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

FORM 8-K/A

(Amendment No.1)

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 26, 2024

Loar Holdings Inc.

(Exact name of Registrant as Specified in Its Charter)

Delaware	001-42030	82-2665180
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

20 New King Street White Plains, New York	**10604**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code: 914 909-1311

None
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.01 per share	LOAR	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Introductory Note

On August 26, 2024, Loar Holdings Inc., a Delaware corporation (the Company), filed a Current Report on Form 8-K (the Initial 8-K) to disclose that it had completed its previously announced acquisition of Applied Avionics Inc. (AAI). This Form 8/K-A amends the Initial 8-K to include historical audited and unaudited financial statements of AAI and the pro forma combined financial information required by Item 9.01 of Form 8-K that were excluded from the Initial 8-K in reliance on the instructions to such item.

Item 9.01 Financial Statements and Exhibits.

(a) Financial statements of businesses or funds acquired.

The audited financial statements of AAI as of December 27, 2023 and for the fifty-two weeks ended December 27, 2023, as well as the accompanying notes and supplemental information, are filed herewith as Exhibit 99.1 and are incorporated herein by reference.

The unaudited financial statements of AAI as of June 26, 2024 and for the twenty-six weeks ended June 26, 2024, as well as the accompanying notes, are filed herewith as Exhibit 99.2 and are incorporated herein by reference.

(b) Pro forma financial information.

The unaudited pro forma condensed consolidated financial statements of the Company and AAI for the year ended December 31, 2023 and the six-month period ended June 30, 2024 are filed herewith as Exhibit 99.3 and are incorporated herein by reference.

(d) Exhibits.

Exhibit No.	Description
23.1	Consent of Whitley Penn, LLP, Independent Auditors to AAI
99.1	Audited financial statements of AAI as of December 27, 2023 and for the fifty-two weeks ended December 27, 2023, as well as the accompanying notes and supplemental information
99.2	Unaudited financial statements of AAI as of June 26, 2024 and for the twenty-six weeks ended June 26, 2024, as well as the accompanying notes
99.3	Unaudited Pro Forma Condensed Consolidated Financial Statements
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

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 hereunto duly authorized.

Date:	October 10, 2024	By:	/s/ Glenn D'Alessandro **Glenn D'Alessandro** **Treasurer and Chief Financial Officer** (principal financial and accounting officer)

Exhibit 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the inclusion of our report dated September 10, 2024, with respect to the financial statements of Applied Avionics, Inc., as of and for the year ended December 27, 2023, included in this Current Report of Loar Holdings Inc. on Form 8-K/A. We consent to the incorporation by reference in the Registration Statement No. 333-278924 on Form S-8 of Loar Holdings Inc. of such report.

/s/ Whitley Penn LLP

Fort Worth, Texas
October 10, 2024

Exhibit 99.1

APPLIED AVIONICS, INC.

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

Year Ended December 27, 2023
with Report of Independent Auditors

APPLIED AVIONICS, INC.

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

Year Ended December 27, 2023

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
Applied Avionics, Inc.

Opinion

We have audited the financial statements of Applied Avionics, Inc. (the “Company”), which comprise the balance sheet as of December 27, 2023, and the related statements of income, changes in stockholders’ equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 27, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (“GAAS”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control– related matters that we identified during the audit.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of the accumulated adjustments account and retained earnings is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

/s/ Whitley Penn LLP

Fort Worth, Texas
September 10, 2024

APPLIED AVIONICS, INC.

BALANCE SHEET

December 27, 2023

Assets		
Current assets:		
Cash and cash equivalents	$	6,727,570
Trade accounts receivable, net of allowance for credit losses of $16,903		3,069,751
Inventories, net		8,559,710
Prepaid expenses and other current assets		561,074
Total current assets		18,918,105
Property, plant, and equipment, net		3,187,476
Right-of-use assets - operating leases, net		12,095
Total assets	$	22,117,676
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$	363,255
Accrued liabilities		3,140,913
Customer advance payment deposits		1,494,261
Current portion of operating lease liabilities		6,636
Distributions payable		63,692
Total current liabilities		5,068,757
Operating lease liabilities, net of current portion		28,227
Total liabilities		5,096,984
Stockholders' equity:		
Common stock - voting; $.01 par value; 2,800,000 shares authorized; 1,167,519 issued; 1,145,319 outstanding		11,675
Common stock - non-voting; $.01 par value; 200,000 shares authorized; 57,200 shares issued and outstanding		572
Capital in excess of par value		2,001,653
Retained earnings		15,894,792
Less: treasury stock, at cost (22,200 voting shares)		(888,000)
Total stockholders' equity		17,020,692
Total liabilities and stockholders' equity	$	22,117,676

See accompanying notes to financial statements

APPLIED AVIONICS, INC.

STATEMENT OF INCOME

Year Ended December 27, 2023

Net sales	$	36,979,318
Cost of sales		9,761,354
Gross profit		27,217,964
Selling, general, and administrative expenses		13,333,455
Income from operations		13,884,509
Other income (expense):		
Interest income		574,061
Other expense, net		(7,789)
Total other income, net		566,272
Net income	$	14,450,781

See accompanying notes to financial statements.

APPLIED AVIONICS, INC.

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

Year Ended December 27, 2023

	Voting Common Stock	Non-Voting Common Stock	Capital In Excess of Par Value	Retained Earnings	Treasury Stock	Total
Balance at December 28, 2022	$ 11,675	$ 572	$ 2,001,653	$ 15,077,280	$ (888,000)	$ 16,203,180
Net income	-	-	-	14,450,781	-	14,450,781
Distributions	-	-	-	(13,633,269)	-	(13,633,269)
Balance at December 27, 2023	$ 11,675	$ 572	$ 2,001,653	$ 15,894,792	$ (888,000)	$ 17,020,692

See accompanying notes to financial statements.

APPLIED AVIONICS, INC.

STATEMENT OF CASH FLOWS

Year Ended December 27, 2023

Operating Activities		
Net income	$	14,450,781
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation		540,859
Amortization of right-of-use assets		6,021
Provision for credit losses		723
Non-cash lease expense		611
Changes in operating assets and liabilities:		
Trade accounts receivable, net		(376,334)
Inventories, net		203,164
Prepaid expenses and other current assets		47,405
Accounts payable and accrued liabilities		(112,485)
Operating lease liabilities		(6,636)
Customer advance payment deposits		900,224
Net cash provided by operating activities		15,654,333
Investing Activities		
Purchases of property, plant, and equipment		(249,292)
Net cash used in investing activities		(249,292)
Financing Activities		
Distributions paid to stockholders		(15,989,925)
Net cash used in financing activities		(15,989,925)
Net decrease in cash and cash equivalents		(584,884)
Cash and cash equivalents at beginning of year		7,312,454
Cash and cash equivalents at end of year	$	6,727,570

See accompanying notes to financial statements.

APPLIED AVIONICS, INC.

