

MarketView

Summer 2018

Aerospace / Defense and Government Technology Solutions



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KippsDeSanto's Aerospace / Defense & Government Services 2018 M&A Survey

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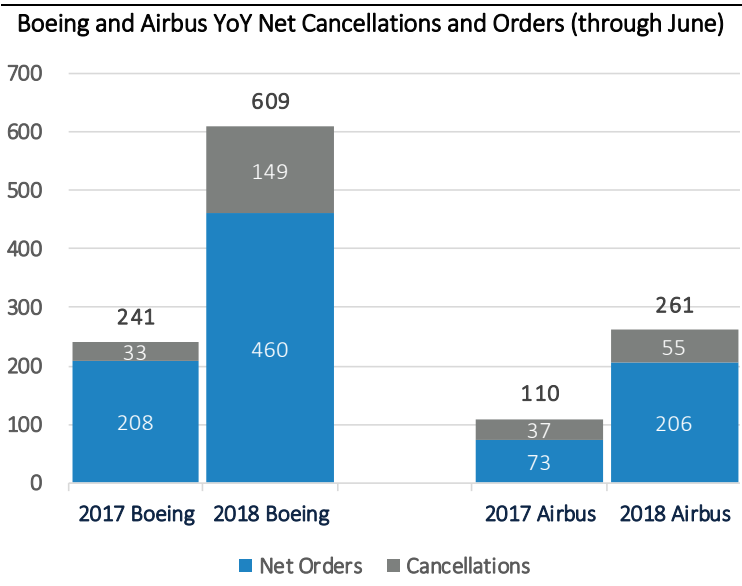
Select Recent KippsDeSanto & Co. Advised Transactions

<p>Pending</p>  <p>has agreed to be acquired by</p> 	<p>May 2018</p>  <p>has been acquired by</p> 	<p>April 2018</p>  <p>has been acquired by</p>  <p>a portfolio company of</p> 	<p>February 2018</p>  <p>has been acquired by</p> 	<p>January 2018</p>  <p>a portfolio company of</p> <p>CM EQUITY PARTNERS</p> <p>has been acquired by</p> 
<p>January 2018</p>  <p>has been acquired by</p> 	<p>January 2018</p>  <p>has been acquired by</p> 	<p>November 2017</p>  <p>has been acquired by</p>  <p>supported by</p> <p>CLAIRVEST</p>	<p>October 2017</p>  <p>a portfolio company of</p>  <p>has been acquired by</p> 	<p>October 2017</p>  <p>has merged with</p> 
<p>September 2017</p>  <p>has been acquired by</p> 	<p>July 2017</p>  <p>has been acquired by</p> 	<p>April 2017</p>  <p>a subsidiary of</p>  <p>a portfolio company of</p> <p>THE CARLYLE GROUP</p>  and  <p>has been acquired by</p> <p>J.F. Lehman & Company</p>	<p>April 2017</p>  <p>has been acquired by</p> 	<p>February 2017</p>  <p>a portfolio company of</p> <p>DFW CAPITAL PARTNERS</p> <p>has been acquired by</p>  <p>a portfolio company of</p> 
<p>January 2017</p>  <p>has been acquired by</p>  <p>a portfolio company of</p> 	<p>December 2016</p>  <p>has been acquired by</p> 	<p>December 2016</p>  <p>has been acquired by</p> 	<p>December 2016</p>  <p>has been acquired by</p> 	<p>December 2016</p>  <p>has been acquired by</p> 

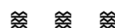
Operational / Funding Environment

On June 18th, the Senate overwhelmingly passed its version of the National Defense Authorization Act (“NDAA”) for Government Fiscal Year (“GFY”) 2019, representing \$1.1 billion less than the version the House passed in May. Both versions of the NDAA matched the base defense budget amount authorized in the Bipartisan Budget Act, which was signed into law in February. Military readiness was the key theme highlighted throughout both versions of the NDAA, with the House and Senate versions allocating increased funding for procurements, including \$23.1 billion for 10 new Navy ships and \$7.6 billion for 75 F-35 fighter jets. With the renewed focus on military readiness, the budget also increased spending on military aviation upgrades, replacing aging Army equipment, and equipment maintenance and replacement parts. The Senate version authorizes a base defense budget of \$639.2 billion for the Department of Defense (“DoD”) and other national security programs, \$68.5 billion for Overseas Contingency Operations (“OCO”), and \$8.2 billion for mandatory defense spending, totaling \$715.9 billion in overall defense spending. The Senate version of the NDAA will be returned to the House and reconciled with its version before being sent to the White House to be signed into law.

In the aerospace sector, Boeing remains on track to beat Airbus in commercial airplane orders for the second year in a row. Boeing started the first half of 2018 strongly with 460 net orders (609 gross orders and 149 cancellations) consisting of 319 narrow-body 737s and 141 wide-body aircraft, including a deal with American Airlines for 25 787 Dreamliners. Meanwhile, Airbus experienced a slower start to 2018, with 206 net orders (261 orders to 55 cancellations) through June, 156 of those orders for the A320 narrow-body family of planes. Wide-body plane cancellations for Airbus this year is around 40% of new orders for the year. Nonetheless, Airbus is performing better in the first six months of this year compared to the same period last year when it received 110 net orders (73 gross orders and 37 cancellations). Boeing also experienced an uptick in YoY orders through the first six months of 2018; during the same period last year, it received only 208 net orders (241 gross orders and 33 cancellations). On the delivery front, Airbus has encountered delays from its engine suppliers Pratt and Whitney and CFM International, which has caused delays in delivering its A320neo passenger jet and, by the end of June, Airbus will similarly be sitting on roughly 100 planes awaiting engines. However, Airbus Commercial Aircraft President Guillaume Faury expects the pipeline to open in the second half of the year as suppliers recover. The upcoming Farnborough Airshow is usually a venue where large aircraft orders announced, and activity during the show may tip the balance in Airbus’ favor.



