HEICO CORP
Form 10-Q
June 01, 2007

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

FORM 10-Q

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

For the Quarterly Period Ended April 30, 2007 or

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

For the transition period from ______ to _______

Commission file number 1-4604

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

Florida	65-0341002
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3000 Taft Street, Hollywood, Florida	33021
(Address of principal executive offices)	(Zip Code)

(954) 987-4000
(Registrant's telephone number, including area code)

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

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

Large accelerated filer [X] Accelerated filer [ ] Non-accelerated filer [ ]

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

The number of shares outstanding of each of the registrant's classes of common stock as of May 30, 2007:

Common Stock, $.01 par value	10,530,641 shares
Class A Common Stock, $.01 par value	15,247,361 shares

HEICO CORPORATION

INDEX TO QUARTERLY REPORT ON FORM 10-Q

	PAG
PART I. FINANCIAL INFORMATION:	
Item 1. Condensed Consolidated Balance Sheets (unaudited) as of April 30, 2007 and October 31, 2006	2
Condensed Consolidated Statements of Operations (unaudited) for the six months and three months ended April 30, 2007 and 2006	3
Condensed Consolidated Statements of Cash Flows (unaudited) for the six months ended April 30, 2007 and 2006	4
Notes to Condensed Consolidated Financial Statements (unaudited)	5
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	16
Item 3. Quantitative and Qualitative Disclosures About Market Risk	28
Item 4. Controls and Procedures	29
PART II. OTHER INFORMATION:	
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	30
Item 4. Submission of Matters to a Vote of Security Holders	30
Item 6. Exhibits	31
SIGNATURE	32

1

PART I. ITEM 1. FINANCIAL INFORMATION
HEICO CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS - UNAUDITED

	APRIL 30, 200
ASSETS	
Current assets:	
Cash and cash equivalents	$ 5,889,0
Accounts receivable, net	68,019,0
Inventories, net	106,906,0
Prepaid expenses and other current assets	4,570,0
Deferred income taxes	9,784,0
Total current assets	195,168,0
Property, plant and equipment, net	51,105,0
Goodwill	280,330,0

Intangible assets, net	21,602,0
Other assets	11,091,0
Total assets	$ 559,296,0
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities:	
Current maturities of long-term debt	$ 1,986,0
Trade accounts payable	26,960,0
Accrued expenses and other current liabilities	29,753,0
Income taxes payable	1,719,0
Total current liabilities	60,418,0
Long-term debt, net of current maturities	49,036,0
Deferred income taxes	30,792,0
Other non-current liabilities	8,936,0
Total liabilities	149,182,0
Minority interests in consolidated subsidiaries	68,074,0
Commitments and contingencies (Note 11)	
Shareholders' equity:	
Preferred Stock, $.01 par value per share; 10,000,000 shares authorized; 300,000 shares designated as Series B Junior Participating Preferred Stock and 300,000 shares designated as Series C Junior Participating Preferred Stock; none issued	
Common Stock, $.01 par value per share; 30,000,000 shares authorized; 10,446,655 and 10,311,564 shares issued and outstanding, respectively	104,0
Class A Common Stock, $.01 par value per share; 30,000,000 shares authorized; 15,173,992 and 15,062,398 shares issued and outstanding, respectively	152,0
Capital in excess of par value	214,652,0
Accumulated other comprehensive income	143,0
Retained earnings	126,989,0
Total shareholders' equity	342,040,0
Total liabilities and shareholders' equity	$ 559,296,0

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

2

HEICO CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS - UNAUDITED

	SIX MONTHS ENDED APRIL 30,		
	2007	2006	
Net sales	$ 234,899,000	$ 180,193,000	$
Operating costs and expenses:			
Cost of sales	153,744,000	114,605,000	

Selling, general and administrative expenses	42,932,000	33,682,000	
Total operating costs and expenses	196,676,000	148,287,000	
Operating income	38,223,000	31,906,000	
Interest expense	(1,709,000)	(1,669,000)	
Interest and other income	308,000	254,000	
Income before income taxes and minority interests	36,822,000	30,491,000	
Income tax expense	11,896,000	10,731,000	
Income before minority interests	24,926,000	19,760,000	
Minority interests' share of income	7,598,000	5,469,000	
Net income	$ 17,328,000	$ 14,291,000	$
Net income per share:			
Basic	$ .68	$ .58	$
Diluted	$ .65	$ .54	$
Weighted average number of common shares outstanding:			
Basic	25,528,419	24,850,558	
Diluted	26,827,057	26,426,503	
Cash dividends per share	$ 0.04	$ 0.04	$

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

HEICO CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED

	SIX MONTHS ENDED APRIL 30,	
	2007	2006
Operating Activities:		
Net income	$ 17,328,000	$ 14,291,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,948,000	4,323,000
Deferred income tax provision	1,848,000	1,744,000
Minority interests' share of income	7,598,000	5,469,000
Tax benefit from stock option exercises	6,899,000	2,377,000
Excess tax benefit from stock option exercises	(5,282,000)	(1,135,000)
Stock option compensation expense	422,000	887,000
Changes in assets and liabilities, net of acquisitions:		
Increase in accounts receivable	(2,737,000)	(4,519,000)
Increase in inventories	(9,028,000)	(8,937,000)
Increase in prepaid expenses and other current assets	(1,118,000)	(105,000)
Increase in trade accounts payable	4,505,000	1,817,000
Decrease in accrued expenses and other current liabilities	(4,913,000)	(6,233,000)
Increase (decrease) in income taxes payable	137,000	(2,568,000)
Other	335,000	7,000

Net cash provided by operating activities	21,942,000	7,418,000
Investing Activities:		
Acquisitions and related costs, net of cash acquired	(13,867,000)	(32,956,000)
Capital expenditures	(5,721,000)	(4,622,000)
Other	20,000	467,000
Net cash used in investing activities	(19,568,000)	(37,111,000)
Financing Activities:		
Borrowings on revolving credit facility	12,000,000	34,000,000
Payments on revolving credit facility	(16,000,000)	(7,000,000)
Borrowings on short-term line of credit	--	1,000,000
Payments on short-term line of credit	--	(1,500,000)
Cash dividends paid	(1,022,000)	(991,000)
Proceeds from stock option exercises	1,073,000	3,785,000
Excess tax benefit from stock option exercises	5,282,000	1,135,000
Distributions to minority interest owners	(2,797,000)	(695,000)
Other	(39,000)	10,000
Net cash (used in) provided by financing activities	(1,503,000)	29,744,000
Effect of exchange rate changes on cash	19,000	20,000
Net increase in cash and cash equivalents	890,000	71,000
Cash and cash equivalents at beginning of year	4,999,000	5,330,000
Cash and cash equivalents at end of period	$ 5,889,000	$ 5,401,000

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

4

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of HEICO Corporation and its subsidiaries ("HEICO" or the "Company") have been prepared in conformity with accounting principles generally accepted in the United States of America for interim financial information and in accordance with the instructions to Form 10-Q. Therefore, the condensed consolidated financial statements do not include all information and footnotes normally included in annual consolidated financial statements and should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended October 31, 2006. The October 31, 2006 Condensed Consolidated Balance Sheet has been derived from the Company's audited consolidated financial statements. In the opinion of management, the unaudited condensed consolidated financial statements contain all adjustments (consisting principally of normal recurring accruals) necessary for a fair presentation of the condensed consolidated balance sheets, statements of operations and statements of cash flows for such interim periods presented. The results of operations for the six months ended April 30, 2007 are not necessarily indicative of the results which may be expected for the entire fiscal year.

