Wesco Aircraft Holdings, Inc
Form 10-Q
February 06, 2012
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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 December 31, 2011

OR

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

Commission File No. 001-35235

WESCO AIRCRAFT HOLDINGS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**20-5441563**

(State of Incorporation)	(I.R.S. Employer Identification Number)

27727 Avenue Scott

Valencia, CA 91355

(Address of Principal Executive Offices and Zip Code)

(661) 775-7200

(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, and (2) has been subject to such filing requirements for the past 90 days. Yes o No x

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

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

Large accelerated filer o	Accelerated filer o
Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company o

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

The number of shares of common stock (par value $0.001 per share) of the registrant outstanding as of February 6, 2012 was 85,752,087.

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PART 1 FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED).

Wesco Aircraft Holdings, Inc. and Subsidiaries

Consolidated Balance Sheets

(In thousands, except share and per share data)

(Unaudited)

	December 31, 2011	September 30, 2011
Assets		
Current assets		
Cash and cash equivalents	$ 44,675	$ 45,525
Accounts receivable, net of allowance for doubtful accounts of $4,159 at December 31, 2011 and $4,257 at September 30, 2011	100,020	97,289
Inventories	488,664	483,062
Prepaid expenses and other current assets	7,858	11,740
Deferred income taxes	39,026	39,289
Total current assets	680,243	676,905
Property and equipment, net	17,012	20,952
Deferred financing costs, net	11,059	12,058
Goodwill	504,692	504,764
Intangible assets, net	85,256	86,239
Other assets	450	467
Total assets	$ 1,298,712	$ 1,301,385
Liabilities and Stockholders Equity		
Current liabilities		
Accounts payable	$ 55,195	$ 53,069
Accrued expenses and other current liabilities	11,200	18,664
Income taxes payable	3,710	1,144
Capital lease obligations current portion	1,926	2,069
Total current liabilities	72,031	74,946
Long-term debt	531,000	556,000
Capital lease obligations	334	712
Deferred income taxes	43,065	41,256
Total liabilities	646,430	672,914
Commitments and contingencies		
Stockholders equity		
Preferred stock, $0.001 par value per share: 50,000,000 shares authorized; no shares issued and outstanding		
Common stock, class A, $0.001 par value per share: 950,000,000 shares authorized; 85,725,669 and 85,716,863 shares issued and outstanding as of December 31, 2011 and September 30, 2011, respectively	86	86

Class B convertible redeemable common stock, $0.001 par value per share: 2,000,000 shares authorized; zero shares issued and outstanding as of December 31, 2011 and September 30, 2011, respectively				
Additional paid-in capital		337,662		336,998
Accumulated other comprehensive loss		(8,003)		(7,972)
Retained earnings		322,537		299,359
Total stockholders equity		652,282		628,471
Total liabilities and stockholders equity	$	1,298,712	$	1,301,385

See the accompanying notes to the consolidated financial statements.

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Wesco Aircraft Holdings, Inc. and Subsidiaries

Consolidated Statements of Income

(In thousands, except per share data)

(Unaudited)

	Three Months Ended December 31, 2011	Three Months Ended December 31, 2010
Net sales	$ 192,554	$ 173,528
Cost of sales	119,282	106,829
Gross profit	73,272	66,699
Selling, general and administrative expenses	28,193	25,388
Income from operations	45,079	41,311
Interest expense, net	(6,514)	(6,277)
Other income (expense), net	(22)	516
Income before provision for income taxes	38,543	35,550
Provision for income taxes	(15,365)	(13,880)
Net income	$ 23,178	$ 21,670
Net income per share:		
Basic	$ 0.25	$ 0.24
Diluted	$ 0.24	$ 0.23
Weighted average shares outstanding:		
Basic	91,198	90,575
Diluted	94,979	92,564

See the accompanying notes to the consolidated financial statements.

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Wesco Aircraft Holdings, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	Three Months Ended December 31, 2011	2010
Cash flows from operating activities		
Net income	$ 23,178	$ 21,670
Adjustments to reconcile net income to net cash provided by operating activities		
Amortization of intangible assets	923	923
Depreciation	1,459	1,185
Amortization of deferred financing costs	998	1,072
Bad debt and sales return reserve	(90)	(121)
Non-cash foreign currency exchange	(39)	(423)
Non-cash stock-based compensation	665	364
Change in fair value of derivative	(734)	(1,532)
Deferred income tax provision	2,070	2,119
Loss on fixed asset disposal	339	
Changes in assets and liabilities		
Accounts receivable	(3,252)	(10,522)
Inventories	(5,382)	(2,475)
Prepaid expenses and other assets	3,800	(1,456)
Accounts payable	2,682	(10,192)
Accrued expenses and other liabilities	(6,663)	(2,813)
Income taxes payable	2,643	4,707
Net cash provided by operating activities	22,597	2,506
Cash flows from investing activities		
Purchases of property and equipment	(644)	(234)
Proceeds from sale of equipment	2,759	
Net cash provided by (used in) investing activities	2,115	(234)
Cash flows from financing activities		
Repayment of long-term debt	(25,000)	(14,000)
Repayment of capital lease obligations	(521)	(387)
Net cash used in financing activities	(25,521)	(14,387)
Effect of foreign currency exchange rates on cash and cash equivalents	(41)	(82)
Net decrease in cash and cash equivalents	(850)	(12,197)
Cash and cash equivalents, beginning of period	45,525	39,463
Cash and cash equivalents, end of period	$ 44,675	$ 27,266

See the accompanying notes to the consolidated financial statements.

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Wesco Aircraft Holdings, Inc. & Subsidiaries

Notes to the Consolidated Financial Statements

(In thousands, except share and per share data)

(Unaudited)

Note 1. Basis of Presentation and Significant Accounting Policies

The accompanying consolidated financial statements include the accounts of Wesco Aircraft Holdings, Inc. (referred to herein as the Company or in the first person notations we, us and our) and its wholly owned subsidiaries prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and with the instructions to Form 10-Q and Article 10 of Regulation S-X. The financial statements presented herein have not been audited by an independent registered public accounting firm, but include all material adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary for fair statement of the financial condition, results of operations and cash flows for the period. However, these results are not necessarily indicative of results for any other interim period or for the full fiscal year. The preparation of financial statements in conformity with GAAP requires us to make certain estimates and assumptions for the reporting periods covered by the financial statements. These estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. Actual amounts could differ from these estimates.

Certain information and footnote disclosures normally included in financial statements in accordance with GAAP have been omitted pursuant to the rules of the Securities and Exchange Commission (SEC). The accompanying consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in this offering.

Note 2. Recent Accounting Pronouncements

Changes to accounting principles generally accepted in the United States of America (U.S. GAAP) are established by the Financial Accounting Standards Board (FASB) in the form of Accounting Standards Updates (ASUs) to the FASB s Accounting Standards Codification (ASC).

The Company considers the applicability and impact of all ASUs. ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on our consolidated financial position and results of operations.

In October 2009, the FASB issued guidance on revenue arrangements with multiple deliverables effective for the Company s 2012 fiscal year, although early adoption is permitted. The guidance revises the criteria for separating, measuring, and allocating arrangement consideration to each deliverable in a multiple element arrangement. The guidance requires companies to allocate revenue using the relative selling price of each deliverable, which must be estimated if the Company does not have a history of selling the deliverable on a stand-alone basis or third-party evidence of selling price. The Company does not believe that the adoption of this guidance will significantly change the timing in which revenue is recorded as the pricing of its service components are included in the per unit price of the products delivered to the customer, which is solely contingent on the number of units sold. As a result, the revenue earned on the service element does not become fixed or determinable until delivery of the product has taken place.

In January 2010, the FASB issued guidance to revise two disclosure requirements concerning fair value measurements and clarifies two others. It requires separate presentation of significant transfers into and out of Levels 1 and 2 of the fair value hierarchy and disclosure of the reasons for such transfers. It will also require the presentation of purchases, sales, issuances and settlements within Level 3 on a gross basis rather than a net basis. The guidance also clarifies that

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Note 2. Recent Accounting Pronouncements (Continued)

disclosures should be disaggregated by class of asset or liability and that disclosures about inputs and valuation techniques should be provided for both recurring and non-recurring fair value measurements. These new disclosure requirements became effective for the Company s financial statements for the period ended September 30, 2011, except for the requirement concerning gross presentation of Level 3 activity, which became effective for fiscal years beginning after December 15, 2010. Since the Company doesn t currently have any Level 3 fair value measurements, the adoption of this standard did not have an impact on the consolidated financial statements.

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-04*, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* (ASU 2011-04), which amends FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurement* . These amendments, effective for the interim and annual periods beginning on or after December 15, 2011 (early adoption is prohibited), result in common definition of fair value and common requirements for measurement of and disclosure requirements between U.S. GAAP and IFRS. Consequently, the amendments change some fair value measurement principles and disclosure requirements. The adoption of ASU 2011-04 is not expected to have a material impact on the Company s consolidated financial statements.

In June 2011, the FASB issued ASU 2011-05*, Presentation of Comprehensive Income* , which amends FASB ASC 220, *Comprehensive Income* . This guidance, effective retrospectively for the interim and annual periods beginning on or after December 15, 2011 (early adoption is permitted), requires presentation of total comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The option to present components of other comprehensive income as part of the statement of stockholders equity was eliminated. The items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income were not changed. Additionally, no changes were made to the calculation and presentation of earnings per share. The adoption of ASU 2011-05 is not expected to have a material impact on the Company s consolidated financial statements.

In August 2011, the FASB issued ASU 2011-08, *Intangibles - Goodwill and Other (Topic 350): Testing Goodwill for Impairment,* which amends existing guidance by giving an entity the option to first assess qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount. If this is the case, companies will need to perform a more detailed two-step goodwill impairment test, which is used to identify potential goodwill impairments and to measure the amount of goodwill impairment losses to be recognized, if any. ASU 2011-08 will be effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011 (early adoption is permitted). The adoption of ASU 2011-08 is not expected to have a material impact on the Company s consolidated financial statements.