NOTES TO FINANCIAL STATEMENTS

December 27, 2023

A.Nature of Operations

Applied Avionics, Inc. (the "Company") is an S Corporation and manufactures MIL-Spec illuminated electro-mechanical pushbutton switches and other avionic electrical components. These products are used in aircraft, ground systems, and on shipboard. The Company researches, designs, and manufactures products to meet the human-machine and system-system interface requirements of commercial and military organizations worldwide. The Company is located in Fort Worth, Texas.

B.Summary of Significant Accounting Policies

A summary of the Company's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Basis of Accounting

The accounts are maintained and the financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts in the financial statements and accompanying notes. Actual results could differ from these estimates and assumptions.

Fiscal Year

The Company uses a 52/53-week year, which ends on the last Wednesday of the calendar year. The accompanying financial statements reflect operations and cash flows from December 29, 2022 through December 27, 2023 (52 weeks).

Cash and Cash Equivalents

The Company considers all short-term investments with an original maturity of three months or less when purchased or a money market fund to be cash equivalents. The Company held $6,255,000 in short-term investments at December 27, 2023. Other cash balances were $472,570 at December 27, 2023. The Company maintains deposits primarily in one financial institution, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation ("FDIC"). The Company has not experienced any losses related to amounts in excess of FDIC limits.

B. Summary of Significant Accounting Policies – continued

Trade Accounts Receivable and Allowance for Credit Losses

Accounts receivable are recorded at the invoiced amount and do not typically bear interest. The Company regularly monitors and assesses its risk of not collecting amounts owed by customers. The Company operates primarily in the commercial aircraft and aerospace and defense industry and its accounts receivable are primarily derived from customers servicing that industry. At each balance sheet date, the Company recognizes an expected allowance for credit losses if determined necessary. In addition, at each reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist. If applicable, accounts receivable are evaluated individually when they do not share similar risk characteristics which could exist in circumstances where amounts are considered at risk or uncollectible.

The allowance estimate is derived from a review of the Company's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Company. The Company believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the Company's portfolio segment has remained constant since the Company's inception.

Credit is extended to the Company's customers based on an evaluation of each customer's financial condition and other relevant risk factors. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance for credit losses for the year ended December 27, 2023, was approximately $17,000. The opening balance of accounts receivable as of December 29, 2022, was approximately $2,694,000, net of an allowance for credit losses of approximately $16,000.

The Company writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized and offset to credit loss expense in the year of recovery, in accordance with the Company's accounting policy election.

Inventories

Inventories consist primarily of raw materials and work-in-process and are stated at the lower of cost or net realizable value. Cost is determined using a standard cost method, which approximates a first- in, first-out method. Inventories include factory overhead that is applied on the basis of labor costs and manufacturing expenses incurred. Fixed costs related to excess manufacturing capacity, freight, handling costs, scrap, and spoilage are expensed when incurred. A valuation allowance is established and adjusted periodically to provide for estimated excess and obsolescence based upon the aging of inventory and market trends. As of December 27, 2023, the Company had recorded a reserve of approximately $225,000.

B. Summary of Significant Accounting Policies – continued

Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost. Depreciation is calculated on the straight-line method over the assets' estimated service lives. Expenditures for maintenance and repairs are charged to expense in the period in which they are incurred, and betterments are capitalized. The cost of assets sold or abandoned, and the related accumulated depreciation are eliminated from the accounts, and any gains or losses are reflected in the accompanying statement of income. Property and equipment are depreciated over the following estimated useful lives:

Buildings and improvements	15-39 years
Machinery and equipment	3-7 years
Office equipment	3-7 years
Automobiles	3-7 years
Furniture and fixtures	3-7 years

Long-Lived Assets

The Company evaluates its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of these assets is measured by comparison of their carrying amounts to future undiscounted cash flows that the assets are expected to generate. If long-lived assets are considered to be impaired, the impairment to be recognized equals the amount by which the carrying value of the asset exceeds its fair market value and is recorded in the period the determination was made. Based upon management's assessment, there was no impairment of long-lived assets at December 27, 2023.

Leases

A lease provides the lessee the right to control the use of an identified asset for a period of time in exchange for consideration. Operating lease right-of-use assets ("ROU assets") represent the Company's right to use an underlying asset for the lease term. Operating lease liabilities ("lease liabilities") represent the Company's obligation to make lease payments arising from the lease. The Company determines if an arrangement is a lease at inception. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Company excludes short-term leases having initial terms of 12 months or less from ROU assets and lease liabilities and recognizes rent expense on a straight-line basis over the lease term.

The Company has leases for certain office equipment. The operating leases contain renewal options that provide for rent increases based on prevailing market conditions.

B. Summary of Significant Accounting Policies – continued

Leases - continued

The discount rate used to determine the commencement date present value of lease payments is the interest rate implicit in the lease, or when that is not readily determinable, the Company has elected to utilize the applicable risk-free rate in effect at the time of the lease inception. ROU assets include any lease payments required to be made prior to commencement and exclude lease incentives. Both ROU assets and lease liabilities exclude variable payments not based on an index or rate, which are treated as period costs. The Company’s lease agreements do not contain significant residual value guarantees, restrictions, or covenants.

Customer Advance Payment Deposits

The Company requires advance payments on sales orders from certain customers, and the advance payments are held as customer deposits until shipment has occurred. The opening balance of customer advance payment deposits was approximately $594,000 at December 29, 2022.

Distributions

The Company’s distribution policy is that pro-rata distributions are to be declared and paid to each stockholder in an aggregate amount equal to a percentage of the Company’s net income that is determined by the Company’s Board of Directors on an annual basis. At December 27, 2023, there was approximately $64,000 of distributions declared and payable in the accompanying balance sheet.

Revenue Recognition

The Company derives its revenues from the manufacturing and distribution of its MIL-Spec illuminated electro-mechanical pushbutton switches and other avionic electrical components. The Company accounts for revenue from contracts with customers through the following steps:

- Identification of the contract with a customer.
- Identification of the performance obligations in the contract.
- Determination of the transaction price.
- Allocation of the transaction price to the performance obligations in the contract.
- Recognition of revenue when, or as, the Company satisfies a performance obligation.

B. Summary of Significant Accounting Policies – continued

Revenue - continued

Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring products or providing services. Revenue is recognized when the Company satisfies its performance obligation under the contract by transferring the promised product or service to its customer. The Company's contracts generally do not include any significant financing components.

Performance Obligations

Revenue is recognized when the Company satisfies its performance obligation under the contract by transferring the promised product or service to its customer. A performance obligation is a promise in a contract to transfer a distinct product or service to a customer.

A contract's transaction price is allocated to each distinct performance obligation within the contract. Substantially all of the Company's contracts have a single performance obligation. The nature of the Company's business occasionally gives rise to variable consideration, including rebates, allowances, and returns that generally decrease the transaction price which reduces revenue. These variable amounts are generally credited to the customer, based on achieving certain levels of sales activity, product returns, or price concessions. Variable consideration is estimated at the most likely amount that is expected to be earned. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognition will not occur when the uncertainty associated with the variable consideration is resolved. Estimates of variable consideration are estimated based on historical experience and known trends.

All of the Company's revenue is from products transferred to customers at a point in time. The Company recognizes revenue at the point in time in which the customer obtains control of the product, which is generally when product title passes to the customer upon shipment.