NEW ACCOUNTING PRONOUNCEMENTS

In May 2005, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 154, "Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3." SFAS No. 154 changes the requirements for the accounting and reporting of a change in accounting principle. The Statement eliminates the requirement in Accounting Principles Board ("APB") Opinion No. 20 to include the cumulative effect of changes in accounting principle in the income statement in the period of change, and instead requires that changes in accounting principle be retrospectively applied unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. The Statement applies to all voluntary changes in accounting principle. SFAS No. 154 is effective for changes made in fiscal years beginning after December 15, 2005. The adoption of SFAS No. 154 did not have a material effect on the Company's results of operations, financial position, or cash flows.

In June 2006, the FASB issued FASB Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes-an interpretation of FASB Statement No. 109," which seeks to reduce the diversity in practice associated with the accounting and reporting for uncertain income tax positions. This Interpretation prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in an income tax return. FIN 48 presents a two-step process for evaluating a tax position. The first step is to determine whether it is more-likely-than-not that a tax position will be sustained upon examination, based on the technical merits of the position. The second step is to measure the benefit to be recorded from tax positions that meet the more-likely-than-not

recognition threshold, by determining the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement, and recognizing that amount in the financial statements. FIN 48 is effective for fiscal years beginning after December 15, 2006, or in fiscal 2008 for HEICO. The Company is currently evaluating the impact that the adoption of FIN 48 will have on its results of operations, financial position, and cash flows.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," which provides enhanced guidance for using fair value to measure assets and liabilities. SFAS No. 157 provides a common definition of fair value and establishes a framework to make the measurement of fair value in accordance with generally accepted accounting principles more consistent and comparable. SFAS No. 157 also requires expanded disclosures to provide information about the extent to which fair value is used to measure assets and liabilities, the methods and assumptions used to measure fair value, and the effect of fair value measures on earnings. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, or in fiscal 2009 for HEICO. The Company is currently in the process of evaluating the effect, if any, the adoption of SFAS No. 157 will have on its results of operations, financial position, and cash flows.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements." SAB No. 108 was issued in order to eliminate the diversity in practice surrounding how public companies quantify financial statement misstatements. SAB No. 108 requires that registrants quantify errors using both a balance sheet (iron curtain) approach and an income statement (rollover) approach then evaluate whether either approach results in a misstated amount that, when all relevant quantitative and qualitative factors are considered, is

material. SAB No. 108 is effective for fiscal years ending after November 15, 2006. The Company plans to adopt SAB No. 108 as of October 31, 2007 and does not expect it to have a material effect on its results of operations, financial position, or cash flows.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115". SFAS No. 159 permits entities to choose to measure certain financial assets and liabilities at fair value and report unrealized gains and losses on items for which the fair value option has been elected in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007, or in fiscal 2009 for HEICO. The Company has not yet determined if it will elect to apply any of the provisions of SFAS No. 159 and is currently evaluating the effect, if any, the adoption of SFAS No. 159 will have on its results of operations, financial position, and cash flows.

2. ACQUISITIONS

During fiscal 2006, the Company, through its HEICO Aerospace Holdings Corp. subsidiary, acquired Arger Enterprises, Inc. and its related companies (collectively "Arger") in May 2006 and Prime Air, LLC in September 2006. In conjunction with the acquisition of Arger, the Company recognized a $1.8 million restructuring liability as of the acquisition date to combine the operations of Arger with other subsidiaries of HEICO Aerospace Holdings Corp. The restructuring costs consisted principally of employee termination and relocation costs, moving

costs and associated expenses and contract termination costs of which $1.1 million were paid and $.6 million were deemed not necessary and reversed during fiscal 2006. The remaining $.1 million of costs were paid in the first quarter of fiscal 2007.

During the first quarter of fiscal 2007, the Company, through its HEICO Aerospace Holdings Corp. subsidiary, acquired an additional 10% of the equity interest in one of its subsidiaries, which increased the Company's ownership interest to 90%. The purchase price was paid using cash provided by operating activities and was not significant to the Company's condensed consolidated financial statements.

During the first quarter of fiscal 2007, the Company, through its HEICO Electronic Technologies Corp. subsidiary, paid $7.3 million of additional purchase consideration related to two subsidiaries acquired in previous years, of which $7.2 million was accrued as of October 31, 2006 based on each subsidiary's estimated earnings relative to target. (See Note 11, Commitments and Contingencies, for additional information on contingent purchase consideration associated with certain of the Company's acquisitions.)

In April 2007, the Company, through its HEICO Electronics Technologies Corp. subsidiary, acquired all the stock of FerriShield, Inc. ("FerriShield"). FerriShield is engaged in the design and manufacture of Radio Frequency Interference and Electromagnetic Frequency Interference ("RFI-EMI") Suppressors for a variety of markets. HEICO intends to consolidate FerriShield into the operations of one of its existing subsidiaries. The acquisition of FerriShield was accounted for using the purchase method of accounting. The purchase price was principally paid in cash using proceeds from the Company's revolving credit facility and was not significant to the Company's consolidated financial statements. The allocation of the purchase price to the tangible and identifiable intangible assets acquired and liabilities assumed in these condensed consolidated financial statements is preliminary until the Company

obtains final information regarding their fair values.

The operating results of Arger, Prime Air, LLC and FerriShield were included in the Company's results of operations from their effective acquisition date. Had the acquisitions taken place as of the beginning of fiscal 2006, net sales on a pro forma basis for the six and three months ended April 30, 2006 would have been $206.1 million and $106.6 million, respectively, and net sales on a pro forma basis for the six and three months ended April 30, 2007 would not have been materially different from the reported amounts. The pro forma net income and net income per share (basic and diluted) assuming these acquisitions had taken place as of the beginning of fiscal 2006 would not have been materially different than the reported amounts.

7

3. SELECTED FINANCIAL STATEMENT INFORMATION

ACCOUNTS RECEIVABLE

	APRIL 30, 2007	OCTOBER 31, 20
Accounts receivable	$ 69,850,000	$ 67,905,0
Less: Allowance for doubtful accounts	(1,831,000)	(2,893,0
Accounts receivable, net	$ 68,019,000	$ 65,012,0

The $1.1 million decrease in the Company's allowance for doubtful accounts is principally as a result of the sale and associated write-off in the second quarter of fiscal 2007 of accounts receivable for a customer in the aviation industry that were fully reserved in fiscal 2005 when the customer filed for bankruptcy. The proceeds from the sale were recorded as a reduction to selling, general and administrative expenses in the Company's condensed consolidated financial statements and increased net income by approximately $.2 million, or $.01 per diluted share, for the six and three months ended April 30, 2007.