Note 3. Fair Value of Financial Instruments

The Company s financial instruments consist of cash and cash equivalents, accounts receivable and payable, accrued and other current liabilities, and line of credit. The carrying amounts of these instruments approximate fair value because of their short-term maturities. The fair value of the long-term debt instruments are determined using current applicable rates for similar instruments as of the balance sheet date. The carrying amounts and fair value of the debt instruments as of December 31, 2011 were as follows:

	Carrying Value	Fair Value
$265,000 term loan	$ 228,805	$ 228,233
$350,000 term loan	$ 302,195	$ 300,684

Note 4. Derivative Financial Instruments

The Company enters into an interest rate swap arrangement in order to manage its net exposure to interest rate changes on the Company s long-term debt. Interest rate swap contracts involve the exchange of floating rate interest payment obligations for fixed interest rate payments without the exchange of the underlying principle amounts. The Company accounts for this arrangement pursuant to the provisions of ASC 815, *Derivatives and Hedging*. ASC 815 establishes accounting and reporting standards requiring that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at fair value and that any changes in fair value be recognized currently in earnings unless specific hedge accounting criteria are met. The Company s interest rate swap arrangement is not designated as a hedge pursuant to

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ASC 815 and, accordingly, the Company reflects the change in fair value of the interest rate swap in the consolidated statements of operations as part of interest expense.

These arrangements also contain an element of risk in that the counterparties may be unable to meet the terms of such arrangements. In the event the parties to deliver commitments are unable to fulfill their obligations, the Company could potentially incur significant additional costs by replacing the positions at then current market rates. The Company manages its risk of exposure by limiting counterparties to those banks and institutions deemed appropriate by management. Upon the maturity of its previous interest rate swaps, the Company entered into two interest rate swaps arrangements that expire in February and June 2012. Each interest rate swap converts the interest rate on approximately $100,000 (notional amount) of its outstanding debt from variable rates to a fixed interest rate. The swap agreements have fixed the LIBOR component of the term debt to 1.77% and 1.96%.

Exchange-traded derivative financial instruments are valued based on quoted market prices and classified within Level 1 of the valuation hierarchy. Derivative financial instruments that are traded on an index are valued based on direct or indirect prices and classified within Level 2 of the valuation hierarchy. If quoted market prices or other observable inputs are not available, fair value is based on unobservable inputs, including assumptions of market activity and general market conditions, and classified within Level 3 of the valuation hierarchy.

The Company classifies assets and liabilities in their entirety based on the lowest level of input that is significant to the fair value measurement. The following table includes the notional amounts and fair value of derivative financial instruments as of December 31, 2011 and September 30, 2011:

		December 31, 2011		September 30, 2011	
	Balance Sheet Location	**Notional Amount**	**Fair Value**	**Notional Amount**	**Fair Value**
Swap Contracts	Accrued Expenses	$ 200,000	$ (969)	$ 200,000	$ (1,703)

During the three months ending December 31, 2011 and December 31, 2010, the Company recorded a gain in the amount of $734 and $1,532, respectively as a result of changes in fair value of derivative financial instruments. These changes are recorded as a component of interest expense.

The Company classifies assets and liabilities in their entirety based on the lowest level of input that is significant to the fair value measurement. The following table sets forth assets and liabilities measured at fair value as of December 31, 2011 and September 30, 2011, categorized by input level within the fair value hierarchy:

	Fair Value Measurements Using		
	Quoted Prices in Active Markets Level 1	**Significant Other Observable Inputs Level 2**	**Significant Unobservable Inputs Level 3**
December 31, 2011			
Financial instruments measured at fair value on a recurring basis			

Derivative financial instruments		$ (969)	

	Level 1	Level 2	Level 3
September 30, 2011			
Financial instruments measured at fair value on a recurring basis			
Derivative financial instruments		$ (1,703)	

The fair value of our derivative financial instruments is estimated using the net present value of a series of cash flows on both the cap and floor components of the interest rate collars. These cash flows are based on yield curves that take into account the contractual terms of the derivatives, including the period to maturity and market-based parameters such as interest rates and volatility. We incorporated nonperformance risk by adjusting the present value of each liability position utilizing an estimation of our credit risk.

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Note 5. Long-Term Debt

	December 31, 2011	September 30, 2011
$265,000 term loan, bearing interest based on Alternate Base Rate (ABR) (defined as Prime Rate plus an applicable margin rate ranging from 1.25%-2.25%) or Eurodollar (defined as London Inter-Bank Offer Rate (LIBOR) rates plus an applicable margin ranging from 2.25%-3.25%), whichever is greater. The applicable margin rates are indexed to the Company s consolidated leverage ratio and adjusted each reporting period based on operating results. The term loan is payable quarterly equal to 1.25% the first year, escalating to 3.75% by the fifth year of the principal amount of $265,000 with the final payment due on April 7, 2016. Interest rate was 3.05% at December 31, 2011.	$ 228,805	$ 238,000
$350,000 term loan, bearing interest based on the ABR (defined as Prime Rate plus an applicable margin rate ranging from 1.75%-2.00%), or Eurodollar (defined as London Inter-Bank Offer Rate (LIBOR) rates plus an applicable margin rate ranging from 2.75%-3.25%), whichever is greater, provided however that at no time shall the base rate be less than 1.25%. The applicable margin rates are indexed to the Company s consolidated leverage ratio and adjusted each reporting period based on operating results. The term loan is payable quarterly equal to 0.25% of the principal amount of $350,000.The remaining balance is due April 7, 2017. Interest rate was 4.25% at December 31, 2011.	302,195	318,000
	531,000	556,000
Less: current portion		
Long-term debt	$ 531,000	$ 556,000

On April 7, 2011, the Company completed a refinancing of its existing debt facilities for the purpose of extending the maturity dates under the term loans, increasing its borrowing capacity under the revolver and paying related fees and expenses. This debt consists of a $150,000 revolving line of credit, a $265,000 term loan A and a $350,000 term loan B. The revolving line of credit and the term loan A expire April 7, 2016. The interest rate for the term loan A facility is based on the applicable margin, which will be based on our total net leverage ratio as determined in the most recently delivered financial statements, with the respective margins ranging from 2.25% to 3.25% for Eurocurrency loans and 1.25% to 2.25% for ABR loans, whichever is greater. The term loan is payable quarterly equal to 1.25% the first year, escalating to 3.75% by the fifth year of the principal amount of $265,000 with the final payment due on April 7, 2016. The applicable margin for the new term loan B facility is based on our total net leverage ratio as determined in the most recently delivered financial statements, with the respective margins ranging from 2.75% to 3.25% for Eurocurrency loans and 1.75% to 2.00% for ABR loans, whichever is greater, however at no time shall the base rate be less than 1.25%. The term loan is payable quarterly equal to 0.25% of the principal amount of $350,000. The remaining balance is due April 7, 2017.

Under the terms and definitions of the First Lien Credit Agreement as of December 31, 2011, the Company is required to maintain a net debt-to-EBITDA ratio not to exceed 4.0 and an EBITDA-to-net interest expense ratio greater than 2.25. The credit agreement also restricts the Company from incurring certain additional indebtedness, payment of dividends, sale of substantial assets, and limits certain investments. Borrowings under these credit facilities are collateralized by substantially all of the assets of the Company. The Company was in compliance with these covenants at December 31, 2011.

During the three months ended December 31, 2011, the Company made prepayments totaling approximately $9,195 on the $265,000 term loan and $15,805 on the $336,000 term loan. As of December 31, 2011, the Company had prepaid all required quarterly payments through December 31, 2013 and March 31, 2017 on the term A and B loan facilities, respectively.

The Company has a $150,000 revolving line of credit that expires on April 7, 2016. The applicable margin is based on the ratio of the Company s EBITDA, as defined in the loan agreement, for the most recently ended four fiscal quarters and ranges between 1.25% and 2.25% for the ABR Loans and between 2.25% and 3.25% for the Eurodollar Loans. There were no outstanding borrowings under this line of credit as of December 31, 2011. The Company s subsidiary, Wesco Aircraft Europe Limited, has available a £10,000 ($15,453 based on the December 31, 2011 exchange rate) line of credit that automatically renews annually on October 1. The line of credit bears interest based on the base rate plus an applicable margin of 1.15%. The net outstanding borrowing under this line of credit was £0 as of December 31, 2011 and September 30, 2011, respectively.

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Note 6. Comprehensive Income

Comprehensive income consists of the following:

	Three Months Ended December 31, 2011		2010
Net income	$	23,178	$	21,670
Foreign exchange translation adjustment		(31)		(329)
Total comprehensive income	$	23,147	$	21,341

Note 7. Net Income Per Share

Basic net income per share is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted net income per share includes the dilutive effect of both outstanding stock options and restricted shares, calculated using the treasury stock method. Assumed proceeds from in-the-money options include windfall tax benefits, net of shortfalls, calculated under the as-if method as prescribed by ASC 718, *Compensation Stock Option Compensation*.

		Three Months Ended December 31, 2011 (In thousands, except per share data)		2010
Net income	$	23,178	$	21,670
Basic weighted average shares outstanding		91,198		90,575
Dilutive effect of stock options and restricted stock awards/units		3,781		1,989
Dilutive weighted average shares outstanding		94,979		92,564
Basic net income per share	$	0.25	$	0.24
Diluted net income per share	$	0.24	$	0.23

There were 96,647 and 601,023 shares of common stock equivalents for the three months ended December 31, 2011 and December 31, 2010, respectively, which were not included in the diluted calculation due to their anti-dilutive effect.

Note 8. Segment Reporting

The Company is organized based on the geographical location. The Company s reportable segments are comprised of the North America and Rest of World.

The Company evaluates segment performance based on segment operating earnings or loss. Each segment reports its results of operations and makes requests for capital expenditures and acquisition funding to the Company s chief operating decision-maker (CODM). The Company s Chief Executive Officer (CEO) serves as CODM. Each operating segment has separate management teams and infrastructures dedicated to providing a full range of products and services to their customers.

