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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 quarter ended March 31, 2016. The table below is our take on the most notable announced M&A transactions — not only based on size, but also on strategic importance and / or impact.

Date Announced	Buyer / Target	Target Description	Target Sector	Enterprise Value	EV / LTM	
					Revenue	EBITDA
03/28/16	NTT Data, Inc. / Dell Inc.'s Services Business	Provides IT products and services, including systems and information management, software, cloud, and other business process services	Government Technology Solutions	\$3,055	1.08x	ND
03/23/16	Mercury Systems / RF Integrated Solutions – Microsemi ⁽¹⁾	Provides high-frequency components and subsystem solutions for defense electronics, homeland security, and other government end-use applications	Defense	300 ⁽¹⁾	3.00x ⁽²⁾	10.7x ⁽²⁾
03/18/16	KKR & Company / Airbus Group, Defense and Electronics Business	Provides mission-critical sensors, integrated systems, and services for premium defense and security applications	Defense	1,241 ⁽³⁾	1.10x	ND
02/29/16	J.F. Lehman & Company / API Technologies Corporation	Provides systems, subsystems, modules, and components for radio frequency microwave, millimeter wave, electromagnetic, power, and security applications	Defense	310	1.21x ⁽⁴⁾	9.6x ⁽⁴⁾
02/29/16	Albany International Corporation / Harris Advanced Composites Business	Provides advanced composite products primarily for airframe applications	Aerospace	210 ⁽⁵⁾	2.73x	ND
02/22/16	General Dynamics / Bluefin Robotics	Provides autonomous underwater vehicles and related technologies	Defense	ND	ND	ND
02/18/16	IBM Watson Health / Truven Holding Corporation	Provides analytic solutions and services for the healthcare industry	Government Technology Solutions	2,600	ND	ND
02/03/16	Liberty Hall Capital Partners / AIM Aerospace Inc.	Provides interiors, composites, and ducting and tooling products to airlines and original equipment manufacturers worldwide	Aerospace	220	ND	ND
01/26/16	Leidos Holdings, Inc. / Lockheed Martin's Information Systems and Global Solutions	Provides technology systems and expertise, integrated IT solutions, and management services, including data analytics and cybersecurity	Government Technology Solutions	5,000	1.06x	11.0x ⁽⁶⁾
01/19/16	Platinum Equity LLC / PAE, Inc.	Provides logistics and stability operations, technical services, and national security solutions for the U.S. government and international organizations	Government Technology Solutions	ND	ND	ND

(1) Not adjusted for tax benefits

(2) Reflective of pro forma adjusted financials, before inclusion of cost synergies

(3) Stated price based on €1.1 billion and EUR/USD conversion rate of 1.1281 as if March 18, 2016

(4) Reflective of pro forma adjusted financials

(5) Enterprise Value inclusive of \$23 million of assumed capital lease commitments

(6) Based on analyst reports

ND = Not Disclosed

Of the above transactions, the following were especially noteworthy:

The aerospace and defense deal of the quarter is the announced acquisition of the Defense Electronics Business of Airbus by KKR. The deal is a continuation of Airbus' portfolio reshaping strategy, which was announced in 2014, and allows Europe's largest aerospace group to focus its defense division on warplanes, missiles, launchers, and satellites. Airbus' strategy aims to divest non-core assets with combined annual revenue of ~€2 billion. The Defense Electronics Business has annual revenues of ~€1 billion and

is comprised of solutions / products such as military sensors, electronic warfare, avionics, and optronics.

The government technology solutions deal of the quarter is Leidos' announced acquisition of Lockheed Martin's Information Systems and Global Solutions business. The \$5 billion transaction, which will be structured as a tax-free Reverse Morris Trust, will provide Lockheed's shareholders with \$1.8 billion in the form of a special cash payout, as well as 77 million shares of Leidos stock, worth approximately \$3.2 billion, or 50.5% of the combined entity. The merged company will become the largest pure-play government-focused IT services provider, with EBITDA margins of 9.5% - 10% on collective annual revenue of ~\$10 billion, which will surpass that of CSRA. The deal creates the largest pure-play firm in the sector bolstering Leidos' core capabilities across priority business areas such as health, intelligence, and infrastructure and logistics.