COSTS AND ESTIMATED EARNINGS ON UNCOMPLETED PERCENTAGE-OF-COMPLETION CONTRACTS

	APRIL 30, 2007	OCTOBER 31, 20
Costs incurred on uncompleted contracts	$ 19,889,000	$ 16,428,0
Estimated earnings	13,253,000	12,221,0
	33,142,000	28,649,0
Less: Billings to date	(27,376,000)	(21,614,0
	$ 5,766,000	$ 7,035,0
Included in accompanying Condensed Consolidated Balance Sheets under the following captions:		
Accounts receivable, net (costs and estimated earnings in excess of billings)	$ 7,036,000	$ 7,204,0
Accrued expenses and other current liabilities (billings in excess of costs and estimated		

earnings)	(1,270,000)	(169,0
	$ 5,766,000	$ 7,035,0

Changes in estimates did not have a material effect on net income or diluted net income per share in the six months and three months ended April 30, 2007 and 2006.

INVENTORIES

	APRIL 30, 2007	OCTOBER 31, 20
Finished products	$ 57,355,000	$ 52,245,0
Work in process	14,854,000	13,805,0
Materials, parts, assemblies and supplies	34,697,000	31,233,0
Inventories, net	$ 106,906,000	$ 97,283,0

Inventories related to long-term contracts were not significant as of April 30, 2007 and October 31, 2006.

PROPERTY, PLANT AND EQUIPMENT

	APRIL 30, 2007	OCTOBER 31, 20
Land	$ 3,155,000	$ 3,155,0
Buildings and improvements	28,375,000	27,724,0
Machinery, equipment and tooling	61,781,000	59,052,0
Construction in progress	5,820,000	3,796,0
	99,131,000	93,727,0
Less: Accumulated depreciation and amortization	(48,026,000)	(44,238,0
Property, plant and equipment, net	$ 51,105,000	$ 49,489,0

4. GOODWILL AND OTHER INTANGIBLE ASSETS

The Company has two operating segments: the Flight Support Group ("FSG") and the Electronic Technologies Group ("ETG"). Changes in the carrying amount of goodwill by operating segment for the six months ended April 30, 2007 are as follows:

	SEGMENT	
	FSG	ETG

Balances as of October 31, 2006	$ 157,204,000	$ 117,912,0
Goodwill acquired	993,000	3,833,0
Adjustments to goodwill	127,000	261,0
Balances as of April 30, 2007	$ 158,324,000	$ 122,006,0

The goodwill acquired is a result of the acquisitions described in Note 2, Acquisitions. Adjustments to goodwill consist primarily of adjustments related to the preliminary allocation of the purchase price of prior year acquisitions to the assets acquired and liabilities assumed and contingent purchase price payments to previous owners of acquired businesses.

Identifiable intangible assets consist of:

	AS OF APRIL 30, 2007			AS OF	
	GROSS CARRYING AMOUNT	ACCUMULATED AMORTIZATION	NET CARRYING AMOUNT	GROSS CARRYING AMOUNT	
Amortizing Assets:					
Customer relationships	$ 14,685,000	$ (3,476,000)	$ 11,209,000	$ 13,595,000	$
Intellectual property	1,992,000	(747,000)	1,245,000	1,992,000	
Licenses	1,000,000	(363,000)	637,000	1,000,000	
Non-compete agreements	854,000	(563,000)	291,000	800,000	
Patents	564,000	(124,000)	440,000	560,000	
	19,095,000	(5,273,000)	13,822,000	17,947,000	
Non-Amortizing Assets:					
Trade names	7,780,000	--	7,780,000	7,562,000	
	$ 26,875,000	$ (5,273,000)	$ 21,602,000	$ 25,509,000	$

9

The increase in the gross carrying amount of customer relationships, non-compete agreements and trade names as of April 30, 2007 compared to October 31, 2006 principally relates to such intangible assets recognized in connection with the acquisition of FerriShield (see Note 2, Acquisitions). The weighted average amortization period of the customer relationships and non-compete agreements acquired during the six months ended April 30, 2007 is seven years.

Amortization expense of other intangible assets for the six months and three months ended April 30, 2007 was $1,775,000 and $886,000, respectively. Amortization expense of other intangible assets for the fiscal year ending October 31, 2007 is estimated to be $3,568,000. Amortization expense for each of the next five fiscal years is estimated to be $3,373,000 in fiscal 2008, $2,766,000 in fiscal 2009, $2,268,000 in fiscal 2010, $1,594,000 in fiscal 2011 and $1,381,000 in fiscal 2012.

5. SHORT-TERM AND LONG-TERM DEBT

As of April 30, 2007, no borrowings were outstanding under the $7.0 million short-term line of credit that one of the Company's subsidiaries has with a bank.

Long-term debt consists of:

	APRIL 30, 2007	OCTOBER 31, 20
Borrowings under revolving credit facility	$ 49,000,000	$ 53,000,0
Industrial Development Revenue Refunding Bonds - Series 1988	1,980,000	1,980,0
Capital leases and equipment loans	42,000	81,0
	51,022,000	55,061,0
Less: Current maturities of long-term debt	(1,986,000)	(39,0
	$ 49,036,000	$ 55,022,0

As of April 30, 2007 and October 31, 2006, the weighted average interest rate on borrowings under the Company's revolving credit facility was 6.1%. The revolving credit facility contains both financial and non-financial covenants. As of April 30, 2007, the Company believes it is in compliance with all such covenants.

The interest rates on the Series 1988 industrial development revenue bonds were 4.0% and 3.6% as of April 30, 2007 and October 31, 2006, respectively. The bonds are payable in April 2008.

10

6. INCOME TAXES

In December 2006, Section 41 of the Internal Revenue Code, "Credit for Increasing Research Activities" was retroactively extended for two years to cover the period from January 1, 2006 to December 31, 2007. As a result, the Company recognized an income tax credit for qualified research and development activities in fiscal 2007 for the full fiscal 2006 year. The tax credit, net of expenses, increased net income by approximately $.5 million, or $.02 per diluted share, and $.2 million, or $.01 per diluted share, for the six and three months ended April 30, 2007, respectively.

7. SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME

Changes in consolidated shareholders' equity and comprehensive income for the six months ended April 30, 2007 are as follows:

	COMMON STOCK	CLASS A COMMON STOCK	CAPITAL IN EXCESS OF PAR VALUE	ACCUMULATED OTHER COMPREHENSIV INCOME
Balances as of October 31, 2006	$ 103,000	$ 151,000	$ 206,260,000	$ 62,00
Net income	--	--	--	-

Foreign currency translation adjustments	--	--	--	81,00
Comprehensive income	--	--	--	-
Cash dividends ($.04 per share)	--	--	--	-
Tax benefit from stock option exercises	--	--	6,899,000	-
Proceeds from stock option exercises	1,000	1,000	1,071,000	-
Stock option compensation expense	--	--	422,000	-
Other	--	--	--	-
Balances as of April 30, 2007	$ 104,000	$ 152,000	$ 214,652,000	$ 143,00

8. RESEARCH AND DEVELOPMENT EXPENSES

Cost of sales for the six months ended April 30, 2007 and 2006 includes approximately $8.0 million and $8.2 million, respectively, of new product research and development expenses. Cost of sales for the three months ended April 30, 2007 and 2006 includes approximately $4.0 million and $4.4 million, respectively, of new product research and development expenses. The expenses are net of reimbursements pursuant to research and development cooperation and joint venture agreements, which were not significant.

9. NET INCOME PER SHARE

The following table sets forth the computation of basic and diluted net income per share for the six months and three months ended April 30:

	SIX MONTHS ENDED APRIL 30,		
	2007	2006	
Numerator:			
Net income	$ 17,328,000	$ 14,291,000	$
Denominator:			
Weighted average common shares outstanding-basic	25,528,419	24,850,558	
Effect of dilutive stock options	1,298,638	1,575,945	
Weight average common shares outstanding-diluted	26,827,057	26,426,503	
Net income per share-basic	$ 0.68	$ 0.58	$
Net income per share-diluted	$ 0.65	$ 0.54	$
Anti-dilutive stock options excluded	--	24,581	

10. OPERATING SEGMENTS

Information on the Company's two operating segments, the Flight Support Group ("FSG"), consisting of HEICO Aerospace Holdings Corp. and its subsidiaries, and the Electronic Technologies Group ("ETG"), consisting of HEICO

Electronic Technologies Corp. and its subsidiaries, for the six months and three months ended April 30, 2007 and 2006, respectively, is as follows:

	SEGMENT (1)		
	FSG	ETG	
For the six months ended April 30, 2007			
Net sales	$ 180,471,000	$ 54,434,000	$
Depreciation and amortization	4,080,000	1,700,000	
Operating income	32,292,000	13,140,000	
Capital expenditures	4,871,000	813,000	
For the six months ended April 30, 2006			
Net sales	$ 127,517,000	$ 52,745,000	$
Depreciation and amortization	2,897,000	1,269,000	
Operating income	22,361,000	15,348,000	
Capital expenditures	3,719,000	861,000	
For the three months ended April 30, 2007			
Net sales	$ 92,396,000	$ 28,825,000	$
Depreciation and amortization	2,065,000	853,000	
Operating income	17,867,000	7,376,000	
Capital expenditures	2,532,000	498,000	
For the three months ended April 30, 2006			
Net sales	$ 63,839,000	$ 28,263,000	$
Depreciation and amortization	1,462,000	641,000	
Operating income	10,746,000	8,945,000	
Capital expenditures	2,896,000	483,000	

(1) During the third quarter of fiscal 2006, one of the Company's subsidiaries formerly included in the ETG was reclassified to the FSG. Prior period amounts have been retroactively restated to reflect the revised segment classification.

11. COMMITMENTS AND CONTINGENCIES

LEASE COMMITMENTS

During the first quarter of fiscal 2007, the Company, through a subsidiary of the FSG, entered into an operating lease commitment for a new facility which is under construction and expected to be occupied in the fourth quarter of fiscal 2007. The minimum lease payments for fiscal 2007, which commence upon the completion of the facility, are estimated to be $96,000. Minimum lease payments for the next five fiscal years are estimated to be $462,000 in fiscal 2008, $479,000 in fiscal 2009, $495,000 in fiscal 2010, $513,000 in fiscal 2011, $531,000 in fiscal 2012, and $3,481,000 thereafter.

GUARANTEES

The Company has arranged for standby letters of credit aggregating $1.8 million to meet the security requirement of its insurance company for potential workers' compensation claims, which are supported by the Company's revolving

credit facility. In addition, the Company's industrial development revenue bonds are secured by a $2.0 million letter of credit expiring April 2008 and a mortgage on the related properties pledged as collateral.

Changes in the Company's product warranty liability for the six months ended April 30, 2007 and 2006, respectively, are as follows:

	SIX MONTHS ENDED APRIL 30,	
	2007	2006
Balances as of beginning of fiscal year	$ 534,000	$ 395,000
Acquired warranty liabilities	--	15,000
Accruals for warranties	600,000	167,000
Warranty claims settled	(381,000)	(212,000)
Balances as of April 30	$ 753,000	$ 365,000

As part of the agreement to acquire an 80% interest in a subsidiary by the FSG in fiscal 2001, the Company acquired an additional 10% of the equity interests of the subsidiary during the first quarter of fiscal 2007. The Company has the right to purchase the remaining 10% of the equity interests in fiscal 2011, or sooner under certain conditions, and the minority holder has the right to cause the Company to purchase the same equity interest in the same period.

As part of the agreement to acquire an 80% interest in a subsidiary by the ETG in fiscal 2004, the Company has the right to purchase the minority interests beginning at approximately the tenth anniversary of the acquisition, or sooner under certain conditions, and the minority holders have the right to cause the Company to purchase their interests commencing on approximately the fifth anniversary of the acquisition, or sooner under certain conditions.

As part of the agreement to purchase a subsidiary by the ETG in fiscal 2005, the Company may be obligated to pay additional purchase consideration currently estimated to total up to $2.3 million should the subsidiary meet certain product line-related earnings objectives during the fourth and fifth years following the acquisition. The additional purchase consideration will be accrued when

the earnings objectives are met.

As part of the agreement to acquire an 85% interest in a subsidiary by the ETG in fiscal 2005, the minority holders have the right to cause the Company to purchase their interests over a four-year period starting around the second anniversary of the acquisition, or sooner under certain conditions.

As part of the agreement to acquire a 51% interest in a subsidiary by the FSG in fiscal 2006, the Company has the right to purchase 28% of the equity interests of the subsidiary over a four-year period beginning approximately after the second anniversary of the acquisition, or sooner under certain conditions, and the minority holders have the right to cause the Company to purchase the same equity interest over the same period. Further, the Company has the right to purchase the remaining 21% of the equity interests of the subsidiary over a three-year period beginning approximately after the fourth anniversary of the acquisition, or sooner under certain conditions, and the minority holders have the right to cause the Company to purchase the same equity interest over the same period.

As part of the agreement to acquire a subsidiary by the ETG in fiscal 2006, the Company may be obligated to pay additional consideration of up to $9.2 million in fiscal 2007, $17.8 million in fiscal 2008 and $19.2 million in fiscal 2009. The additional purchase consideration will be accrued when the earnings objectives are met.

