

# MarketView

## Spring 2014

### Aerospace / Defense and Government Technology Solutions



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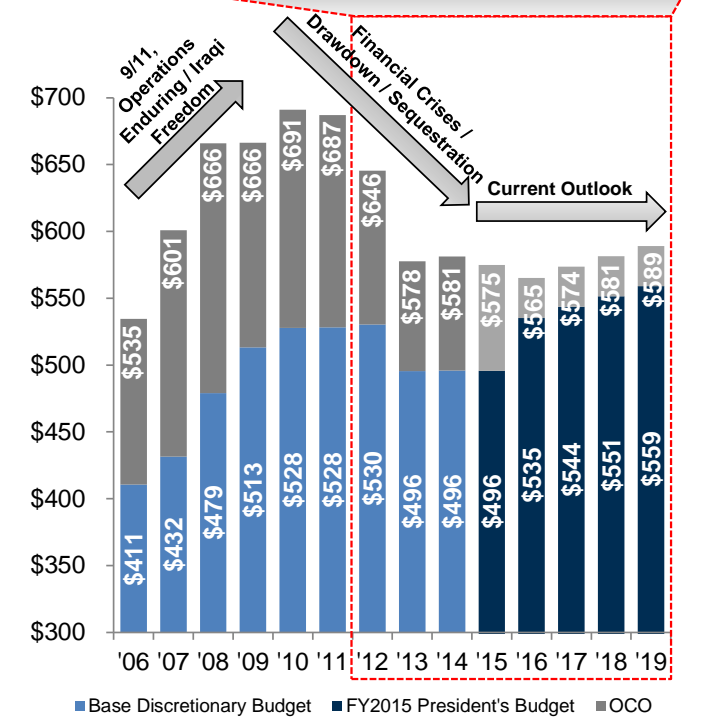
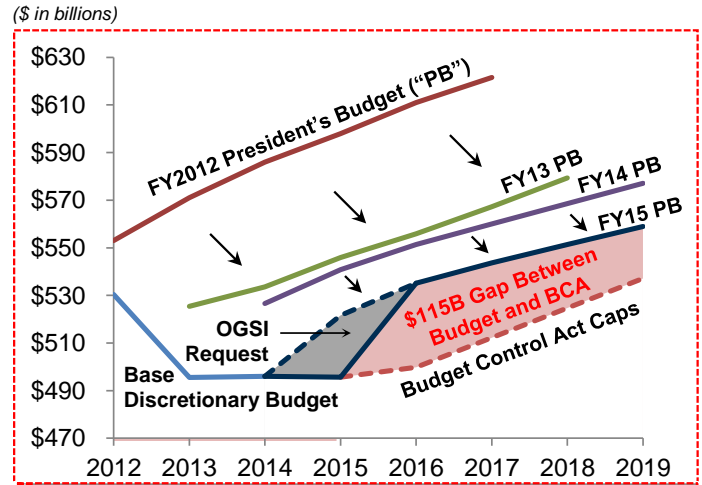
## Operational / Funding Environment

On March 4<sup>th</sup>, the Obama Administration released its FY2015 budget proposal, requesting \$3.9 trillion in budget authority for the upcoming Government Fiscal Year (“GFY”), including a base budget request of \$495.6 billion from the Department of Defense (“DoD”). Although the GFY2015 DoD budget is in line with analysts’ expectations, the budget proposal exceeds the spending caps imposed by the Budget Control Act (“BCA”) and the Ryan-Murray budget deal by a cumulative \$115 billion between GFY2016 and GFY2019, as illustrated in the graph to the right. Despite the budget gap and repeated “overreach” by Presidential Budgets since GFY2012, the DoD plans to continue to submit base budget proposals to Congress that address needs versus budget caps, as evidenced by the DoD’s request for an additional \$26 billion readiness account as part of the overall budget request’s separate \$56 billion “Opportunity, Growth, and Security Initiative (“OGSI”)” account. The OGSI funds are intended to supplement the budget request to increase Federal investment in infrastructure, innovation, and education, but after facing stiff opposition in Congress, the OGSI funds are not expected to be delivered, as they would cause the overall budget to exceed the GFY2015 BCA cap. An additional \$79.4 billion in funding for Overseas Contingency Operations (“OCO”) is also included in the budget request; however, the actual OCO funding amount will be dependent on the outcome of the presidential election in Afghanistan and a final agreement on U.S. troop presence in Afghanistan.

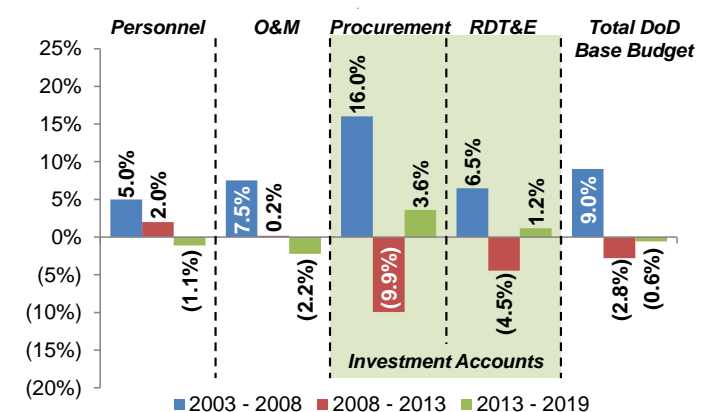
While the GFY2015 budget request is a pragmatic approach to reshaping the country’s defense enterprise and better position for the future, Defense Secretary Hagel has noted that difficult decisions will still need to be made regarding necessary personnel and program cuts over the next few years. Most notably, the Pentagon intends to slash personnel across all military services, including reducing the active-duty Army to as low as 440,000 soldiers, the smallest size since World War II. Likewise, many notable key programs were excluded from the GFY2015 budget proposal, including the \$953 million Ground Combat Vehicle request, as well as the entire fleet of A-10 Warthog aircraft. Following lively debate in Congress, the A-10 is expected to be replaced by more advanced multi-purpose aircraft, which is estimated to save the Pentagon \$3.5 billion over the next five years.

As increased attention on spending continues, there remain niche areas of growth within the budget, namely the Defense Investment Accounts, comprised of Research Development Test & Evaluation (“RDT&E”) and Procurement. These accounts, which are a primary source of contractor revenue, experienced a sharp decline after peaking in 2008, as pictured to the right. Having appeared to have reached a floor during this time, the forecasted positive uptick in the budget request represents a renewed focus on rebalancing priorities and a commitment to maintaining the DoD’s technical edge.

**Declining Defense Budgets and Budget Requests<sup>(1)(2)</sup>**



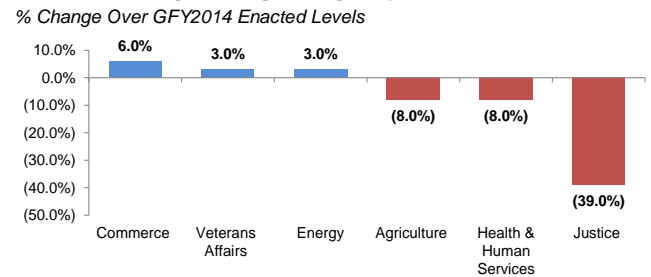
**Growth Rates of Defense Spending by Category<sup>(1)</sup>**



(1) DoD and KippsDeSanto & Co. research  
 (2) FY2015 includes an OCO placeholder of \$79.4 billion, while FY2016 – FY2019 include an assumed \$30 billion annual OCO placeholder

Alongside the passage of the Consolidated Appropriations Act of 2014, the President's GFY2015 budget provides further visibility into near-term funding levels for Government Technology Solutions contractors. With a proposed \$1.2 trillion in discretionary spending for the upcoming fiscal year (1% increase over GFY2014 enacted levels), the President's budget outlines several key near-term priorities, including a continued focus on innovation and efficiency, cybersecurity, and the nation's veteran population. The GFY2015 budget proposes \$65 billion in funding for Veterans Affairs ("VA"), representing a 3% increase over GFY2014 enacted levels, to address several key initiatives such as claims processing and interoperability with DoD systems, particularly as they relate to health and benefit records. Additionally, while proposing a slight reduction in total funding for the Department of Homeland Security, the President's budget includes \$549 million to protect Federal systems from increasing cyberspace threats and an additional 4,000 personnel for Customs and Border Protection.

**GFY2015 Budget: Largest Agency Movers<sup>(1)</sup>**

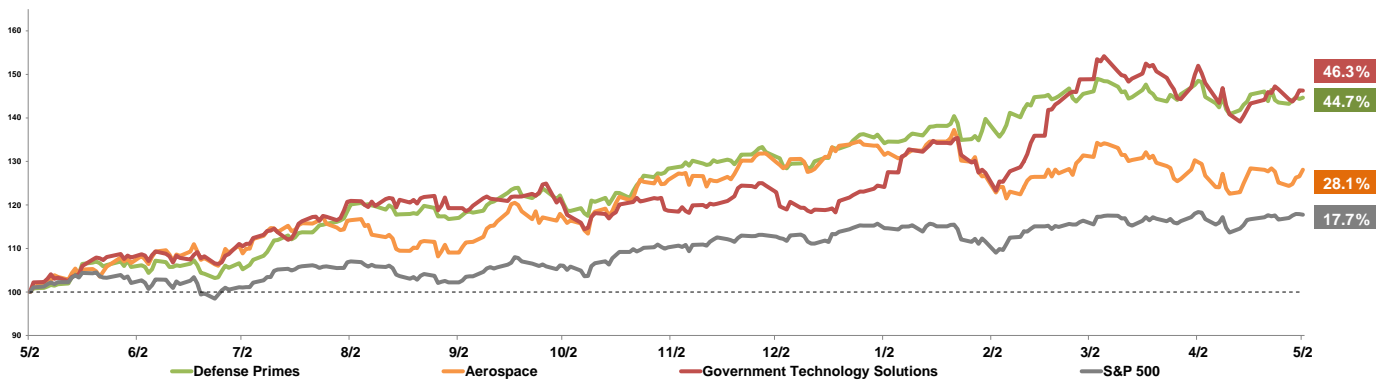


**Capital Markets and Public Market Valuation Trends**

Aerospace and defense shares experienced relatively positive performance in the Last Twelve Months ("LTM") ending May 2, 2014, with both sectors significantly outperforming the broader market. Aerospace companies' momentum has continued following a successful 2013 year-end, which saw record backlogs and increased production rates. Similarly, the defense sector has seen stock prices rise following the release of the GFY2014 budget, and GFY2015 budget proposal, which provided much-needed program and revenue visibility beyond 2014 and appears to have instilled a sense of confidence into previously wary investors.

