

# MarketView

## Summer 2014

### Aerospace / Defense and Government Technology Solutions



**Kipps DeSanto**   
INVESTMENT BANKING

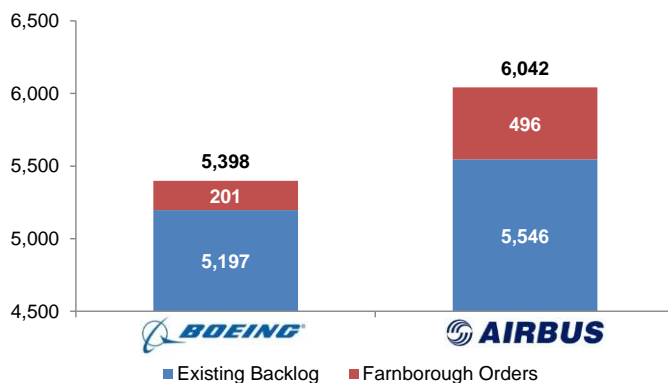
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## Operational / Funding Environment

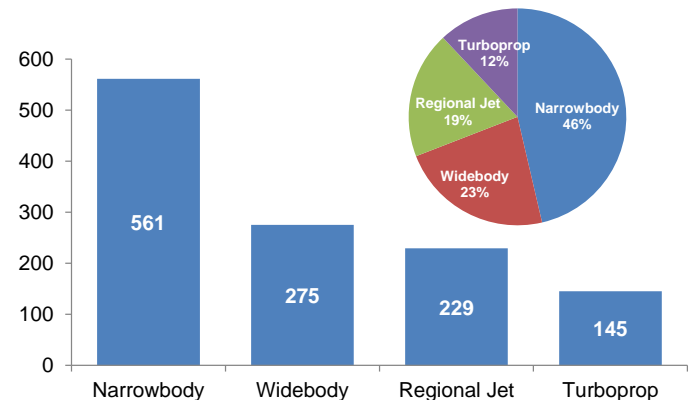
The Farnborough International Air Show, held in July, showcased a robust order environment for commercial airplane manufacturers. Boeing and Airbus secured a total of \$115.5 billion in new orders to pad their already large backlogs. Ultimately, Airbus outperformed Boeing with respect to total purchase orders, having confirmed deals for 496 aircraft valued at \$75.3 billion, while Boeing received 201 aircraft orders valued at \$40.2 billion. This year was by far the largest Farnborough Show in Airbus' history, both in terms of dollar value and number of aircraft. On the first day of the event, Airbus announced the long-anticipated launch of its A330neo wide-body, twin-aisle jet, fortifying its position in the medium-sized wide-body market. Customers placed a total of 121 orders worth \$33.2 billion for the A330neo following the launch announcement. Among narrow-body orders, Airbus' A320 family generated an impressive 363 commitments worth \$39.0 billion. Boeing's orders were also dominated by single-aisle planes, with the 737 tallying 123 of its orders. Bombardier also performed well in this segment, with its CSeries receiving 66 order commitments despite a recent engine-related incident that has grounded flights of the aircraft for over two months.

Although large order books and high production rates are the norm in the aftermath of the Farnborough Air Show, there are a number of potential risks still facing the industry. Low orders for undersold models could likely result in decreased production rates and reduced earnings forecasts, potentially initiating a shift towards the downside of the commercial aerospace cycle. Furthermore, the U.S. commercial aerospace industry relies heavily on the support and financing of the Export Import Bank of the United States ("Ex-Im Bank") to remain competitive internationally. The charter for Ex-Im Bank expires on September 30<sup>th</sup> and is currently up for reauthorization, although the latest signs point to Congress re-upping Ex-Im's charter.

**Airbus and Boeing Commercial Aircraft Backlogs<sup>(1)</sup>**



**2014 Farnborough International Air Show Orders by Type<sup>(1)</sup>**

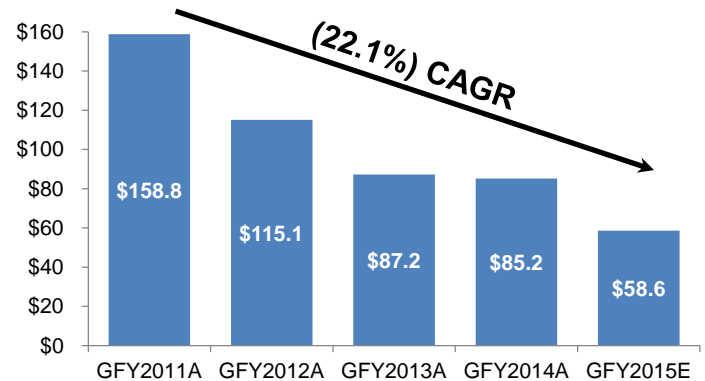


From a defense perspective, the absence of the F-35 Joint Strike Fighter at Farnborough was yet again a disappointment for the world's largest military procurement project. Opponents of the aircraft have argued the program is too complex, expensive, and problematic. The aircraft's visit to Farnborough had been doubtful since an F-35 engine fire in June grounded all flights by the aircraft for nearly a month. Despite a growing list of criticisms and complaints, the Department of Defense ("DoD") remains committed to the F-35 program.

With respect to the budget, the Obama Administration submitted an updated GFY2015 budget request of \$58.6 billion in Overseas Contingency Operations ("OCO"), which is roughly \$20 billion less than the original request's OCO "placeholder" and is in line with the Administration's commitment to a \$450 billion cap on government-wide OCO funding through GFY2021. It is also consistent with plans to bring the U.S. war in Afghanistan to an end, while ensuring Armed Forces have the necessary resources to respond to emerging threats around the world. However, future access to these funds remains uncertain given plans to wind down operations in the Middle East. Troop levels in Afghanistan are projected to decline from 9,800 in 2015 to around 1,000 beyond 2016, while the number of active-duty troops is expected to drop from 522,000 to

**Historical and Projected OCO Funding<sup>(2)</sup>**

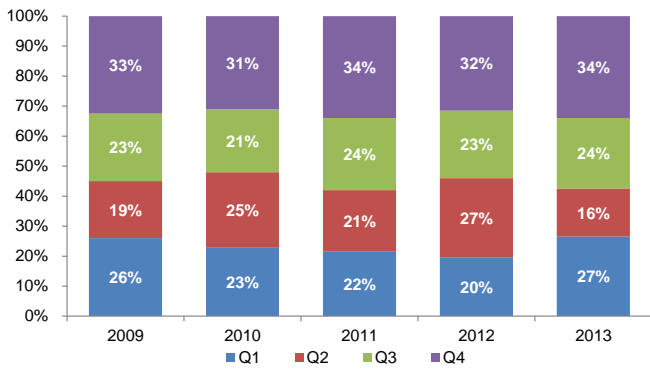
For the GFY Ended and Ending September 30, 2011 - 2015  
 (\$ in billions)



(1) Company press releases  
 (2) Department of Defense

440,000. Consequently, the President's war budget has been criticized as a request for funds in excess of actual funding needs tied to operations in Iraq and Afghanistan. Some analysts argue that the Pentagon sees the OCO budget as a means to circumvent base budget spending caps set by the Budget Control Act ("BCA") as the OCO request comes in addition to the Defense Department's \$496 billion GFY2015 base budget request. Regardless, experts expect OCO funding will likely receive approval following minor adjustments.

**Average Percentage of Federal Spending per Quarter<sup>(1)</sup>**  
 For Government Fiscal Years Ended September 2009-2013



With the passage of the Bipartisan Budget Act ("BBA") of 2013 and the Consolidated Appropriations Act of 2014 ("CAA"), sequester-led funding constraints have yielded to improved levels of civilian contract spending. In 2Q14, civilian contract spending increased 57% over GFY2014 1Q, given agencies' improved visibility into funding levels. As a result of greater funding visibility, the YTD period of GFY2014 experienced heightened solicitation activity, which increased approximately 60% over comparable GFY2013 levels. Additionally, current funding levels and historical spending trends may signal to contractors that improved award and spending activity is likely to continue in GFY2014 Q4. Historically, Federal Information Technology ("IT") and professional services customers have spent approximately 35% - 40% of respective funds in GFY4Q, indicating the

potential for an upcoming surge in award activity. In parallel, although funding levels have increased, Federal IT customers are increasingly obligating funds for shorter periods of time in order to maintain financial flexibility. With the exception of a handful of priority market areas (e.g., health IT ("HIT"), cloud, and cybersecurity), contractors are likely to see smaller increments of funding, but on a more frequent basis.