Income Taxes

The stockholders of the Company have elected for the Company to be taxed under the provisions of Subchapter "S" of the Internal Revenue Code ("IRC"). Under these provisions, the Company does not pay corporate income taxes on its taxable income. Instead, the stockholders are liable for the individual income taxes on their respective share of the Company's taxable income or benefit on their respective share of the Company's taxable loss.

GAAP prescribes a comprehensive model for the financial statement recognition, measurement, presentation, and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. Management must determine whether it is more likely than not that a tax position will be sustained upon examination based on the technical merits of the position, and management's opinion is that there are no such uncertain positions at December 27, 2023.

B. Summary of Significant Accounting Policies – continued

Income Taxes - continued

The Company files income tax returns in the United States federal jurisdiction and certain states. At December 27, 2023, the Company's prior year tax returns related to fiscal years ended December 25, 2019 through December 28, 2022, remain open to possible examination by the tax authorities. No tax returns are currently under examination by any tax authorities. As of December 27, 2023, the Company has not incurred any penalties or interest related to these returns.

Research and Development Costs

Costs related to the research, design, and development of products are charged to research and development expenses as incurred. For the year ended December 27, 2023, research and development costs totaled approximately $2,969,000 and are included within selling, general, and administrative expenses in the accompanying statement of income.

Advertising Costs

Advertising costs are charged to expense as incurred. For the year ended December 27, 2023, advertising costs approximated $189,000 and are included within selling, general, and administrative expenses in the accompanying statement of income.

Adoption of New Accounting Standards

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU" or "standard") 2016-13, *Financial Instruments – Credit Losses* ("Topic 326"): *Measurement of Credit Losses on Financial Instruments*. Subsequently, the FASB issued several clarifying standard updates to clarify and improve the ASU. These ASUs significantly change how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model that will be based on an estimate of current expected credit loss ("CECL"). Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Company that are subject to the guidance in Topic 326 were trade accounts receivable. The Company adopted the standard effective December 29, 2022. The impact of the adoption was not considered material to the financial statements and primarily resulted in new and enhanced disclosures only.

C. Allowance for Credit Losses

The allowance for credit losses for accounts receivable and the related activity are as follows as of December 27, 2023:

Beginning balance	$	16,180
Provision for credit losses		723
Write-offs		-
Ending balance	$	16,903

D. Inventories

The components of inventories are as follows at December 27, 2023:

Raw materials	$	3,989,953
Work-in-process		4,588,113
Finished goods		206,718
		8,784,784
Less allowance for obsolete inventory		(225,074)
Total inventories, net	$	8,559,710

E. Property, Plant, and Equipment

The components of property, plant, and equipment are as follows at December 27, 2023:

Land	$	576,076
Buildings and improvements		3,221,932
Machinery and equipment		7,534,041
Office equipment		1,413,741
Furniture and fixtures		467,568
Automobiles		128,242
Total property, plant, and equipment		13,341,600
Less accumulated depreciation		(10,154,124)
Property, plant, and equipment, net	$	3,187,476

Depreciation expense for the year ended December 27, 2023, was approximately $541,000, and is included within selling, general, and administrative expenses in the statement of income.

F. Stockholders' Equity

Stockholders' equity includes voting and non-voting shares of common stock. Non-voting shares do not have voting rights; however, they confer all other rights of voting shares, including identical rights to distribution and liquidation proceeds. The number of authorized voting and non-voting shares is 2,800,000 and 200,000, respectively, as of December 27, 2023.

G. Employee Retirement Plan

The Company sponsors the Applied Avionics, Inc. 401(k) Plan (the "Plan"). The Plan covers substantially all employees and provides for the Company to make a discretionary employer match based on employee contributions. In 2023, the annual maximum Company matching contribution was limited to $2,750 per participant. Matching contributions totaled approximately $195,000 for 2023 and are included in selling, general, and administrative expenses in the statement of income.

H. Executive Retirement Plan

The Company provides payment upon retirement to senior management personnel through an executive retirement plan who meet certain requirements prior to retirement. The executive retirement plan is intended to be an unfunded "top-hat plan" maintained for the purpose of providing benefits to a select group of management and certain other employees. The Company accrued approximately $450,000 for the executive retirement plan for the year ended December 27, 2023, and has a total liability of approximately $2,538,000 included within accrued liabilities on the accompanying balance sheet.

I. Leases

Total operating lease costs were approximately $6,600 for the year ended December 27, 2023, and are included within selling, general, and administrative expenses in the statement of income. There were no variable lease costs or short-term lease costs for the year ended December 27, 2023.

Weighted average lease term and discount rate as of December 27, 2023, are as follows:

Weighted average remaining lease term (years)	
Operating leases	1.92
Weighted average discount rate	
Operating leases	3.33%

Cash paid during the year ended December 27, 2023, for operating leases are as follows:

Operating leases		
Operating cash flows	$	6,636

I. Leases – continued

Maturities of lease liabilities as of December 27, 2023, are as follows:

		Operating Leases
2024	$	6,636
2025		28,610
Total lease payments		35,246
Less present value discount		(383)
Lease liabilities	$	34,863

J. Risks and Uncertainties

Risk Concentrations

The Company's sales are primarily to customers in the commercial aircraft and aerospace and defense industries, the most significant of which is the U.S. government, sold either directly to the

U.S. government or to government defense contractors. Sales to the U.S. government or government defense contractors amounted to approximately 39% of sales in 2023. At December 27, 2023, one customer accounted for approximately 11% of trade accounts receivable. The loss of these customers could have a material adverse effect on the Company.

K. Subsequent Events

In preparing the accompanying financial statements, management has evaluated all subsequent events and transactions for potential recognition or disclosure through September 10, 2024, the date the financial statements were available for issuance.

On July 18, 2024, Loar Group, Inc. entered into a purchase agreement with the Company to purchase all the issued and outstanding equity interests of the Company in exchange for aggregate cash consideration of approximately $385 million, subject to certain adjustments as set forth in the Purchase Agreement. The acquisition was completed on August 26, 2024.

SUPPLEMENTAL INFORMATION

APPLIED AVIONICS, INC.

SCHEDULE OF THE ACCUMULATED ADJUSTMENTS ACCOUNT AND RETAINED EARNINGS

Year Ended December 27, 2023

Accumulated Adjustments Account:		
Balance at beginning of year	$	15,077,280
Net income		14,450,781
Distributions paid		(15,989,925)
Distributions payable at beginning of year		2,420,348
Distributions payable at end of year		(63,692)
Balance at end of year	$	15,894,792

Exhibit 99.2

APPLIED AVIONICS, INC.

FINANCIAL STATEMENTS

Twenty-six Weeks Ended June 26, 2024

APPLIED AVIONICS, INC.

FINANCIAL STATEMENTS

Twenty-six Weeks Ended June 26, 2024

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APPLIED AVIONICS, INC.