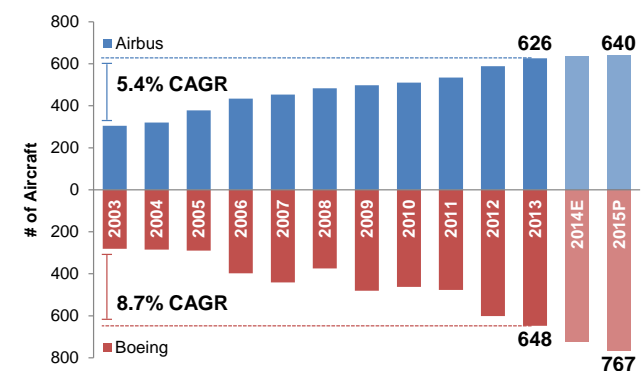
**Relative Stock Price Performance<sup>(2)</sup>**

LTM Ending May 2, 2014



Following the record performance that concluded 2013, aerospace stocks have remained near their 52-week highs and, as a whole, have returned 28.1% over the last twelve months. Driven by global growth in air traffic leading to a worldwide demand for more aircraft, and combined with the continued replacement of the world's aging aircraft population, the commercial aircraft order environment remains at all-time highs. Further driving commercial aerospace stocks higher has been the incessant focus on increasing production rates by the Original Equipment Manufacturers ("OEM"). Over the last decade, both Airbus and Boeing have more than doubled their delivery capabilities, with annual production rates increasing over 7% each year. Furthermore, recent earnings releases have detailed OEMs' confidence that even higher delivery counts can be expected in 2014. Nonetheless, with more aircraft rolling off the line each year, Airbus and Boeing's record breaking order counts of 1,619 and 1,531 at the end of 2013, respectively, have supported some of the healthiest backlogs the companies have ever seen.

**OEM Deliveries by Year<sup>(2)</sup>**

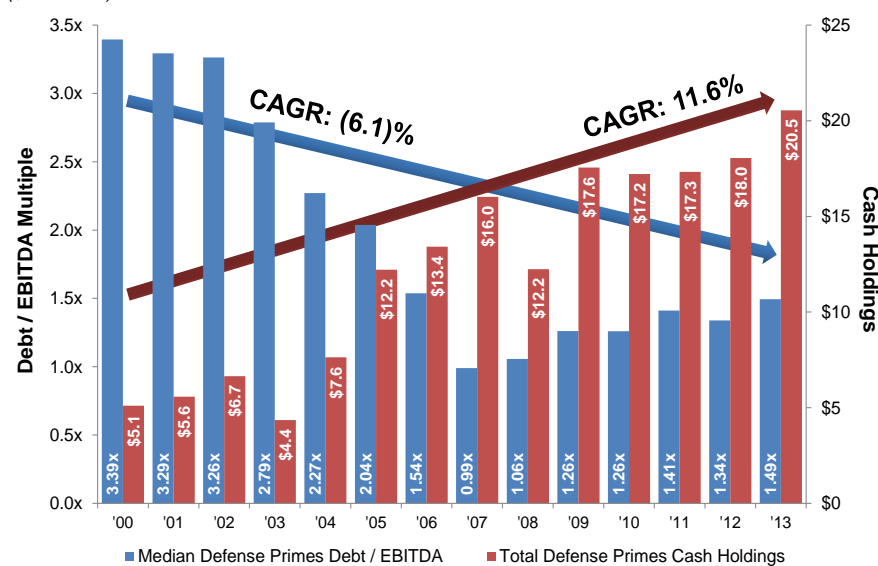


(1) Office of Management and Budget  
 (2) Capital IQ and KippsDeSanto & Co. research  
 (3) Boeing and Airbus Aircraft Orders and Deliveries

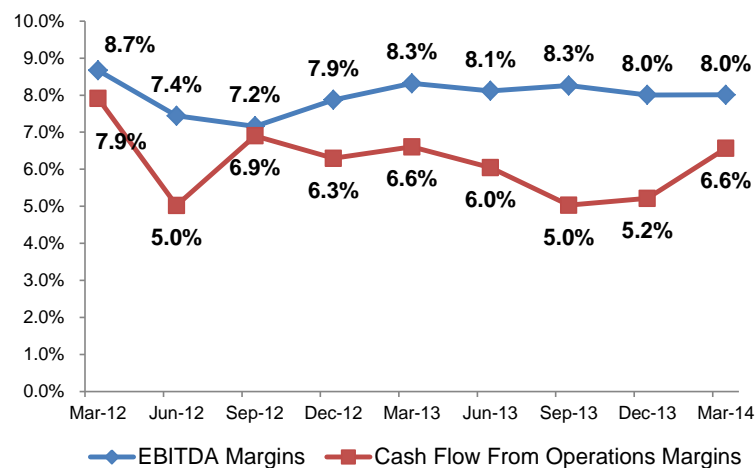
Tier 1 through Tier 4 suppliers, have similarly experienced growth, as increased OEM demand for components and subsystems, as well as their continued refinement of supply chains has resulted in stronger margins throughout the manufacturing process and also spurred continued industry consolidation. Such subsystem / component acquisition strategies have proven to be well-received by some investors as well, as seen with Precision Castparts Corporation's ("PCP") 19 acquisitions since 2012—PCP shares have risen 34.3% over the last year. In the face of all the positive trends; however, as of May, 2, 2014, budding concern over the sustainability of production rates has slowed Year-to-Date ("YTD") market appreciation of aerospace stocks; even as both Airbus and Boeing have jointly stated their belief that the air transport industry is as resistant to "bubble threats" as ever.

The GFY2014 budget and GFY2015 proposal have provided investors and key defense contractors, alike, with much desired visibility into future expectations and revenue trends. Although the budget and budget request ultimately cut numerous programs, their visibility has helped to drive a rebound in defense shares, which have returned 44.7% over the last year. Additionally, defense contractors have openly utilized divestitures to refocus their attention on core capabilities, while rethinking their operating models and cost structures. As evident in the graph to the right, such strategies have driven overall debt loads down and allowed the Defense Primes to amass over \$20 billion in combined cash holdings.<sup>(2)</sup> Furthermore, recently achieved operational efficiencies have enabled contractors to bid opportunities at lower rates and have helped them to win new contracts. For example, Northrop Grumman, whose stock price has risen 55.7% over the last year, recently won a \$234.1 million Large Aircraft Infrared Counter Measures modification supporting the Air Force and Air National Guard. International sales have also played a key role within the defense sector, as budget uncertainty and decreased domestic spending has motivated defense contractors to seek high-growth revenue elsewhere in the world.

**Defense Primes Cash and Debt Holdings Healthier Than Ever<sup>(1)(2)</sup>**  
 (\$ in billions)



**Government Technology Solutions Profit Margins Stabilize<sup>(1)(3)</sup>**



Throughout the last twelve months, shares of Government Technology Solutions companies have continued to outperform the broader market, returning 46.3%, while remaining relatively close to their 52-week highs. These returns are driven by strong market momentum, following a resolution to budget uncertainties and clarity into future spending, providing increased visibility into revenue growth for forecast periods. Although annual revenue growth expectations from Wall Street are modest, represented by a median growth rate of 1.2% from CY2014 to CY2015 as of 1Q2014, shareholder sentiment reflects increased confidence around companies' estimates. Additionally, companies are continuing to tighten their operating costs to generate additional cash flow despite declining revenue. In turn, both EBITDA and Cash Flow from Operations margins have stabilized since 2012,

when margins dropped following initial talks of sequestration, as ongoing cost-cutting offsets constant pricing pressures. Furthermore, there has been no real change in the overall debt capacity for Government Technology Solutions companies, pointing to their ability to maintain financial health, despite budgetary and macroeconomic headwinds.

(1) Capital IQ and KippsDeSanto & Co. research  
 (2) Defense primes include: BAE Systems, General Dynamics, L-3 Communications, Lockheed Martin, Northrop Grumman, Raytheon  
 (3) Government Technology Solutions include: Booz Allen Hamilton, CACI, Engility, ICF International, KEYW, Leidos, Mantech, NCI Inc., SAIC, VSE Corp.