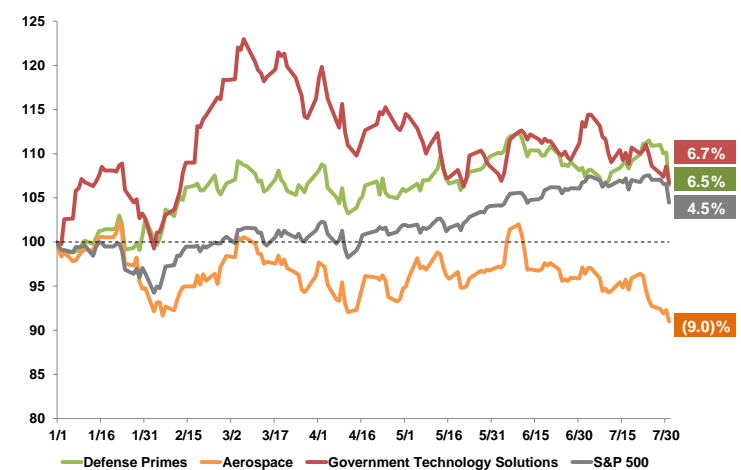
## Capital Markets and Public Market Valuation Trends

Shares of publicly-traded aerospace and defense companies experienced relatively different trends in the Year-to-Date ("YTD") period ending July 31, 2014. Although key factors contributing to the share performance differed by sector, the core themes remained the same, as investors continued to focus on how companies rebound and react to perceived risk from an improved contracting environment from 2013 and first half financial performance. Within the defense sector, as the recent GFY2015 budget request mitigates some of the overall budget uncertainty, investors have grasped onto strong company performance in the first half, despite a broader declining funding profile. Although the aerospace sector closes out on a financially stable first half, additional risk and uncertainty persists as focus now shifts to the second half of the year.

Defense stocks continued their positive growth and rebound, as shares outperformed the market and are up 6.5% YTD. The overall contracting environment has seen an increase in activity – specifically with larger multi-billion dollar contract awards – to generate clearer perceived long-term revenue visibility. These "blockbuster" contract awards signify a healthier defense sector, and share prices have reacted accordingly. For example, Northrop Grumman (up 7.6% YTD) was awarded a \$3.6 billion contract to build 25 Hawkeye aircraft, while Lockheed Martin (up 12.3% YTD) was awarded a \$1.9 billion contract to complete missile warning satellites for the Air Force. Although some defense primes' financial performance has declined over the last year as a reflection of the broader market declining as a whole, the sector continued its rebound and has performed well relative to expectations, representing a positive contributor to investor confidence. For example, while General Dynamics (up 22.2% YTD) experienced a 5.5% decline in revenue from the same period last year, the company still demonstrated a 3.9% increase in earnings per share and subsequently outperformed earnings estimates by 6.2%.

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

YTD as of July 31, 2014



(1) Delttek

(2) S&P Capital IQ and KippsDeSanto research

Faced with pervasive investor uncertainty, aerospace shares have not performed as well relative to the market and are down 9.0% YTD as the sector continues to come down from previous cyclical highs. Investors are placing greater emphasis on the sector's cyclical characteristics as the current period has shown potential for downside risk with increased cancellations and financing risk. After reaching lows during the recession period, commercial aerospace companies had a large run-up in shares for four years from 2009 through 2013, and valuations still significantly exceed defense companies' on an EV / EBITDA basis. However, there have recently been some headwinds as net order flow has not been as robust and there have been some notable cancellations, including Lion Air's cancellation of five Boeing 787 Dreamliners worth approximately \$1 billion. Thus, although the sector's long-term prospects remain highly optimistic, as exemplified by large backlogs and Boeing's market forecast of 36,770 new aircraft (valued at approximately \$5.2 trillion) entering the market by 2033, general skepticism exists around the sector's ability to keep pace with record production rates, while maintaining consistent order activity.<sup>(3)</sup> While financial performance within the sector was generally positive, as shown above, emphasis remained on the sector's cyclical nature and companies' ability to respond to the perceived risk. For example, although Precision Castparts (down 15.0% YTD) has grown over the last year, the company still announced revenue below analyst estimates, due to softer sales within its castings and forged products line, and the company missed earnings estimates by 0.9%. An increase in operational activity, specifically strategic reorganizations, also affected share prices. Immediately following B/E Aerospace's announcement to split operations into two publicly-traded companies, shares fell 4.8% and the company is down 2.2% YTD. Bombardier received a similar reception as its shares fell 4.1% immediately after it announced plans to restructure its organization into four unique divisions, and the company is down 19.1% YTD.

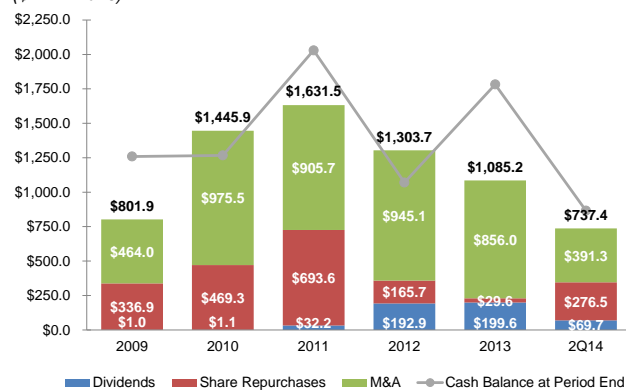
**Aerospace and Defense Organic Revenue and EPS Growth<sup>(1)</sup>**

Most Recent Fiscal Quarters Year-over-Year  
(\$ in millions, except EPS)

	Organic Revenue Growth	EPS Growth
<b>Defense</b>		
BAE Systems (1H14)	(9.9%) <sup>(2)</sup>	12.6%
General Dynamics	(5.5%) <sup>(2)</sup>	3.9%
Lockheed Martin	(0.9%) <sup>(2)</sup>	4.5%
Northrop Grumman	(4.1%)	15.6%
Raytheon	(6.8%)	(3.0%)
<b>Defense Median</b>	<b>(5.5%)</b>	<b>4.5%</b>
<b>Commercial Aerospace</b>		
AAR	(8.7%) <sup>(2)</sup>	(13.0%)
B/E Aerospace	16.8%	27.0%
HEICO	15.0%	16.5%
Precision Castparts	4.0%	15.3%
Spirit Aerosystems	18.6%	40.3%
Transdigm Group	6.9%	7.5%
Triumph Group	(5.7%)	(17.3%)
<b>Commercial Aerospace Median</b>	<b>6.9%</b>	<b>15.3%</b>

**Technology Solutions Contractors Cash Deployment<sup>(1)</sup>**

For Years Ended September 2009-2013 and 2Q14  
(\$ in millions)



increase in quarterly cash dividends, payable in August. Booz Allen Hamilton recently issued both a special dividend and quarterly dividend given its strong cash position, and Leidos continues to communicate its desire to maintain / raise quarterly dividends, citing this as its top priority for cash deployment. Additionally, SAIC announced its intent to amplify its buy-back program throughout the remainder of the calendar year; since December 2013, the company has repurchased approximately 2% of its outstanding shares. Leidos also deployed approximately \$514 million to reduce its share count over the last two quarters, leading to a 7% 1Q15 year-over-year reduction in the average share count – estimated to be a 9% reduction in the company's outstanding shares in FY2015. ICF International repurchased approximately 15,000 shares in 1Q14 and expects to continue repurchases throughout the remainder of the year. With improved cash positions and attractive lending markets, companies also have greater capacity to consider M&A transactions. For example, ManTech International has used its healthy cash position to acquire Allied Technology Group and 7Delta Inc.<sup>(4)</sup> With this strategic move, ManTech will deliver services and drive shareholder value through three purchased Indefinite Delivery, Indefinite Quantity ("IDIQ") contracts with a combined ceiling value of ~\$45 billion.

(1) S&P Capital IQ, company filings, and KippsDeSanto Research  
 (2) Organic revenue growth not available, values represent total revenue growth  
 (3) Boeing Current Market Outlook 2014-2033  
 (4) KippsDeSanto & Co. acted as financial advisor to 7Delta, Inc.