As part of an agreement to acquire an 80% interest in a subsidiary by the FSG in fiscal 2006, the Company may be obligated to pay additional purchase consideration of up to $7.0 million in aggregate should the subsidiary meet certain earnings objectives during the first two years following the acquisition. The additional purchase consideration will be accrued when the earnings objectives are met. Further, the Company has the right to purchase the remaining 20% minority interests beginning at approximately the eighth anniversary of the acquisition, or sooner under certain conditions, and the minority holders have the right to cause the Company to purchase the same equity interest over the same period.

As part of an agreement for exclusive license rights to intellectual property, one of the subsidiaries of the ETG had guaranteed minimum royalty payments aggregating $.2 million, which were paid during the second quarter of fiscal 2007.

LITIGATION

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

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

OVERVIEW

This discussion of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and notes thereto included herein. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates if different assumptions were used or different events ultimately transpire.

The Company's critical accounting policies, some of which require management to make judgments about matters that are inherently uncertain, are described in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," under the heading "Critical Accounting Policies" in the Company's Annual Report on Form 10-K for the year ended October 31, 2006.

The Company has two operating segments: the Flight Support Group ("FSG"), consisting of HEICO Aerospace Holdings Corp. ("HEICO Aerospace") and its subsidiaries, and the Electronic Technologies Group ("ETG"), consisting of HEICO Electronic Technologies Corp. ("HEICO Electronic") and its subsidiaries.

RESULTS OF OPERATIONS

The following table sets forth the results of the Company's operations, net sales and operating income by segment, and the percentage of net sales represented by the respective items in the Company's Condensed Consolidated Statements of Operations.

	SIX MONTHS ENDED APRIL 30,	
	2007	2006
Net sales	$ 234,899,000	$ 180,193,000
Cost of sales	153,744,000	114,605,000
Selling, general and administrative expenses	42,932,000	33,682,000
Total operating costs and expenses	196,676,000	148,287,000
Operating income	$ 38,223,000	$ 31,906,000
Net sales by segment: (1)		
Flight Support Group	$ 180,471,000	$ 127,517,000
Electronic Technologies Group	54,434,000	52,745,000
Intersegment sales	(6,000)	(69,000)
	$ 234,899,000	$ 180,193,000
Operating income by segment: (1)		
Flight Support Group	$ 32,292,000	$ 22,361,000
Electronic Technologies Group	13,140,000	15,348,000
Other, primarily corporate	(7,209,000)	(5,803,000)
	$ 38,223,000	$ 31,906,000
Net sales	100.0%	100.0%
Gross profit	34.5%	36.4%
Selling, general and administrative expenses	18.3%	18.7%
Operating income	16.3%	17.7%
Interest expense	0.7%	0.9%
Interest and other income	0.1%	0.1%
Income tax expense	5.1%	6.0%
Minority interests' share of income	3.2%	3.0%
Net income	7.4%	7.9%

(1) During the third quarter of fiscal 2006, one of the Company's subsidiaries formerly included in the Electronic Technologies Group was reclassified to the Flight Support Group. Prior period amounts have been retroactively restated to reflect the revised segment classification.

17

COMPARISON OF FIRST SIX MONTHS OF FISCAL 2007 TO FIRST SIX MONTHS OF FISCAL 2006

Net Sales

Net sales for the first six months of fiscal 2007 increased by 30.4% to $234.9 million, as compared to net sales of $180.2 million for the first six months of fiscal 2006. The increase in net sales reflects an increase of $53.0 million (a 41.5% increase) to $180.5 million in net sales within the FSG and an increase of $1.7 million (a 3.2% increase) to $54.4 million in net sales within the ETG. The FSG's net sales increase reflects organic growth of approximately 19% as well as the prior year acquisitions of Arger Enterprises, Inc. and its related companies (collectively "Arger") in May 2006 and Prime Air, LLC ("Prime Air") in September 2006. The organic growth reflects higher sales of new products and services and continued increased demand for the FSG's aftermarket replacement parts and repair and overhaul services. The ETG's net sales increase (consisting principally of organic growth) reflects increased demand for certain products.

Gross Profit and Operating Expenses

The Company's gross profit margin decreased to 34.5% for the first six months of fiscal 2007 as compared to 36.4% for the first six months of fiscal 2006, reflecting lower margins within the ETG due principally to a less favorable product mix. Consolidated cost of sales for the first six months of fiscal 2007 and 2006 includes approximately $8.0 million and $8.2 million, respectively, of new product research and development expenses.

Selling, general and administrative ("SG&A") expenses were $42.9 million and $33.7 million for the first six months of fiscal 2007 and fiscal 2006, respectively. The increase in SG&A expenses was mainly due to higher operating costs, principally personnel related, associated with the growth in net sales discussed above including the Arger and Prime Air acquisitions and an increase in corporate expenses. The higher corporate expenses primarily reflect higher accrued performance awards based on the improvement in consolidated operating results.

As a percentage of net sales, SG&A expenses decreased to 18.3% for the first six months of fiscal 2007 compared to 18.7% for the first six months of fiscal 2006. The decrease as a percentage of net sales is due to efficiencies in controlling costs while increasing revenues.

Operating Income

Operating income for the first six months of fiscal 2007 increased by 19.8% to $38.2 million, compared to operating income of $31.9 million for the first six months of fiscal 2006. The increase in operating income reflects an increase of $9.9 million (a 44.4% increase) to $32.3 million in operating income of the FSG in the first six months of fiscal 2007 from $22.4 million for the first six months of fiscal 2006 partially offset by a $2.2 million decrease (a 14.4% decrease) in operating income of the ETG from $15.3 million for the first six months of fiscal 2006 to $13.1 million for the first six months of fiscal 2007 as a result of lower operating margins and a $1.4 million increase in corporate expenses as discussed above.

As a percentage of net sales, consolidated operating income decreased to 16.3% for the first six months of fiscal 2007 compared to 17.7% for the first six months of fiscal 2006. The consolidated operating income as a percentage of net sales reflects a decrease in the ETG's operating income as a percentage of net sales from 29.1% in the first six months of fiscal 2006 to 24.1% in the first six months of fiscal 2007 partially offset by an increase in the FSG's operating income as a percentage of net sales from 17.5% in the first six months of fiscal 2006 to 17.9% in the first six months of fiscal 2007. The decrease in operating income as a percentage of net sales for the ETG principally reflects

the aforementioned decreased gross profit margins as well as increased SG&A expenses. The increase in operating income as a percentage of net sales for the FSG principally reflects improved operating efficiencies within SG&A expenses. See "Outlook" below for additional information on the operating margins of the FSG and ETG.

Interest Expense

Interest expense for the first six months of fiscal 2007 and fiscal 2006 was comparable as the lower weighted average balance outstanding under the revolving credit facility in the first six months of fiscal 2007 was offset by higher interest rates.

Interest and Other Income

Interest and other income in the first six months of fiscal 2007 and 2006 were not material.