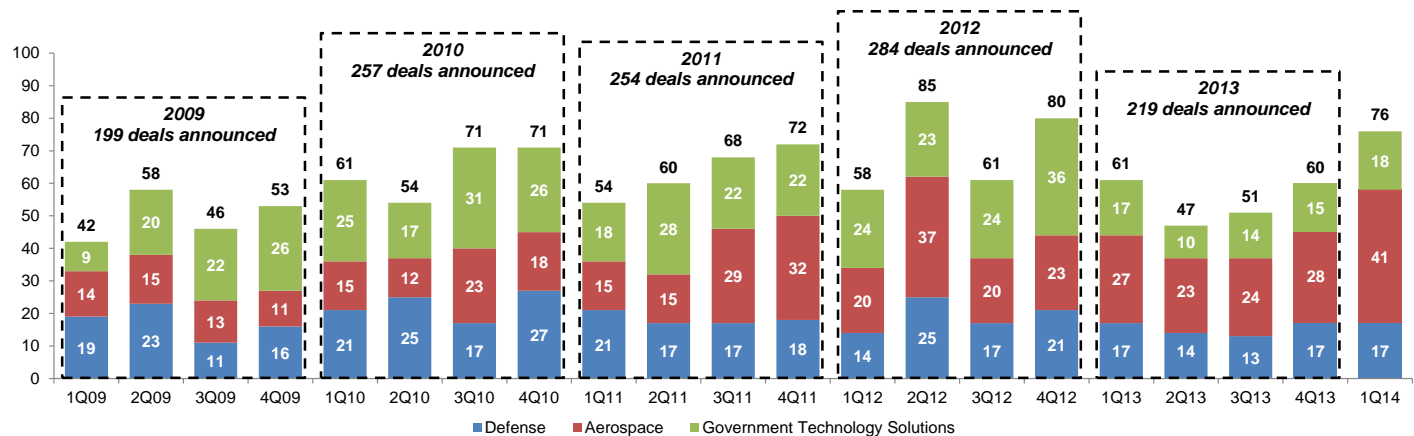
## M&A Trends and Activity

M&A activity in the aerospace and defense sectors saw dramatic improvement in 1Q2014, with 58 announced transactions, compared to 44 during the same period last year. Bolstered by improved and sustained performance, the commercial aerospace industry continued to drive much of the activity within the sector, with 41 announced transactions in the quarter, 14 more than 1Q2013. Similarly, the additional budget clarity provided in the FY2014 budget and FY2015 budget request, helped defense M&A activity continue its rebound, with 16 announced transactions in 1Q2014.

Further signaling increased strength of the overall M&A markets, has been the resurgence of high-profile deals greater than \$250 million in enterprise value, with seven of this scale announced YTD. Notably, Thales SA acquired LiveTV, a provider of in-flight satellite entertainment and connectivity solutions for commercial airlines, from JetBlue for \$400 million, implying a revenue multiple of 5.56x. Continuing its aggressive acquisition strategy, PCP announced it will acquire Aerospace Dynamics International, a manufacturer of machined parts and assemblies to the commercial and military aerospace industries, for \$625 million, with purchase multiples estimated to be ~3.00x revenue and ~15.5x EBITDA. Rolls-Royce Holdings announced it will acquire the remaining 50% stake in Rolls-Royce Power Systems, a provider of jet engines and propulsion systems, from Daimler AG for \$3.1 billion, and RF Micro Devices announced it will acquire TriQuint Semiconductor, a provider of radio frequency solutions for defense and aerospace markets, for \$1.5 billion. High profile transactions have also been seen in the recent trend towards consolidation among tier 1 and 2 suppliers in both the aerospace and defense sectors. Remington Outdoor Company, a provider of firearms and ammunition for military and law enforcement markets, received an unsolicited \$1.08 billion bid from Global Digital Solutions. Alliant Techsystems announced it will spin-off its Outdoor Sporting Business to its shareholders and then merge its Aerospace and Defense operations with Orbital Sciences Corporation to create a new \$4.5 billion revenue publicly-traded company, *Orbital ATK, Inc.* After cancelling its analyst day in early May, B/E Aerospace announced it has retained an advisor to explore strategic alternatives, potentially leading to a sale or spin-off. The high-profile trend does not appear to be slowing down either, as the Wall Street Journal reported in March that Mercury Systems, a provider of digital signal and image processing systems to the aerospace and defense industry, has been rumored to be entertaining acquisition offers.

Following significant private equity investment in 2013, overall 2014 financial sponsor involvement within the aerospace and defense sector has decreased, with only nine aerospace deals and four defense deals YTD, compared to 14 and 10 deals, respectively, for the same period in 2013.

**M&A Transaction Volume**<sup>(1)</sup>



For Government Technology Solutions, 1Q2014 displayed a continuation of the subdued M&A volume seen in 2013, with 18 transactions announced, compared to 17 in 1Q2013. Recently, there has been an increase in April's activity compared to last year; however, buyers continue to be increasingly selective and focused on priority markets, capabilities, and vehicles. Acentia's purchase of Business Computer Associates, Fulcrum IT's purchase of Forgentum, and ManTech's announcement in April that it has agreed to acquire 7Delta, Inc. all highlight the continued interest in growing Health IT capabilities and a footprint within priority health customers.<sup>(2)</sup> Parsons' April purchase of Secure Mission Solutions and BRTRC's acquisition of SecureForce demonstrate sustained interest in cybersecurity capabilities, while Lockheed Martin's Industrial Defender acquisition may point to emerging interest on the part of traditional defense primes to diversify into securing broader infrastructure and potentially commercial enterprises.<sup>(2)</sup> Attractive contract vehicles also continue to be transaction catalysts, as evidenced by ManTech's acquisition of Allied Technology Group, which possesses unrestricted prime positions on two of DHS' major IT contract vehicles: Enterprise Acquisition Gateway for Leading Edge Solutions ("EAGLE") II and Technical, Acquisition, and Business Support Services.

(1) Capital IQ, company filings, and KippsDeSanto & Co. research  
 (2) KippsDeSanto & Co. acted as financial advisor to SecureForce and 7Delta, Inc.


Another theme emerging over the first four months of the year is that of portfolio-shaping divestitures by diversified companies. In April, Verizon announced the sale of its Federal Network Systems business to Jacobs Engineering, QinetiQ announced the sale of its U.S. Services Division to The SI Organization, and Camber purchased Avaya's Government Solutions Group in February. As these companies seek to reposition their portfolios, acquisitive contractors have taken such divestitures as an opportunity to expand their technology or customer base with relatively lower risk, as such divested operations may be seen as "cleaner" or "safer" assets given their proven ability to compete for non-set-aside contracts. Such divested operations also provide considerable scale within targeted capabilities or customer sets, another critical value driver for acquirers. Avaya Government Solutions Group's contract portfolio, which included GSA Alliant, DHS EAGLE II, and US Postal Service Enterprise IT, was a major factor in its sale to Camber, further demonstrating the value of unrestricted contract vehicles.

Though the industry has not seen many private equity buyouts so far this year, financial sponsors are seeking to deploy more capital behind Government Technology Solutions providers with experienced management teams and attractive capabilities, as demonstrated by General Catalyst Partners' recent investment in OGSystems. Although there has been some increase in M&A activity, these trends point to a more robust market for contractors with differentiated capabilities within such priority areas.



## Defense Update

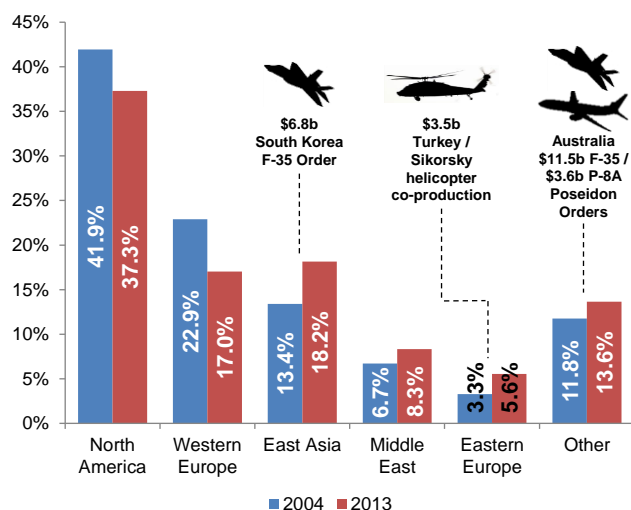
### Defense Earnings Update<sup>(1)</sup>

Defense	EPS (Latest Quarter Releases)			EPS Growth Y/Y
	Est.	Actual	Beat / (Miss)	
<b>GENERAL DYNAMICS</b> IQ14: 03/31/14	\$1.64	\$1.71	4.5%	5.6%
 IQ14: 03/31/14	1.97	2.01	2.1%	0.5%
<b>LOCKHEED MARTIN</b> IQ14: 03/31/14	2.53	2.87	13.3%	23.2%
<b>NORTHROP GRUMMAN</b> IQ14: 03/31/14	2.15	2.63	22.3%	29.6%
<b>Raytheon</b> IQ14: 03/31/14	1.76	1.62	(8.0%)	3.8%
<b>TELEDYNE TECHNOLOGIES</b> IQ14: 03/31/14	1.13	1.20	6.7%	12.1%

### DEFENSE EARNINGS SUPPORTED BY STRONG OPERATING PROFITS AND SHARE REPURCHASES

Despite exceptional share performance YTD, 1Q2014 defense top lines reflected the flattening of Federal budgets, with General Dynamics, Lockheed, Northrop, Raytheon, and Teledyne all reporting quarter over quarter (“QoQ”) revenue declines. As defense companies continue to focus on operational improvements, however, operating income (“OI”) increased across the board, as did share repurchases. Northrop’s EPS surprise was bolstered by 20% growth in its Aerospace Systems OI, coupled with substantial share repurchases, while Lockheed Martin saw OI growth across all but one segment. Meanwhile, Raytheon reported a QoQ revenue decline of 6.3%, the largest of all primes, and similarly had declining to flat OI across all its divisions.