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Note 8. Segment Reporting (Continued)

The following table presents net sales and operating income by business segment:

	Three Months Ended December 31, 2011			
	North America	Rest of World	Intercompany Elimination	Consolidated
Net sales	$ 173,723	$ 33,807	$ (14,976)	$ 192,554
Gross profit	64,634	10,389	(1,751)	73,272
Income from operations	41,939	2,991	149	45,079
Interest expense, net	(6,327)	(187)		(6,514)
Provision for income taxes	14,506	859		15,365
Total assets	1,233,519	117,286	(52,093)	1,298,712
Goodwill	498,200	6,492		504,692
Capital expenditures	529	115		644
Depreciation and amortization	2,159	223		2,382

	Three Months Ended December 31, 2010			
	North America	Rest of World	Intercompany Elimination	Consolidated
Net sales	$ 160,483	$ 26,071	$ (13,026)	$ 173,528
Gross profit	59,477	8,837	(1,615)	66,699
Income from operations	38,998	2,158	155	41,311
Interest expense, net	(6,101)	(176)	( )	(6,277)
Provision for income taxes	13,106	774		13,880
Total assets	1,225,919	98,812	(42,892)	1,281,839
Goodwill	498,199	6,500		504,699
Capital expenditures	196	38		234
Depreciation and amortization	1,870	238		2,108

Geographic Information

The Company operated principally in three geographic areas, the North America, Europe and emerging markets, such as Asia, Pacific Rim and the Middle East.

Net sales by geographic area, for the three months ended December 31, 2011 and December 31, 2010 were as follows:

	Three Months Ended December 31,			
	2011		2010	
	Sales	% of Sales	Sales	% of Sales
North America	$ 161,301	83.8%	$ 149,973	86.4%
Europe	30,981	16.1	23,386	13.5

Asia, Pacific Rim, Middle East and other		272	0.1		169	0.1
	$	192,554	100.0%	$	173,528	100.0%

The Company determines the geographic area based on where the sale was originated from. Export sales from North America to customers in foreign countries amounted to $26 and $24 for the three months ended December 31, 2011 and 2010, respectively.

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

The following discussion and analysis is intended to help the reader understand our business, financial condition, results of operations, liquidity and capital resources. You should read this discussion in conjunction with our condensed consolidated interim financial statements and the related notes contained elsewhere in this Quarterly Report on Form 10-Q.

The statements in this discussion regarding industry trends, our expectations regarding our future performance, liquidity and capital resources and other non-historical statements are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in Part II, Item 1A. Risk Factors and Cautionary Note Regarding Forward-Looking Statements. Our actual results may differ materially from those contained in or implied by any forward-looking statements.

References to fiscal year mean the year ending or ended September 30. For example, fiscal year 2011 or fiscal 2011 means the period from October 1, 2010 to September 30, 2011.

Executive Overview

We are one of the world s largest distributors and providers of comprehensive supply chain management services to the global aerospace industry on an annual sales basis. Our services range from traditional distribution to the management of supplier relationships, quality assurance, kitting, just-in-time, or JIT delivery and point-of-use inventory management. We supply approximately 475,000 different stock keeping units, or SKUs, including hardware, bearings, tools and more recently, electronic components and machined parts. In fiscal 2011, sales of hardware represented 82% of our net sales, with highly engineered fasteners constituting 82% of that amount. We serve our customers under three types of arrangements: JIT contracts, which govern comprehensive outsourced supply chain management services; long term agreements, or LTAs, which set prices for specific parts; and ad hoc sales. JIT contracts and LTAs, which together comprised approximately 61% of our fiscal 2011 net sales, are multi-year arrangements that provide us with significant visibility into our future sales.

Founded in 1953 by the father of our current chief executive officer, Wesco has grown to serve over 7,200 customers in the commercial, military and general aviation sectors, including the leading original equipment manufacturers, or OEMs and their subcontractors, through which we support nearly all major Western aircraft programs. We have grown our net sales at a 13.5% compounded annual growth rate over the past 20 years to $710.9 million in fiscal 2011. We have more than 1,000 employees and operate across 30 locations in 10 countries.

On September 29, 2006, 100% of the outstanding stock of Wesco Aircraft Hardware Corp., Wesco Aircraft Israel and the European entities of Flintbrook Ltd., Wesco Aircraft France and Wesco Aircraft Germany were acquired by Wesco Aircraft Holdings, Inc. The acquisition was completed in a leveraged transaction in which affiliates of Carlyle, the prior owner and certain employees of Wesco contributed the equity portion of the purchase price. The prior owner s and certain employees investment represented a contribution of ownership in the predecessor company to the newly formed holding company. In accordance with Accounting Standards Codification, or ASC 805, *Business Combinations*, the acquired assets and liabilities have been recorded at fair value for the interests acquired by new investors and at carryover basis for the continuing investors.

On June 30, 2008, Wesco Aircraft Hardware Corp. acquired 100% of the outstanding stock of Airtechnics, Inc., or Airtechinics, a distributor of electronic components for the aerospace industry, which we refer to as the Airtechnics Acquisition. The acquisition was funded through a provision in the old credit facilities that provided for additional borrowing under existing credit terms. Operating cash was also used by us to pay a portion of the purchase price and cover transaction fees and expenses. The assets and liabilities have been recorded at fair value for the interests we acquired.

Industry Trends Affecting Our Business

Commercial Aerospace Market

We rely on demand for new commercial aircraft for a significant portion of our sales. Commercial aircraft demand is driven by many factors, including airline passenger volumes, airline profitability, introduction of new aircraft models, general economic conditions and the aging life cycle of current fleets.

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During 2008 and 2009, our customers were impacted by the global recession and weak demand for air passenger travel, which resulted in significant losses for the global airline industry. During 2011, as the global economy began to recover, airline passenger volumes began to increase. Increased passenger traffic volumes and the return to profitability of the global airline industry have renewed demand for commercial aircraft, particularly for more fuel efficient models, such as the Boeing 787 and Airbus A350. In addition, commercial maintenance, repair and overhaul providers are expected to benefit from similar growth trends to those impacting the commercial OEM market, in particular, increased revenue passenger miles, which will in turn drive growth in the commercial fleet and greater utilization of existing aircraft. Growth in the commercial aerospace market is also expected to be aided by a recovery in business jet and regional jet deliveries.

Military Aerospace Market

A significant portion of our sales are also reliant on demand for new military aircraft, which is primarily driven by government spending, the timing of military aircraft orders and evolving U.S. Department of Defense strategies and policies. We believe the diversity of the military aircraft programs we service can help us mitigate the impact of program delays, changes or cancellations, through increased sales to other active programs that directly benefit from such delays, changes or cancellations. For example, we believe the delay in production of the Lockheed Martin F-35 Joint Strike Fighter, or JSF has resulted in an increase in our sales to manufacturers of the F-18. Going forward, we believe that we will benefit from increases in the production of the JSF, a program on which we believe our business is well positioned. We also believe that the compelling value proposition that our business model presents to our customers will be ever more appealing in an environment of reduced military budgets in the United States.

We also support customers in the military aerospace maintenance, repair and overhaul, or MRO, market and believe that our presence in this market helps us mitigate the volatility of new military aircraft sales with sales to the aftermarket. We expect demand in the military MRO market to be driven by requirements to maintain aging military fleets, changes in the overall fleet size and the level of U.S. military activity overseas.

Other Factors Affecting Our Financial Results

Fluctuations in Revenue

There are many factors, such as fluctuations in ad hoc sales, timing of aircraft deliveries, changes in selling prices and the volume or timing of customer orders that can cause fluctuations in our financial results from quarter-to-quarter. To normalize for short-term fluctuations, we tend to look at our performance over several quarters or years of activity rather than discrete short-term periods. As such, it can be difficult to determine longer-term trends in our business based on quarterly comparisons.

We will continue our strategy of seeking to expand our relationships with existing customers by transitioning them to our comprehensive JIT supply chain management services as well as expanding relationships with our existing JIT customers to include additional customer sites and additional SKUs. We believe this strategy serves to mitigate fluctuations in our net sales. Although, our ad hoc sales as a percentage of net sales increased from 37% in fiscal 2010 to 39% in fiscal 2011, we do not believe that this increase is inconsistent with our strategy of transitioning customers to JIT contracts and LTAs. Instead, we believe that an increase in ad hoc sales is typical during industry growth cycles, as both customer demand and supplier lead times increase, resulting in customers facing parts shortages that they attempt to mitigate by making ad hoc purchases. Accordingly, even though we believe that our ad hoc sales will continue to increase during fiscal 2012 as a result of the current industry growth cycle, we do not believe that this trend will impact our long-term JIT and LTA strategy.

During 2011 we were notified by Boeing of its intent to perform certain supply chain management functions in-house that we had been providing at two Boeing facilities under JIT contracts that were awarded to us when these particular facilities were under different ownership. In fiscal 2011, JIT sales under these contracts accounted for approximately 3.1% of our net sales. If any of our customers are acquired by a company that elects not to utilize our services, or attempt to implement in-sourcing initiatives, it could have a negative effect on our strategy to mitigate fluctuations in our net sales. Additionally, although we derive a significant portion of our net sales from the building of new commercial and military aircraft, we have not typically experienced extreme fluctuations in our net sales when sales for an individual aircraft program decrease, which we believe is attributable to our diverse base of customers and programs. In addition, we believe our substantial sales under JIT contracts and LTAs help to mitigate fluctuations in our financial results, as JIT and LTA customers tend to have steadier purchasing patterns than ad hoc customers. However, as is noted above, our ad hoc sales as a percentage of net sales increased during fiscal 2011, and we believe this trend will continue during 2012.

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Fluctuations in Margins

We entered the electronic components business in 2008 after the Airtechnics Acquisition. As we continue to grow our electronics products group, or EPG, business, we expect that EPG sales as a percentage of our total net sales will increase. Gross profit margins on EPG products are lower than the gross profit margins on many of our other products, which we believe will result in a reduction in our overall gross profit margins as our EPG sales increase.