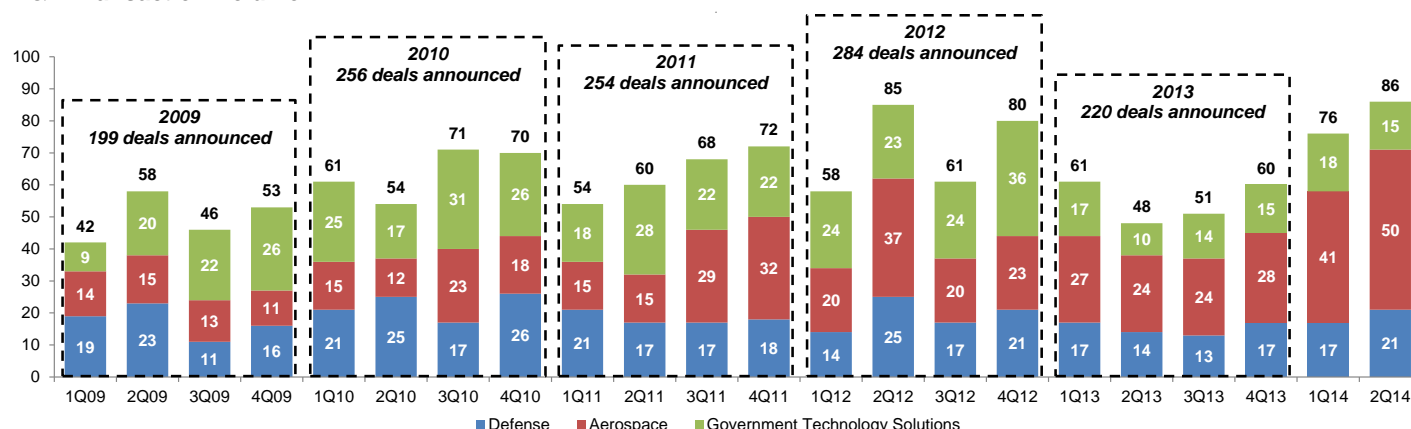
## M&A Trends and Activity

M&A activity in both the commercial aerospace and defense sectors has picked up significantly in 2014, signaling a return to historic levels after a slowdown in 2013. In the first half of 2014, 129 deals were announced, as compared with 82 deals during the first half of 2013. Of particular note, 2Q14 witnessed 71 deals, significantly higher than 2Q13 which only saw 38 deals. Aerospace deals have been the overwhelming majority announced this year; however, defense M&A activity continues to show signs of rebound as the sector moves towards a healthier environment following recent budget clarity.

Another sign of improving M&A activity is reflected in the six deals greater than \$1 billion in enterprise value within the first half of 2014, as compared to only three such deals in all of 2013. Notably, Alcoa, Inc. announced it will acquire Firth Rixson Limited, a manufacturer of forgings and metal products to OEMs serving the aero-engine and structural components aerospace industry, in a deal worth approximately \$2.85 billion and implying a 2.85x revenue multiple. Another notable example of these large scale deals is Analog Devices, Inc.'s plans to acquire Hittite Microwave Corporation, a manufacturer of high performance integrated circuits and subsystems for a variety of markets, in a deal valued at \$1.95 billion and implying revenue and Earnings Before Interest Taxes Depreciation and Amortization ("EBITDA") multiples of 7.06x and 16.7x, respectively.

A third measure of health in the industry lies in the financial sponsor activity within aerospace and defense markets. For example, Moelis Capital Partners acquired PATS Aircraft Systems, a provider of aircraft services and components to OEMs and airline operators, while Blue Point Capital Partners, through Selmet, Inc., acquired Onamac Industries, Inc., a manufacturer of machined components for various parts within an aircraft. Terms of both deals were not disclosed. This strong private equity activity has coincided with very robust debt market conditions, which have seen generous leverage levels and eased covenant terms from lenders.

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



The aerospace sector saw a significant number of deals, doubling year-over-year with 50 deals in 2Q14 as the multitude of consolidation deals are reflective of increased production rates and record backlogs. Both Boeing's and Airbus' large order books signal strong economic growth and increased confidence in M&A activity. The current environment has witnessed aerospace M&A deals command higher premiums, encouraging small to medium size players to sell instead of invest. Large players such as GKN PLC have publicly voiced interest in purchasing manufacturing and components companies in order to boost commercial aerospace revenues. Also indicative of the healthy aerospace M&A environment, it was rumored that United Technologies Corporation will prepare a bid of approximately \$8.6 billion to acquire Meggitt PLC, a U.K.-listed manufacturer of components and subsystems for aerospace / defense markets worldwide. Looking forward, activity within the sector is likely to remain strong, but not quite at the same levels seen in the first half of 2014, which have been much more active than even the busiest times pre-Recession. Coming off of cyclical highs as growth expectations moderate, there will also likely be some valuation headwinds in the commercial aerospace M&A environment.

M&A has seen an incremental rise in the defense sector, as 2Q14's 21 transactions were the highest quarterly deal count since 4Q12, suggesting momentum in an otherwise bearish sector. Increased certainty and specificity around budgets is likely a strong contributor to this pickup, as buyers who have remained on the sidelines in recent months have returned their focus to M&A as a catalyst for growth. One recent example is Cobham plc's \$1.4 billion acquisition of Aeroflex Holding Corporation, a provider of radio frequency and microwave integrated circuits used in high-performance defense and aerospace equipment, representing revenue and EBITDA multiples of 2.24x and 11.7x,

(1) S&P Capital IQ, company filings, and KippsDeSanto Research

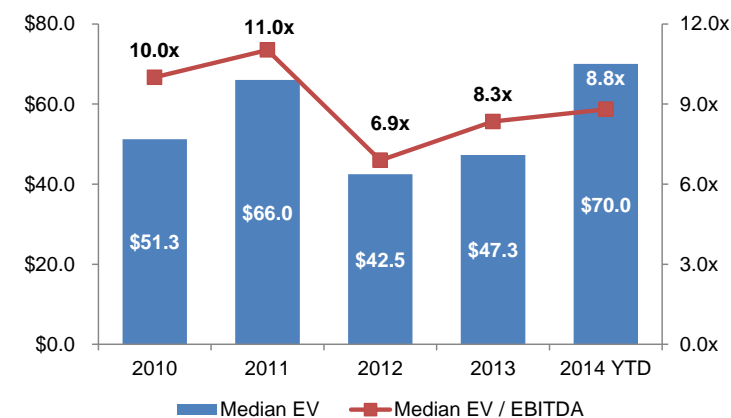
respectively. Defense contractors still face market vulnerability moving into the second half of the year and could likely seek acquisitions to foster long-term growth.

For Government Technology Solutions, 2Q14 displayed a slight improvement in deal activity over 2Q13, with 17 transactions announced in 2Q14 compared to 14 transactions in 2Q13; however, M&A activity remains subdued in comparison to historical norms as buyers remain increasingly selective in their evaluation of target companies. That said, select markets have experienced much stronger deal flow as buyers attempt to align their businesses with broader budget priorities. This trend has been particularly noticeable in the national intelligence sector, in which 14 transactions have been announced YTD, a 40% increase over the same period in 2013. Intelligence deals have comprised 34% of all announced transactions in 2014, which is at the higher end of historical trends for the sector. Recent examples include Lockheed Martin's acquisition of Zeta Associates, a provider of data collection, processing, and exploitation capabilities to defense and intelligence agencies, and Noblis' acquisition of National Security Partners, a provider of strategic consulting and technology development solutions, primarily to agencies with the U.S. Intelligence Community ("IC").

There are a few emerging trends pointing towards greater deal flow in the latter half of 2014, and into 2015. As previously mentioned, improved cash positions and attractive financing markets have given Government Technology Solutions companies greater capacity to deploy capital. While share repurchases and dividends have remained a strategic part of capital deployment initiatives in recent years, M&A has been an increasing focus among contractors seeking to enhance long-term growth prospects, particularly in a budget constrained environment where organic growth remains difficult to achieve. Since 2012, both the median EV and median EV / EBITDA multiples of announced transactions have experienced a positive trend, illustrating a more robust appetite to purchase larger deals at higher multiples in order to acquire strategic capabilities, contract vehicles, and end-markets, and generate long-term shareholder value. The increase in median deal size and transactions multiples reflects a broader shift in the Government Technology Solutions sector, away from smaller, niche-focused deals, towards larger transactions designed to enhance size and scale. Additionally, generally positive investor sentiment to recent acquisition announcements underscores investor approval of such acquisitive growth strategies. Most recently, AECOM's stock rose 11.5% in the week following its announcement of a \$6.1 billion merger with URS, allowing AECOM to enhance its construction capabilities and expand in key end-markets. As Government Technology Solutions companies realize the cash flow benefits of cost reduction initiatives, and investors continue to reward companies with M&A-focused growth strategies, acquisition activity within the Government Technology Solutions space is expected to experience continued improvement.