### Share of World Military Spending by Region<sup>(1)(2)</sup>

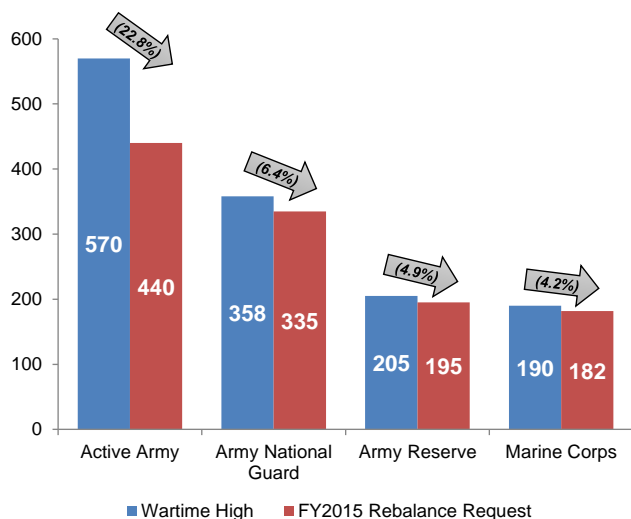


### LARGE INTERNATIONAL ORDERS DOMINATE FIRST QUARTER DEFENSE SPENDING

Following the past few years of budget uncertainty—which has led to North America and Western Europe losing significant share of world military spend—many defense companies have responded in force by broadening their international portfolio of sales; a necessary move in order to diversify revenue streams and offset declining U.S. and European spending. This trend has continued in 1Q2014 as South Korea, Turkey, and Australia have most recently dominated defense purchasing, each with headline-making multi-billion dollar orders. South Korea officially selected Lockheed’s F-35 as its next-generation fighter, with a 40 aircraft, \$6.8 billion purchase; the Turkish government and Sikorsky signed a contract for 109 Sikorsky T-70 Black utility helicopters for \$3.5 billion; and, Australia agreed to purchase 58 F-35s for \$11.5 billion, as well as eight Boeing P-8A Poseidon maritime reconnaissance planes for \$3.6 billion.

### Reduction in Military Personnel<sup>(3)</sup>

(in thousands)









### WEAPONS AND CAPABILITIES OVER PERSONNEL AND CAPACITY

The GFY2015 budget request details an aggressive plan to rebuild a much smaller, but more flexible and capable military, while still maintaining a technological edge. Further evaluation of DoD budget cuts reveal a distinct shift from reducing weapons / capabilities, towards reducing Defense personnel. In the face of reduced resources, and after more than a decade of war, Defense Secretary Hagel has proposed further reductions in troop strength and force structure in every military service in the coming year. Most notable of the cuts includes reducing the active-duty Army from its current 520,000 to as low as 440,000 soldiers, the smallest since World War II; a 6.4% and 4.9% reduction in the Army National Guard and Army Reserve, respectively; and shrinking the Marine Corps by 8,000 Marines, to 182,000. The cuts assume the U.S. no longer becomes involved in large, prolonged stability operations overseas on the scale of Iraq and Afghanistan.

(1) Capital IQ, company filings, and KippsDeSanto & Co. research  
 (2) Information from the Stockholm International Peace Research Institute (“SIPRI”), <http://www.sipri.org>  
 (3) FY2015 Presidential Budget Request

## Aerospace Update

### Aerospace Earnings Update<sup>(1)</sup>

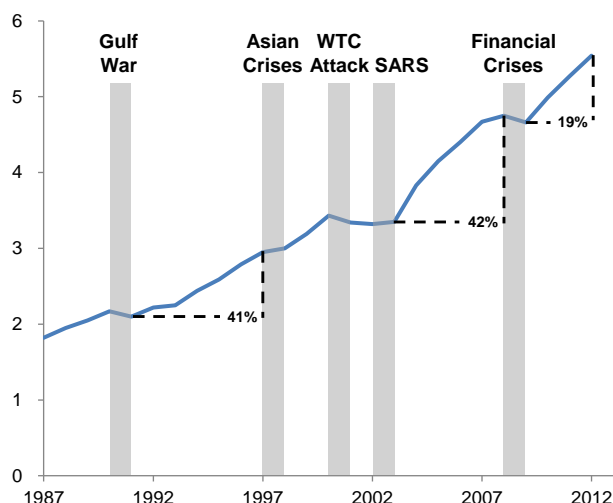
Aerospace	EPS (Latest Quarter Releases)			EPS Growth Y/Y
	Est.	Actual	Beat / (Miss)	
 IQ14: 03/31/14	\$1.01	\$1.06	4.8%	18.3%
 IQ14: 03/31/14	1.57	1.76	12.2%	1.7%
 IQ14: 03/31/14	0.49	0.50	1.7%	16.3%
 2Q14: 03/31/14	0.80	0.82	2.2%	(1.5%)
 2Q14: 03/31/14	1.07	1.08	0.7%	(8.0%)
 IQ14: 03/31/14	1.27	1.41	10.7%	10.2%

### AEROSPACE EARNINGS SOAR OVER ANALYSTS' EXPECTATIONS

As U.S. military expenditures decline, aerospace companies have continued to benefit from strong commercial demand. Combined with heavy share repurchases from Boeing, Hexcel, Rockwell Collins, and UTC, aerospace companies across the board reported EPS results above Analysts' expectations. BEAV's preannounced record bookings and guidance boost was further supported by its reported 80% to 90% order share in several product lines. Following recently reduced guidance and several transition years, UTC reported 5% organic growth, as shorter-cycle businesses picked up. Boeing's results were heavily supported by its commercial aircraft which reported 19% quarterly operational earnings growth vs. a 6% decline from its Defense / Space business.

### World Annual Traffic<sup>(2)</sup>

Revenue Passenger Kilometers ("RPK") in Trillions

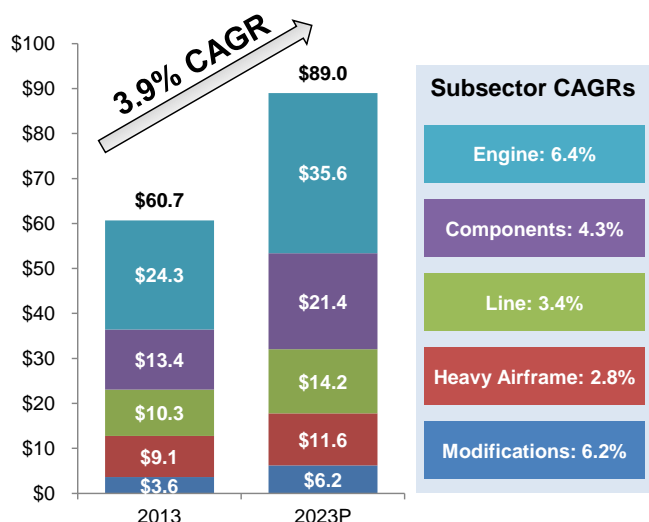


### AEROSPACE GIANTS REFUTE "AEROSPACE BUBBLE"

There is some latent investor skepticism around aircraft OEMs' ability to sustain production or continue to raise it; however, as Airbus and Boeing have risen production to new levels, they have uncharacteristically agreed that the global air transport industry is now, more than ever, much more resistant to possible market fluctuations that would cause a potential "bubble" threat. Macroeconomically speaking, global GDP has already grown to 3.2% in 2014, versus 2.3% in 2013, a year when Airbus and Boeing took 1,619 and 1,531 orders, respectively. Additionally, 2014 passenger traffic growth is expected to be 6%, and RPK and freight traffic are already showing early signs of climbing beyond 2013 levels (and have not yet surpassed the growth seen following previous world events). Other factors, such as fuel costs and financing, which in past years have contributed to the severity of boom and bust cycles, are also favorable.

### Global Air Transport MRO Spend 2013 - 2023<sup>(3)</sup>

(\$ in billions)



### GLOBAL MRO MARKET CONTINUING ITS GROWTH

The global Maintenance, Repair and Overhaul ("MRO") market is expected to grow to \$89 billion by 2023, at a rate of 3.9% annually. Within the subsectors of the market, engine maintenance drives the trend, growing at an expected 6.4% annually. This growth is primarily driven by OEMs' persistent focus on improving fuel efficiency on existing aircraft as a means of cutting costs, as well as meeting recent environmental regulations. The components subsector is also expected to outpace the overall MRO industry growth, with an expected annual growth rate of 4.3%. From an industry perspective, the flourishing aerospace industry is a key indicator of the MRO market's performance. Currently, MRO supports approximately 123,000 aircraft flying at a rate of 100 million hours annually, with upwards potential from expected passenger traffic growth. As a result, the MRO market is expected to keep pace in supporting the ever-growing aircraft needs of the industry.

