



Can Non-Core Products Improve Your Bottom Line?

Ontic Extended Life Solutions Make It Easy

As an aerospace OEM, your business is built to design, manufacture, and deliver cutting-edge technology, which requires a high level of resources to fund R&D and other capital expenditures. However, as your products age or fall outside your core focus, challenges emerge that strain your resources and impact your ability to meet business objectives. An Ontic Extended Life Solution eliminates the burdens of challenging product lines, strengthens your customer relationships and most importantly, provides capital to fund your future growth needs.

Ontic has spent the last four decades perfecting the Extended Life Solution Program to maximize your returns while minimizing your efforts during the licensing or divestiture process.

An Ontic Extended Life Solution can help your organization:

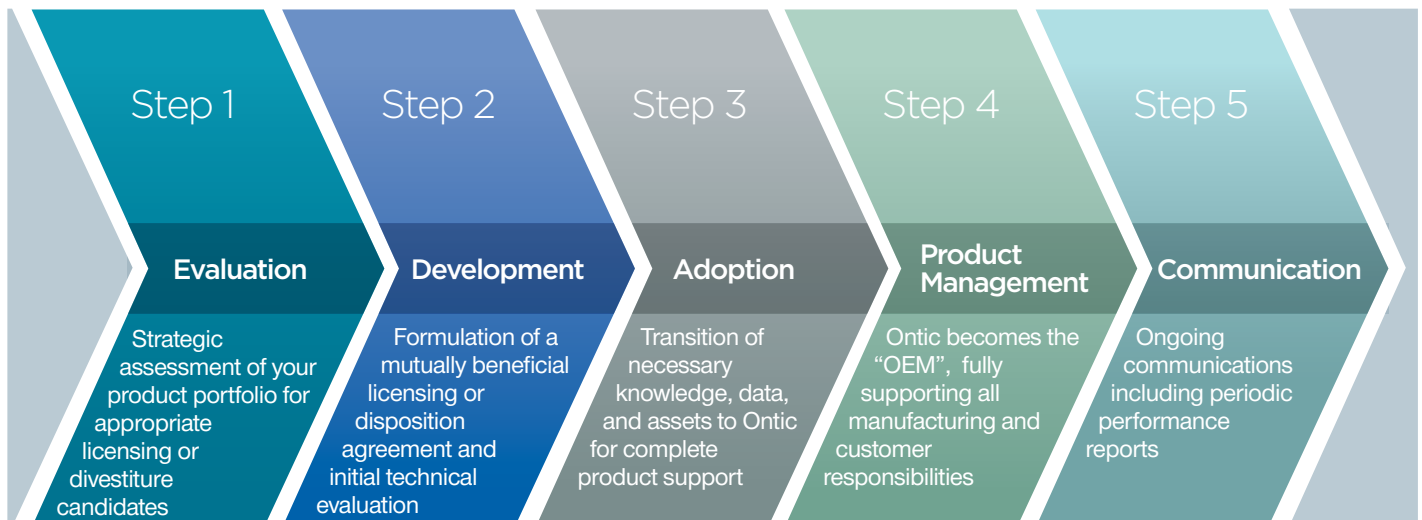
- ▶ **Improve Financial Returns** – allowing you to concentrate on the productivity and profitability of your core programs.
- ▶ **Liberate Assets, Rescue Resources** – free up stranded capital tied up in inventory and machinery, valuable facility space, and key personnel so you can better support your current strategic objectives.
- ▶ **Enhance Customer Satisfaction** – with Ontic's increased product availability and responsiveness.

Why spend your valuable time and precious resources struggling to support aging or non-core products? Ontic has the proven solutions that deliver dependable results straight to your bottom line.

Key Signs Your Product Needs An Ontic Extended Life Solution

- Products no longer core to strategic focus
- Decreasing volume with sporadic demand
- Products utilized on a declining fleet
- Product support challenges
- Shrinking market share
- Contract restrictions prevent desired returns
- Manufacturing requirements incompatible with “lean”

Ontic Extended Life Solutions Overview



How Much Are Aging Products Really Costing Your Company?

We believe concrete financial data should drive your decision to license or divest. For years, we have worked with OEMs to identify and measure the tangible and intangible costs associated with aging product lines. Often, many costs lie beneath the surface and only the tip of the iceberg may be apparent, especially in complex organizations. While each company is unique, the categories of product support costs that drain your bottom line are not.

► **Opportunity Cost:** By continuing to support an aging product line, your organization forgoes the opportunity to improve your financial returns in two important ways.