**Median Deal Value and Transaction Multiples<sup>(1)</sup>**

*For Fiscal Years Ended December 2010-2013, and YTD July 31, 2014*




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(1) S&P Capital IQ, company filings, and KippsDeSanto research

## Defense Update

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

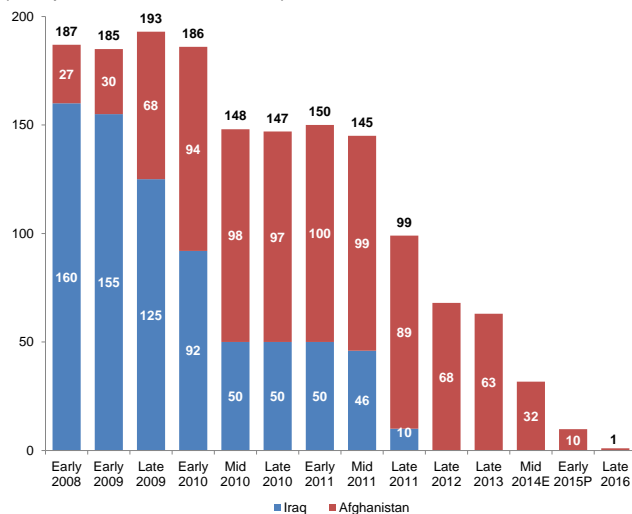
Defense	EPS (Latest Quarter Releases)			EPS Growth Y / Y
	Est.	Actual	Beat / (Miss)	
<b>GENERAL DYNAMICS</b> 2Q14: 06/30/14	\$1.77	\$1.88	6.2%	3.9%
 2Q14: 06/30/14	2.01	1.96	(2.7%)	(3.4%)
<b>LOCKHEED MARTIN</b> 2Q14: 06/30/14	2.66	2.76	3.9%	4.5%
<b>NORTHROP GRUMMAN</b> 2Q14: 06/30/14	2.22	2.37	6.9%	15.6%
<b>Raytheon</b> 2Q14: 06/30/14	1.59	1.59	0.3%	(3.0%)
<b>TELEDYNE TECHNOLOGIES</b> 2Q14: 06/30/14	1.26	1.47	16.5%	30.1%

### DEFENSE EARNINGS REVIEW: CLARITY LEADS TO INVESTOR CONFIDENCE

Public defense firms posted strong earnings as the budget and contracting environment continued their rebounds to more consistent levels with improved revenue visibility. As a result, large defense contractors are showing improved growth in year-over-year earnings in their first complete quarter of future budget certainty following the GFY2015 request in March. Teledyne Technologies posted strong earnings of \$1.47 per share as a result of record sales to marine and offshore energy markets, ongoing cost reduction efforts, and improved sales of higher-margin product offerings. Northrop Grumman's revitalized focus on portfolio alignment and improved performance from its Information Systems segment helped push earnings to \$2.37 per share, beating consensus analyst estimates by 6.9% for the quarter.

### U.S. Troop Levels in Iraq and Afghanistan<sup>(2)</sup>

(Troop numbers in thousands)



### TROOPS TO RETURN HOME: OBAMA ANNOUNCES AFGHANISTAN TROOP REDUCTION

President Obama announced plans for troop withdrawals from Afghanistan in a campaign that calls for a reduction to 9,800 troops by the end of 2014, 4,900 troops by the end of 2015, and fewer than 1,000 troops by the end of 2016. The remaining American forces will be responsible for training the Afghan military, protecting the U.S. embassy in Kabul, and taking part in counter-terrorism efforts throughout the region. Currently, there are approximately 31,700 troops in the region, down from a high of 185,000 in 2009. Critics, however, have been quick to point to escalating chaos in Iraq and the instability caused by U.S. withdrawal from that country as the Islamic State of Iraq and Syria has caused violence and unrest in the region. Most recently, U.S. forces responded with a series of airstrikes on militants in the area. Additionally, decreased troop levels will make decisions on OCO funding even more complicated in the future.

### Timeline of A-10 Fleet Developments<sup>(2)</sup>



#### February 2012

Air Force proposes disbanding five A-10 squadrons in its budget request



#### August 2013 / September 2013

Congress and the Air Force examine proposals to fill the A-10's role; Pentagon announces fleet will likely be cut



#### January / February 2014

Senator Kelly Ayotte (R-NH) leads push against the retirement of the A-10; retirement put on hold



#### February / March 2014

FY2015 budget request does not include funding for the A-10 and includes plans to retire the fleet over the next five years



#### June 2014

Amendments to the 2015 National Defense Authorization Act prohibit the retirement of the A-10, calling for additional studies







### CONGRESS POSTPONES RETIREMENT OF THE A-10 AIRCRAFT FLEET

Adding another chapter to the A-10's turbulent history (dating back to early 2012), new amendments to the 2015 NDAA have prohibited the Pentagon's retirement of the entire A-10 aircraft fleet. Originally, the proposed move was an attempt to save \$3.7 billion by replacing the missions of the popular, but aging aircraft with multi-dimensional platforms; this met staunch opposition led by Senator Kelly Ayotte (R-NH). Air Force Secretary Deborah Lee James and many other Air Force generals have cited the A-10's niche capabilities as a single-mission aircraft as the main factor behind its push towards retirement, and the Pentagon has made clear its intentions to transition toward more versatile multi-mission platforms, like the highly anticipated, multi-purpose F-35. Currently, the A-10 fleet's final fate will not be decided until the U.S. Comptroller General makes multiple certifications and completes studies on the overall impact of retirement as a result of the new amendments to the NDAA.

(1) S&P Capital IQ, company filings, and KippsDeSanto research  
 (2) DoD and KippsDeSanto research

## Aerospace Update

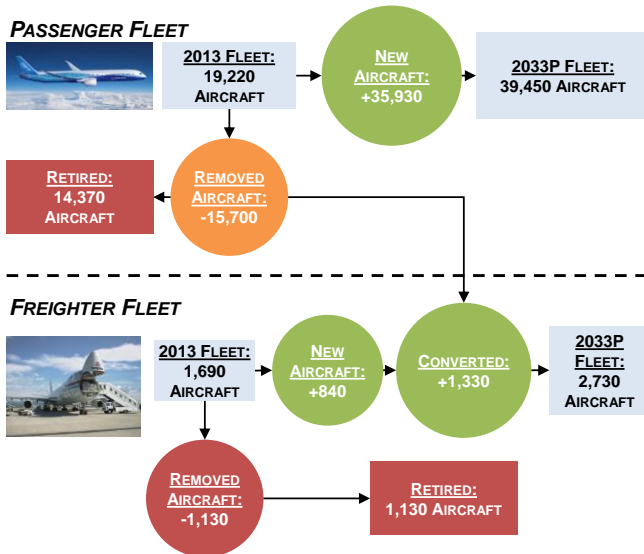
### Aerospace Earnings Update<sup>(1)</sup>

Aerospace	EPS (Latest Quarter Releases)			EPS Growth Y / Y
	Est.	Actual	Beat / (Miss)	
 2Q14: 06/30/14	\$1.07	\$1.13	5.4%	27.0%
 2Q14: 06/30/14	1.99	2.42	21.5%	44.9%
 2Q14: 06/30/14	0.55	0.55	0.8%	14.6%
 3Q14: 06/30/14	1.04	1.08	3.9%	20.0%
 3Q14: 06/30/14	1.17	1.19	1.6%	(0.8%)
 2Q14: 06/30/14	1.75	1.84	5.4%	11.5%

### AEROSPACE EARNINGS REVIEW: SMOOTH FLYING INTO SECOND HALF

Aerospace companies continued their trend of strong earnings into the second quarter. Supported in large part by a successful Farnborough Air Show and a year of record production numbers, the aerospace sector in aggregate seems to be in solid position. However, some analysts warn this prolonged period of positive performance may not be capable of lasting much longer. Boeing reported strong earnings of \$2.42 per share, beating analyst estimates by over 21% despite unforeseen costs associated with wiring trouble in the development of the KC-46A fleet. United Technologies also reported strong earnings as general restructuring costs were offset by intensified focus on execution in core markets, pushing earnings past estimates by more than 5% to \$1.84 per share.

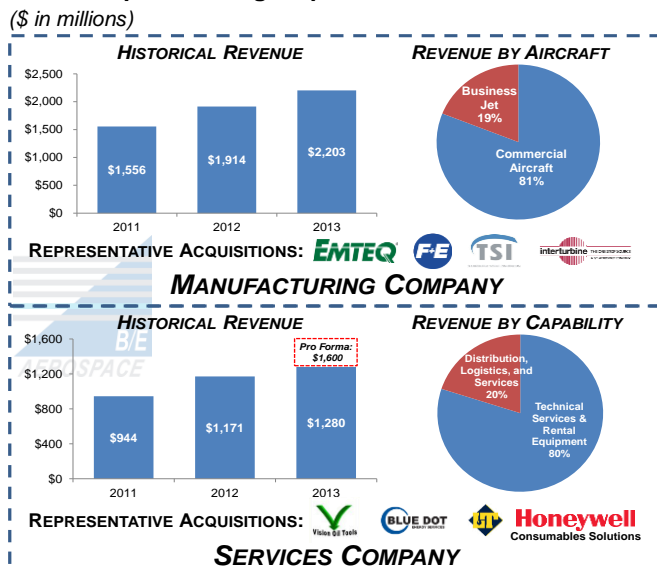
### Boeing's Commercial Aircraft Forecast<sup>(2)</sup>



### BOEING RELEASES POSITIVE CURRENT MARKET OUTLOOK

Boeing released its annual "Current Market Outlook", a 20-year forecast of global aerospace industry trends. The major developments involve global fleet growth, an emergent focus on growth of single-aisle aircraft, and a significant geographic shift in the market. Looking ahead to 2033, Boeing predicts 3.2% annual growth in global GDP, driving annual passenger and cargo plane traffic growth 5.0% and 4.7%, respectively. Healthy, sustained growth is projected to lead to long-term demand for 36,770 new aircraft, valued at \$5.2 trillion. Notably, single-aisle aircraft comprise 70% of the new aircraft growth, representing the continued shift in demand for smaller aircraft in the long-term. Of the total deliveries in the forecast period, 42% are expected to replace aging aircraft, while 58% will contribute to global fleet growth, stimulating expansion in emerging markets. Specifically, Asia-Pacific air travel is expected to grow at 6.3% annually over the forecast period, driving global air travel growth of 5.0% annually.