(1) Capital IQ, company filings, and KippsDeSanto & Co. research  
 (2) Airbus Global Market Forecast 2013 – 2032  
 (3) ICF SH&E MRO Market Forecasts & Industry Issues



## Technology Solutions Update

### Government Technology Solutions Performance<sup>(1)</sup>

Government	EPS (Latest Quarter Releases)			EPS Growth Y/Y
	Est.	Actual	Beat / (Miss)	
Booz   Allen   Hamilton 3Q14: 12/31/13	\$0.33	\$0.33	0.0%	(19.5%)
<b>CACI</b> 3Q14: 03/31/14	1.23	1.19	(3.4%)	(26.5%)
<b>ENGILITY</b> 4Q13: 12/31/13	0.78	1.00	28.2%	25.0%
<b>ICF</b> 1Q14: 03/31/14	0.52	0.50	(4.2%)	(2.0%)
<b>KEYW</b> 1Q14: 03/31/14	(0.07)	(0.08)	(14.3%)	37.8%
<b>leidos</b> 4Q14: 01/31/14	0.47	0.64	37.3%	NA
<b>ManTech</b> 1Q14: 03/31/14	0.33	0.26	(21.7%)	(51.9%)
<b>nci</b> 1Q14: 03/31/14	0.14	0.16	18.5%	6.7%
<b>SAIC</b> 4Q14: 01/31/14	0.63	0.66	4.8%	NA
<b>VSE</b> 4Q13: 12/31/13	1.22	1.20	(1.6%)	20.0%

### CONTRACTORS B&P EFFORTS EXPECTED TO DRIVE ORGANIC GROWTH

In recent earnings releases, Government Technology Solutions companies announced stepped-up levels of contracting activity, an increase in RFP's released, and a substantial increase to internal bid and proposal activity. Many are expecting this positive momentum to drive organic growth throughout the latter half of 2014 and early 2015. ManTech maintained its forward guidance for the year, which accounts for \$50 million in sales from its pending transaction with VA contractor 7Delta, Inc. NCI, Inc. exceeded 1Q2014 Wall Street earnings estimates and raised 2014 guidance for revenue and EPS by 6% and 15% respectively. SAIC reported 4Q2014 EPS of \$0.66 and revenue of \$931 million, beating EPS estimates by 4.8% and missing revenue estimates by 1.5%. SAIC did not provide FY2015 guidance, but analysts predict raised EPS and revenue estimates.

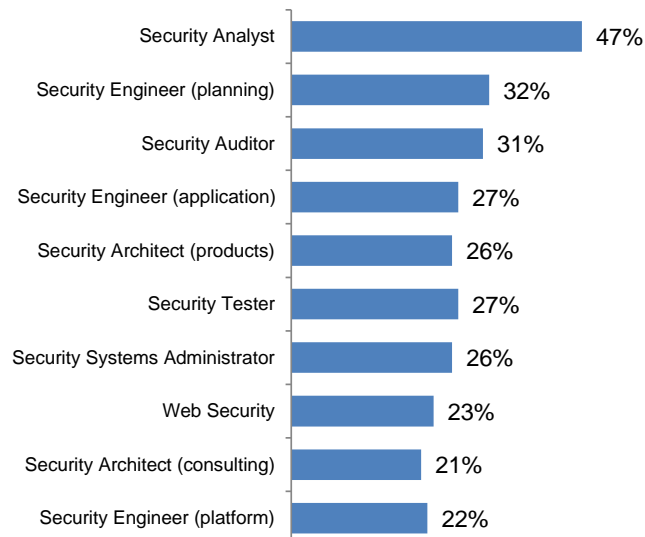
### DISA milCloud Features

<b>On-Demand Self-Service</b>	• Consumers place orders on-demand through web-based self-service tools, configure infrastructure resources where appropriate, and manage their mission application lifecycle
<b>Broad Network Access</b>	• Products and services have network connectivity to DoD Information Networks and are configured in accordance with relevant security guidelines and approved protocols
<b>Resource Pooling</b>	• Resources are pooled so multiple mission partners consume units from pools provisioned by DISA, enabling efficient use of aggregate resources and greater consumption flexibility
<b>Rapid Elasticity</b>	• Portfolio has the ability to expand or contract resource use within virtual resource pools

### FEDERAL CLOUD INITIATIVES GAINING TRACTION

Late in 2GFQ2014, the Defense Information Systems Agency ("DISA") formally announced milCloud, a new government-operated cloud services portfolio designed specifically for defense agencies' unique IT and security needs. Presently, the service is available for data and systems on DoD Impact Level 1 and Level 2, and is deployed within DoD's unclassified NIPRnet. A more secure version of milCloud, to be deployed on the SIPRnet classified network, is expected to be launched later this year. Interestingly, milCloud was not FedRAMP certified, creating some tension among cloud service providers ("CSPs") that had to undergo the costly certification process. milCloud's launch, coupled with DoD's announcement that four CSPs recently achieved provisional authorization under additional security controls, shows strong momentum in the federal cloud arena, despite progress which has been generally slow to date.

### Cybersecurity Shortages by Job Title<sup>(3)</sup>



### GROWING SHORTAGE OF CYBERSECURITY SKILLS IN THE FEDERAL WORKFORCE

According to a study commissioned by the Ford Foundation and MacArthur Foundation, Federal agencies continue to face a capability gap with respect to qualified cybersecurity professionals in their native workforces, impacting the government's ability to improve operations and ensure secure IT networks. Key drivers cited as influential to this disparity include compensation, an inability of Federal personnel to pursue disruptive innovations, and an apparent cultural hesitance towards hiring change agents. Former DHS Deputy Secretary Jane Lute also points to certain bureaucratic elements that expend too many resources organizing every IT element, rather than hiring to meet current needs. Secretary of Defense Chuck Hagel has also pointed to the DoD's target cybersecurity workforce of ~6,000 by 2016, and has discussed efforts to encourage agencies to develop many of these professionals internally.

(1) Capital IQ, company filings, and KippsDeSanto & Co. research  
(2) U.S. House of Representatives Committee on Appropriations  
(3) Frost & Sullivan: 2013 (ISC)<sup>2</sup> Global Information Workforce Study

**Public Company Trading Analysis<sup>(1)</sup>**  
(\$ in millions, except per share amounts)

<u>Defense Primes</u>	Stock Price 05/02/14	% of 52 Week High	Market Cap	Enterprise Value	CY2014E			CY2015P			EV / CY2014E		EV / CY2015P	
					Rev.	EBITDA	Margin	Rev.	EBITDA	Margin	Rev.	EBITDA	Rev.	EBITDA
Boeing	\$129.94	89.9%	\$94,755	\$91,625	\$89,936	\$9,293	10.3%	\$93,537	\$10,309	11.0%	1.02x	9.9x	0.98x	8.9x
Lockheed Martin	163.90	97.3%	51,723	54,611	44,738	6,424	14.4%	44,395	6,638	15.0%	1.22x	8.5x	1.23x	8.2x
General Dynamics	111.01	97.7%	38,061	37,676	30,273	4,245	14.0%	30,538	4,362	14.3%	1.24x	8.9x	1.23x	8.6x
Raytheon	95.83	93.6%	29,850	30,219	22,782	3,674	16.1%	22,426	4,011	17.9%	1.33x	8.2x	1.35x	7.5x
Northrop Grumman	120.73	95.8%	25,853	27,897	23,648	3,651	15.4%	23,120	3,673	15.9%	1.18x	7.6x	1.21x	7.6x
BAE Systems	6.77	85.2%	21,400	22,646	28,682	3,616	12.6%	29,216	3,738	12.8%	0.79x	6.3x	0.78x	6.1x
<b>Median</b>		<b>94.7%</b>	<b>\$33,955</b>	<b>\$33,947</b>	<b>\$29,478</b>	<b>\$3,960</b>	<b>14.2%</b>	<b>\$29,877</b>	<b>\$4,186</b>	<b>14.6%</b>	<b>1.20x</b>	<b>8.4x</b>	<b>1.22x</b>	<b>7.9x</b>

<u>Defense Systems</u>	Stock Price 05/02/14	% of 52 Week High	Market Cap	Enterprise Value	CY2014E			CY2015P			EV / CY2014E		EV / CY2015P	
					Rev.	EBITDA	Margin	Rev.	EBITDA	Margin	Rev.	EBITDA	Rev.	EBITDA
Safran	\$66.67	88.1%	\$27,766	\$30,440	\$21,643	\$3,646	16.8%	\$22,820	\$4,122	18.1%	1.41x	8.3x	1.33x	7.4x
Rockwell Collins	77.93	92.7%	10,559	12,678	5,197	1,202	23.1%	5,432	1,287	23.7%	2.44x	10.5x	2.33x	9.8x
L-3 Communications	113.38	94.0%	9,777	13,256	12,061	1,497	12.4%	11,926	1,516	12.7%	1.10x	8.9x	1.11x	8.7x
Cobham	5.17	97.7%	5,514	6,266	2,943	645	21.9%	3,057	666	21.8%	2.13x	9.7x	2.05x	9.4x
Huntington Ingalls Industries	104.29	97.8%	5,140	5,876	6,786	884	13.0%	6,796	949	14.0%	0.87x	6.6x	0.86x	6.2x
FLIR	35.03	93.6%	4,935	4,735	1,522	349	22.9%	1,608	392	24.4%	3.11x	13.6x	2.94x	12.1x
Alliant Techsystems	150.96	97.1%	4,804	6,730	5,140	732	14.3%	5,146	823	16.0%	1.31x	9.2x	1.31x	8.2x
Exelis	18.01	84.0%	3,424	3,793	4,421	604	13.7%	4,524	615	13.6%	0.86x	6.3x	0.84x	6.2x
Kongsberg Gruppen	23.81	97.9%	2,846	2,531	2,825	363	12.8%	3,034	390	12.9%	0.90x	7.0x	0.83x	6.5x
Cubic	48.73	85.6%	1,305	1,200	1,455	134	9.2%	1,495	155	10.4%	0.83x	8.9x	0.80x	7.7x
AeroVironment	33.67	80.8%	749	581	252	24	9.6%	281	26	9.2%	2.31x	24.1x	2.07x	22.5x
<b>Median</b>		<b>93.6%</b>	<b>\$4,935</b>	<b>\$5,876</b>	<b>\$4,421</b>	<b>\$645</b>	<b>13.7%</b>	<b>\$4,524</b>	<b>\$666</b>	<b>14.0%</b>	<b>1.31x</b>	<b>8.9x</b>	<b>1.31x</b>	<b>8.2x</b>