We believe that our strategy of growing our JIT and LTA sales and converting ad hoc customers into JIT and LTA customers will negatively affect our gross profit margins, as gross profit margins tend to be higher on ad hoc sales than they are in JIT and LTA-related sales. However, we believe any potential adverse impact on our gross profit margins is outweighed by the benefits of a more stable long-term revenue stream attributable to JIT contracts and LTAs. However, as is noted above, our ad hoc sales as a percentage of net sales increased during fiscal 2011, and we believe this trend will continue during 2012.

Our JIT contracts and LTAs generally provide for fixed prices, which can expose us to risks if prices we pay to our suppliers rise due to increased raw material or other costs. However, we believe our expansive product offerings and inventories, our ad hoc sales and, where possible, our longer-term agreements with suppliers have enabled us to mitigate this risk.

Fluctuations in Cash Flow

We believe our cash flows may be affected by fluctuations in our inventory that can occur over time. When we are awarded new programs, we generally increase our inventory to account for expected sales related to the new program, which often take time to materialize. As a result, if certain programs for which we have procured inventory are delayed, we may experience a more sustained inventory increase. For example, we increased our inventory in anticipation of deliveries of the Boeing 787, which have been significantly delayed.

Inventory fluctuations may also be attributable to general industry trends. For example, as production in the global aerospace industry increases, we typically see an increase in demand from our customers and a delay in deliveries from our suppliers, which tends to result in a temporary inventory reduction and increased cash flow. However, when production in the aerospace industry decreases, our suppliers are able to catch up on our outstanding orders, while demand from our customers decreases, which tends to result in an increase in inventory levels and decreased cash flow. For example in 2009, as a result of the global economic recession, production in the aerospace industry decreased, freeing up our suppliers to ship previously ordered products to us faster than expected. As a result, we experienced an inventory build of approximately $111.1 million during fiscal 2009. Although we have made, and continue to make, adjustments to our purchasing practices in order to mitigate the effect of inventory fluctuations on our cash flows, inventory fluctuations continue to occur and, as a result, will continue to impact our cash flows.

Segment Presentation

We conduct our business through two reportable segments: North America and Rest of World. We evaluate segment performance based on segment operating earnings or losses. Each segment reports its results of operations and makes requests for capital expenditures and acquisition funding to our chief operating decision-maker, or CODM. Our Chief Executive Officer serves as our CODM. Each operating segment has separate management teams and infrastructures dedicated to providing a full range of products and services to their respective customers.

Key Components of Our Results of Operations

The following is a discussion of the key line items included in our financial statements for the periods presented below under the heading Results of Operations. These are the measures that management utilizes to assess our results of operations, anticipate future trends and evaluate risks in our business.

Net Sales

Our net sales include sales of C class aerospace parts, including hardware, bearings, electronic components, machined parts and installation tooling, and eliminate all intercompany sales. We also provide certain services to our customers, including quality assurance, kitting and JIT supply chain management. However, these services are generally performed in connection with the sale of our products, and as such, the price of such services is included in the price of the

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products delivered to customers. We do not account for these services as a separate element, as the services do not generally have stand-alone value and typically cannot be separated from the product element of the arrangement. There are no significant post-delivery obligations associated with these services.

We sell products and services to our customers using three types of contractual arrangements: JIT supply chain management contracts, LTAs and individual ad hoc sales. In fiscal 2010 and 2009, we experienced a decrease in ad hoc sales due to a weakening aerospace market that resulted in customers reducing their on-hand inventory and our strategy of transitioning ad hoc sales to JIT contracts or LTAs in an effort to achieve a more predictable revenue stream. JIT contracts and LTAs typically run for three to five years. However, in fiscal 2011, we experienced a slight increase in ad hoc and JIT sales. Under JIT contracts, customers commit to purchase specified parts from us at a fixed price, on an if-and-when needed basis, and we are responsible for maintaining high levels of stock availability of those parts. LTAs are essentially negotiated price lists for customers or individual customer sites that cover a range of pre-determined parts, purchased on an as-needed basis. Ad hoc customers purchase parts from us on an as-needed basis and are generally supplied out of our existing inventory. In addition, JIT and LTA customers often purchase parts that are not captured under their contract on an ad hoc basis.

Cost of Sales

The principal component of our cost of sales is product cost, which is approximately 94.2% of our total cost of sales for the three month period ended December 31, 2011. The remaining components are freight and expediting fees, import duties, tooling repair charges, inventory excess and obsolescence write-down, packaging supplies and physical inventory adjustment charges, which collectively is approximately 5.8% of our total cost of sales for the three month period ended December 31, 2011.

Product cost is determined by the current weighted average cost of each inventory item and is a function of many factors, including fluctuations in the price of raw materials, the effect of inflation, the terms of long-term agreements we negotiate with certain of our suppliers, the timing of bulk purchases that allow us to take advantage of price breaks from suppliers and general market trends that can result in increases or decreases in our suppliers available production capacity. Although we cannot specifically quantify trends relating to the costs of our products in inventory, during fiscal 2011 and the three month period ended December 31, 2011, as a result of the economic downturn and its effect on the global aerospace industry, our suppliers collective production capacity increased, which generally resulted in a decrease in per part prices and a corresponding decrease in our product costs. We expect that conditions within the aerospace industry will continue to improve, and as a result, that per part prices will increase as our suppliers capacity becomes more limited. However, we believe the long-term agreements we have with certain of our suppliers and our ability to make opportunistic, large-scale product purchases will allow us to mitigate the impact of future per part price increases. In addition, we believe we will be able to further mitigate the impact of any such price increases on our results of operations by passing along the price increases to customers who are not a party to contracts with pre-negotiated price lists.

Inventory write-down is calculated to estimate the amount of excess and obsolete inventory we currently have on-hand, based on historical and forecasted sell-through rates. We review inventory for excess and obsolescence write-down monthly and adjust the expense and future forecasted sell-through rates as necessary.

Selling, General and Administrative Expenses

The principal components of our selling, general and administrative expenses are salaries, wages, benefits and bonuses paid to our employees; stock-based compensation; commissions paid to outside sales representatives; travel and other business expenses; training and recruitment costs; marketing, advertising and promotional event costs; rent; bad debt expense; professional services fees (including legal, audit and tax); and ordinary day-to-day business expenses. Depreciation and amortization expense is also included in selling, general and administrative expenses, and consists primarily of scheduled depreciation for leasehold improvements, machinery and equipment, vehicles, computers, software and furniture and fixtures. Depreciation and amortization also includes intangible amortization expense.

Selling, general and administrative expenses, as a percentage of net sales, have continued to decline as we have leveraged the fixed cost and labor component of our infrastructure while consolidated net sales have grown. However, for the year ended September 30, 2011, we experienced an increase in selling, general and administrative expenses in part as a result of one-time costs associated with our IPO. Going forward, we will continue to incur costs associated with operating as public company, but we continue to expect that selling, general and administrative expenses, as a percent of net sales, will continue to decline.

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Other Expenses

Interest Expense, net. Interest expense, net consists of the interest we pay on our long-term debt, fees on our revolver and our line-of-credit, deferred financing costs and the costs of hedging agreements, net of interest income.

Other Income (Expense), net. Other income (expense), net is primarily comprised of unrealized foreign exchange gain or loss associated with transactions denominated in currencies other than the respective functional currency of the reporting subsidiary.

Critical Accounting Policies and Estimates

The methods, estimates and judgments we use in applying our most critical accounting policies have a significant impact on the results we report in our financial statements. We evaluate our estimates and judgments on an on-going basis. We base our estimates on historical experience and on assumptions that we believe to be reasonable under the circumstances. Our experience and assumptions form the basis for our judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may vary from what we anticipate, and different assumptions or estimates about the future could change our reported results. We believe the following accounting policies are the most critical in that they significantly affect our financial statements, and they require our most significant estimates and complex judgments.

Inventories

Our inventory is comprised solely of finished goods. Inventories are stated at the lower of weighted-average cost or market and in-bound freight-related costs are included as part of the cost of inventory held for resale. We record provisions, as appropriate, to write-down excess and obsolete inventory to estimated net realizable value. The process for evaluating excess and obsolete inventory often requires us to make subjective judgments and estimates concerning future sales levels, quantities and prices at which such inventories will be able to be sold in the normal course of business.

Demand for our products can fluctuate significantly. Our estimates of future product demand may prove to be inaccurate, in which case we may have understated or overstated the write-down required for excess and obsolete inventories. In the future, if our inventories are determined to be overvalued, we would be required to recognize such costs in our cost of goods sold at the time of such determination. Likewise, if our inventories are determined to be undervalued, we may have over-reported our costs of goods sold in previous periods and would be required to recognize such additional operating income at the time such products are sold.

Goodwill and Indefinite-Lived Intangible Assets

Goodwill represents the excess of the aggregate purchase price over the fair value of the net assets acquired in a purchase business combination. In accordance with the provisions of ASC 350, *Intangibles Goodwill and Other*, goodwill and indefinite-lived intangible assets acquired in a business combination are not amortized, but instead tested for impairment at least annually or more frequently should an event occur or circumstances indicate that the carrying amount may be impaired. Such events or circumstances may be a significant change in business climate, economic and industry trends, legal factors, negative operating performance indicators, significant competition, changes in strategy, or disposition of a reporting unit or a portion thereof. Goodwill impairment testing is performed at the reporting unit level on July 1 of each year.

Goodwill impairment testing is a two-step test. The first step identifies potential impairment by comparing the fair value of a reporting unit with its carrying amount, including goodwill. For all periods presented, our reporting units are consistent with our operating segments. The estimates of fair value of a reporting unit are determined based on a discounted cash flow analysis and market earnings multiples. A discounted cash flow analysis requires us to make various judgmental assumptions, including assumptions about future cash flows, growth rates and discount rates. These assumptions about future cash flows and growth rates are based on the forecast and long-term business plans of each operating segment. Discount rate assumptions are based on an assessment of the risk inherent in the future cash flows of the respective reporting units. If the fair value exceeds its carrying amount, goodwill is not considered impaired and the second step of the test is unnecessary. If the carrying amount of a reporting unit s goodwill exceeds its fair value, the second step measures the impairment loss, if any. The second step compares the implied fair value of goodwill with the carrying amount of that goodwill. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. If the carrying amount of goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess.