BALANCE SHEET (Unaudited)

June 26, 2024

Assets		
Current assets:		
Cash and cash equivalents	$	15,281,817
Trade accounts receivable, net		3,231,927
Inventories, net		8,657,867
Prepaid expenses and other current assets		384,519
Total current assets		27,556,130
Property, plant, and equipment, net		3,311,703
Right-of-use asset - operating leases, net		8,993
Total assets	$	30,876,826
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$	339,643
Accrued liabilities		2,879,646
Customer advance payment deposits		1,594,107
Deferred compensation plan accrual		4,554,972
Current portion of operating lease liabilities		6,393
Distributions payable		5,944,833
Total current liabilities		15,319,594
Operating lease liabilities, net of current portion		2,600
Total liabilities		15,322,194
Stockholders' equity:		
Common stock - voting; $.01 par value; 2,800,000 shares authorized; 1,167,519 issued; 1,145,319 outstanding		11,675
Common stock - non-voting; $.01 par value; 200,000 shares authorized; 57,200 shares issued and outstanding		572
Capital in excess of par value		2,001,653
Retained earnings		14,428,732
Less: treasury stock, at cost (22,200 voting shares)		(888,000)
Total stockholders' equity		15,554,632
Total liabilities and stockholders' equity	$	30,876,826

See accompanying notes to financial statements.

APPLIED AVIONICS, INC.

STATEMENT OF INCOME (Unaudited)

Twenty-six Weeks Ended June 26, 2024

Net sales	$	21,854,867
Operating costs and expenses:		
Cost of sales		5,443,935
Selling, general, and administrative expenses		9,387,797
Total operating costs and expenses		14,831,732
Income from operations		7,023,135
Other income (expense):		
Interest income		238,968
Other income, net		16,670
Total other income, net		255,638
Net income	$	7,278,773

See accompanying notes to financial statements.

APPLIED AVIONICS, INC.

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (Unaudited)

Twenty-six Weeks Ended June 26, 2024

	Voting Common Stock	Non-Voting Common Stock	Capital In Excess of Par Value	Retained Earnings	Treasury Stock	Total
Balance at December 27, 2023	$ 11,675	$ 572	$ 2,001,653	$ 15,894,792	$ (888,000)	$ 17,020,692
Net income	-	-	-	7,278,773	-	7,278,773
Distributions	-	-	-	(8,744,833)	-	(8,744,833)
Balance at June 26, 2024	$ 11,675	$ 572	$ 2,001,653	$ 14,428,732	$ (888,000)	$ 15,554,632

See accompanying notes to financial statements.

APPLIED AVIONICS, INC.

STATEMENT OF CASH FLOWS (Unaudited)

Twenty-six Weeks Ended June 24, 2024

Operating Activities	
Net income	$ 7,278,773
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	265,733
Amortization of right-of-use assets	3,102
Provision for credit losses	34,156
Non-cash lease expense	216
Changes in operating assets and liabilities:	
Trade accounts receivable, net	(230,486)
Inventories, net	(98,158)
Prepaid expenses and other current assets	176,554
Accounts payable and accrued liabilities	4,281,482
Operating lease liabilities	(3,318)
Customer advance payment deposits	99,846
Net cash provided by operating activities	11,807,900
Investing Activities	
Purchases of property, plant, and equipment	(389.960)
Net cash used in investing activities	(389,960)
Financing Activities	
Distributions paid to stockholders	(2,863,693)
Net cash used in financing activities	(2,863,693)
Net increase in cash and cash equivalents	8,554,247
Cash and cash equivalents at beginning of period	6,727,570
Cash and cash equivalents at end of period	$ 15,281,817

See accompanying notes to financial statements.

APPLIED AVIONICS, INC.
NOTES TO FINANCIAL STATEMENTS (Unaudited)

A.Nature of Operations

Applied Avionics, Inc. (the “Company”) is an S Corporation and manufactures MIL-Spec illuminated electro-mechanical pushbutton switches and other avionic electrical components. These products are used in aircraft, ground systems, and on shipboard. The Company researches, designs, and manufactures products to meet the human-machine and system-system interface requirements of commercial and military organizations worldwide. The Company is located in Fort Worth, Texas.

B.Summary of Significant Accounting Policies

A summary of the Company’s significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Basis of Accounting

The accounts are maintained and the financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts in the financial statements and accompanying notes. Actual results could differ from these estimates and assumptions.

Fiscal Year

The Company uses a 52/53-week year, which ends on the last Wednesday of the calendar year. The accompanying financial statements reflect operations and cash flows from December 28, 2023 through June 26, 2024 (26 weeks).

Cash and Cash Equivalents

The Company considers all short-term investments with an original maturity of three months or less when purchased or a money market fund to be cash equivalents. The Company held $15,170,000 in short-term investments at June 26, 2024. Other cash balances were $111,817 at June 26, 2024. The Company maintains deposits primarily in one financial institution, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (“FDIC”). The Company has not experienced any losses related to amounts in excess of FDIC limits.

B.Summary of Significant Accounting Policies – continued

Trade Accounts Receivable and Allowance for Credit Losses

Accounts receivable are recorded at the invoiced amount and do not typically bear interest. The Company regularly monitors and assesses its risk of not collecting amounts owed by customers. The Company operates primarily in the commercial aircraft and aerospace and defense industry and its accounts receivable are primarily derived from customers servicing that industry. At each balance sheet date, the Company recognizes an expected allowance for credit losses if determined necessary. In addition, at each reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist. If applicable, accounts receivable are evaluated individually when they do not share similar risk characteristics which could exist in circumstances where amounts are considered at risk or uncollectible.

The allowance estimate is derived from a review of the Company's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Company. The Company believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the Company's portfolio segment has remained constant since the Company's inception.

Credit is extended to the Company's customers based on an evaluation of each customer's financial condition and other relevant risk factors. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance for credit losses for the period ended June 26, 2024, was approximately $51,000. The opening balance of accounts receivable as of December 28, 2023, was approximately $3,070,000, net of an allowance for credit losses of approximately $17,000.

The Company writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized and offset to credit loss expense in the year of recovery, in accordance with the Company's accounting policy election.

Inventories

Inventories consist primarily of raw materials and work-in-process and are stated at the lower of cost or net realizable value. Cost is determined using a standard cost method, which approximates a first- in, first-out method. Inventories include factory overhead that is applied on the basis of labor costs and manufacturing expenses incurred. Fixed costs related to excess manufacturing capacity, freight, handling costs, scrap, and spoilage are expensed when incurred. A valuation allowance is established and adjusted periodically to provide for estimated excess and obsolescence based upon the aging of inventory and market trends. As of June 26, 2024, the Company had recorded a reserve of approximately $282,000.

B.Summary of Significant Accounting Policies – continued

Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost. Depreciation is calculated on the straight-line method over the assets' estimated service lives. Expenditures for maintenance and repairs are charged to expense in the period in which they are incurred, and betterments are capitalized. The cost of assets sold or abandoned, and the related accumulated depreciation are eliminated from the accounts, and any gains or losses are reflected in the accompanying statement of income. Property and equipment are depreciated over the following estimated useful lives:

Buildings and improvements	15-39 years
Machinery and equipment	3-7 years
Office equipment	3-7 years
Automobiles	3-7 years
Furniture and fixtures	3-7 years

Long-Lived Assets

The Company evaluates its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of these assets is measured by comparison of their carrying amounts to future undiscounted cash flows that the assets are expected to generate. If long-lived assets are considered to be impaired, the impairment to be recognized equals the amount by which the carrying value of the asset exceeds its fair market value and is recorded in the period the determination was made. Based upon management's assessment, there was no impairment of long-lived assets at June 26, 2024.