<u>Defense Electronics / Comm.</u>	Stock Price 05/02/14	% of 52 Week High	Market Cap	Enterprise Value	CY2014E			CY2015P			EV / CY2014E		EV / CY2015P	
					Rev.	EBITDA	Margin	Rev.	EBITDA	Margin	Rev.	EBITDA	Rev.	EBITDA
Harris	\$73.37	97.4%	\$7,814	\$9,123	\$5,049	\$1,093	21.7%	\$4,909	\$1,073	21.9%	1.81x	8.3x	1.86x	8.5x
Teledyne	93.67	91.5%	3,515	4,047	2,427	385	15.9%	2,541	407	16.0%	1.67x	10.5x	1.59x	9.9x
ViaSat	63.01	84.3%	2,904	3,540	1,446	283	19.6%	1,763	403	22.9%	2.45x	12.5x	2.01x	8.8x
Ultra Electronics	29.04	85.9%	2,021	2,086	1,302	229	17.6%	1,359	240	17.7%	1.60x	9.1x	1.53x	8.7x
Orbital Sciences	28.55	83.6%	1,729	1,519	1,472	155	10.5%	1,578	177	11.2%	1.03x	9.8x	0.96x	8.6x
Comtech Telecommunications	31.83	94.2%	488	370	348	57	16.5%	355	66	18.4%	1.06x	6.4x	1.04x	5.6x
Mercury Systems	13.26	92.1%	441	395	226	29	13.0%	250	39	15.4%	1.75x	13.4x	1.58x	10.2x
Kratos Defense & Security Solutions	7.34	80.0%	422	1,010	948	97	10.3%	1,004	114	11.4%	1.06x	10.4x	1.01x	8.8x
<b>Median</b>		<b>88.7%</b>	<b>\$1,875</b>	<b>\$1,803</b>	<b>\$1,374</b>	<b>\$192</b>	<b>16.2%</b>	<b>\$1,469</b>	<b>\$209</b>	<b>16.8%</b>	<b>1.64x</b>	<b>10.1x</b>	<b>1.56x</b>	<b>8.7x</b>

<u>Homeland Security</u>	Stock Price 05/02/14	% of 52 Week High	Market Cap	Enterprise Value	CY2014E			CY2015P			EV / CY2014E		EV / CY2015P	
					Rev.	EBITDA	Margin	Rev.	EBITDA	Margin	Rev.	EBITDA	Rev.	EBITDA
Smiths Group	\$22.29	86.1%	\$8,792	\$10,286	\$5,194	\$1,061	20.4%	\$5,369	\$1,134	21.1%	1.98x	9.7x	1.92x	9.1x
MSA Safety Incorporate	51.65	87.7%	1,929	2,119	1,133	184	16.2%	1,239	220	17.8%	1.87x	11.5x	1.71x	9.6x
OSI Systems	57.55	73.3%	1,147	1,143	914	179	19.6%	NA	NA	NA	1.25x	6.4x	NA	NA
Analogic	74.01	74.0%	919	808	583	90	15.3%	633	107	16.9%	1.38x	9.0x	1.28x	7.6x
Smith & Wesson	15.88	99.7%	873	930	620	158	25.5%	674	NA	NA	1.50x	5.9x	1.38x	NA
American Science & Engineering	66.83	89.4%	520	371	167	22	13.5%	174	NA	NA	2.23x	16.5x	2.14x	NA
<b>Median</b>		<b>86.9%</b>	<b>\$1,033</b>	<b>\$1,037</b>	<b>\$767</b>	<b>\$168</b>	<b>17.9%</b>	<b>\$674</b>	<b>\$220</b>	<b>17.8%</b>	<b>1.69x</b>	<b>9.4x</b>	<b>1.71x</b>	<b>9.1x</b>

(1) Capital IQ, company filings, and KippsDeSanto & Co. research

**Public Company Trading Analysis, cont.<sup>(1)</sup>**  
(\$ in millions, except per share amounts)

Aerospace Systems	Stock Price 05/02/14	% of 52 Week High	Market Cap	Enterprise Value	CY2014E			CY2015P			EV / CY2014E		EV / CY2015P	
					Rev.	EBITDA	Margin	Rev.	EBITDA	Margin	Rev.	EBITDA	Rev.	EBITDA
TransDigm	\$179.51	95.7%	\$9,472	\$14,802	\$2,398	\$1,070	44.6%	\$2,588	\$1,181	45.6%	6.17x	13.8x	5.72x	12.5x
B/E Aerospace	88.96	99.0%	9,363	10,938	4,109	868	21.1%	4,537	988	21.8%	2.66x	12.6x	2.41x	11.1x
Zodiac Aerospace	33.87	90.5%	9,287	10,751	5,886	988	16.8%	NA	NA	NA	1.83x	10.9x	NA	NA
Meggitt	8.05	82.9%	6,417	7,352	2,796	810	29.0%	2,986	881	29.5%	2.63x	9.1x	2.46x	8.3x
Esterline	109.30	96.7%	3,477	3,985	2,133	381	17.9%	2,221	423	19.1%	1.87x	10.4x	1.79x	9.4x
Triumph Group	65.70	76.8%	3,417	5,013	3,831	619	16.2%	3,970	729	18.4%	1.31x	8.1x	1.26x	6.9x
HEICO	55.04	84.6%	3,100	3,643	1,192	274	23.0%	1,320	310	23.5%	3.06x	13.3x	2.76x	11.7x
Astronics	56.82	77.8%	1,024	1,170	593	108	18.1%	686	128	18.7%	1.97x	10.9x	1.71x	9.1x
AAR	25.61	81.2%	1,013	1,567	2,017	230	11.4%	2,172	NA	NA	0.78x	6.8x	0.72x	NA
<b>Median</b>		<b>84.6%</b>	<b>\$3,477</b>	<b>\$5,013</b>	<b>\$2,398</b>	<b>\$619</b>	<b>18.1%</b>	<b>\$2,404</b>	<b>\$729</b>	<b>21.8%</b>	<b>1.97x</b>	<b>10.9x</b>	<b>2.10x</b>	<b>9.4x</b>

Aerospace Structures	Stock Price 05/02/14	% of 52 Week High	Market Cap	Enterprise Value	CY2014E			CY2015P			EV / CY2014E		EV / CY2015P	
					Rev.	EBITDA	Margin	Rev.	EBITDA	Margin	Rev.	EBITDA	Rev.	EBITDA
Precision Castparts	\$254.33	92.5%	\$36,936	\$40,244	\$10,296	\$3,241	31.5%	\$11,408	\$3,706	32.5%	3.91x	12.4x	3.53x	10.9x
Spirit AeroSystems	32.69	91.1%	4,655	5,507	6,642	805	12.1%	6,986	857	12.3%	0.83x	6.8x	0.79x	6.4x
Hexcel	41.73	89.8%	4,081	4,386	1,857	395	21.3%	2,046	449	21.9%	2.36x	11.1x	2.14x	9.8x
Senior	4.78	88.3%	1,993	2,091	1,407	240	17.0%	1,498	257	17.1%	1.49x	8.7x	1.40x	8.1x
LMI Aerospace	13.75	61.5%	175	464	418	53	12.7%	439	62	14.2%	1.11x	8.7x	1.06x	7.5x
<b>Median</b>		<b>89.8%</b>	<b>\$4,081</b>	<b>\$4,386</b>	<b>\$1,857</b>	<b>\$395</b>	<b>17.0%</b>	<b>\$2,046</b>	<b>\$449</b>	<b>17.1%</b>	<b>1.49x</b>	<b>8.7x</b>	<b>1.40x</b>	<b>8.1x</b>

Government Technology Solutions	Stock Price 05/02/14	% of 52 Week High	Market Cap	Enterprise Value	CY2014E			CY2015P			EV / CY2014E		EV / CY2015P	
					Rev.	EBITDA	Margin	Rev.	EBITDA	Margin	Rev.	EBITDA	Rev.	EBITDA
Booz Allen Hamilton	\$23.45	100.1%	\$3,405	\$4,676	\$5,333	\$509	9.5%	\$5,357	\$524	9.8%	0.88x	9.2x	0.87x	8.9x
Leidos	36.98	75.4%	2,786	3,689	5,029	436	8.7%	5,082	454	8.9%	0.73x	8.5x	0.73x	8.1x
SAIC	38.26	95.7%	1,848	2,096	3,831	247	6.4%	3,831	268	7.0%	0.55x	8.5x	0.55x	7.8x
CACI	72.78	90.1%	1,708	2,974	3,611	330	9.1%	3,670	348	9.5%	0.82x	9.0x	0.81x	8.5x
ManTech	29.92	96.2%	1,114	1,038	1,961	127	6.5%	1,924	139	7.2%	0.53x	8.2x	0.54x	7.4x
ICF International	38.52	86.9%	769	800	1,044	102	9.7%	1,111	112	10.0%	0.77x	7.9x	0.72x	7.2x
Engility	43.07	93.1%	754	936	1,506	127	8.4%	1,544	138	9.0%	0.62x	7.4x	0.61x	6.8x
KEYW	12.23	53.0%	458	543	300	21	6.8%	370	57	15.6%	1.81x	26.5x	1.47x	9.4x
VSE Corp.	66.10	104.4%	354	457	456	65	14.2%	457	64	13.9%	1.00x	7.0x	1.00x	7.2x
NCI	10.37	79.0%	134	134	309	16	5.2%	316	18	5.6%	0.43x	8.4x	0.43x	7.6x
<b>Median</b>		<b>91.6%</b>	<b>\$941</b>	<b>\$987</b>	<b>\$1,733</b>	<b>\$127</b>	<b>8.5%</b>	<b>\$1,734</b>	<b>\$139</b>	<b>9.2%</b>	<b>0.75x</b>	<b>8.4x</b>	<b>0.72x</b>	<b>7.7x</b>