### B/E Aerospace Strategic Split Overview<sup>(1)</sup>



### B / E AEROSPACE SPLITS INTO TWO SEPARATE COMPANIES

Following an announcement to undergo an aggressive revision of potential strategic alternatives, B/E Aerospace announced plans to split its operations into two independent, publicly traded companies. The split represents a continued shift towards concentration on the Company's core capabilities and increasing value for shareholders. Investors did not immediately appreciate the move, sending shares down 5% following the announcement. The proposed manufacturing spin-off, which contributed revenue of approximately \$2.2 billion in 2013, will focus on the production of aircraft cabin interior equipment, bolstered by recent acquisitions of EMTEQ, Inc. and Fischer+Entwicklungen GmbH & Co. The anticipated services spin-off will offer logistical and technical services to aerospace and oil and gas markets, posting pro forma revenue of approximately \$1.6 billion for 2013 including recent acquisitions.

(1) S&P Capital IQ, company filings, and KippsDeSanto research  
 (2) Boeing Current Market Outlook 2014-2033



## 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 1Q15: 06/30/14	0.42	\$0.50	19.7%	22.0%
<b>ENGILITY</b> 2Q14: 06/30/14	0.67	0.83	23.3%	3.7%
<b>ICF</b> 2Q14: 06/30/14	0.58	0.57	(1.0%)	11.8%
<b>KEYW</b> 2Q14: 06/30/14	(0.03)	(0.05)	(14.3%)	(25.0%)
<b>leidos</b> 1Q15: 05/02/14	0.54	0.60	11.1%	NA
<b>ManTech</b> 2Q14: 06/30/14	0.24	0.38	56.3%	(30.6%)
<b>nci</b> 2Q14: 06/30/14	0.14	0.18	33.3%	20.0%
<b>SAIC</b> 1Q15: 05/02/14	0.67	0.69	3.0%	NA

### INCREASED SOLICITATION ACTIVITY PROVIDES OPTIMISM FOR GFY2014 4Q AWARDS

Increased solicitation activity in GFY2014 2Q has provided a sense of optimism for Government Technology Solutions contractors. Companies such as Booz Allen and ManTech noted lower levels of award activity through the YTD period, but stated their expectation of a surge in awards during GFY2014 4Q as a result of higher Bid and Proposal (“B&P”) activity in GFY2014 2Q. Despite lower award activity, most Government Technology Solutions companies exceeded Wall Street earnings estimates. Engility beat expectations by 23.3% and raised 2014 guidance for revenue and EPS by 7% on the basis of their pipeline and strategic pursuit of key contracts and programs despite lower Federal award activity. Similarly, Leidos incurred a 17% revenue contraction due to lower award activity, but surpassed expectations by 11.1% through cost saving and portfolio shaping initiatives.

### Select High-Value HIT Contract Vehicles<sup>(1)</sup>

#### HHS, NIH, NITAAC - CIO-CS\*

Anticipated Ceiling Value: \$20 billion  
 Duration: 10 years  
 Type: IDIQ

\*Department of Health and Human Services (“HHS”), National Institute of Health (“NIH”), National Institutes of Health Information Technology Acquisition and Assessment Center (“NITAAC”) – Chief Information Officer – Commodities and Solutions (“CIO-CS”)



### HIT REMAINS STRATEGICALLY ALIGNED WITH BROADER BUDGET AND SPENDING PRIORITIES

Continued award of high-value vehicles in the HIT marketplace illustrates the segment remains a key priority, even as budget uncertainty has placed downward pressure on overall IT spending. Recently, the Center for Medicare and Medicaid Services (“CMS”) awarded Research Management Assessment Design and Analysis (“RMADA”), a \$7 billion IDIQ intended for more efficient payment and service delivery models for Federal health programs. Additionally, the DoD released the third revision of DoD Healthcare Management System Modernization (“DHMSM”), an \$11 billion contract opportunity that will integrate Electronic Health Records (“EHR”) in healthcare facilities worldwide. Furthermore, ASM Research was awarded a three-year, \$162 million VA contract to improve patient health record information. These types of opportunities demonstrate requirements for high-end IT solutions and services within the Federal health market.

DoD - DHMSM	CMS - RMADA	VA - VistA
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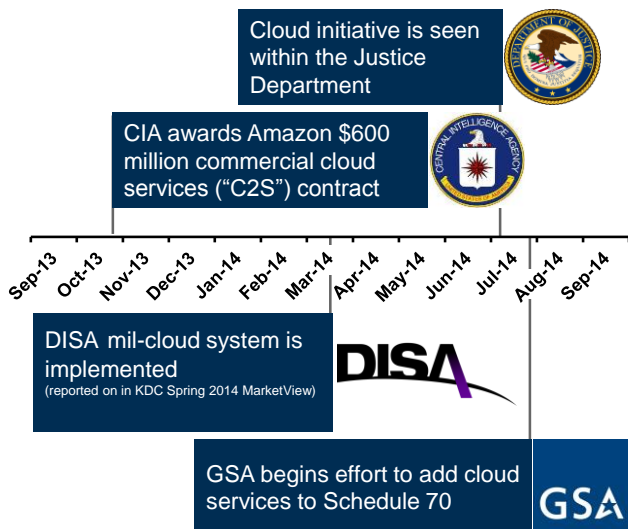
Anticipated Ceiling Value: \$11 billion  
 Duration: 8 years  
 Type: IDIQ

Ceiling Value: \$7 billion  
 Duration: 5 years  
 Type: IDIQ

Ceiling Value: \$162 million  
 Duration: 3 years  
 Type: IDIQ



### Timeline of Cloud Initiatives in Federal Space<sup>(1)</sup>



### CLOUD SOLUTIONS GAIN FURTHER TRACTION WITHIN FEDERAL AGENCIES

Since the adoption of the milCloud network in late 2Q14, specialized cloud solutions have gained traction in several government agencies. In particular, the Drug Enforcement Administration (“DEA”) anticipates the procurement of a secure cloud system for sensitive geographic data as a way to pinpoint criminal activity. The DEA’s announcement is part of a larger cloud initiative within the Justice Department, as it relates to criminal records, fingerprints, and other biometric data. Additionally, the General Services Administration (“GSA”) announced its effort to facilitate the purchase of cloud services by all Federal agencies through its IT Schedule 70 vehicle. The GSA’s statement highlights continued focus on the procurement of cloud capabilities and may indicate an even more robust market for cloud solutions over the near-term.

(1) S&P Capital IQ, company filings, and KippsDeSanto research

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

<u>Defense Primes</u>	Stock Price 07/31/14	% 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	\$120.48	83.3%	\$86,819	\$84,541	\$89,613	\$9,308	10.4%	\$93,644	\$10,463	11.2%	0.94x	9.1x	0.90x	8.1x
Lockheed Martin	166.97	97.4%	52,694	55,427	44,834	6,621	14.8%	44,530	6,769	15.2%	1.24x	8.4x	1.24x	8.2x
General Dynamics	116.77	95.6%	39,038	39,107	30,246	4,322	14.3%	30,644	4,447	14.5%	1.29x	9.0x	1.28x	8.8x
Raytheon	90.77	88.7%	28,204	28,930	22,734	3,659	16.1%	22,327	4,024	18.0%	1.27x	7.9x	1.30x	7.2x
Northrop Grumman	123.27	96.0%	25,633	28,086	23,709	3,684	15.5%	23,165	3,673	15.9%	1.18x	7.6x	1.21x	7.6x
BAE Systems	7.22	90.8%	22,799	24,766	28,553	3,584	12.6%	28,304	3,615	12.8%	0.87x	6.9x	0.88x	6.9x
<b>Median</b>		<b>93.2%</b>	<b>\$33,621</b>	<b>\$34,019</b>	<b>\$29,399</b>	<b>\$4,003</b>	<b>14.5%</b>	<b>\$29,474</b>	<b>\$4,236</b>	<b>14.9%</b>	<b>1.21x</b>	<b>8.1x</b>	<b>1.23x</b>	<b>7.9x</b>

