



UPDATE

By James Careless

How MROs Can Survive Tariffs: Advice from the Experts

With tariffs being an integral aspect of Donald Trump's legislative platform, the time has come for MROs and their supply chain partners to cope with this unpleasant new reality of business life. This is no easy task: "Tariffs continue to present significant challenges for the aviation maintenance sector, particularly in terms of cost predictability and supply chain efficiency, with the ability to forward-plan hampered by the ongoing state of flux," said Hamish Martin, partner at LAVA Advisory Partners.

So how can MROs find ways to survive tariffs, let alone thrive? Aviation Maintenance polled the experts to find out. Here's what they told us.

A Vulnerable Sector

People in the space equipment and launch industries like to explain the many problems they face by saying, "Space is hard". Well, when it comes to dealing with tariffs, "MRO is hard too".

"MRO is one of the sectors that is feeling more of the pain than other sub-sectors of aerospace and defense, both on the price side of the tariff and on general parts availability, which is already pretty scarce in the market today," said Meghan Welch, managing director of Brown Gibbons Lang & Company. Her firm is a middle market mergers and acquisitions consulting agency that also covers debt capital markets and equity capital markets. "There's a big supply demand imbalance already for MRO parts and repair capabilities,

and this has just been exacerbated by the tariffs themselves."

"From a broader macro perspective, the tariffs, especially all the news that was announced about China and Boeing, really called into question further delays on the production side for the OEMs like Boeing," she added. "The cancellation of Boeing orders that China has announced has repercussions throughout the supply chain and the aftermarket. Of course, the longer that new aircraft production continues to get delayed, the longer that airlines and operators will continue to fly older aircraft, which directly translates to increased need for MRO services — as long as they can get parts. So the news isn't all bad for MROs."

The Tried and True Methods Still Work

Chris Brumitt is managing director, aerospace & defense, for Maine Pointe. "We are a supply chain and operations implementation firm, specializing in transformational change for major private and public companies," Brumitt told Aviation Maintenance magazine. "Our focus is on delivering measurable economic returns in cost and cash flow across planning, procurement, operations and logistics, enabled through hands-on execution, data analytics and leadership, and organizational effectiveness."

When it comes to surviving tariffs, Brumitt prescribed the "tried and true methods" that give companies the best chances of surviving today's tariff wars. "Ultimately, most businesses, whether in strong or weak economic times, must strive to be more efficient, reduce costs and deliver quality products to their

customers on time," he said. "Our consulting business is not being directly affected by tariffs. But our clients are experiencing dramatic swings in how they must adjust their approach to not only the tariff cost, but also the administrative burdens and ongoing uncertainty from frequent adjustments to tariff policies. Many clients are forced to reassess their strategies on short notice, which can impact operational capabilities and increase operating costs, as well as drive up material cost."

In some instances, consulting with an expert like Maine Pointe can be a smart move for MROs and their suppliers — because fresh minds can sometimes come up with useful ideas. A case in point: "Our current engagement with a composite aircraft parts company is focused on two critical areas," said Brumitt. "The first area is Strategic Sourcing, to improve procurement maturity and reduce material cost in the most critical categories of the supply chain. The second is operations excellence, to drive improved productivity, quality, and throughput within the enterprise itself."

When choosing an expert, make sure that they practice what they preach. Otherwise, their advice may not be based on firsthand experience and thus lack value.

At Maine Pointe, "we are always focused on managing our financial status in alignment with changes to our long- and short-term revenue projections," Brumitt said. "This is why we believe that most companies must pay attention to their end-to-end supply chains, and in difficult economic times, the key is for them to stay focused on their costs and cash flow, which is our greatest area of expertise. Because Maine Pointe's approach is implementation-based and directly impacts cost and cash, our model fits well with our clients' near-term need to deliver bottom-line results."

Diversification and Other Options

Diversification is a great way to add new revenue streams, and move into new markets that can help a struggling company do better. Perhaps the most striking example of this truth is Amazon, which started as an online bookstore and now sells everything. Disney achieved similar success by diversifying from purely creating movies, to tie-ins such as theme parks and cruise ships. Apple began by building computers, then branched into MP3 players (iPods) and now smartphones (iPhones).