Income Tax Expense

The Company's effective tax rate for the first six months of fiscal 2007 decreased to 32.3% from 35.2% for the first six months of fiscal 2006. The decrease is principally due to an income tax credit for qualified research and development activities recognized for the full fiscal 2006 year in the first six months of fiscal 2007. The fiscal 2006 tax credit was recorded pursuant to the December 2006 retroactive extension for the two year period covering January 1, 2006 to December 31, 2007 of Section 41, "Credit for Increasing Research Activities," of the Internal Revenue Code and increased net income, net of expenses, by approximately $.5 million for the first six months of fiscal 2007.

Minority Interests' Share of Income

Minority interests' share of income of consolidated subsidiaries relates to the 20% minority interest held in HEICO Aerospace and the minority interests held in certain subsidiaries of HEICO Aerospace including the 49% minority interest held in Seal Dynamics LLC ("Seal LLC") and the 20% minority interest held in Prime Air; and the minority interests held in certain subsidiaries of HEICO Electronic. The increase in the minority interests' share of income for the first six months of fiscal 2007 compared to the first six months of fiscal 2006 is attributable to the higher earnings of Seal LLC and the FSG and the September 2006 acquisition of Prime Air.

Net Income

The Company's net income was $17.3 million, or $.65 per diluted share, for the first six months of fiscal 2007 compared to $14.3 million, or $.54 per diluted share, for the first six months of fiscal 2006 reflecting the increased operating income referenced above, partially offset by the increased minority interests' share of income of certain consolidated subsidiaries.

OUTLOOK

The Company reported increased consolidated net sales and operating income in the first six months of fiscal 2007 reflecting both strong organic growth and growth through acquisitions, but experienced a slight decline in operating margins. Consolidated operating margins for the first half of fiscal 2007 reflect a lower margin for the ETG partially offset by a higher margin for the FSG. The ETG's operating margin, which varies somewhat from quarter-to-quarter based on the timing of product shipments/mix, increased 3.1% in the second

quarter over the first quarter of fiscal 2007. Based on the improving trends exhibited in the second quarter, recent sales orders and the current backlog of unshipped orders, the Company continues to expect higher net sales and improved operating margins for the ETG over the balance of fiscal 2007.

Based on current economic conditions, the state of the aviation, defense and electronics industries, order patterns and backlog, the Company continues to target growth in fiscal 2007 net sales and earnings over fiscal 2006 and operating margins to improve over the second half of the year such that full fiscal 2007 margins will approximate those of the prior year.

COMPARISON OF SECOND QUARTER OF FISCAL 2007 TO SECOND QUARTER OF FISCAL 2006

Net Sales

Net sales for the second quarter of fiscal 2007 increased by 31.6% to $121.2 million, as compared to net sales of $92.1 million for the second quarter of fiscal 2006. The increase in net sales reflects an increase of $28.6 million (a 44.7% increase) to $92.4 million in net sales within the FSG and an increase of $.6 million (a 2.0% increase) to $28.8 million in net sales within the ETG. The FSG's net sales increase reflects organic growth of approximately 19% as well as the prior year acquisitions of Arger and Prime Air. The organic growth reflects higher sales of new products and services and continued increased demand for the FSG's aftermarket replacement parts and repair and overhaul services. The ETG's net sales increase (consisting principally of organic growth) reflects increased demand for certain products.

Gross Profit and Operating Expenses

The Company's gross profit margin decreased to 36.0% for the second quarter of fiscal 2007 as compared to 36.4% for the second quarter of fiscal 2006, reflecting lower margins within the ETG due principally to a less favorable product mix offset by higher margins within the FSG due principally to lower new product research and development expenses as a percentage of net sales and a favorable product mix. Consolidated cost of sales for the second quarter of fiscal 2007 and 2006 includes approximately $4.0 million and $4.4 million, respectively, of new product research and development expenses.

SG&A expenses were $22.6 million and $16.9 million for the second quarter of fiscal 2007 and fiscal 2006, respectively. The increase in SG&A expenses was mainly due to higher operating costs, principally personnel related, associated with the growth in net sales discussed above including the Arger and Prime Air acquisitions and an increase in corporate expenses. The higher corporate expenses primarily reflect higher accrued performance awards based on the improvement in consolidated operating results.

As a percentage of net sales, SG&A expenses increased slightly to 18.6% for the second quarter of fiscal 2007 compared to 18.4% for the second quarter of fiscal 2006. The increase as a percentage of net sales is due to the increase in operating expenses related to the increase in net sales during the quarter.

Operating Income

Operating income for the second quarter of fiscal 2007 increased by 26.9% to $21.1 million, compared to operating income of $16.6 million for the second quarter of fiscal 2006. The increase in operating income reflects an increase of $7.1 million (a 66.3% increase) to $17.9 million in operating income of the FSG in the second quarter of fiscal 2007 from $10.7 million for the second quarter of fiscal 2006 partially offset by a $1.6 million decrease (a 17.5% decrease) in

operating income of the ETG from $8.9 million for the second quarter of fiscal 2006 to $7.4 million for the second quarter of fiscal 2007 as a result of lower operating margins and a $1.1 million increase in corporate expenses as discussed above.

As a percentage of net sales, consolidated operating income decreased to 17.4% for the second quarter of fiscal 2007 compared to 18.0% for the second quarter of fiscal 2006. The consolidated operating income as a percentage of net sales reflects a decrease in the ETG's operating income as a percentage of net sales from 31.6% in the second quarter of fiscal 2006 to 25.6% in the second quarter of fiscal 2007 partially offset by an increase in the FSG's operating income as a percentage of net sales from 16.8% in the second quarter of fiscal 2006 to 19.3% in the second quarter of fiscal 2007. The decrease in operating income as a percentage of net sales for the ETG principally reflects the aforementioned decreased gross profit margins and increased SG&A expenses. The increase in operating income as a percentage of net sales for the FSG principally reflects increased gross margins discussed previously. See "Outlook" above for additional information on the operating margins of the FSG and ETG.

Interest Expense

Interest expense for the second quarter of fiscal 2007 and fiscal 2006 was comparable as the lower weighted average balance outstanding under the revolving credit facility in the second quarter of fiscal 2007 was offset by higher interest rates.

Interest and Other Income

Interest and other income in the second quarter of fiscal 2007 and 2006 were not material.

21

Income Tax Expense

The Company's effective tax rate for the second quarter of fiscal 2007 decreased to 34.0% from 36.2% for the second quarter of fiscal 2006. The decrease is principally due to an income tax credit for qualified research and development activities recognized for the full fiscal 2006 year in the first six months of fiscal 2007. The fiscal 2006 tax credit was recorded pursuant to the December 2006 retroactive extension for the two year period covering January 1, 2006 to December 31, 2007 of Section 41, "Credit for Increasing Research Activities," of the Internal Revenue Code and increased net income, net of expenses, by approximately $.2 million for the second quarter of fiscal 2007.