<u>Defense Systems</u>	Stock Price 07/31/14	% 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	\$58.75	80.4%	\$24,466	\$27,746	\$20,604	\$3,533	17.1%	\$21,670	\$3,915	18.1%	1.35x	7.9x	1.28x	7.1x
Rockwell Collins	73.27	87.2%	9,899	11,973	5,110	1,195	23.4%	5,367	1,272	23.7%	2.34x	10.0x	2.23x	9.4x
L-3 Communications	104.96	82.5%	9,051	12,765	12,132	1,422	11.7%	11,949	1,489	12.5%	1.05x	9.0x	1.07x	8.6x
Cobham	4.94	88.9%	5,575	6,113	3,062	673	22.0%	3,563	775	21.8%	2.00x	9.1x	1.72x	7.9x
FLIR	33.28	88.9%	4,713	4,492	1,511	325	21.5%	1,608	382	23.8%	2.97x	13.8x	2.79x	11.8x
Huntington Ingalls Industries	90.92	85.3%	4,465	5,638	6,875	899	13.1%	6,971	958	13.7%	0.82x	6.3x	0.81x	5.9x
Alliant Techsystems	129.93	82.2%	4,145	6,114	5,185	775	14.9%	5,209	828	15.9%	1.18x	7.9x	1.17x	7.4x
Exelis	16.84	78.5%	3,192	3,447	4,453	563	12.6%	4,421	592	13.4%	0.77x	6.1x	0.78x	5.8x
Kongsberg Gruppen	22.81	97.0%	2,725	2,250	2,682	334	12.5%	2,926	382	13.0%	0.84x	6.7x	0.77x	5.9x
Cubic	43.86	77.1%	1,175	1,119	1,427	128	9.0%	1,481	146	9.9%	0.78x	8.8x	0.76x	7.7x
AeroVironment	31.49	75.6%	730	532	253	16	6.2%	271	15	5.4%	2.10x	NM	1.96x	NM
<b>Median</b>		<b>82.5%</b>	<b>\$4,465</b>	<b>\$5,638</b>	<b>\$4,453</b>	<b>\$673</b>	<b>13.1%</b>	<b>\$4,421</b>	<b>\$775</b>	<b>13.7%</b>	<b>1.18x</b>	<b>8.3x</b>	<b>1.17x</b>	<b>7.5x</b>

<u>Defense Electronics / Comm.</u>	Stock Price 07/31/14	% 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	\$68.27	86.1%	\$7,271	\$8,345	\$4,937	\$1,059	21.5%	\$4,905	\$1,068	21.8%	1.69x	7.9x	1.70x	7.8x
Teledyne	91.20	89.1%	3,423	3,876	2,406	384	15.9%	2,510	410	16.3%	1.61x	10.1x	1.54x	9.5x
ViaSat	58.47	78.2%	2,731	3,469	1,423	268	18.8%	1,517	336	22.2%	2.44x	12.9x	2.29x	10.3x
Ultra Electronics	29.95	88.6%	2,086	2,323	1,270	233	18.4%	1,333	248	18.6%	1.83x	10.0x	1.74x	9.4x
Orbital Sciences	25.67	75.1%	1,555	1,328	1,411	142	10.0%	1,550	175	11.3%	0.94x	9.4x	0.86x	7.6x
Comtech Telecommunications	33.80	83.5%	542	438	354	58	16.4%	379	67	17.6%	1.24x	7.5x	1.16x	6.6x
Kratos Defense & Security Solutions	7.30	79.5%	419	1,055	942	94	9.9%	988	109	11.0%	1.12x	11.3x	1.07x	9.7x
Mercury Systems	11.05	76.7%	367	320	218	33	15.1%	242	41	16.9%	1.47x	9.7x	1.33x	7.8x
<b>Median</b>		<b>81.5%</b>	<b>\$1,821</b>	<b>\$1,825</b>	<b>\$1,341</b>	<b>\$187</b>	<b>16.2%</b>	<b>\$1,425</b>	<b>\$212</b>	<b>17.3%</b>	<b>1.54x</b>	<b>9.8x</b>	<b>1.43x</b>	<b>8.6x</b>

<u>Homeland Security</u>	Stock Price 07/31/14	% 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	\$21.53	83.1%	\$8,492	\$9,986	\$5,110	\$1,019	20.0%	\$5,208	\$1,087	20.9%	1.95x	9.8x	1.92x	9.2x
MSA Safety Incorporate	51.78	84.8%	1,937	2,138	1,131	176	15.5%	1,218	209	17.2%	1.89x	12.2x	1.76x	10.2x
OSI Systems	66.30	84.5%	1,322	1,318	910	171	18.8%	966	192	19.9%	1.45x	7.7x	1.36x	6.9x
Analogic	71.91	71.9%	890	770	560	80	14.3%	604	100	16.6%	1.38x	9.6x	1.28x	7.7x
Smith & Wesson	12.35	71.5%	682	715	586	151	25.7%	624	162	26.0%	1.22x	4.7x	1.15x	4.4x
American Science & Engineering	62.80	84.0%	497	362	179	22	12.2%	173	26	15.2%	2.02x	16.6x	2.09x	13.8x
<b>Median</b>		<b>83.5%</b>	<b>\$1,106</b>	<b>\$1,044</b>	<b>\$748</b>	<b>\$161</b>	<b>17.2%</b>	<b>\$795</b>	<b>\$177</b>	<b>18.5%</b>	<b>1.67x</b>	<b>9.7x</b>	<b>1.56x</b>	<b>8.4x</b>

(1) S&P Capital IQ, company filings, and KippsDeSanto research

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

<u>Aerospace Systems</u>	Stock Price 07/31/14	% of 52 Week High	Market Cap	Enterprise Value	CY2014E			CY2015P			EV / CY2014E		EV / CY2015P	
					Rev.	EBITDA	Margin	Rev.	EBITDA	Margin	Rev.	EBITDA	Rev.	EBITDA
B/E Aerospace	\$85.14	84.2%	\$8,965	\$11,376	\$4,330	\$904	20.9%	\$4,837	\$1,041	21.5%	2.63x	12.6x	2.35x	10.9x
TransDigm	167.92	84.7%	8,887	15,677	2,444	1,094	44.8%	2,633	1,202	45.6%	6.42x	14.3x	5.95x	13.0x
Zodiac Aerospace	31.29	86.4%	8,579	10,040	5,732	948	16.5%	6,181	1,053	17.0%	1.75x	10.6x	1.62x	9.5x
Meggitt	8.59	88.4%	6,917	7,889	2,619	710	27.1%	2,805	809	28.8%	3.01x	11.1x	2.81x	9.8x
Esterline	108.55	88.6%	3,470	3,942	2,137	384	18.0%	2,232	430	19.3%	1.84x	10.3x	1.77x	9.2x
Triumph Group	63.35	78.7%	3,304	5,036	3,777	573	15.2%	3,959	720	18.2%	1.33x	8.8x	1.27x	7.0x
HEICO	49.16	75.6%	2,918	3,446	1,195	266	22.2%	1,321	307	23.3%	2.88x	13.0x	2.61x	11.2x
AAR	26.90	85.3%	1,065	1,572	1,990	223	11.2%	2,181	245	11.2%	0.79x	7.0x	0.72x	6.4x
Astronics	58.00	79.5%	1,044	1,269	652	110	16.9%	687	127	18.5%	1.95x	11.5x	1.85x	10.0x
<b>Median</b>		<b>84.7%</b>	<b>\$3,470</b>	<b>\$5,036</b>	<b>\$2,444</b>	<b>\$573</b>	<b>18.0%</b>	<b>\$2,633</b>	<b>\$720</b>	<b>19.3%</b>	<b>1.95x</b>	<b>11.1x</b>	<b>1.85x</b>	<b>9.8x</b>

<u>Aerospace Structures</u>	Stock Price 07/31/14	% 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	\$228.80	83.2%	\$33,100	\$36,665	\$10,201	\$3,260	32.0%	\$11,139	\$3,571	32.1%	3.59x	11.2x	3.29x	10.3x
Spirit AeroSystems	32.57	90.7%	4,519	5,298	6,839	938	13.7%	7,091	926	13.1%	0.77x	5.7x	0.75x	5.7x
Hexcel	37.25	80.2%	3,588	3,942	1,859	391	21.0%	2,045	448	21.9%	2.12x	10.1x	1.93x	8.8x
Senior	4.45	82.3%	1,861	2,057	1,381	227	16.4%	1,452	241	16.6%	1.49x	9.1x	1.42x	8.6x
LMI Aerospace	13.09	68.9%	166	454	406	48	11.7%	436	57	13.0%	1.12x	9.5x	1.04x	8.0x
<b>Median</b>		<b>82.3%</b>	<b>\$3,588</b>	<b>\$3,942</b>	<b>\$1,859</b>	<b>\$391</b>	<b>16.4%</b>	<b>\$2,045</b>	<b>\$448</b>	<b>16.6%</b>	<b>1.49x</b>	<b>9.5x</b>	<b>1.42x</b>	<b>8.6x</b>