When it comes to aviation maintenance, "the airlines have been cutting routes, leading to concerns that there's going to

be reduced passenger travel because people are tightening their wallets globally, and thus resulting in less work for commercial passenger aviation MROs," said Welch. "One way to deal with a potential drop in business is by diversifying into commercial freight, and even the military side of MRO."

In either case, the key is to look for opportunities in untapped markets that tap into an MRO's existing capabilities and services. By diversifying in this manner — especially in domestic markets that may be less affected by tariffs — MROs can bring in new work, at rates that factor tariffs into the cost.

Focusing on domestic markets is yet another way to potentially boost revenue streams.

"While cross-border deals now require more careful navigation and a robust approach to due diligence, the focus on regional self-sufficiency is opening up fresh avenues for investment. With the right strategy, businesses can turn tariff pressures into a catalyst for long-term competitiveness and value creation," Martin said. "This could prompt a wave of exits from innovative founders considering their succession plan and willing to find the right advice to capitalize on the market opportunity."

In a similar vein, there may be opportunities for smaller MROs to band together and share projects based on their respective strengths, such as an engine shop and an airframe shop. Another solution is for smaller shops to either merge with large MROs, or to be acquired by them. "A lot of my clients are the smaller companies in the middle market, where we're seeing interest in possibly selling or finding a successor for their business, because they're getting squeezed on overall costs," said Welch. "This is creating M&A opportunities for some of these larger consolidators."

"From an M&A perspective, we're seeing increased interest in local partnerships and regional consolidation, which can strengthen supply chain resilience and create new growth opportunities for both small companies with a stronghold in a specific region or capability, and for the acquisitive companies looking to broaden their reach," Martin agreed. "Across the wider aerospace community, these changes are driving innovation in sourcing and logistics, and encouraging more agile and adaptable business models."

Finally, it may be possible to expand the degree of services that an MRO offers, such as paid online/over-the-phone support to airlines and other aircraft operators, because such services are not being tariffed. Again, a case in point: "While the majority of

Maine Pointe's business is in the U.S., our international business is not generally affected by tariffs because we are exclusively a service business, and the tariffs are directed at physical products," Brumitt said. "Meanwhile, the adjustments we have made for market changes are based on a customized, strategic approach to each market. Aerospace & Defense, Automotive, and Electronics all require a different approach, depending on what tariffs are being levied and to which countries."

Chris Brumitt, Managing Director,
Aerospace & Defense, Maine Pointe



Hamish Martin,
Partner at LAVA Advisory Partners



Meghan Welch, Managing Director,
Brown Gibbons Lang & Company





Toughing It Through Supply Chain Woes

Even before Covid, the aviation supply chain was experiencing serious delays due to lack of parts and distribution issues. Covid made matters worse. Afterwards the supply chain situation was finally starting to improve, until tariffs were added to the mix and messed things up again.

In the hardest, starkest terms, tariffs are now a fact of business life, and a force that has upended the survivability of many MRO businesses. To cope with the additional costs being generated by tariffs, some MROs are changing their ways of doing business. "We used to see a lot more MRO shops operating on a purchase order basis," said Welch. "Now we're seeing them move towards a short contractual agreement basis with potential customers, to better manage their costs and revenue streams."

"Tariffs can create direct financial pressure and significant supply chain disruption," Brumitt noted. To mitigate these facts, "Maine Pointe is uniquely positioned to help clients offset the impacts of the tariffs and reduce other cost areas to rebalance

operations and restore performance. The number one thing that Maine Pointe does to retain our clients and keep them happy is to deliver on what we commit to and focus on total client satisfaction. We utilize extensive analytical tools to determine the potential benefits for our clients and go through a rigorous due diligence process that gives us and our clients the highest level of confidence that we will deliver on our promises."

The Bottom Line

There is nothing that we at Aviation Maintenance magazine would like to do more than offer our readers an easy, surefire way to survive (and even thrive) during tariffs.

Unfortunately, there are no surefire solutions available at hand. But what does exist is useful advice as offered by our experts above. With any luck, it will help your company get through these tough times, and keep going until things eventually improve. That's not a "magic bullet" solution, to be sure, but at least we are telling you the truth. **AM**

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