Minority Interests' Share of Income

Minority interests' share of income of consolidated subsidiaries relates to the 20% minority interest held in HEICO Aerospace and the minority interests held in certain subsidiaries of HEICO Aerospace including the 49% minority interest held in Seal Dynamics LLC ("Seal LLC") and the 20% minority interest held in Prime Air; and the minority interests held in certain subsidiaries of HEICO Electronic. The increase in the minority interests' share of income for the second quarter of fiscal 2007 compared to the second quarter of fiscal 2006 is attributable to the higher earnings of Seal LLC and the FSG and the September 2006 acquisition of Prime Air.

Net Income

The Company's net income was $9.4 million, or $.35 per diluted share, for the second quarter of fiscal 2007 compared to $7.5 million, or $.28 per diluted

share, for the second quarter of fiscal 2006 reflecting the increased operating income referenced above, partially offset by the increased minority interests' share of income of certain consolidated subsidiaries.

LIQUIDITY AND CAPITAL RESOURCES

The Company generates cash primarily from its operating activities and financing activities, including borrowings under long-term credit agreements.

Principal uses of cash by the Company include acquisitions, payments of principal and interest on debt, capital expenditures, cash dividends and increases in working capital.

The Company believes that its net cash provided by operating activities and available borrowings under its revolving credit facility will be sufficient to fund cash requirements for the foreseeable future.

Operating Activities

Net cash provided by operating activities was $21.9 million for the first six months of fiscal 2007, consisting primarily of net income of $17.3 million, minority interests' share of income of consolidated subsidiaries of $7.6 million, a tax benefit on stock option exercises of $6.9 million, depreciation and amortization of $5.9 million, a deferred income tax provision of $1.8 million,

and stock option compensation expense of $.4 million, partially offset by an increase in net operating assets of $13.2 million and the presentation of $5.3 million of excess tax benefit from stock option exercises as a financing activity. The increase in net operating assets (current assets used in operating activities net of current liabilities) primarily reflects higher investment in inventories by the FSG required to meet increased sales demand and improve product delivery times and an increase in accounts receivable due to the sales growth.

Net cash provided by operating activities increased to $21.9 million for the first six months of fiscal 2007 from $7.4 million for the first six months of fiscal 2006 principally due to a decrease in net operating assets and higher income before minority interests. The decrease in net operating assets for the first half of fiscal 2007 compared to the first half of fiscal 2006 primarily reflects differences in the timing of payment of certain recurring liabilities, which vary somewhat from year to year.

Investing Activities

Net cash used in investing activities during the first six months of fiscal 2007 related primarily to acquisitions and related costs of $13.9 million and capital expenditures totaling $5.7 million. Acquisitions and related costs principally reflect the payment of additional purchase consideration related to two subsidiaries acquired in previous years, which was accrued as of October 31, 2006 based on each subsidiary's estimated earnings relative to target, the acquisition of FerriShield, Inc. and an additional 10% of the equity interests of a subsidiary of the Company's HEICO Aerospace Holdings Corp. subsidiary. Further details on acquisitions may be found in Note 2, Acquisitions, of the Notes to Condensed Consolidated Financial Statements.

Financing Activities

Net cash used in financing activities during the first six months of fiscal

2007 primarily related to repayments of $16 million on the Company's revolving credit facility, distributions to minority interest owners of $2.8 million, and the payment of $1.0 million in cash dividends on the Company's common stock, partially offset by borrowings of $12 million on the Company's revolving credit facility principally used to fund the aforementioned additional purchase consideration and FerriShield, Inc. acquisition, the presentation of $5.3 million of excess tax benefit from stock option exercises as a financing activity and proceeds from stock option exercises of $1.1 million.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has arranged for standby letters of credit aggregating $1.8 million to meet the security requirement of its insurance company for potential workers' compensation claims, which are supported by the Company's revolving credit facility. In addition, the Company's industrial development revenue bonds are secured by a $2.0 million letter of credit expiring April 2008 and a mortgage on the related properties pledged as collateral.

As part of the agreement to acquire an 80% interest in a subsidiary by the FSG in fiscal 2001, the Company acquired an additional 10% of the equity interests of the subsidiary during the first quarter of fiscal 2007. The Company has the right to purchase the remaining 10% of the equity interests in fiscal 2011, or sooner under certain conditions, and the minority holder has the right to cause the Company to purchase the same equity interest in the same period.

As part of the agreement to acquire an 80% interest in a subsidiary by the ETG in fiscal 2004, the Company has the right to purchase the minority interests beginning at approximately the tenth anniversary of the acquisition, or sooner under certain conditions, and the minority holders have the right to cause the Company to purchase their interests commencing on approximately the fifth anniversary of the acquisition, or sooner under certain conditions.

As part of the agreement to purchase a subsidiary by the ETG in fiscal 2005, the Company may be obligated to pay additional purchase consideration currently estimated to total up to $2.3 million should the subsidiary meet certain product line-related earnings objectives during the fourth and fifth years following the acquisition. The additional purchase consideration will be accrued when the earnings objectives are met.

As part of the agreement to acquire an 85% interest in a subsidiary by the ETG in fiscal 2005, the minority holders have the right to cause the Company to purchase their interests over a four-year period starting around the second anniversary of the acquisition, or sooner under certain conditions.

As part of the agreement to acquire a 51% interest in a subsidiary by the FSG in fiscal 2006, the Company has the right to purchase 28% of the equity interests of the subsidiary over a four-year period beginning approximately after the second anniversary of the acquisition, or sooner under certain conditions, and the minority holders have the right to cause the Company to purchase the same equity interest over the same period. Further, the Company has the right to purchase the remaining 21% of the equity interests of the subsidiary over a three-year period beginning approximately after the fourth anniversary of the acquisition, or sooner under certain conditions, and the minority holders have the right to cause the Company to purchase the same equity interest over the same period.

As part of the agreement to acquire a subsidiary by the ETG in fiscal 2006, the Company may be obligated to pay additional consideration of up to $9.2 million in fiscal 2007, $17.8 million in fiscal 2008, and $19.2 million in

fiscal 2009. The additional purchase consideration will be accrued when the earnings objectives are met.

As part of an agreement to acquire an 80% interest in a subsidiary by the FSG in fiscal 2006, the Company may be obligated to pay additional purchase consideration of up to $7.0 million in aggregate should the subsidiary meet certain earnings objectives during the first two years following the acquisition. The additional purchase consideration will be accrued when the earnings objectives are met. Further, the Company has the right to purchase the remaining 20% minority interests beginning at approximately the eighth anniversary of the acquisition, or sooner under certain conditions, and the minority holders have the right to cause the Company to purchase the same equity interest over the same period.

As part of an agreement for exclusive license rights to intellectual property, one of the subsidiaries of the ETG had guaranteed minimum royalty payments aggregating $.2 million, which were paid during the second quarter of fiscal 2007.