<u>Government Technology Solutions</u>	Stock Price 07/31/14	% 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	\$22.24	87.9%	\$3,249	\$4,585	\$5,290	\$524	9.9%	\$5,338	\$531	9.9%	0.87x	8.7x	0.86x	8.6x
Leidos	36.94	75.4%	2,762	3,912	5,075	440	8.7%	5,102	449	8.8%	0.77x	8.9x	0.77x	8.7x
SAIC	41.77	91.4%	2,004	2,270	3,846	260	6.8%	3,872	271	7.0%	0.59x	8.7x	0.59x	8.4x
CACI	68.99	85.4%	1,621	2,893	3,520	319	9.1%	3,546	325	9.2%	0.82x	9.1x	0.82x	8.9x
ManTech	27.00	86.2%	1,006	1,030	1,884	128	6.8%	1,898	131	6.9%	0.55x	8.1x	0.54x	7.8x
ICF International	34.57	78.0%	689	814	1,033	101	9.8%	1,096	109	9.9%	0.79x	8.0x	0.74x	7.5x
Engility	34.56	74.7%	609	959	1,473	121	8.2%	1,451	130	9.0%	0.65x	7.9x	0.66x	7.4x
KEYW	13.10	56.7%	483	568	296	24	8.2%	330	34	10.2%	1.92x	23.4x	1.72x	16.9x
VSE Corp.	59.57	79.6%	319	411	438	63	14.4%	440	NA	NA	0.94x	6.5x	0.93x	NA
NCI	8.98	68.4%	116	104	315	22	6.9%	316	20	6.4%	0.33x	4.8x	0.33x	5.2x
<b>Median</b>		<b>78.8%</b>	<b>\$848</b>	<b>\$995</b>	<b>\$1,679</b>	<b>\$124</b>	<b>8.4%</b>	<b>\$1,675</b>	<b>\$131</b>	<b>9.0%</b>	<b>0.78x</b>	<b>8.4x</b>	<b>0.75x</b>	<b>8.4x</b>

<u>Engineering &amp; Construction</u>	Stock Price 07/31/14	% 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	\$18.54	74.4%	\$9,289	\$10,310	\$5,241	\$625	11.9%	\$8,188	\$1,079	13.2%	1.97x	16.5x	1.26x	9.6x
Jacobs Engineering	50.81	76.0%	6,720	6,810	13,095	806	6.2%	14,346	966	6.7%	0.52x	8.5x	0.47x	7.1x
AECOM Technology	33.95	91.8%	3,371	3,990	8,268	461	5.6%	9,378	564	6.0%	0.48x	8.7x	0.43x	7.1x
Tetra Tech	24.28	78.5%	1,577	1,594	2,013	208	10.3%	1,930	NA	NA	0.79x	7.7x	0.83x	NA
<b>Median</b>		<b>77.2%</b>	<b>\$5,046</b>	<b>\$5,400</b>	<b>\$6,754</b>	<b>\$543</b>	<b>8.2%</b>	<b>\$8,783</b>	<b>\$966</b>	<b>6.7%</b>	<b>0.66x</b>	<b>8.6x</b>	<b>0.65x</b>	<b>7.1x</b>

(1) S&P Capital IQ, company filings, and KippsDeSanto 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	Rev.	EBITDA	EBITDA
08/07/14	USJ-IMECO Holding Company, LLC	Joiner Systems, Inc.	Designs, engineers, and manufactures accommodation systems for commercial and government ships	NA	NA	NA	NA	NA	NA
08/06/14	Vance Street Capital	Eirtech Aviation Ltd.	Provides aircraft maintenance services including refurbishment, painting, and engineering services	NA	NA	NA	NA	NA	NA
08/05/14	Signature Flight Support Corp.	Scottsdale AirCenter FBO	Includes a 12,000 sq. ft. terminal and 145,000 sq. ft. of hangar space capable of housing state of the art large cabin business aircraft in the southwest U.S.	NA	NA	NA	NA	NA	NA
08/04/14	Reliance Steel & Aluminum Co.	Aluminum Services UK Limited	Provides aluminum castings manufactured for aerospace, defense, domestic, automotive, and engineering industries	NA	\$273.3	NA	NA	NA	NA
08/04/14	Selmet, Inc.	Onamac Industries, Inc.	Provides milled, turned, combo, and assembled precision components for aerospace, commercial, and military markets	NA	NA	NA	NA	NA	NA
08/01/14	Exelis Inc.	Barco Orthogon GmbH	Provides products for air traffic control, including software components and tools for display development, aerodrome surveillance, queue management, and radar fallback	\$17.4	NA	NA	NA	NA	NA
07/31/14	Precision Aviation Group, Inc.	Aviation Controls, Inc.	Provides MRO services for engine accessories, specializing in components for GE J-85, Honeywell LTS-101, and Rolls Royce 250 engines	NA	NA	NA	NA	NA	NA
07/22/14	Sunvair Aerospace Group, Inc.	Sun Valley Machine Works, Inc.	Provides MRO services to the commercial and military aerospace industry	NA	NA	NA	NA	NA	NA
07/22/14	Undisclosed Buyer	Rockwell Collins Inc., Satellite Communications Business	Designs and manufactures mobile satellite communications systems for military, government, and commercial markets	10.0	NA	NA	NA	NA	NA
07/17/14	Xiamen Airlines Co. Ltd	Hebei Aviation Investment Group., Ltd.	Provides airport transport operations, ground services, trade logistics, aviation related products, human resources, and other aviation related services	NA	NA	NA	NA	NA	NA
07/15/14	Naylor-Adams Aviation, LLC	Cargill Service Center	Provides aircraft maintenance and scheduling services in the northeast U.S. region	NA	NA	NA	NA	NA	NA
07/14/14	World Fuel Services Corp.	Colt International, Inc.	Provides fuel and aviation services for private aviation clients, corporate flight departments, and vendors around the world	63.0	400.0	NA	NA	0.16x	NA
07/12/14	HESCO Bastion Ltd.	Reed Composite Solutions, LLC	Provides body armor and vehicle armor to the U.S. DoD, Department of Homeland Security, other federal, state, and local law enforcement agencies worldwide	NA	NA	NA	NA	NA	NA
07/07/14	Gentex Corporation	Helmet Integrated Systems Limited	Provides helmets, communications equipment, and respiratory protection for civil, defense, security, and industrial personnel	NA	NA	NA	NA	NA	NA
07/02/14	Teledyne Technologies Inc.	Ocean Aero, Inc.	Develops unmanned autonomous underwater vehicle solutions for military, scientific, academic, commercial, government, security, and oil and gas communities globally	NA	NA	NA	NA	NA	NA
07/01/14	Nexter Systems	Krauss-Maffei Wedmann GmbH & Co.	Develops, manufactures, and supplies wheeled and tracked vehicles for civil and military simulation, and day and night missions	NA	NA	NA	NA	NA	NA
07/01/14	H-D Advanced Manufacturing Co.	Sungear Inc.	Manufactures complex, high quality, precision gear components and assemblies for the aerospace industry	NA	NA	NA	NA	NA	NA
06/30/14	Saab AB	ThyssenKrupp Marine Systems AB	Designs, builds, and maintains submarines and naval surface ships, offering sterling air independent propulsion systems, submarine rescue systems, and mine clearance systems	51.5	253.2	NA	NA	0.20x	NA
06/30/14	Defense Conseil International S.A.	Vigie Aviation	Provides aerial video, airborne maritime surveillance relating to search-and rescue, pollution control missions, and coastal monitoring with a focus in large area surveillance	NA	NA	NA	NA	NA	NA
06/26/14	Alcoa, Inc.	Firth Rixson Limited	Manufactures and markets rings, forgings, and metal products to OEMs serving the aero-engine and structural components aerospace industry	2,850.0	1,000.0	NA	NA	2.85x	NA
06/26/14	Larsen & Toubro Technology Services	Thales Software India Pvt Ltd. (74% equity stake)	Develops air traffic control software solutions out of Chennai, India	NA	NA	NA	NA	NA	NA
06/23/14	Landmark Aviation	Atlantic Aero	Provides a diversified support network focused on aircraft sales, charter, management, and parts distribution services for business, commercial, and government / military aircraft	NA	NA	NA	NA	NA	NA
06/19/14	Sierra Nevada Corporation	Orbital Technologies Corporation	Provides subsystem integration and a high-technology portfolio of liquid rocket propulsion, life science and support, and fire suppression capabilities	NA	NA	NA	NA	NA	NA
06/18/14	Lockheed Martin Corporation	Deposition Sciences, Inc.	Provides optical thin film coatings for industrial tasks and military and aerospace customers internationally	NA	NA	NA	NA	NA	NA

(1) S&P Capital IQ, company filings, and KippsDeSanto research



## Select Recent Aerospace / Defense M&A, cont.<sup>(1)</sup>

(\$ in millions)

