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KippsDeSanto's DealView — Top 10 M&A Deals of the Quarter

KippsDeSanto & Co., a leading aerospace / defense and government technology solutions investment bank, would like to share its thoughts on the "Top 10 M&A Deals of the Quarter" for the period ended June 30, 2016. The following table is our take on the most notable announced M&A transactions — not only based on size, but also on strategic importance and / or impact.

(\$ in millions)

Date Announced	Buyer / Target	Target Description	Target Sector	Enterprise Value	EV / LTM Revenue	EBITDA
06/24/16	Arlington Capital Partners / EOIR Technologies, Inc.	Provides advanced solutions in cloud computing, big data analytics, advanced visualization, smart sensing, training and simulation, and rapid prototyping for the DoD and IC	Government Technology Solutions	NA	NA	NA
06/21/16	OSI Systems, Inc. / American Science and Engineering, Inc.	Provides, manufactures, markets, and sells X-ray inspection and other detection products for homeland security, force protection, public safety, and other critical defense and security applications	Defense	\$187.0	1.82x	NM
06/14/16	ManTech International Corporation / Oceans Edge Inc., Cyber Business	Provides cybersecurity solutions, including internal R&D, protocol analysis, penetration testing, and vulnerability analysis	Government Technology Solutions	NA	NA	NA
05/31/16	United Flexible, Inc. / Kreisler Manufacturing Corp.	Provides precision metal components and assemblies primarily for use in military and commercial aircraft engines, and industrial gas turbines in the United States	Aerospace	34.6	1.07x	10.1x
05/24/16	TransDigm Group, LLC / ILC Holdings (Data Device Corp.)	Provides power control and databus products to the global military and commercial aerospace markets	Defense	1,000.0	5.00x ⁽¹⁾	NA
05/23/16	KBR, Inc. / Wyle, Inc.	Provides specialized engineering as well as professional, scientific, and technical services primarily to the U.S. Federal Government	Government Technology Solutions	600.0	0.72x	ND
05/17/16	KLX, Inc. / Herndon Aerospace & Defense Company	Provides commercial and defense supply chain management solutions to the U.S. Government, domestic, and international companies	Defense	210.0	1.58x	10.3x
05/16/16	Magellan Health, Inc. ⁽²⁾ / Armed Forces Services Corporation ("AFSC")	Provides behavioral health and specialty services, such as business strategy and management consulting to various agencies of the Federal Government, including all five branches of the U.S. Armed Forces	Government Technology Solutions	127.5	0.94x	ND
05/03/16	DLH Holdings Corp. / Danya International, Inc. ⁽³⁾	Provides evidence-based health, education, and food security technology-enabled solutions to communities in the United States and internationally	Government Technology Solutions	38.8	ND	ND
04/21/16	Smiths Group plc / Morpho Detection, Inc.	Provides detection systems for explosives, narcotics, and chemical, biological, and nuclear material for governments, militaries, airports, first responders, and others	Defense	710.0	2.22x	10.1x

NM = Not Meaningful

(1) Based on 2016E Revenue

(2) KippsDeSanto served as financial advisor to Magellan Health, Inc.

(3) KippsDeSanto served as financial advisor to Danya International, Inc.

Of the above transactions, the following were especially noteworthy:

The aerospace and defense deal of the quarter is TransDigm Group, Inc.'s acquisition of ILC Holdings, Inc., the parent company of Data Device Corp. ("DDC"), which is a portfolio company of Behrman Capital. The \$1 billion deal is another example of TransDigm using strategic acquisitions of suppliers of highly engineered components to strengthen its position in the military and commercial aircraft market. In November, the firm made a similar move by acquiring Breeze-Eastern for roughly \$200 million. DDC is expected to be a welcomed addition to TransDigm's portfolio, with estimated 2016 revenues of \$200 million, 70% of which will come from aftermarket products.

The government technology solutions deal of the quarter is KBR's announced acquisition of Wyle, a California-based provider of specialized engineering and technical services, primarily to the U.S. Federal Government. Wyle brings expanded access into complementary government market segments, such as the Department of Defense, NASA,

and other U.S. Federal agencies, and augments KBR's technical capabilities, particularly around mission-critical systems and sustainment engineering, advanced scientific research, and testing and evaluation. KBR's acquisition of Wyle is yet another example of non-traditional government buyers, in particular global diversified industrial firms, looking at Federal acquisitions to diversify capabilities and pursue cross-selling opportunities across an expanded customer base. KBR's Government Services segment, which will absorb Wyle's entire portfolio of contracts, will have approximately \$1.5 – \$2.0 billion of combined annual revenue. Since 2009, Wyle has been owned by private equity group Court Square Capital. KBR will fund the \$600 million deal using \$200 million in cash and its existing line of credit. The deal is expected to close in the third quarter of this year.

Also announced this quarter is the pending mega-merger between CSC and Hewlett Packard Enterprise's ("HPE") Enterprise Services segment, which will create a leading pure-play global IT services company. The combined entity is expected to have annual revenue of approximately \$26 billion, spread across more than 5,000 clients in 70 countries. The transaction is not expected to close until March 2017. While the combination is primarily commercial in nature, it is significant to the government services marketplace given that it is widely anticipated that the combined entity will look to divest or spin-off HPE's \$3 billion public sector business in light of an existing non-compete between CSC and CSRA for Federal contracts. With \$3 billion in annual government IT services revenue, this would place a sizable asset on the market for Federal buyers looking to augment enterprise IT capabilities and/or add significant scale.