1. When you license or divest your product line to Ontic, we either pay you ongoing royalties or an upfront fee for the rights to support the product. These payments drop through to your bottom line at 100% because all associated product line expenses also transfer to Ontic. This is an easy way to boost margins and is cash generative.
2. As products mature and are no longer in continuous production, operating expenses inevitably increase, often reducing the product's operating profit margin by 10%-15% including:
 - Fixed overhead expenses spread over a declining revenue base
 - Increased material cost due to smaller orders and reduced volume discounts
 - Production line setup/takedown costs

By devoting valuable manufacturing real estate and other resources to lower volume product lines instead of your core products, you may be sacrificing the ability to earn higher margins to absorb your overhead expense more effectively. Choosing to license or divest your product line to Ontic allows you to recapture that lost margin by redirecting your operations to continuous production product lines that are the heart of your company's future.

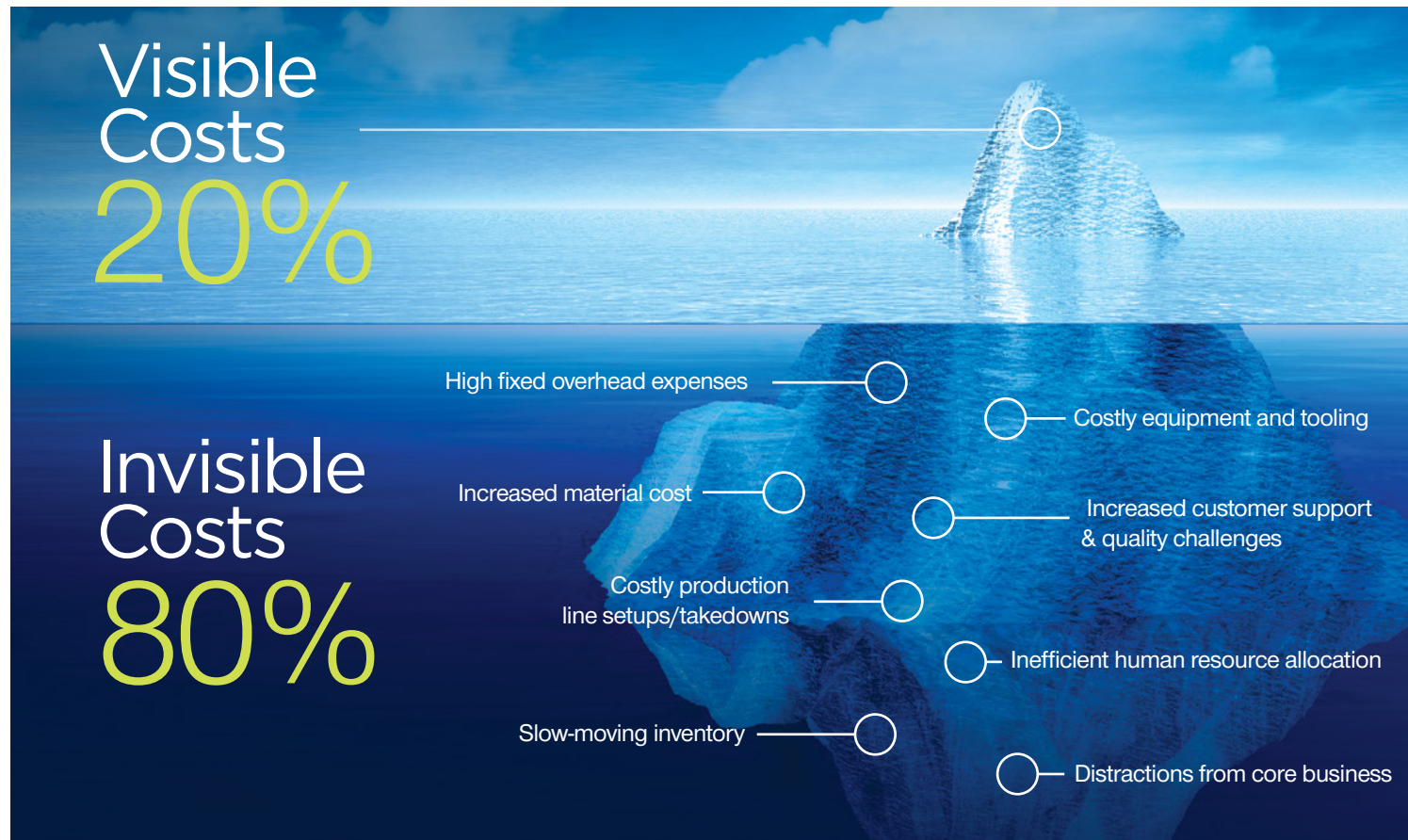
► **Stranded Capital:** As demand decreases, slow-moving inventory along with expensive, space-consuming equipment and tooling becomes an issue for most organizations. Approximately 20%-30% of the product's annual revenue may be stranded on your balance sheet. Licensing or divesting your product turns these stranded assets into cash.