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Application of the goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and determination of the fair value of each reporting unit. Changes in these estimates and assumptions could materially affect the determination of fair value and/or goodwill impairment for each reporting unit.

We reviewed the carrying value of our indefinite lived intangible assets by comparing such amount to its fair value and determined that the carrying amount did not exceed its respective fair value. During the years ended September 30, 2011, 2010 and 2009, the fair value of our reporting units was substantially in excess of the reporting units carrying values. Additionally, the fair value of our indefinite lived intangible assets was substantially in excess of its carrying value. Accordingly, management believes there are no impairments as of December 31, 2011 related to either goodwill or the indefinite-lived intangible asset.

Revenue Recognition

We recognize product and service revenue when (i) persuasive evidence of an arrangement exists, (ii) title transfers to the customer, (iii) the sales price charged is fixed or determinable and (iv) collection is reasonably assured. In instances where title does not pass to the customer upon shipment, we recognize revenue upon delivery or customer acceptance, depending on the terms of the sales contract.

In connection with the sale of our products, we often provide certain supply chain services. These services are provided exclusively in connection with the sale of products, and as such, the price of such services is generally included in the price of the products delivered to the customer. We do not account for these services as a separate element, as the services do not have stand-alone value and cannot be separated from the product element of the arrangement. There are no significant post-delivery obligations associated with these services.

We also enter into sales rebates and profit sharing arrangements. Such customer incentives are accounted for as a reduction to gross sales and recorded based upon estimates at the time products are sold. These estimates are based upon historical experience for similar programs and products. We review such rebates and profit sharing arrangements on an ongoing basis and accruals are adjusted, if necessary, as additional information becomes available.

Management provides allowances for credits and returns, based on historic experience and adjusts such allowances as considered necessary. To date, such provisions have been within the range of management s expectations and the allowance established. Sales tax collected from customers is excluded from net sales in the accompanying consolidated statements of income.

Income Taxes

We account for income taxes in accordance with ASC 740, *Income Taxes*. ASC 740, which requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is established, when necessary, to reduce net deferred tax assets to the amount expected to be realized. Our foreign subsidiaries are taxed in local jurisdictions at local statutory rates.

Stock-Based Compensation

We account for all stock-based compensation awards to employees and members of our board of directors based upon their fair values as of the date of grant using a fair value method and recognize the fair value of each award as an expense over the requisite service period using the graded vesting method.

For purposes of calculating stock-based compensation, we estimate the fair value of stock options using a Black-Scholes-Merton valuation model, which requires the use of certain subjective assumptions including expected term, volatility, expected dividend, risk-free interest rate, forfeiture rate and the fair value of our common stock. These assumptions generally require significant judgment.

We estimate the expected term of employee options using the average of the time-to-vesting and the contractual term. We derive our expected volatility from the historical volatilities of several unrelated public companies within our industry because we have little information on the volatility of the price of our common stock since we have limited trading history. When making the selections of our industry peer companies to be used in the volatility calculation, we also consider

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the size and financial leverage of potential comparable companies. These historical volatilities are weighted based on certain qualitative factors and combined to produce a single volatility factor. Our expected dividend rate is zero, as we have never paid any dividends on our common stock and do not anticipate any dividends in the foreseeable future. We base the risk-free interest rate on the U.S. Treasury yield in effect at the time of grant for zero coupon U.S. Treasury notes with maturities approximately equal to each grant s expected life.

We estimate our forfeiture rate based on an analysis of our actual forfeitures and will continue to evaluate the appropriateness of the forfeiture rate based on actual forfeiture experience, analysis of employee turnover behavior and other factors. Quarterly changes in the estimated forfeiture rate can have a significant effect on reported stock-based compensation expense, as the cumulative effect of adjusting the rate for all expense amortization is recognized in the period the forfeiture estimate is changed. If a revised forfeiture rate is higher than the previously estimated forfeiture rate, an adjustment is made that will result in a decrease to the stock-based compensation expense recognized in the consolidated financial statements. If a revised forfeiture rate is lower than the previously estimated forfeiture rate, an adjustment is made that will result in an increase to the stock-based compensation expense recognized in the consolidated financial statements. The following table summarizes the amount of non-cash stock-based compensation expense recognized in our statements of operations:

	Three Months Ended December 31,	
(Dollars in thousands)	**2011**	**2010**
Non-cash stock-based compensation	$ 665	$ 364

For the years ending September 30, 2012 and 2013, we expect to incur stock-based compensation expense of approximately $2.8 million and $1.2 million, respectively.

If factors change and we employ different assumptions, stock-based compensation expense may differ significantly from what we have recorded in the past. If there is a difference between the assumptions used in determining stock-based compensation expense and the actual factors that become known over time, we may change the input factors used in determining stock-based compensation costs for future grants. These changes, if any, may materially impact our results of operations in the period such changes are made. We expect to continue to grant stock options in the future, and to the extent that we do, our actual stock-based compensation expense recognized in future periods will likely increase.

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Results of Operations

(Dollars in thousands)	Three Months Ended December 31, 2011	2010
Consolidated statements of income:		
Net sales:		
North America	$ 173,723	$ 160,483
Rest of World	33,807	26,071
Intercompany elimination	(14,976)	(13,026)
Net sales	192,554	173,528
Gross profit:		
North America	64,634	59,477
Rest of World	10,389	8,837
Intercompany elimination	(1,751)	(1,615)
Gross profit	73,272	66,699
Selling, general and administrative expenses:		
North America	22,696	20,478
Rest of World	5,497	4,910
Selling, general and administrative expenses	28,193	25,388
Income from operations	45,079	41,311
Interest expense, net	(6,514)	(6,277)
Other income (expense), net	(22)	516
Income before provision for income taxes	38,543	35,550
Provision for income taxes	(15,365)	(13,880)
Net income	$ 23,178	$ 21,670

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Results of Operations (Continued)

(as a % of total net sales; numbers have been rounded)	Three Months Ended December 31, 2011	2010
Consolidated statements of income:		
Net sales:		
North America	90.2%	92.5%
Rest of World	17.6	15.0
Intercompany elimination	(7.8)	(7.5)
Net sales	100.0	100.0
Gross profit:		
North America	33.6	34.3
Rest of World	5.4	5.1
Intercompany elimination	(0.9)	(0.9)
Gross profit	38.1	38.4
Selling, general and administrative expenses:		
North America	11.8	11.8
Rest of World	2.9	2.8
Selling, general and administrative expenses	14.6	14.6
Income from operations	23.4	23.8
Interest expense, net	(3.4)	(3.6)
Other income (expense), net		0.3
Income before provision for income taxes	20.0	20.5
Provision for income taxes	(8.0)	(8.0)
Net income	12.0%	12.5%

Three months ended December 31, 2011 compared with the three months ended December 31, 2010

Net Sales

Consolidated net sales of $192.6 million for the three months ended December 31, 2011 increased approximately $19.0 million, or 11.0%, compared to the three months ended December 31, 2010. Ad hoc, JIT and LTA sales as a percentage of net sales represented 35%, 31% and 34%, respectively, for the three months ended December 31, 2011, as compared to 38%, 33% and 29%, respectively, for the three months ended December 31, 2010.

Net sales of $173.7 million in our North America segment for the three months ended December 31, 2011 increased approximately $13.2 million, or 8.3%, compared to the three months ended December 31, 2010. Ad hoc and LTA net sales increased by $1.2 million and $12.7 million respectively, while JIT net sales decreased by $2.8 million, for the three months ended December 31, 2011 as compared to the three months ended December 31, 2010. The increase in ad hoc net sales was attributable to general growth across numerous customers. Approximately $3.4 million of the LTA net sales increase was driven by one major customer primarily involved in military programs, $2.8 million by a one-time tooling sale, while the remaining $6.5 million was attributable to general growth across numerous customers as no new material contracts were added during the period. The decrease in JIT net sales was primarily related to the completion of a contract with one customer which resulted in a reduction of $10.1 million in JIT net sales for the three months ended December 31, 2011 as compared to the three months ended December 31, 2010. This decrease was partially offset by new contracts as well as general growth across the customer base.

Net sales of $33.8 million in our Rest of World segment for the three months ended December 31, 2011 increased approximately $7.7 million, or 29.7%, compared to the three months ended December 31, 2010. Ad hoc, JIT and LTA net sales increased by $0.5 million, $4.6 million and $3.2 million, respectively, for the three months ended December 31, 2011 as compared to the three months ended December 31, 2010. The JIT increase resulted from stronger 787 sales, increased build

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rates with European commercial manufacturers, a maturing of contracts won in 2010 and a one-off increase in military sales. New military contracts with key customers accounted for more than two thirds of the growth in LTA, however some of this was at the expense of ad hoc sales which nevertheless grew due to a strengthening in demand across the Company s customer base.

Gross Profit

Consolidated gross profit of $73.3 million for the three months ended December 31, 2011 increased approximately $6.6 million, or 9.9%, compared to the three months ended December 31, 2010. Gross profit as a percentage of net sales was 38.1% for the three months ended December 31, 2011, compared to 38.4% for the three months ended December 31, 2010.

Gross profit of $64.6 million in our North America segment for the three months ended December 31, 2011 increased approximately $5.2 million, or 8.7%, compared to the three months ended December 31, 2010. Gross profit as a percentage of net sales in our North America segment was 37.2% for the three months ended December 31, 2011 compared to 37.1% for the three months ended December 31, 2010. Gross profit as a percentage of net sales was primarily consistent during the two periods.

Gross profit of $10.4 million in our Rest of World segment for the three months ended December 31, 2011 increased approximately $1.6 million, or 17.6%, compared to the three months ended December 31, 2010. Gross profit as a percentage of net sales in our Rest of World segment was 30.7% for the three months ended December 31, 2011 compared to 33.9% for the three months ended December 31, 2010. The decrease in gross profit as a percentage of net sales was primarily a result of changes in our sales mix as lower margin JIT and LTA sales increased year over year.