Engineering & Construction	Stock Price 05/02/14	% of 52 Week High	Market Cap	Enterprise Value	CY2014E			CY2015P			EV / CY2014E		EV / CY2015P	
					Rev.	EBITDA	Margin	Rev.	EBITDA	Margin	Rev.	EBITDA	Rev.	EBITDA
Babcock International	\$20.38	81.8%	\$10,173	\$11,151	\$5,241	\$625	11.9%	\$7,694	\$996	13.0%	2.13x	17.9x	1.45x	11.2x
Jacobs Engineering	56.78	84.9%	7,490	7,611	13,595	807	5.9%	15,145	1,012	6.7%	0.56x	9.4x	0.50x	7.5x
AECOM Technology	32.72	92.8%	3,241	3,850	8,304	478	5.8%	8,511	561	6.6%	0.46x	8.1x	0.45x	6.9x
URS	46.98	84.2%	3,241	4,815	10,853	744	6.9%	11,016	755	6.9%	0.44x	6.5x	0.44x	6.4x
Tetra Tech	25.99	84.1%	1,688	1,735	1,972	251	12.7%	2,262	NA	NA	0.88x	6.9x	0.77x	NA
<b>Median</b>		<b>84.2%</b>	<b>\$3,241</b>	<b>\$4,815</b>	<b>\$8,304</b>	<b>\$625</b>	<b>6.9%</b>	<b>\$8,511</b>	<b>\$876</b>	<b>6.8%</b>	<b>0.56x</b>	<b>8.1x</b>	<b>0.50x</b>	<b>7.2x</b>

(1) Capital IQ, company filings, and KippsDeSanto & Co. research

**Select Recent Aerospace / Defense M&A<sup>(1)</sup>**  
(\$ in millions)

Announce Date	Buyer / Investor	Target	Target Description	EV	Revenue	EBITDA		EV / LTM	
						Margin	Revenue	EBITDA	EBITDA
05/02/14	E-Z-GO	TUG Technologies Corporation	Manufactures material handling vehicles, mobile heating, and air-conditioning systems, in addition to providing aircraft ground services to commercial and government customers	NA	NA	NA	NA	NA	NA
04/30/14	Merex Incorporated	Kellstrom Defense Aerospace, Inc.	Provides aircraft engine parts and MRO services to commercial and military aircraft	NA	NA	NA	NA	NA	NA
04/29/14	Alliant Techsystems Inc.	Orbital Sciences Corporation	Develops and manufactures small- and medium-class rockets and space systems for commercial, military, and civil government customers worldwide	\$3,565.0	\$1,353.7	\$147.6	10.9%	2.63x	24.2x
04/28/14	Ultra Electronics Holdings plc	Forensic Technology WAI, Inc.	Provides automated firearm ballistics identification and forensic analysis systems to law enforcement agencies around the world	85.7	NA	NA	NA	NA	NA
04/24/14	Nexter Systems	MECAR SA	Designs, develops, manufactures, and supplies weapon systems and ammunitions for LAVs, tanks, and infantry	231.9	NA	NA	NA	NA	NA
04/22/14	Sumimoto Bakelite Co. Ltd.	Vaupell, Inc.	Develops and produces thermoplastic interior solutions to the commercial aerospace industry	270	NA	NA	NA	NA	NA
04/22/14	Velocity Aerospace Holding Group, Inc.	E.D.N. Aviation, Inc.	Provides multi-unit fabrication and engineering / design services for various aircraft panel components	NA	NA	NA	NA	NA	NA
04/17/14	ECA SA	Infotron	Specializes in the development and marketing of helicopter-type vertical take-off drones	10.3	2.8	NA	NA	3.68x	NA
04/14/14	Google Inc.	Titan Aerospace	Manufactures high-altitude drones and solar powered atmospheric satellites	NA	NA	NA	NA	NA	NA
04/11/14	24/6 Capital Partners and RFE Investment Partners	SPX Precision Components, LLC	Manufactures and supplies parts, components, assemblies, and metal forming solutions to aerospace and defense customers worldwide	62.0	NA	NA	NA	NA	NA
04/09/14	Wencor Group, LLC	XTRA Aerospace, Inc.	Provides specialized repair services for a wide variety of electrical and mechanical systems across in-production commercial aircraft	NA	NA	NA	NA	NA	NA
04/07/14	PAI Partners & The Carlyle Group LP	Custom Sensors & Technologies, Inc.	Provides sensor, control, and actuation products for aerospace and defense, transportation and automotive, and industrial markets worldwide	600.0	NA	NA	NA	NA	NA
04/03/14	GAL Aerospace Corporation	AeroQuest, Inc.	Provides aircraft interior components manufacturing and specializes in turnkey products for business and commercial aircraft	NA	NA	NA	NA	NA	NA
04/02/14	ON Semiconductor Corporation	Truesense Imaging, Inc.	Provides high-performance image sensor devices addressing a wide range of industrial end-markets, including aerospace and defense, medical and scientific imaging, and machine vision	92.0	79	NA	NA	1.2x	NA
04/02/14	TE Connectivity Ltd.	Seacon Group Limited	Provides underwater connector technology and systems for military marine and sub-sea sectors, as well as oil and gas, environmental, and oceanographic applications	490.0	NA	NA	NA	NA	NA
04/02/14	Accurus Aerospace Corporation	McCann Aerospace Machining	Provides large, complex monolithic machined structural parts and assemblies for the global aerospace industry	NA	NA	NA	NA	NA	NA
04/01/14	SII Société Anonyme	Rücker Aerospace GmbH	Provides engineering and design services for the aviation and automotive industries	NA	NA	NA	NA	NA	NA
04/01/14	MB Aerospace	Norbert Industries, Inc.	Provides machined components for aerospace, automotive, machine tool, defense, and robotic industries	NA	NA	NA	NA	NA	NA
04/01/14	Arotech Corporation	UEC Electronics, LLC	Provides electronic components and subsystems primarily for military, aerospace, and industrial customers	NA	NA	NA	NA	NA	NA
03/31/14	Verint Systems Inc.	UTX Technologies Limited	Provides mobile and signals intelligence equipment for defense, intelligence, and law enforcement agencies around the world	82.9	NA	NA	NA	NA	NA
03/31/14	Levine Leichtman Capital	NOBLES Worldwide, Inc.	Provides weapon systems and components, and ammunition feed systems to various branches of the U.S. military and its allies worldwide	NA	NA	NA	NA	NA	NA
03/28/14	FN Herstal, S.A.	Manroy Plc	Designs, manufactures, supplies, and supports weapons systems worldwide	19.3	8.0	NA	NA	2.40x	NA
03/27/14	Facebook, Inc.	Ascenta UK Limited	Manufactures solar powered unmanned aircraft and connectivity solutions	20.0	NA	NA	NA	NA	NA
03/24/14	Smith & Wesson Holding Corp.	Tri Town Precision Plastics, Inc.	Provides custom injection molding and contract manufacturing services to defense, aerospace, medical, general industrial, communications, and automotive industries	22.8	NA	NA	NA	NA	NA