NEW ACCOUNTING PRONOUNCEMENTS

In May 2005, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 154, "Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3." SFAS No. 154 changes the requirements for the accounting and reporting of a change in accounting principle. The Statement eliminates the requirement in Accounting Principles Board ("APB") Opinion No. 20 to include the cumulative effect of changes in accounting principle in the income statement in the period of change, and instead requires that changes in accounting principle be retrospectively applied unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. The Statement applies to all voluntary changes in accounting principle. SFAS No. 154 is effective for changes made in fiscal years beginning after December 15, 2005. The adoption of SFAS No. 154 did not have a material effect on the Company's results of operations, financial position, or cash flows.

In June 2006, the FASB issued FASB Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes-an interpretation of FASB Statement No. 109," which seeks to reduce the diversity in practice associated with the accounting and reporting for uncertain income tax positions. This Interpretation prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in an income tax return. FIN 48 presents a two-step process for evaluating a tax position. The first step is to determine whether it is more-likely-than-not that a tax position will be sustained upon examination, based on the technical merits of the position. The second step is to measure the benefit to be recorded from tax positions that meet the more-likely-than-not recognition threshold, by determining the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement, and recognizing that amount in the financial statements. FIN 48 is effective for fiscal years beginning after December 15, 2006, or in fiscal 2008 for HEICO. The Company is currently evaluating the impact that the adoption of FIN 48 will have on its results of operations, financial position, and cash flows.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," which provides enhanced guidance for using fair value to measure assets and liabilities. SFAS No. 157

provides a common definition of fair value and establishes a framework to make the measurement of fair value in accordance with generally accepted accounting principles more consistent and comparable. SFAS No. 157 also requires expanded disclosures to provide information about the extent to which fair value is used to measure assets and liabilities, the methods and assumptions used to measure fair value, and the effect of fair value measures on earnings. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, or in fiscal 2009 for HEICO. The Company is currently in the process of evaluating the effect, if any, the adoption of SFAS No. 157 will have on its results of operations, financial position, and cash flows.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements." SAB No. 108 was issued in order to eliminate the diversity in practice surrounding how public companies quantify financial statement misstatements. SAB No. 108 requires that registrants quantify errors using both a balance sheet (iron curtain) approach and an income statement (rollover) approach then evaluate whether either approach results in a misstated amount that, when all relevant quantitative and qualitative factors are considered, is material. SAB No. 108 is effective for fiscal years ending after November 15, 2006. The Company plans to adopt SAB No. 108 as of October 31, 2007 and does not expect it to have a material effect on its results of operations, financial position, or cash flows.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115". SFAS No. 159 permits entities to choose to measure certain financial assets and liabilities at fair value and report unrealized gains and losses on items for which the fair value option has been elected in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007, or in fiscal 2009 for HEICO. The Company has not yet determined if it will elect to apply any of the provisions of SFAS No. 159 and is currently evaluating the effect, if any, the adoption of SFAS No. 159 will have on its results of operations, financial position, and cash flows.

FORWARD-LOOKING STATEMENTS

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

Therefore, actual results may differ materially from those expressed in or implied by those statements. Factors that could cause such differences, but are not limited to: lower demand for commercial air travel or airline fleet changes, which could cause lower demand for our goods and services; product specification costs and requirements, which could cause an increase to our costs to complete contracts; governmental and regulatory demands, export policies and restrictions, reductions in defense or space spending by U.S. and/or foreign customers, or competition from existing and new competitors, which could reduce our sales; HEICO's ability to introduce new products and product pricing levels, which could reduce our sales or sales growth; HEICO's ability to make acquisitions and achieve operating synergies from acquired businesses, customer credit risk, interest rates and economic conditions within and outside of the aviation, defense, space and electronics industries, which could negatively impact our costs and revenues; and HEICO's ability to maintain effective internal controls, which could adversely affect our business and the market price of our common stock. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

27

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Substantially all of the Company's borrowings bear interest at floating interest rates. Based on the outstanding debt balance as of April 30, 2007, a hypothetical 10% increase in interest rates would increase the Company's interest expense by approximately $305,000 on an annual basis.

The Company is also exposed to foreign currency exchange rate fluctuations on the United States dollar value of its foreign currency denominated transactions, which are principally in British pound sterling. A hypothetical 10% weakening in the exchange rate of the British pound sterling to the United States dollar as of April 30, 2007 would not have a material effect on the Company's results of operations, financial position, or cash flows.

28

ITEM 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Company's Chief Executive Officer and its Chief Financial Officer conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this quarterly report. Based upon that evaluation, the Company's Chief Executive Officer and its Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective as of the end of the period covered by this quarterly report.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in the Company's internal control over financial reporting identified in connection with the evaluation referred to above that occurred during the Company's most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

29

PART II. OTHER INFORMATION

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

The Company did not incur any unregistered sales of its equity securities or repurchase any of its equity securities during the first six months of fiscal 2007.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the Annual Meeting of Shareholders held on March 16, 2007, the Company's shareholders elected nine directors. The number of votes cast for and withheld for each nominee for director was as follows:

DIRECTOR	FOR	WITHHELD
Samuel L. Higginbottom	11,335,193	132,917
Wolfgang Mayrhuber	11,273,760	194,350
Eric A. Mendelson	11,336,847	131,263
Laurans A. Mendelson	11,383,607	84,503
Victor H. Mendelson	11,335,972	132,138
Albert Morrison, Jr.	11,396,020	72,090
Joseph W. Pallot	11,427,307	40,803
Dr. Alan Schriesheim	11,396,018	72,092
Frank Schwitter	11,398,492	69,618

The Company's shareholders also approved the HEICO Corporation 2007 Incentive Compensation Plan, with 11,152,782 voting for the proposal, 296,188 voting against, and 19,135 abstaining. Furthermore, the Company's shareholders ratified the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending October 31, 2007, with 11,418,876 voting for the proposal, 35,969 voting against, and 13,263 abstaining.

30

ITEM 6. EXHIBITS

EXHIBIT	DESCRIPTION
10.1	HEICO Corporation 2007 Incentive Compensation Plan, effective as of November 1, 2006, is incorporated by reference to Exhibit 10.1 to the Form 8-K filed on March 19, 2007. *
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer. **
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer. **
32.1	Section 1350 Certification of Chief Executive Officer. ***
32.2	Section 1350 Certification of Chief Financial Officer. ***

* Previously filed.
** Filed herewith.
*** Furnished herewith.

SIGNATURE

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.

HEICO CORPORATION

Date: June 1, 2007

By: /s/ THOMAS S. IRWIN

Thomas S. Irwin
Executive Vice President
and Chief Financial Officer
(Principal Financial and
Accounting Officer)

EXHIBIT INDEX

EXHIBIT	DESCRIPTION
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.
32.1	Section 1350 Certification of Chief Executive Officer.
32.2	Section 1350 Certification of Chief Financial Officer.