Selling, General and Administrative Expenses

Total selling, general and administrative expenses of $28.2 million for the three months ended December 31, 2011 increased approximately $2.8 million, or 11.0%, compared to the three months ended December 31, 2010. Total selling, general and administrative expenses as a percentage of net sales during the three months ended December 31, 2011 was unchanged compared to the three months ended December 31, 2010, as we continued to leverage our existing infrastructure while absorbing new costs associated with operating as a public company.

Selling, general and administrative expenses of $22.7 million in our North America segment for the three months ended December 31, 2011 increased approximately $2.2 million, or 10.8%, compared to the three months ended December 31, 2010. This increase was primarily driven by increased payroll related costs as well as increases in costs associated with operating as a public company such as professional fees and insurance costs, which increased $0.5 million and $0.2 million for the three months ended December 31, 2011 as compared to the three months ended December 31, 2010. We also had increases in depreciation, stock compensation, payroll costs and contract labor of $0.4 million, $0.3 million, $0.2 million and $0.2 million, respectively, for the three months ended December 31, 2011 as compared to the three months ended December 31, 2010.

Selling, general and administrative expenses of $5.5 million in our Rest of World segment for the three months ended December 31, 2011 increased approximately $0.6 million, or 12.0%, compared to the three months ended December 31, 2010. The increase was primarily due to increased payroll costs of $0.3 million driven by a 7.7% increase in headcount to support new contracts and sales growth.

Other Expenses

Interest Expense, net

Interest expense, net of $6.5 million for the three months ended December 31, 2011 increased approximately $0.2 million or 3.8%, compared to the three months ended December 31, 2010. This increase was a result of slightly higher interest rates associated with the senior secured credit facilities as compared to our old senior secured credit facilities and a $0.1 million increase in interest on the unused revolving credit facility. These increases were partially offset by the reduction of interest expense associated with a $75.2 million reduction in the outstanding debt balances for the three months ended December 31, 2011 as compared to the three months ended December 31, 2010.

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Other Income (Expense), net

Other expense, net of less than $0.1 million for the three months ended December 31, 2011 increased by $0.5 million compared to the three months ended December 31, 2010. This change was primarily due to unrealized foreign exchange losses associated with transactions denominated in currencies other than the respective functional currency of the reporting subsidiary.

Provision for Income Taxes

Provision for income taxes of $15.4 million for the three months ended December 31, 2011 increased approximately $1.4 million, or 10.7%, compared to the three months ended December 31, 2010. Our effective tax rate was 39.9% and 39.0% during the three months ended December 31, 2011 and 2010, respectively. The increase in provision for income taxes was primarily a result of a $3.0 million, or 8.4%, increase in pre-tax income from the three months ended December 31, 2011 as compared to the three months ended December 31, 2010.

Net Income

Due to the factors described above, we reported net income of $23.2 million for the three months ended December 31, 2011, compared to net income of $21.7 million for the three months ended December 31, 2010. Net income as a percent of net sales decreased 0.5% for the three months ended December 31, 2011, primarily due to a decrease in gross profit as a percent of net sales and an increase in the effective tax rate.

Liquidity and Capital Resources

Overview

Our primary sources of liquidity are cash flow from operations and available borrowings under our revolving facility. We have historically funded our operations, debt payments, capital expenditures and discretionary funding needs from our cash from operations. We had total available cash and cash equivalents of approximately $44.7 million and $27.3 million as of December 31, 2011 and 2010, respectively. In addition, as of December 31, 2011, we had no amounts outstanding under the revolving facility. Our primary uses of cash are for:

- operating expenses;
- working capital requirements to fund the growth of our business;

- capital expenditures that primarily relate to IT equipment and our warehouse operations; and

- debt service requirements for borrowings under the senior secured credit facilities.

Generally, cash provided by operating activities has been adequate to fund our operations. Due to fluctuations in our cash flows and the growth in our operations, it may be necessary from time to time in the future to borrow under our revolving facility to meet cash demands. We anticipate that cash provided by operating activities, cash and cash equivalents and borrowing capacity under our revolving facility will be sufficient to meet our cash requirements for the next twelve months. As of December 31, 2011, we did not have any material capital expenditure commitments.

Credit Facilities

Senior Secured Credit Facilities

The senior secured credit facilities consist of the (i) $150.0 million revolving facility, (ii) $265.0 million term loan A facility and (iii) $350.0 million term loan B facility. As of December 31, 2011, our outstanding indebtedness under our senior secured credit facilities was approximately $531.0 million, of which (a) $228.8 million consisted of indebtedness under the term loan A facility and (b) $302.2 million consisted of indebtedness under the term loan B facility. There were no outstanding borrowings under the revolving facility as of December 31, 2011.

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The interest rate for the term loan A facility is based on our total net leverage ratio as determined in the most recently delivered financial statements, with the respective margins ranging from 2.25% to 3.25% for Eurocurrency loans and 1.25% to 2.25% for ABR loans. The term loan A facility amortizes in equal quarterly installments of 1.25% of the original principal amount of $265.0 million for the first year, escalating to quarterly installments of 3.75% of the original principal amount of $265.0 million by the fifth year, with the final payment due on April 7, 2016. The applicable margin for the term loan B facility is based on our total net leverage ratio as determined in the most recently delivered financial statements, with the respective margins ranging from 2.75% to 3.00% for Eurocurrency loans and 1.75% to 2.00% for ABR loans. However, at no time shall the Eurocurrency Rate or the ABR be less than 1.25%. The term loan B facility amortizes in equal quarterly installments of 0.25% of the original principal amount of $350.0 million. The remaining balance is due April 7, 2017. As of December 31, 2011, we had prepaid all required quarterly payments through December 31, 2013 and April 7, 2017 on the term A and B loan facilities, respectively.

We have a $150.0 million revolving line of credit that expires on April 7, 2016. The applicable margin is based on the total net leverage ratio as determined in the most recently delivered financial statements, with the respective margins ranging from 1.25% to 2.25% for the ABR Loans and 2.25% to 3.25% for the Eurocurrency Loans. There was no outstanding borrowing under this line of credit as of December 31, 2011. For the three months ended December 31, 2011, we paid approximately $178 in commitment fees for this line of credit.

The obligations under the senior secured credit facilities are guaranteed by us and all of our direct and indirect, wholly owned, domestic restricted subsidiaries (subject to certain exceptions) and secured by a first lien on substantially all of our assets and the assets of our guarantor subsidiaries, including capital stock of subsidiaries (in each case, subject to certain exceptions).

The senior secured credit facilities contain customary negative covenants, including restrictions on our and our restricted subsidiaries ability to merge and consolidate with other companies, incur indebtedness, grant liens or security interests on assets, make acquisitions, loans, advances or investments, pay dividends, sell or otherwise transfer assets, optionally prepay or modify terms of any junior indebtedness or enter into transactions with affiliates. The senior secured credit facilities also require the maintenance of a net-debt-to-EBITDA ratio (as such ratio is defined in the senior secured credit facilities) of less than 4.00 and an EBITDA-to-net cash interest expense ratio of no lower than 2.25. As of December 31, 2011, our net debt-to-EBITDA ratio was 2.58 and our EBITDA-to-net cash interest expense ratio was 8.11.

Old Senior Secured Credit Facilities

The old senior secured credit facilities, which were repaid on April 7, 2011 in connection with our entry into the senior secured credit facilities described above, consisted of a $625.0 million first lien credit facility, which we refer to as the old first lien credit facility, and a $150.0 million second lien credit facility, which we refer to as the old second lien credit facility. At the time of initial incurrence, the old first lien credit facility was comprised of a $450.0 million first lien term loan facility and a $75.0 million first lien revolving line of credit. On June 30, 2008, we modified the terms of the old first lien credit facility to include an additional $100.0 million of term loan borrowings thereunder, to fund the Airtechnics Acquisition, bringing the old first lien term loan facility up to $550.0 million at such time. As of April 7, 2011, the date on which the old senior secured credit facilities were repaid, we had approximately $477.2 million outstanding under the old first lien credit facility.

The interest rate on term loans under the old first lien credit facility was calculated using either Alternate Base Rate, or ABR (which is defined as Prime Rate plus an applicable margin rate of 1.25%), or Eurocurrency rate (defined as LIBOR plus an applicable margin rate of 2.25%), at our option. The interest rate on the term loans under the old first lien credit facility was 2.50% as of April 7, 2011.

There were no outstanding borrowings under the old revolving facility as of April 7, 2011, or at any point during fiscal 2011 or fiscal 2010, prior to the repayment of the old senior secured credit facilities. The annual commitment fees for the old revolving facility were approximately $0.3 million.

As of April 7, 2011 we had approximately $129.0 million outstanding under the old second lien credit facility. The interest rate on the old second lien credit facility was calculated using ABR (defined as Prime Rate plus the applicable margin rate of 4.75%) or Eurocurrency rate (defined as LIBOR plus an applicable margin rate of 5.75%), at our option. The interest rate on the old second lien credit facility was 6.00% as of April 7, 2011.

During fiscal 2011, prior to the repayment of the old senior secured credit facilities on April 7, 2011, we made repayments totaling approximately $14.0 million with respect to the term loans under the old first lien credit facility and $7.0 million with respect to the old second lien credit facility, inclusive of contractually scheduled payments.

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UK Line of Credit

Our subsidiary, Wesco Aircraft Europe Limited, has available a £10.0 million ($15.5 million based on the December 31, 2011 exchange rate) line of credit that automatically renews annually on October 1. The line of credit bears interest based on the base rate plus an applicable margin of 1.15%. The net outstanding borrowing under this line of credit was £0 as of both December 31, 2011 and December 31, 2010.