Leases

A lease provides the lessee the right to control the use of an identified asset for a period of time in exchange for consideration. Operating lease right-of-use assets ("ROU assets") represent the Company's right to use an underlying asset for the lease term. Operating lease liabilities ("lease liabilities") represent the Company's obligation to make lease payments arising from the lease. The Company determines if an arrangement is a lease at inception. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Company excludes short-term leases having initial terms of 12 months or less from ROU assets and lease liabilities and recognizes rent expense on a straight-line basis over the lease term.

The Company has leases for certain office equipment. The operating leases contain renewal options that provide for rent increases based on prevailing market conditions.

B.Summary of Significant Accounting Policies – continued

Leases – continued

The discount rate used to determine the commencement date present value of lease payments is the interest rate implicit in the lease, or when that is not readily determinable, the Company has elected to utilize the applicable risk-free rate in effect at the time of the lease inception. ROU assets include any lease payments required to be made prior to commencement and exclude lease incentives. Both ROU assets and lease liabilities exclude variable payments not based on an index or rate, which are treated as period costs. The Company's lease agreements do not contain significant residual value guarantees, restrictions, or covenants.

The Company has lease agreements with lease and non-lease components, which are generally accounted for separately. For these leases, there may be variability in future lease payments as the amount of non-lease component is typically revised from one period to the next. These variable lease payments, which are primarily comprised of common area maintenance, utilities, taxes, and other related fees that are passed on from the lessor in proportion to the leased space, are recognized in operating expenses in the period in which the obligation for those payments was incurred.

Customer Advance Payment Deposits

The Company requires advance payments on sales orders from certain customers, and the advance payments are held as customer deposits until shipment has occurred. The opening balance of customer advance payment deposits was approximately $1,494,000 at December 28, 2023.

Distributions

The Company's distribution policy is that pro-rata distributions are to be declared and paid to each stockholder in an aggregate amount equal to a percentage of the Company's net income that is determined by the Company's Board of Directors on an annual basis. At June 26, 2024, there was approximately $5,945,000 of distributions declared and payable in the accompanying financial statements.

Revenue Recognition

The Company derives its revenues from the manufacturing and distribution of its MIL-Spec illuminated electro-mechanical pushbutton switches and other avionic electrical components. The Company accounts for revenue from contracts with customers through the following steps:

- Identification of the contract with a customer.
- Identification of the performance obligations in the contract.
- Determination of the transaction price.
- Allocation of the transaction price to the performance obligations in the contract.
- Recognition of revenue when, or as, the Company satisfies a performance obligation.

B.Summary of Significant Accounting Policies – continued

Revenue Recognition – continued

Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring products or providing services. Revenue is recognized when the Company satisfies its performance obligation under the contract by transferring the promised product or service to its customer. The Company's contracts generally do not include any significant financing components.

Performance Obligations

Revenue is recognized when the Company satisfies its performance obligation under the contract by transferring the promised product or service to its customer. A performance obligation is a promise in a contract to transfer a distinct product or service to a customer.

A contract's transaction price is allocated to each distinct performance obligation within the contract. Substantially all of the Company's contracts have a single performance obligation. The nature of the Company's business occasionally gives rise to variable consideration, including rebates, allowances, and returns that generally decrease the transaction price which reduces revenue. These variable amounts are generally credited to the customer, based on achieving certain levels of sales activity, product returns, or price concessions. Variable consideration is estimated at the most likely amount that is expected to be earned. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognition will not occur when the uncertainty associated with the variable consideration is resolved. Estimates of variable consideration are estimated based on historical experience and known trends.

All of the Company's revenue is from products transferred to customers at a point in time. The Company recognizes revenue at the point in time in which the customer obtains control of the product, which is generally when product title passes to the customer upon shipment.

Income Taxes

The stockholders of the Company have elected for the Company to be taxed under the provisions of Subchapter "S" of the Internal Revenue Code ("IRC") . Under these provisions, the Company does not pay corporate income taxes on its taxable income. Instead, the stockholders are liable for the individual income taxes on their respective share of the Company's taxable income or benefit on their respective share of the Company's taxable loss.

GAAP prescribes a comprehensive model for the financial statement recognition, measurement, presentation, and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. Management must determine whether it is more likely than not that a tax position will be sustained upon examination based on the technical merits of the position, and management's opinion is that there are no such uncertain positions at June 26, 2024.

B.Summary of Significant Accounting Policies – continued

Income Taxes - continued

The Company files income tax returns in the United States federal jurisdiction. At June 26, 2024, the Company's prior year tax returns related to fiscal years ended December 25, 2019 through December 28, 2022, remain open to possible examination by the tax authorities. No tax returns are currently under examination by any tax authorities. As of June 26, 2024, the Company has not incurred any penalties or interest related to these returns.

Advertising Costs

Advertising costs are charged to expense as incurred. For the period ended June 26, 2024, advertising costs approximated $53,000 and are included in selling, general, and administrative expenses in the accompanying statement of income.

Adoption of New Accounting Standards

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU" or "standard") 2016-13, *Financial Instruments – Credit Losses* ("Topic 326") : *Measurement of Credit Losses on Financial Instruments*. Subsequently, the FASB issued several clarifying standard updates to clarify and improve the ASU. These ASUs significantly change how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model that will be based on an estimate of current expected credit loss ("CECL"). Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Company that are subject to the guidance in Topic 326 were trade accounts receivable. The Company adopted the standard effective December 29, 2022. The impact of the adoption was not considered material to the financial statements and primarily resulted in new and enhanced disclosures only.

C.Allowance for Credit Losses

The allowance for credit losses for accounts receivable and the related activity are as follows as of June 26, 2024:

Beginning balance	$	16,903
Provision for credit losses		34,156
Write-offs		-
Ending balance	$	51,059

D.Inventories

The components of inventories are as follows at June 26, 2024:

Raw materials	$	3,980,163
Work-in-process		4,718,420
Finished goods		241,421
		8,940,004
Less allowance for obsolete inventory		(282,137)
Total inventories, net	$	8,657,867

E.Property, plant and equipment

The components of property, plant, and equipment are as follows at June 26, 2024:

Land	$	576,076
Buildings and improvements		3,221,932
Machinery and equipment		9,282,618
Furniture and fixtures		522,690
Transportation equipment		128,242
Total property, plant, and equipment		13,731,558
Less accumulated depreciation		(10,419,855)
Property, plant, and equipment, net	$	3,311,703

Depreciation expense for the period ended June 26, 2024, was $265,733, and is included within selling, general, and administrative expenses in the statement of income.