(1) Capital IQ, company filings, and KippsDeSanto & Co. research



**Select Recent Aerospace / Defense M&A, cont.<sup>(1)</sup>**  
(\$ in millions)

Announce Date	Buyer / Investor	Target	Target Description	EBITDA				EV / LTM	
				EV	Revenue	EBITDA	Margin	Revenue	EBITDA
03/20/14	AAR Corporation	Sabena Technica S.A., Customer Contracts	Provides inventory and power-by-the-hour support for 13 customers	NA	NA	NA	NA	NA	NA
03/20/14	Precision Castparts Corporation	Aerospace Dynamics International	Manufactures and supplies machined parts and assemblies to the commercial and military aerospace industries	\$625.0	\$208.3	\$40.3	19.3%	3.00x	15.5x
03/18/14	Hittite Microwave Corporation	Keragis Corporation	Provides electronic products specializing in RF and microwave components and subsystems for military, communications, and space applications	NA	NA	NA	NA	NA	NA
03/18/14	James Fisher and Sons Public Limited Company	Defence Consulting Europe AB	Designs and manufactures swimmer delivery vehicles for the military sector	6.1	NA	NA	NA	NA	NA
03/18/14	Lockheed Martin Corporation	BEONTRA AG	Provides integrated planning and demand forecasting tools for airports around the world	NA	NA	NA	NA	NA	NA
03/17/14	Air France Industries and KLM Engineering & Maintenance	Barfield, Inc.	Provides component services, airline programs, distribution and rotables, and ground support test equipment businesses to the aerospace industry worldwide	NA	NA	NA	NA	NA	NA
03/14/14	Landmark Aviation	Midlantic Jet Aviation, Inc. and Midlantic Jet Charters, Inc.	Provides fixed base operations and charter services in the northeast U.S.	NA	NA	NA	NA	NA	NA
03/14/14	Specialist Technologies Ltd.	Race Completions Limited	Provides design, maintenance, and manufacture of aircraft cabin interiors	NA	NA	NA	NA	NA	NA
03/13/14	Thales S.A.	LiveTV, LLC	Provides in-flight satellite entertainment and connectivity solutions for commercial airlines in the U.S. and internationally	400.0	72.0	NA	NA	5.56x	NA
03/11/14	Global Digital Solutions Inc.	Remington Outdoor Company Inc.	Provides firearms, ammunition, and related products for law enforcement, military, and hunting markets in the U.S. and Canada	1,082.0	1,275.0	240.0	18.8%	0.85x	4.5x
03/11/14	United Tool & Die Company	Smith Brothers Machine Company	Provides precision computer numerical control milling and turning services for the aerospace industry	NA	NA	NA	NA	NA	NA
03/10/14	Senior plc	UPECA Technologies Sdn Bhd.	Provides high precision engineered components for the aerospace and energy sectors	125.7	52.1	12.3	23.6%	2.41x	10.2x
03/07/14	Rolls Royce Holdings plc	Rolls-Royce Power Systems AG	Manufactures and sells engines, propulsion systems, drive systems, industrial drives, and onsite energy systems worldwide	3,191.4	3,014.5	373.5	12.4%	1.06x	8.5x
03/06/14	TransDigm Group Incorporated	Elektro-Metall Export GmbH	Provides electromechanical actuators, electrical and electromechanical components and assemblies for commercial aircraft, helicopters, and other specialty applications	47.4	40.0	NA	NA	1.19x	NA
03/03/14	Cubic Corporation	Intific, Inc.	Provides software and game-based resources for modeling and simulation, training and education, cyberwar, and neuroscience applications	NA	14.0	NA	NA	NA	NA
02/27/14	Zodiac Aerospace	Pacific Precision Products Manufacturing	Manufactures oxygen systems for business jet aviation and aircraft cabin completion centers	NA	NA	NA	NA	NA	NA
02/25/14	TCR Capital	Alkan S.A.	Engages in the design, manufacture, and sale of carriage, release, and ejection systems for military aeronautics	NA	NA	NA	NA	NA	NA
02/25/14	Revision Military Inc.	Panacis Medical Inc.	Provides batteries and mobile power systems for defense, aerospace, medical, industrial, and consumer markets	NA	NA	NA	NA	NA	NA
02/24/14	RF Micro Devices Inc.	TriQuint Semiconductor, Inc.	Provides a portfolio of radio frequency solutions for defense, aerospace, mobile device, and networks infrastructure markets worldwide	1,514.6	892.9	92.2	10.3%	1.70x	16.4x
02/20/14	AIP Aerospace Tooling Group LLC	Brown Aerospace Manufacturing Systems, Inc.	Provides automated drilling and fastening systems for the aerospace industry	NA	NA	NA	NA	NA	NA
02/20/14	Star Navigation Systems Group Ltd.	LUXELL Limited	Develops and produces customized man machine interface and on-board computer systems for aerospace and defense customers worldwide	1.5	NA	NA	NA	NA	NA
02/19/14	Ultra Electronics Holdings plc	3Phoenix, Inc.	Provides sensor and processing systems, primarily for the U.S. Navy, focused on the areas of sonar, radar, intelligence, surveillance and reconnaissance	70.0	NA	NA	NA	NA	NA
02/19/14	MW Industries, Inc.	Futuristic Components, Inc.	Manufactures computer numerical control precision tuned components for defense, aerospace, microwave, and electronic industries	NA	NA	NA	NA	NA	NA
02/19/14	Advanced Helicopter Services	Cascade Airframe Repair, Inc.	Provides helicopter and American eurocopter maintenance and repair services	NA	NA	NA	NA	NA	NA

(1) Capital IQ, company filings, and KippsDeSanto & Co. research

**Select Recent Government Technology Solutions M&A<sup>(1)</sup>**  
(\$ in millions)

Announce Date	Buyer / Investor	Target	Target Description	EV	Revenue	EBITDA		EV / LTM	
						Margin	Revenue	EBITDA	EBITDA
05/06/14	Endgame, Inc.	Onyxware Corporation	Provides mobile security solutions to detect potentially compromised mobile devices connected to unsecured networks	NA	NA	NA	NA	NA	NA
05/06/14	FireEye, Inc.	nPulse Technologies	Provides network security flow and packet capture solutions for government agencies and financial institutions	\$70.0	NA	NA	NA	NA	NA
05/01/14	General Catalyst Partners	OGSystems	Provides data processing, exploitation, and dissemination solutions to defense and intelligence agencies	NA	NA	NA	NA	NA	NA
04/30/14	ManTech International Corporation	7Delta	Provides technology solutions to the U.S. Government, primarily to the VA through the T4 contract vehicle	NA	NA	NA	NA	NA	NA
04/29/14	Digital Management, Inc.	Pappas Group	Provides product and brand development solutions to commercial customers	NA	NA	NA	NA	NA	NA
04/23/14	Flatirons Solutions	CORENA	Provides document management and system integration solutions for the defense, aerospace, marine, rail, energy, and airlines industries	NA	NA	NA	NA	NA	NA
04/22/14	Jacobs Engineering	Verizon Federal Network Systems	Provides system integration and communication, IT, and data security solutions to the Intelligence Community, DoD, and other federal civilian agencies	NA	NA	NA	NA	NA	NA
04/22/14	The SI Organization, Inc.	QinetiQ (U.S. Services Division)	Provides technical services and solutions to customers in the global aerospace, defence, and security markets	165.0	\$742.1	NA	NA	0.22x	NA
04/21/14	The Parsons Corporation	Secure Mission Solutions ("SMS")	Provides integrated security consulting solutions to the DoD, Intelligence Community, and select civilian agencies	NA	NA	NA	NA	NA	NA
04/14/14	Public Consulting Group	Hubbert Systems Consulting	Provides strategic and operational management consulting services for the Department of Health and Human Services	NA	NA	NA	NA	NA	NA
03/25/14	Digital Management, Inc.	KnowledgePath Solutions	Provides solutions for Oracle Commerce implementations through custom software development, productized multichannel solution sets, and third party technology integrations	22.0	15.0	NA	NA	1.47x	NA
03/19/14	National Technical Systems	Wyle Laboratories	Provides environmental, dynamic, structural, EMI / EMC, fluid flow, and acoustics testing solutions, primarily serving the nuclear, space, and defense end markets	NA	NA	NA	NA	NA	NA
03/17/14	ICF International	CITYTECH	Consulting services provider focused on interactive media, mobile applications, cloud computing, and customer service management	NA	16.0	NA	NA	NA	NA
03/12/14	Lockheed Martin Corporation	Industrial Defender	Provider of cyber security solutions for control systems in the oil and gas, utility, and chemical industries	NA	NA	NA	NA	NA	NA
03/10/14	BRTRC	SecureForce	Engages in the design, development, procurement, implementation, testing, and O&M of mission-critical, enterprise IT, and communication systems	NA	NA	NA	NA	NA	NA
03/06/14	Constellis Group	Strategic Social	Provider of public safety technology, business consulting, and program management solutions to commercial and government customers	NA	NA	NA	NA	NA	NA
03/05/14	L-3 Communications	Data Tactics Corporation	Provider of Big Data analytics and cloud computing solution services, primarily to the DoD	NA	NA	NA	NA	NA	NA
03/03/14	Cubic Corporation	Intific, Inc.	Provides software and game-based resources for modeling and simulation, training and education, cyberwar, and neuroscience applications	NA	14.0	NA	NA	NA	NA
02/28/14	Fulcrum IT Services	Forgentum	Provider of application development, integrated systems engineering, managed services, and training	NA	NA	NA	NA	NA	NA
02/19/14	Tangible Security, Inc.	A&N Associates, Inc.	Provides information assurance and acquisition management services for defense, intelligence, and federal agencies	NA	NA	NA	NA	NA	NA
02/19/14	ManTech International Corporation	Allied Technology Group	Provides information technology, engineering services, program management, and training solutions	NA	NA	NA	NA	NA	NA
02/18/14	Camber Corporation	Avaya Government Solutions	Provides communications systems, applications, and services to federal, state, and local governments in the U.S., offering contact center hardware, software, and services	100.0	NA	NA	NA	NA	NA
02/10/14	Acentia, LLC	Business Computer Applications, Inc.	Develops health IT solutions for the healthcare industry and public health infrastructure	NA	NA	NA	NA	NA	NA
02/10/14	Sapient Corporation	OnPoint Consulting, Inc.	OnPoint Consulting, Inc. provides technology and management consulting services to Federal clients in the U.S.	NA	NA	NA	NA	NA	NA

(1) Capital IQ, company filings, and KippsDeSanto & Co. research


Select Recent KippsDeSanto & Co. Advised Transactions




*has been acquired by*



May 2014



*has been acquired by*



April 2014



*has been acquired by*



March 2014



*has been acquired by*



February 2014



*was acquired by an entity controlled by*

**Innovative Capital Holdings**

January 2014



*has been acquired by*



January 2014



*has been acquired by*



January 2014



*a portfolio company of*



*has been acquired by*



*a portfolio company of*

Vance Street | Capital LLC

December 2013



*has been acquired by the management of*

**BAI, Inc.**

October 2013



*has been acquired by*

**Accenture**

September 2013



*has acquired*



*a United Technologies Corp. business*

April 2013



*has been acquired by*

**COLUMBIA CAPITAL**

*and*



December 2012

## **About KippsDeSanto & Co.**

KippsDeSanto is an investment banking firm focused on delivering M&A and financing expertise. Our solutions are focused on the sectors we know – Aerospace / Defense and Technology Solutions. We are recognized for our depth of industry experience, knowledge of sector-specific transaction drivers, and long-standing relationships with industry participants.

We welcome the opportunity to have a more detailed discussion of developments in our focus industries. For more information, please contact us:

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