Cash Flows

A summary of our operating, investing and financing activities are shown in the following table:

	Three Months Ended December 31,			
(In thousands)		**2011**		**2010**
Consolidated statements of cash flows data:				
Net cash provided by operating activities	$	22,597	$	2,506
Net cash provided by (used in) investing activities		2,115		(234)
Net cash used in financing activities		(25,521)		(14,387)

Operating Activities

Our operating activities generated $22.6 million of cash in the three months ended December 31, 2011 an increase of $20.1 million, compared to the three months ended December 31, 2010. This was primarily the result of a $12.9 million increase in the change in accounts payable for the three months ended December 31, 2011 as compared to the three months ended December 31, 2010. The increase in the accounts payable balance was driven by an increase of 10.6% in inventory receipts during the three months ended December 31, 2011 as compared to December 31, 2010. The increase in inventory receipts was to support the growth in sales during the three months ended December 31, 2011. Another driver was a $7.3 million decrease in the change in accounts receivable for the three months ended December 31, 2011 as compared to the three months ended December 31, 2010. The reduction in the accounts receivable balance was driven by a $6.2 million increase in cash receipts the last day of the three months ended December 31, 2011 as compared to the three months ended December 31, 2010.

Our accounts receivable balance as a percentage of net sales may fluctuate from quarter-to-quarter. These fluctuations are primarily driven by changes, from quarter-to-quarter, in (i) the timing of sales and (ii) the current average days sales outstanding. The completion of customer contracts with accelerated payment terms can also contribute to these quarter-to-quarter fluctuations.

Our allowance for doubtful accounts may also fluctuate from quarter-to-quarter. These fluctuations are primarily driven by changes in our accounts receivable balance, and can also be impacted by the repayment of amounts owed to us that had previously been categorized as bad debt.

Investing Activities

Our investing activities generated approximately $2.1 million as compared to using $0.2 million of cash in the three months ended December 31, 2011 and 2010, respectively. This increase was primarily the result of a $2.8 million sale of tooling equipment during the three months ended December 31, 2011. $0.6 million was used during the three months ended December 31, 2011 for investments in various capital expenditures and to purchase property and equipment as compared to $0.2 million during the three months ended December 31 2010. Our purchases of property and equipment may vary from period to period due to the timing of the expansion of our business and the investment requirements to provide us with technology that allows us to better serve our customers.

Financing Activities

Our financing activities used $25.5 million of cash in the three months ended December 31, 2011. This amount primarily consisted of $25.0 million used to repay principal against the senior secured credit facilities. The remaining amount was used to make repayments under our capital lease obligations.

Our financing activities used $14.4 million of cash in the three months ended December 31, 2010. This primarily consisted of $14.0 million used to repay principal against the old senior secured credit facilities and $0.4 million to make repayments under our capital lease obligations.

Off-Balance Sheet Arrangements

We are not a party to any off-balance sheet arrangements.

Recently Adopted Accounting Pronouncements

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See Note 2 of Notes to Consolidated Financial Statement in Part I, Item 1 of this quarterly report on Form 10-Q for a summary of recently adopted accounting pronouncements.

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements. The words believe, expect, anticipate, intend, estimate and other expressions that are predictions of or indicate future events and trends and that do not relate to historical matters identify forward-looking statements. You should not place undue reliance on these forward-looking statements. Although forward-looking statements reflect management s good faith beliefs, reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements speak only as of the date the statements are made. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to: general economic and industry conditions; changes in military spending; risks unique to suppliers of equipment and services to the U.S. government; risks associated with our long-term, fixed-price agreements that have no guarantee of future sales volumes; risks associated with the loss of significant customers, a material reduction in purchase orders by significant customers or the delay, scaling back or elimination of significant programs on which we rely; our ability to effectively manage our inventory; our suppliers ability to provide us with the products we sell in a timely manner, in adequate quantities and/or at a reasonable cost; our ability to maintain an effective IT system; our ability to retain key personnel; risks associated with our international operations; fluctuations in our financial results from period-to-period; The Carlyle Group s ability to control the majority of the voting power of our outstanding common stock; our ability to effectively compete in our industry; risks related to our indebtedness; and other risks and uncertainties.

Important factors that could cause actual results to differ materially from our expectations are disclosed under Part II, Item 1A. Risk Factors. All written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements as well as other cautionary statements that are made from time to time in our public communications. You should evaluate all forward-looking statements made in this Quarterly Report on Form 10-Q in the context of these risks and uncertainties.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS.

Our exposure to market risk consists of foreign currency exchange rate fluctuations, changes in interest rates and fluctuations in fuel prices.

Foreign Currency Exposure

Currency translation

During the three month periods ended December 31, 2011 and December 31, 2010, approximately 18% and 15%, respectively, of our net sales were made by our foreign subsidiaries, and our total non-U.S. net sales represented approximately 30% and 27%, respectively, of our total net sales. As a result of these international operating activities, we are exposed to risks associated with changes in foreign exchange rates, principally exchange rates between the U.S. dollar, British pound and the Euro.

The results of operations of our foreign subsidiaries are translated into U.S. dollars at the average exchange rate for each relevant period. This translation has no impact on our cash flow. However, as foreign exchange rates change, there are changes to the U.S. dollar equivalent of sales and expenses denominated in foreign currencies. Any adjustments resulting from the translation are recorded in accumulated other comprehensive income on our statements of changes in stockholders equity. We do not consider the risk associated with exchange rate fluctuations to be material to our financial condition or results of operations.

A hypothetical 5% increase in the value of the British pound and the Euro relative to the U.S. dollar would have resulted in an increase in our net income of approximately \$0.4 million and less than \$0.1 million, respectively, during fiscal 2011 and \$0.1 million and less than \$0.1 million, respectively, during the three months ended December 31, 2011. A corresponding decrease would have resulted in a decrease in our net income of approximately \$0.4 million and less than

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$0.1 million, respectively, during fiscal 2011 and $0.1 million and less than $0.1 million, respectively, during the three months ended December 31, 2011.

Currency transactions

Currency transaction exposure arises where actual sales and purchases are made by a company in a currency other than its own functional currency. During the year ended September 30, 2011, our subsidiary in the United Kingdom had sales in U.S. dollars and Euros of approximately $85.1 million and 7.6 million, respectively, and had purchases in U.S dollars and Euros of approximately $61.2 million and 13.4 million, respectively. During the three months ended December 31, 2011, our subsidiary in the United Kingdom had sales in U.S. dollars and Euros of approximately $24.3 million and 2.5 million, respectively, and had purchases in U.S. dollars and Euros of approximately $17.4 million and 4.5 million, respectively. To the extent possible, we structure arrangements where the purchase transactions are denominated in U.S. dollars in order to minimize near-term exposure to foreign currency fluctuations.

From September 30, 2009 to September 30, 2010, the British pound stabilized against the dollar. From September 30, 2010 to September 30, 2011, the pound strengthened slightly against the dollar by $0.05 (from $1.56 to $1.61). From September 30, 2011 through December 31, 2011, the U.S dollar strengthened slightly against the pound by $0.04 (from $1.61 to $1.57). A strengthening of the U.S. dollar means we realize a lesser amount of U.S. dollar revenue on sales that were denominated in British pounds. As a result of the stabilization of the value of the British pound against the U.S. dollar during fiscal 2010 and the slight movement of the U.S. dollar during fiscal 2011 and the three months ended December 31, 2011, currency transactions did not have a material impact on our financial results during those periods. A hypothetical 5% increase in the value of the British pound relative to the U.S. dollar would have resulted in an increase in our net income of approximately $0.1 million and $0.4 million during the three months ended December 31, 2011 and fiscal 2011, respectively, attributable to our foreign currency transactions. A corresponding decrease would have resulted in a decrease in our net income of approximately $0.1 million and $0.4 million during the three months ended December 31, 2011 and fiscal 2011, respectively.

We have historically entered into currency forward and option contracts to limit exposure to currency rate changes and will continue to monitor our transaction exposure to currency rate changes. Gains and losses on these contracts are deferred until the transaction being hedged is finalized. As of December 31, 2011, we had no outstanding currency forward and option contracts.

Interest Rate Risk

Our principal interest rate exposure relates to the senior secured credit facilities, which bear interest at a variable rate. See Part I, Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Credit Facilities Senior Secured Credit Facilities. If there is a rise in interest rates, our debt service obligations on the borrowings under the senior secured credit facilities would increase even though the amount borrowed remained the same, which would affect our results of operations, financial condition and liquidity. At our debt level and borrowing rates as of December 31, 2011, annual cash interest expense, including fees under our revolving facility, would have been approximately $20.4 million. If variable interest rates were to change by 1.0%, our interest expense would fluctuate approximately $2.4 million per year, without taking into account the effect of any hedging instruments or the minimum LIBOR requirement.

We periodically enter into interest rate swap agreements to manage interest rate risk on our borrowing activities. Upon the maturity of our previous interest rate swap agreements, we entered into two interest rate swap agreements that expire in February and June 2012, respectively, which we refer to collectively as the Swaps. Each Swap converts the interest rate on approximately $200.0 million (notional amount) of our outstanding indebtedness from variable rates to a fixed interest rate. During the three months ended December 31, 2011 and December 31, 2010, we recorded a gain in the amount of approximately $0.7 million and $1.5 million, respectively, as a result of changes in fair value of derivative financial instruments. These losses are recorded as a component of interest expense.

We do not hold or issue derivative financial instruments for trading or speculative purposes.

Fuel Price Risk

Our principal direct exposure to increases in fuel prices is as a result of potential increased freight costs caused by fuel surcharges or other fuel cost-driven price increases implemented by the third-party package delivery companies on which we rely. We estimate that our annual freight costs are approximately $2.5 million, and, as a result, we do not believe

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the impact of these potential fuel surcharges or fuel cost-driven price increases would have a material impact on our business, financial condition and results of operations. In addition, increases in fuel prices may have an indirect material adverse effect on our business, financial condition and results of operations, as such increases may contribute to decreased airline profitability and, as a result, decreased demand for new commercial aircraft that utilize the products we sell. We do not use derivatives to manage our exposure to fuel prices.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act), as of the end of the period covered by this report. Based on that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures as of the end of the period covered by this report were effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) under the Exchange Act) during the period covered by this report 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.