F.Stockholders' Equity

Stockholders' equity includes voting and non-voting shares of common stock. Non-voting shares do not have voting rights; however, they confer all other rights of voting shares, including identical rights to distribution and liquidation proceeds. The number of authorized voting and non-voting shares is 2,800,000 and 200,000, respectively, as of June 26, 2024.

G.Employee Retirement Plan

The Company sponsors the Applied Avionics, Inc. 401(k) Plan (the "Plan"). The Plan covers substantially all employees and provides for the Company to make a discretionary employer match based on employee contributions. In 2024, the annual maximum Company matching contribution is limited to $2,750 per participant. Matching contributions totaled approximately $150,000 through June 26, 2024.

H.Executive Retirement Plan

The Company provides payment upon retirement to senior management personnel through an executive retirement plan who meet certain requirements prior to retirement. The executive retirement plan is intended to be an unfunded "top-hat plan" maintained for the purpose of providing benefits to a select group of management and certain other employees. The Company accrued approximately $2,017,000 for the executive retirement plan as of June 26, 2024, and has a total liability of approximately $4,555,000 included within the accompanying balance sheet.

Exhibit 99.3

LOAR HOLDINGS INC.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

On August 26, 2024, Loar Group Inc. (Loar Group), a wholly owned subsidiary of Loar Holdings Inc. (the Company), completed its acquisition (the Acquisition) of Applied Avionics, Inc., a Texas corporation (AAI) from AAI Holdings, Inc., a Delaware corporation (AAI Parent). AAI is now a wholly-owned subsidiary of the Company.

The following unaudited pro forma condensed combined financial statements have been prepared to give effect to the Acquisition. These unaudited pro forma condensed combined financial statements are derived from the historical consolidated combined financial statements of the Company and AAI. These financial statements have been adjusted as described in the notes to the unaudited pro forma condensed combined financial statements.

The unaudited pro forma condensed combined balance sheet combines the historical consolidated balance sheets of the Company and AAI, has been prepared assuming the Acquisition closed on June 30, 2024, and includes preliminary adjustments to reflect the events that are directly attributable to the Acquisition and are factually supportable. In addition, the unaudited pro forma condensed combined statements of operations combine the historical consolidated statements of operations of the Company and AAI and have also been adjusted to give effect to pro forma events that are directly attributable to the Acquisition, are factually supportable and are expected to have a continuing impact on the combined results. The unaudited pro forma condensed combined statements of operations has been prepared assuming the Acquisition closed on January 1, 2023.

The Company has prepared the unaudited pro forma condensed combined financial statements based on available information using assumptions that it believes are reasonable. These unaudited pro forma condensed combined statements are being provided for informational purposes only and do not claim to represent the Company's actual financial position or results of operations had the Acquisition occurred on the date specified nor do they project the Company's results of operations or financial position for any future period or date. The actual results reported by the combined company in periods following the Acquisition may differ significantly from these unaudited pro forma condensed combined condensed financial statements for a number of reasons. The condensed combined pro forma financial statements do not account for the cost of any restructuring activities or synergies resulting from the Acquisition or other costs relating to the integration of the two companies, or other historical acquisitions that were undertaken by the Company.

The unaudited pro forma condensed combined financial statements were prepared using the acquisition method of accounting as outlined by the Financial Accounting Standards Board Accounting Standards Codification (ASC) 805, *Business Combinations*, with Loar Group considered the acquiring company. Based on the acquisition method of accounting, the consideration paid for AAI is allocated to its assets and liabilities based on their fair value as of the Acquisition date. The purchase price allocation and valuation included in the unaudited pro forma condensed combined financial statements is based on preliminary estimates, subject to final adjustments and provided for informational purposes only.

These unaudited pro forma condensed combined financial statements should be read in conjunction with the Company's historical consolidated financial statements and accompanying notes for the year ended December 31, 2023 included in the Company's Form S-1 and the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2024, as well as the historical financial statements of AAI for the year ended December 31, 2023 and the six months ended June 30, 2024 contained in this Form 8-K/A.

Loar Holdings Inc.
Unaudited Pro Forma Condensed Combined Balance Sheet
(In thousands unless otherwise indicated)

	As of June 30, 2024				
	Historical Loar Holdings Inc.	Historical Applied Avionics Inc.	Adjustments for the Acquisition of Applied Avionics Inc.	Adjustments for Acquisition Financing	Pro Forma Combined
Assets					
Current assets:					
Cash and cash equivalents	$ 73,203	$ 15,282	$ (386,631) (a)	$ 352,568 (i)	$ 54,422
Accounts receivable, net	60,612	3,232	—	—	63,844
Inventories	84,944	8,658	(3,050) (b) (c)	—	90,552
Other current assets	14,490	384	952 (a)	—	15,826
Income taxes receivable	336	—	—	—	336
Total current assets	233,585	27,556	(388,729)	352,568	224,980
Property, plant and equipment	70,754	3,312	3,700 (d)		77,766
Finance lease assets	2,310	—	—	—	2,310
Operating lease assets	5,959	9	—	—	5,968
Other long-term assets	14,065	—	—	—	14,065
Intangible assets, net	301,063	—	152,100 (e)	—	453,163
Goodwill	472,589	—	211,651 (f)	—	684,240
Total assets	$ 1,100,325	$ 30,877	$ (21,278)	$ 352,568	$ 1,462,492
Liabilities and equity					
Current liabilities:					
Accounts payable	$ 16,116	$ 340	—	—	$ 16,456
Current portion of long-term debt	2,498	—	—	3,528 (i)	6,026
Current portion of finance lease liabilities	210	—	—	—	210
Current portion of operating lease liabilities	606	6	—	—	612
Income taxes payable	6,520	—	—	—	6,520
Deferred compensation plan accrual	—	4,555	(4,555) (g)	—	—
Distribution payable	—	5,945	—	—	5,945
Accrued expenses and other current liabilities	22,089	4,473	—	—	26,562
Total current liabilities	48,039	15,319	(4,555)	3,528	62,331
Deferred income taxes	33,918	—	—	—	33,918
Long-term debt, net	248,159	—	—	349,272 (i)	597,431
Finance lease liabilities	3,291	—	—	—	3,291
Operating lease liabilities	5,490	3	—	—	5,493
Environmental liabilities	1,080	—	—	—	1,080
Other long-term liabilities	1,908	—	—	—	1,908
Total liabilities	341,885	15,322	(4,555)	352,800	705,452
Commitments and contingencies					
Total stockholders' equity	758,440	15,555	(16,723) (a) (h)	(232) (i)	757,040
Total liabilities and equity	$ 1,100,325	$ 30,877	$ (21,278)	$ 352,568	$ 1,462,492

See notes to unaudited pro forma condensed combined financial statements.