► **Quality Cost:** Aging and non-core product lines often do not receive the same levels of support as core product platforms. We estimate that operating profit for an aging product line is reduced by 1%-3% of annual revenue by:

- An increase in warranty expense as the production schedule becomes more sporadic
- An increase in customer support challenges including longer lead times and missed delivery dates that could harm your reputation in the marketplace

► **Inefficient Human Resource Allocation:** In a perfect world, as revenue begins to decrease, you would scale your overhead costs appropriately to maintain margins. In the real world, there are still costly responsibilities you cannot eliminate, such as configuration control, material handling, technical support, demand forecasting, and customer service. We estimate these overhead inefficiencies cost OEMs 2-3% of annual revenue per year. By licensing or divesting your product line to Ontic, you gain the flexibility to improve your overhead absorption rates and allocate your human resources to core priorities.

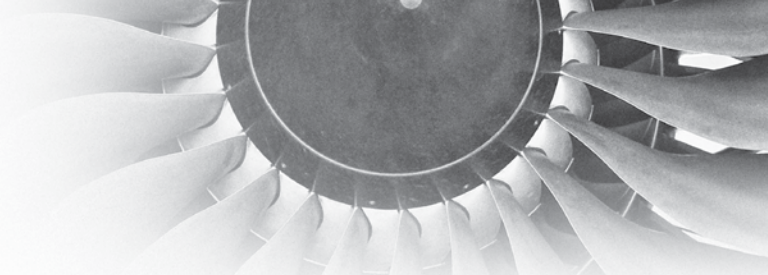
As with most aging product lines, the reduction in revenue may seem your most obvious concern. However, when you consider the hidden costs, you will discover your aging product is a bigger drain on your resources than you may have considered. Turn your stranded assets into cash, improve your operating profits, and allocate your resources efficiently by licensing or divesting your non-core products to Ontic.



Ontic Overview

3 sites
217,000 sq. ft. with 50,000 sq. ft. available now





Proven Non-Core Product Solutions and Expert OEM Support

It isn't just something that we do. It's ALL we do.

Ontic has been empowering aerospace OEMs for over 39 years. Our sole focus is the support of aging products through licensing or acquisition, providing OEM-pedigree parts and accessories for as long as the market requires. Our team of industry experts have the experience and insights to evaluate, transition, and support complex product lines or businesses seamlessly, so OEM's like you can focus on your core business.

For decades, industry leaders have placed their trust in Ontic because we:

- ▶ Strictly adhere to the OEM's own high standards – providing exceptional customer support and expert manufacturing capabilities spanning every major aircraft system.
- ▶ Provide essential resource relief – freeing up stranded capital and engineering, purchasing, and manufacturing personnel.
- ▶ Have the critical knowledge and expertise – to transition products seamlessly, with minimal time investment from the OEM.
- ▶ Zealously protect your intellectual property – without those rights our business would not exist; we regularly defend and extend market positions against 3rd party hostile PMA.

With the inevitable challenges that accompany non-core product lines, the question is **not "if"** you need an exit strategy, **but "when"**. Talk to an Ontic Extended Life Solutions Expert to explore your options and to ensure you meet all of your organization's business objectives.

Ontic at a Glance:

- Manufactures new spares and provides repair and overhaul services for legacy aerospace products
- Serves commercial, military and business aviation markets
- Specializes in low volume, high mix product lines
- Capabilities to support simple washers to complex, safety-critical components

Ontic's Capabilities Include:



Electronics / Avionics

- Fuel Measurement Systems
- Engine & Environmental Controls
- Fire Protection & Suppression Systems
- Airborne Radar



Hydraulics / Pneumatics / Fuel

- Fluid Pumping / Fuel Controls
- Valves, Actuation



Electromechanical

- Flight Surface Control
- Motors
- Pilot Controls
- Power Generators/Starters



Major Systems

- APUs / Engines / Landing Gear
- Fuel Measurement

For More Information Call

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