Officer
November 9, 2021	/s/ David C. Burney
	David C. Burney
	Title: Chief Financial Officer

This certification shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liability of that section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent specifically incorporated by the Company into such filing.