Loar Holdings Inc.
Unaudited Pro Forma Condensed Combined Statement of Operations
(In thousands except per common share amounts)

	Six Months Ended June 30, 2024								
	Historical Loar Holdings Inc.	Historical Applied Avionics Inc.	Adjustments for the Acquisition of Applied Avionics Inc.		Adjustments for Acquisition Financing		Pro Forma Combined
Net sales	$ 188,859	$ 21,855	$ -		$ -		$ 210,714
Cost of sales	96,900	5,444	848	(j)(k)	—		103,192
Gross profit	91,959	16,411	(848)		—		107,522
Selling, general and administrative expenses	50,176	9,388	1,566	(k)(l)	—		61,130
Transaction expenses	1,105	—	—		—		1,105
Other income	2,867	17	—		—		2,884
Operating income	43,545	7,040	(2,414)		—		48,171
Interest expense (income), net	28,370	(239)	239	(m)	18,337	(o)	46,707
Refinancing costs	1,645	—	—		—		1,645
Income (loss) before income taxes	13,530	7,279	(2,653)		(18,337)		(181)
Income tax (provision) benefit	(3,640)	—	(1,291)	(p)	5,144	(p)	213
Net income (loss)	$ 9,890	$ 7,279	(3,944)		$ (13,193)		$ 32
Net income (loss) per common share:							
Basic	$ 0.11						$ 0.00
Diluted	$ 0.11						$ 0.00
Weighted average common shares outstanding:							
Basic	87,534						87,534
Diluted	89,242						89,242

See notes to unaudited pro forma condensed combined financial statements.

Loar Holdings Inc.
Unaudited Pro Forma Condensed Combined Statement of Operations
(In thousands except common units and per common unit amounts)

	Year Ended December 31, 2023					
	Historical Loar Holdings Inc.	**Historical Applied Avionics Inc.**	**Adjustments for the Acquisition of Applied Avionics Inc.**		**Adjustments for Acquisition Financing**		**Pro Forma Combined**
Net sales	$ 317,477	$ 36,979	$ -		$ -		$ 354,456
Cost of sales	163,213	9,761	2,380	(j)(k) (l) (n)	—		175,354
Gross profit	154,264	27,218	(2,380)		—		179,102
Selling, general and administrative expenses	82,141	13,333	7,073	(k)(l)	—		102,547
Transaction expenses	3,394	—					3,394
Other income (loss)	762	(8)	-		—		754
Operating income	69,491	13,877	(9,453)		—		73,915
Interest expense (income), net	67,054	(574)	574	(m)	36,944	(o)	103,998
Income (loss) before income taxes	2,437	14,451	(10,027)		(36,944)		(30,083)
Income tax (provision) benefit	(7,052)	—	(1,068)	(q)	431	(r)	(7,689)
Net income (loss)	$ (4,615)	$ 14,451	$ (11,095)		$ (36,513)		$ (37,772)
Net loss per common unit - basic and diluted	$ (22,620.18)						$ (185,156.86)
Weighted average common units outstanding - basic and diluted	204						204

See notes to unaudited pro forma condensed combined financial statements.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

1. Basis of Presentation

The unaudited pro forma condensed combined balance sheet as of June 30, 2024 combines the historical consolidated balance sheets of the Company and AAI and has been prepared as if the Acquisition had occurred on June 30, 2024. The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2023 and the six months ended June 30, 2024 combine the historical consolidated statements of operations of the Company and AAI and have been prepared as if the Acquisition closed on January 1, 2023. The unaudited pro forma condensed combined financial statements have also been adjusted to give effect to pro forma events that are directly attributable to the Acquisition, are factually supportable and are expected to have a continuing impact on the combined results.

The Acquisition was accounted for under the acquisition method of accounting in accordance with ASC 805, *Business Combinations*. Under the acquisition method, the total estimated purchase price, or consideration transferred, is measured at the Acquisition closing date. The assets of AAI have been measured based on various preliminary estimates using assumptions that the Company's management believes are reasonable utilizing information currently available.

The process for estimating the fair values of identifiable intangible assets and certain tangible assets requires the use of significant estimates and assumptions, including estimating future cash flows and developing appropriate discount rates. The excess of the purchase price over the estimated amounts of identifiable assets of AAI as of the effective date of the Acquisition was allocated to goodwill in accordance with the accounting guidance. The purchase accounting is subject to finalization of the Company's analysis of the fair value of the assets and liabilities of AAI as of the Acquisition date. Accordingly, the purchase accounting in the unaudited pro forma condensed combined financial statements is preliminary and will be adjusted upon completion of the final valuation. Such adjustments could be material.

For purposes of measuring the estimated fair value of the assets acquired as reflected in the unaudited pro forma condensed combined financial statements, in accordance with the applicable accounting guidance, the Company established a framework for measuring fair values. The applicable accounting guidance defines fair value as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date (an exit price). Market participants are assumed to be buyers and sellers in the principal or most advantageous market for the asset or liability. Additionally, under the applicable accounting guidance, fair value measurements for an asset assume the highest and best use of that asset by market participants. As a result, the Company may be required to value assets of AAI at fair value measures that do not reflect the Company's intended use of those assets. Use of different estimates and judgments could yield different results.

For purposes of preparing the unaudited pro forma condensed combined balance sheet, we utilized Loar Group's consolidated balance sheet as of June 30, 2024, the last day of its second fiscal quarter, and AAI's consolidated balance sheet as of June 26, 2024, the last day of its second fiscal quarter. Loar Group's second quarterly reporting period of fiscal year 2024 ended on June 30, 2024 and AAI's second quarterly reporting period ended on June 26, 2024. For purposes of preparing the unaudited pro forma condensed combined statement of operations for the second quarter of fiscal 2024, we utilized Loar Group's consolidated statement of operations for the six months ended June 30, 2024, and AAI's statement of income for the twenty-six weeks ended June 26, 2024. Loar Group's fiscal year 2023 ended on December 31, 2023 and AAI's fiscal year 2023 ended on December 27, 2023. For purposes of preparing the unaudited pro forma condensed combined statement of operations for its fiscal year ended December 31, 2023, we utilized Loar Group's consolidated statement of operations for the twelve months ended December 31, 2023, and AAI's statement of income for its fiscal year ended December 27, 2023.

These unaudited pro forma condensed combined financial statements are being provided for informational purposes only and do not claim to represent the Company's actual financial position or results of operations had the Acquisition occurred on that date specified nor do they project the Company's results of operations or financial position for any future period or date. The actual results reported by the combined company in periods following the Acquisition may differ significantly from these unaudited pro forma condensed combined financial statements for a number of reasons. The unaudited pro forma financial statements do not account for the cost of any restructuring activities or synergies resulting from the Acquisition or other costs relating to the integration of the two companies, or other historical acquisitions that were undertaken by the Company.

2. Purchase Price

The unaudited pro forma condensed combined financial information reflects the preliminary estimated purchase price as follows (in thousands):

Total Purchase price	$	384,511
Less: AAI historical stockholders' equity		(15,555)
Total purchase price in excess of net book value	$	368,956
Preliminary allocation of excess purchase price over net assets acquired:		
Inventories	$	(3,050)
Property, plant and equipment		3,700
Intangible assets, net		152,100
Goodwill		211,651
Accrued expenses and other current liabilities		4,555
Total	$	368,956

At this time, the Company has not completed a detailed valuation analysis to determine the fair value of AAI's assets and liabilities. Accordingly, the preliminary purchase price allocation for the purposes of these unaudited pro forma condensed combined statements is based upon management's assumptions and estimates that, while considered reasonable under the circumstances, are subject to changes, which may be material. Upon completion of detailed valuation analyses, there may be additional increases or decreases to the recorded book values of AAI's assets and liabilities that may give rise to additional depreciation and amortization expense not reflected in the unaudited pro forma condensed combined statements of operations. Accordingly, once the due diligence has been performed, the final purchase price has been determined and the purchase price allocation has been completed, actual results may differ materially from the information presented herein.