Announce Date	Buyer / Investor	Target	Target Description	EV	Revenue	EBITDA		EV / LTM	
						Margin	Rev.	EBITDA	EBITDA
06/17/14	Saint-Gobain	Phoenix Coating Resources, Inc.	Manufactures ceramic ingots used to produce high-resistance thermal coatings on metal parts for the aeronautics industry	NA	NA	NA	NA	NA	NA
06/16/14	Seal Dynamics, LLC	Quest Aviation Supply, Inc.	Supplies parts to repair thrust reversers on CF6-80, RB-211, CFM56, and V2500 engines for the aerospace industry	NA	NA	NA	NA	NA	NA
06/16/14	Intelligent Decisions, Inc.	Quantum 3D's ExpeditionDI Product Line	Provides a human-worn, fully immersive team simulation solution used for infantry simulation and training	NA	NA	NA	NA	NA	NA
06/13/14	Allegheny Technologies Inc.	Hanard Machine, Inc.	Provides precision machining and components made from ferrous and non-ferrous metals for the aerospace and defense, oil, and gas and chemical process industries	\$20.2	NA	NA	NA	NA	NA
06/11/14	ERMC II, LP	U.S. Cavalry Inc.	Provides military protection products including nuclear, biological and chemical protection; armor; camping and survival; and clothing for the military, law enforcement, and homeland security markets	NA	NA	NA	NA	NA	NA
06/10/14	Google Inc.	Skybox Imaging, Inc.	Provides real-time, high resolution space-based satellite imagery solutions	500.0	NA	NA	NA	NA	NA
06/10/14	Park-Ohio Holdings Corporation	Apollo Aerospace Group	Provides Class C production components and supply chain solutions to aerospace customers worldwide	NA	NA	NA	NA	NA	NA
06/09/14	ViaSat Inc.	NetNearU Corporation	Provides technology-agnostic systems for managing public Wi-Fi and other wireless Internet access networks to a variety of markets including commercial airlines and government broadband projects	NA	NA	NA	NA	NA	NA
06/09/14	Analog Devices, Inc.	Hittite Microwave Corporation	Designs and manufactures innovative high performance integrated circuits, modules, subsystems, and instrumentation for RF, microwave, and millimeter wave detection	1,954.7	\$276.7	\$117.2	42.4%	7.06x	16.7x
06/05/14	Zodiac Aerospace	Greenpoint Technologies, Inc.	Provides high-end interior completions and modifications for widebody aircraft	NA	150.0	NA	NA	NA	NA
06/05/14	Air Industries Group, Inc.	Eur-Pac Corporation	Develops ordnance parts and kits, hose assemblies, and hydraulic, mechanical, and electrical assemblies to the DoD	1.6	NA	NA	NA	NA	NA
06/05/14	Aerosync Engineering & Consulting Inc.	Dixie Air Parts Supply, Inc.	Provides aircraft parts, electronics parts, aviation parts, marine and industrial spares, and diesel engine parts for the U.S. armed forces and foreign military allies	NA	NA	NA	NA	NA	NA
06/04/14	Moelis Capital Partners	PATS Aircraft Systems	Provides a diverse array of aircraft services, components, and integrated systems to OEMs, airline operators, governments, and corporations	NA	NA	NA	NA	NA	NA
06/04/14	Fulcrum Capital Partners Inc.	Weatherhaven Global Resources Ltd.	Engineers, manufactures, and installs portable shelters, camps, and systems for application in remote military sites worldwide	NA	NA	NA	NA	NA	NA
06/02/14	B/E Aerospace Inc.	EMTEQ, Inc.	Provides interior and exterior lighting systems, cabin management solutions, and power systems for commercial aircraft	NA	NA	NA	NA	NA	NA
06/02/14	B/E Aerospace Inc.	F+E Fischer + Entwicklungen GmbH & Co. Kg	Provides seating products for civilian helicopters	NA	NA	NA	NA	NA	NA
06/01/14	Supply Technologies LLC	Apollo Aerospace Components Limited	Supplies aerospace components, hardware, and defence spares for a range of fixed and rotary-wing aircraft	NA	NA	NA	NA	NA	NA
05/30/14	Industrial Growth Partners	Sanders Industries, Inc.	Manufactures highly-engineered elastomeric tools used in large, composite structure manufacturing and elastomeric components for aerospace and defense OEM and MRO applications	NA	NA	NA	NA	NA	NA
05/29/14	Thales S.A.	Austal Ltd., Integrated Maritime Coordination and Surveillance System	Maritime command and control system that integrates automatic identification systems, GPS and radar into a single picture of the operational environment	NA	NA	NA	NA	NA	NA
05/29/14	Lockheed Martin Corporation	Astrotech Space Operations, Inc.	Provides satellite launch processing services to government and commercial customers sending satellites to low-earth-orbit or geosynchronous orbit	61.0	23.9	NA	NA	2.55x	NA
05/28/14	Winchester Electronics Corporation	TRU Corporation	Provides high performance RF connectors and cable assemblies for aerospace, military, semiconductor, and test and measurement end markets	NA	NA	NA	NA	NA	NA
05/27/14	Triumph Group, Inc.	GE Aviation, Hydraulic Actuation Business	Provides landing gear actuation systems, door actuation, hydraulic fuses, manifolds, flight control actuation, and locking mechanisms for the commercial, military, and business jet markets	70.0	180.0	NA	NA	0.39x	NA
05/27/14	The Boeing Company	AerData Group BV	Provides integrated software solutions for lease management, engine fleet planning and records management	NA	NA	NA	NA	NA	NA
05/23/14	The Boeing Company	ETS Aviation Ltd	Provides fuel-efficiency management and analytics software to commercial airlines and corporate flight departments around the world	NA	NA	NA	NA	NA	NA

(1) S&P Capital IQ, company filings, and KippsDeSanto 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	Rev.	EBITDA	EBITDA
08/05/14	HumanTouch, LLC	CorasWorks Corporation	Develops and delivers applications and business software on the Microsoft SharePoint platform and social platform	NA	NA	NA	NA	NA	NA
08/04/14	Haystax Technology, Inc.	NetCentrics Corporation	Provides IT consulting, software development, and process management firm, specializing in network design, installation and management, information assurance, and process improvement	NA	NA	NA	NA	NA	NA
07/31/14	BAE Systems, Inc.	Signal Innovations Group, Inc.	Develops decision systems for various sensor and data types for government customers and industry partners in national security, public safety, and commercial surveillance sectors	NA	NA	NA	NA	NA	NA
07/29/14	Novetta Solutions Inc.	Global News Intelligence	Provides sentiment and influence analytics that supports commercial and government clients in the U.S. and abroad	NA	NA	NA	NA	NA	NA
07/13/14	AECOM	URS Corporation	Provides engineering, construction, and technical services to public agencies and private sector clients worldwide.	\$6,096.0	\$10,724.7	\$692.4	6.5%	0.57x	8.8x
07/10/14	Liberty IT Solutions LLC	Warrior Technology LLC	Provides technology solutions for government healthcare, government security and intelligence, and civilian government clients	NA	NA	NA	NA	NA	NA
07/10/14	Vista Equity Partners	Social Solutions, Inc.	Provides performance management and nonprofit software solutions for human and social services organizations, and government agencies in the U.S. and Canada	NA	NA	NA	NA	NA	NA
07/01/14	Versar, Inc.	J.M. Waller Associates, Inc.	Provides engineering, technical, and logistics consulting and management services to state and federal government, and commercial clients	13.0	30.0	NA	NA	0.43x	NA
06/30/14	Lockheed Martin	Zeta Associates, Inc.	Provides software-based communications signals collection and processing systems to intelligence and defense communities worldwide	NA	NA	NA	NA	NA	NA
06/10/14	The Boeing Company	Ventura Solutions, Inc.	Hardware and software engineering company that provides custom solutions for government customers.	NA	NA	NA	NA	NA	NA
06/12/14	Exelis, Inc.	Celestech	Provides designs and development of information technologies	NA	NA	NA	NA	NA	NA
06/10/14	Preferred Systems Solutions, Inc.	Envision Technical Services Inc.	Develops information technology solutions and offers development, engineering, and maintenance services	NA	NA	NA	NA	NA	NA
06/03/14	Good Technology	Fixmo, Inc. - Security Business	Provides defense-grade mobile device integrity and security solutions for the public and private sectors	NA	NA	NA	NA	NA	NA
06/03/14	Noblis, Inc.	National Security Partners LLC	Provides consulting and technical services to defense, intelligence, and homeland security customers	NA	NA	NA	NA	NA	NA
05/12/14	Dovel Technologies	RNSolutions, Inc.	Provides enterprise-class infrastructure support across the software development lifecycle, to include application development, database management, enterprise architecture, and O&M	NA	NA	NA	NA	NA	NA
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 IC, 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

(1) S&P Capital IQ, company filings, and KippsDeSanto research

## Select Recent KippsDeSanto & Co. Advised Transactions



*has been acquired by*



**May 2014**



*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*



**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*



**December 2013**



*has been acquired by the management of*



**October 2013**



*has been acquired by*



**September 2013**



*has acquired*



*a United Technologies Corp. business*

**April 2013**

## 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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