We are involved in various legal matters that arise in the normal course of our business. We believe that the ultimate outcome of such matters will not have a material adverse effect on our business, financial condition or results of operations. However, there can be no assurance that such actions will not be material or adversely affect our business, financial condition or results of operations.

ITEM 1A. RISK FACTORS.

There have been no material changes from our risk factors as previously reported in our Annual Report on Form 10-K for the fiscal year ended September 30, 2011.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

(a) Exhibits

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Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of Wesco Aircraft Holdings, Inc. (Incorporated by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q, dated August 17, 2011 (File No. 001-35253)).
3.2	Amended and Restated Bylaws of Wesco Aircraft Holdings, Inc. (Incorporated by reference to Exhibit 3.2 to the Quarterly Report on Form 10-Q, dated August 17, 2011, (File No. 001-35253)).
4.1	Form of Stock Certificate (Incorporated by reference to Exhibit 4.1 to the Registrant s Registration Statement on Form S-1/A dated June 6, 2011 (Registration No. 333-173381))
10.1	Credit Agreement, by and among Wesco Aircraft Holdings, Inc. (formerly Wesco Holdings, Inc.), Wesco Aircraft Hardware Corp., Barclays Bank PLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Barclays Capital, J.P. Morgan Securities LLC, Morgan Stanley Senior Funding, Inc., Sumitomo Mitsui Banking Corporation, Royal Bank of Canada, Bank of America, N.A. and the lenders party thereto, dated as of April 7, 2011 (Incorporated by reference to Exhibit 10.1 to the Registrant s Registration Statement on Form S-1/A dated June 6, 2011 (Registration No. 333-173381))
10.2	Guarantee and Collateral Agreement, by and among Wesco Aircraft Holdings, Inc. (formerly Wesco Holdings, Inc.), Wesco Aircraft Hardware Corp., Barclays Bank PLC and the subsidiary guarantors party thereto, dated as of April 7, 2011 (Incorporated by reference to Exhibit 10.2 to the Registrant s Registration Statement on Form S-1/A dated May 12, 2011 (Registration No. 333-173381))
10.3	Amended and Restated Equity Incentive Plan of Wesco Aircraft Holdings, Inc. (formerly Wesco Holdings, Inc.) (Incorporated by reference to Exhibit 10.3 to the Registrant s Registration Statement on Form S-1 dated April 8, 2011 (Registration No. 333-173381))
10.4	Management Annual Incentive Plan of Wesco Aircraft Holdings, Inc. (formerly Wesco Holdings, Inc.) (Incorporated by reference to Exhibit 10.4 to the Registrant s Registration Statement on Form S-1 dated April 8, 2011 (Registration No. 333-173381))
10.5	Employment Agreement between Wesco Aircraft Hardware Corp. and Randy Snyder, dated as of July 23, 2006 (Incorporated by reference to Exhibit 10.5 to the Registrant s Registration Statement on Form S-1 dated April 8, 2011 (Registration No. 333-173381))
10.6	Amendment to the Employment Agreement between Wesco Aircraft Hardware Corp. and Randy Snyder, dated as of December 31, 2008 (Incorporated by reference to Exhibit 10.6 to the Registrant s Registration Statement on Form S-1 dated April 8, 2011 (Registration No. 333-173381))
10.7	Employment Agreement between Wesco Aircraft Holdings, Inc. (formerly Wesco Holdings, Inc.) and Gregory Hann, dated as of January 22, 2009 (Incorporated by reference to Exhibit 10.7 to the Registrant s Registration Statement on Form S-1 dated April 8, 2011 (Registration No. 333-173381))
10.8	Employment Agreement between Wesco Aircraft Hardware Corp. and Hal Weinstein, dated as of June 15, 2007 (Incorporated by reference to Exhibit 10.8 to the Registrant s Registration Statement on Form S-1 dated April 8, 2011 (Registration No. 333-173381))
10.9	Amendment to the Employment Agreement between Wesco Aircraft Hardware Corp. and Hal Weinstein, dated as of December 31, 2008 (Incorporated by reference to Exhibit 10.9 to the Registrant s Registration Statement on Form S-1 dated April 8, 2011 (Registration No. 333-173381))
10.10	Form of Incentive Stock Option Agreement under Amended and Restated Equity Incentive Plan of Wesco Aircraft Holdings, Inc. (formerly Wesco Holdings, Inc.) (Incorporated by reference to Exhibit 10.10 to the Registrant s Registration Statement on Form S-1/A dated May 12, 2011 (Registration No. 333-173381))
10.11	Form of Non-qualified Stock Option Agreement for Independent Directors under Amended and Restated Equity Incentive Plan of Wesco Aircraft Holdings, Inc. (formerly Wesco Holdings, Inc.) (Incorporated by reference to Exhibit 10.11 to the Registrant s Registration Statement on Form S-1/A dated May 12, 2011 (Registration No. 333-173381))
10.12	Form of Amended and Restated Restricted Stock Unit Agreement under Amended and Restated Equity Incentive Plan of Wesco Aircraft Holdings, Inc. (formerly Wesco Holdings, Inc.) (Incorporated by reference to Exhibit 10.12 to the Registrant s Registration Statement on Form S-1/A dated May 12, 2011 (Registration No. 333-173381))
10.13	Form of Restricted Stock Agreement for Independent Directors under Amended and Restated Equity Incentive Plan of Wesco Aircraft Holdings, Inc. (formerly Wesco Holdings, Inc.) (Incorporated by reference to Exhibit 10.13 to the Registrant s Registration Statement on Form S-1/A dated May 12, 2011 (Registration No. 333-173381))
10.14	Amended and Restated Management Agreement between Wesco Aircraft Holdings, Inc. and Carlyle

	Investment Management, L.L.C. (Incorporated by reference to Exhibit 10.14 to the Quarterly Report on Form 10-Q, dated August 17, 2011 (File No. 001-35253)).
10.15	Lease Agreement between Wesco Aircraft France, SAS and WAFR, LLC, dated as of August 1, 2005 (Incorporated by reference to Exhibit 10.15 to the Registrant s Registration Statement on Form S-1/A dated May 12, 2011 (Registration No. 333-173381))
10.16	Lease Agreement between Wesco Aircraft Hardware Corp. and Avenue Scott, LLC, dated as of October 1, 2004 (Incorporated by reference to Exhibit 10.16 to the Registrant s Registration Statement on Form S-1/A dated May 12, 2011 (Registration No. 333-173381))
10.17	Lease Agreement between Wesco Aircraft Hardware Corp. and WATX Properties, LLC, dated as of January 1, 2004 (Incorporated by reference to Exhibit 10.17 to the Registrant s Registration Statement on Form S-1/A dated May 12, 2011 (Registration No. 333-173381))
10.18	Lease Agreement between Wesco Aircraft Europe Ltd. and Snyder Family Living Trust, dated as of January 1, 2006 (Incorporated by reference to Exhibit 10.18 to the Registrant s Registration Statement on Form S-1/A dated May 12, 2011 (Registration No. 333-173381))
10.19	Engagement Agreement by and between Wesco Aircraft Holdings, Inc. (formerly Wesco Holdings, Inc.) and Solebury Capital LLC, dated as of January 20, 2011 (Incorporated by reference to Exhibit 10.19 to the Registrant s Registration Statement on Form S-1/A dated May 12, 2011 (Registration No. 333-173381))
10.20	Amended and Restated Stockholders Agreement of Wesco Aircraft Holdings, Inc. (Incorporated by reference to Exhibit 10.20 to the Quarterly Report on Form 10-Q, dated August 17, 2011 (File No. 001-35253)).
10.21	Service Agreement between Wesco Aircraft Europe, Ltd and Alexander Murray, dated as of March 24, 2011 (Incorporated by reference to Exhibit 10.21 to the Registrant s Registration Statement on Form S-1/A dated May 12, 2011 (Registration No. 333-173381))
10.22	Wesco Aircraft Holdings, Inc. Incentive Plan (Incorporated by reference to Exhibit 10.22 to the Registrant s Registration Statement on Form S-1/A dated June 27, 2011 (Registration No. 333-173381))
10.23	Wesco Aircraft Holdings, Inc. 2011 Equity Incentive Award Plan (Incorporated by reference to Exhibit 10.23 to the Registrant s Registration Statement on Form S-1/A dated June 27, 2011 (Registration No. 333-173381))
10.24	Form of 2011 Equity Incentive Award Plan Restricted Stock Agreement (Incorporated by reference to Exhibit 10.24 to the Registrant s Registration Statement on Form S-1/A dated June 27, 2011 (Registration No. 333-173381))
10.25	Form of 2011 Equity Incentive Award Plan Restricted Stock Unit Agreement (Incorporated by reference to Exhibit 10.25 to the Registrant s Registration Statement on Form S-1/A dated June 27, 2011 (Registration No. 333-173381))
10.26	Form of 2011 Equity Incentive Award Plan Stock Option Agreement (Incorporated by reference to Exhibit 10.26 to the Registrant s Registration Statement on Form S-1/A dated June 27, 2011 (Registration No. 333-173381))
10.27	Form of Wesco Aircraft Holdings, Inc. Indemnification Agreement (Incorporated by reference to Exhibit 10.27 to the Registrant s Registration Statement on Form S-1/A dated June 6, 2011 (Registration No. 333-173381))
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14a and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14a and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.1	Certification of Periodic Report by Chief Executive Officer and Chief Financial Officer pursuant to U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document*

* Pursuant to Rule 406T of Regulation S-T, this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: February 6, 2012	**WESCO AIRCRAFT HOLDINGS, INC.**	
	By:	/s/ Randy J. Snyder Name: Randy J. Snyder Title: President, Chairman of the Board and Chief Executive Officer (Principal Executive Officer)
Date: February 6, 2012	By:	/s/ Gregory A. Hann Name: Gregory A. Hann Title: Executive Vice President and Chief Financial Officer (Principal Financial Officer)