Using the acquisition method of accounting, the Company estimated the fair values of the acquired tangible and intangible assets. The valuation of the identifiable intangible assets acquired was based on management's preliminary estimates, currently available information and reasonable and supportable assumptions. The tangible long-lived assets were recorded at their estimated fair values, which approximates their carrying value, while the intangible long-lived assets were valued using a discounted cash flow method. In the unaudited pro forma condensed combined balance sheet as of June 30, 2024, the excess of the aggregate purchase price over the estimated fair value of the tangible and intangible assets and liabilities in the amount of approximately $212.0 million was classified as goodwill. The fair value of identifiable intangible assets that are subject to amortization after the acquisition was estimated to be $152.0 million.

3. Pro Forma Adjustments

The pro forma adjustments included in the unaudited pro forma condensed combined financial statements are as follows:

(a)Reflects $384.5 million in cash consideration paid to the AAI Parent and $2.1 million of transaction expenses including insurance premiums, fees and expenses.

(b)Reflects a reduction of $4.0 million in the valuation of AAI's inventory balances to conform to Loar's inventory accounting policies.

(c)Reflects management's estimate of the $1.0 million step-up in basis to fair value of AAI’s inventory balances as of June 30, 2024.

(d)Reflects management’s estimate of the step-up in basis to fair value of AAI’s property, plant and equipment balances as of June 30, 2024. This assumption is subject to change and could differ materially from the actual adjustment upon the completion of the third-party valuation as the assets and liabilities assumed are refined and finalized during the allowable one-year measurement period.

(e)Adjustments to reflect the preliminary fair values of AAI’s identifiable intangible assets and the associated amortization expense. The primary assets include customer relationships, tradename, and technology. The fair value and amortization adjustment for each asset are based on preliminary assumptions. These assumptions are subject to further analysis and may change, which would result in a change to the adjustments included in the unaudited pro forma financial information.

(f)Adjustment to record goodwill resulting from the Acquisition. Goodwill is calculated as the difference between the acquisition date fair value of the estimated consideration transferred and the values assigned to the assets acquired and liabilities assumed. Goodwill is not amortized but rather is assessed for impairment at least annually or more frequently whenever events or circumstances indicate that goodwill might be impaired.

(g)Reflects adjustment to eliminate the unassumed liability related to a non-qualified executive deferred compensation plan accrual of $4.6 million.

(h)Reflects the elimination of AAI’s stock and stockholders’ equity.

(i)Reflects proceeds of $360.0 million in borrowings under the Company’s credit agreement, net of original issue discount of $7.2 million and transaction expenses of $0.1 million.

(j)Reflects the change in depreciation expense resulting from the adjustment to fair value of property, plant and equipment in connection with the AAI Acquisition using the straight-line method as follows (in thousands, except for estimated useful life):

			Pro Forma Depreciation Adjustments	
	Estimated Useful Life	Estimated Step-up in Fair Value	6 Months Ended June 30, 2024	Year Ended December 31, 2023
Land	n/a	$ 2,524	$ -	$ -
Building	25 years	505	10	20
Machinery and equipment	7 years	494	36	71
Furniture and fixtures	3 years	177	30	59
Total		$ 3,700	$ 75	$ 150

Upon completion of detailed valuation analyses, there may be additional increases or decreases to the recorded book values of AAI’s assets and liabilities that may give rise to additional depreciation and amortization expense not reflected in the unaudited pro forma condensed combined statements. A 10% change in the valuation of long-lived tangible assets would cause a corresponding increase or decrease in the balance of property, plant and equipment and an increase or decrease in the additional annual depreciation expense due to the step-up in fair value of approximately $7 thousand and $14 thousand for the six months ended June 30, 2024 and the year ended December 31, 2023, respectively.

(k)Represents the amortization of the amortizable intangible assets recorded in connection with the AAI Acquisition using the straight-line method. The following table presents the fair value, useful life and pro forma amortization adjustments for each asset (in thousands, except for estimated useful life):

			Pro Forma Amortization Adjustments	
	Estimated Useful Life	Estimated Fair Value	6 Months Ended June 30, 2024	Year Ended December 31, 2023
Customer relationships	16 years	$ 112,700	$ 3,522	$ 7,044
Tradename	15 years	16,200	540	1,080
Technology	15 years	23,200	773	1,546
Total		$ 152,100	$ 4,835	$ 9,670

Upon completion of detailed valuation analyses, there may be additional increases or decreases to the recorded book values of AAI’s assets and liabilities that may give rise to additional depreciation and amortization expense not reflected in the unaudited pro forma condensed combined statements. A 10% change in the valuation of intangible assets would cause a corresponding increase or decrease in the balance of goodwill, and an increase or decrease in annual amortization expense of approximately $0.5 million and $0.9 million for the six months ended June 30, 2024 and the year ended December 31, 2023, respectively.

(l)Represents adjustments to eliminate AAI’s non-qualified executive retirement plan expense, as this plan was terminated upon consummation of the Acquisition, of approximately $2.5 million and $1.3 million for the twenty-six weeks ended June 26, 2024 and the fifty-two weeks ended December 31, 2023, respectively. In the historical AAI statement of operations for the twenty-six weeks ended June 26, 2024, the non-qualified executive retirement expense was recorded in selling general and administrative expenses. In the historical AAI statement of operations for the fifty-two weeks ended December 27, 2023, the non-qualified executive retirement expenses of approximately $0.3 million and $1.0 million were recorded in cost of sales and selling general and administrative expenses, respectively.

(m)Represents the elimination of AAI's historical interest income.

(n)Represents accounting adjustments to inventory associated with acquisition of AAI that were charged to cost of sales when the inventory was sold.

(o)Represents interest expense for additional borrowings of $360.0 million under the Company’s amended credit agreement. The Company obtained a variable interest rate of one-month SOFR plus a margin of 4.75% for a rate of 10.02795%. The effect of a 1/8 of a percent variance in the interest rate on interest expense is $0.2 million and $0.5 million for the six months ended June 30, 2024 and the year ended December 31, 2023, respectively.

(p)Represents the tax effect on income (loss) before income taxes for AAI and the pro forma adjustments at the annual estimated effective tax rate of 28.1% for the six months ended June 30, 2024. The estimated effective tax rate for the six months ended June 30, 2024 represents the Company's updated annual estimated tax rate as of June 30, 2024, adjusted for AAI and pro forma adjustments.

(q)Represents the tax effect on income (loss) before income taxes for AAI and the pro forma adjustments at the annual estimated effective tax rate of 24.2% for the year ended December 31, 2023.

(r)Represents the income tax benefit for the deductible interest as a result of the proforma adjustments for the Acquisition financing.