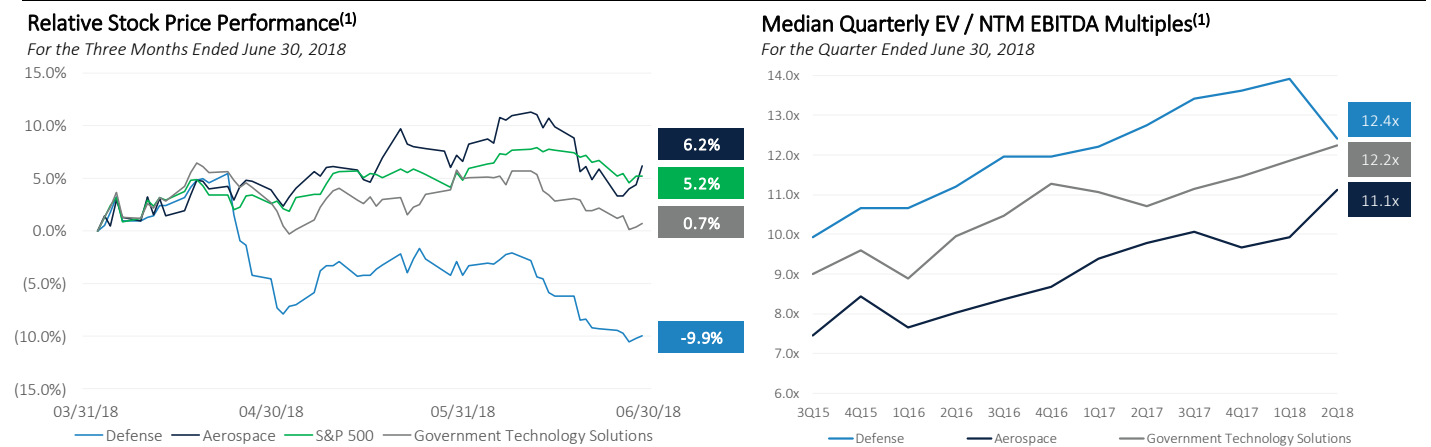
Deltek forecasts continued federal IT market growth from \$104.0 billion in GFY2018 to \$116.0 billion in GFY2023 anchored by increases in DoD IT modernization and cloud migration services, which can be seen in recent multi-billion-dollar DoD Indefinite Delivery Indefinite Quantity (“IDIQ”) IT procurements. For example, the Full and Open (“F&O”) Joint Enterprise Defense Infrastructure (“JEDI”) IDIQ, which is expected to release a final request for proposal this summer, will create a multi-billion-dollar single cloud provider responsible for producing a modern cloud infrastructure and platform with a focus on commercial solutions across the entire DoD. While the single award procurement strategy has irked some contractors, the DoD hopes the commercial based single solution will allow for more contractor responsiveness and provide solutions that evolve with the DoD’s requirements. Additionally, in mid-June, the Defense Information Systems Agency (“DISA”) awarded 14 large businesses a spot on the \$7.5 billion Systems Engineering, Technology, and Innovation (“SETI”) IDIQ, which implements and integrates DoD IT capabilities and solutions. With JEDI expected to be awarded best value and SETI awarded as such in mid-June, these awards continue to demonstrate the DoD’s pricing trend towards best value from lowest price technically acceptable (“LPTA”) for IT services. While government contracting executives are positive about market growth in the sector, they also cite intense competition for agency contracts as its largest possible inhibitor⁽¹⁾. Given this, buyers will be selective towards unique tuck-in capabilities and strong past performance qualifications to differentiate themselves and increase their chances of landing a spot on lucrative IT vehicles.



(1) Source: Deltek

Capital Markets and Public Market Valuation Trends

In 2Q18, the aerospace, defense, and government technology solutions indices all fared quite differently.



Aerospace shares continued their momentum, rising another 6.2% in the quarter, which represents 15.2% YTD and far outpaces the broader market's return of 0.8% over the same period. Despite growing concerns over the escalating trade conflict with China and the lasting effect of retaliatory tariffs, aviation industry experts predict that tariffs, as currently proposed, serve more as a warning to the U.S. aviation industry and have more detrimental effects on U.S. agriculture and consumer products. Despite broader market momentum driven by strong fundamentals, including substantial backlogs and deliveries, Triumph Group is the only index member to see shares substantially decline, falling 22.1% in 2Q18. Having consolidated its Aerospace Structures and Precision Components businesses in 1Q18, Triumph aims to improve performance in 2018 through continued divestitures, consolidations, and strategic outsourcing, anticipating revenue growth in FY19 driven by the transition of development programs into full production. Coinciding with the rise in share prices across the index, the median enterprise value ("EV") / next twelve months ("NTM") EBITDA multiple reached 11.1x, setting a record high over the past three years after far exceeding the high of 10.1x set in 3Q17.

In contrast to the upward trajectory across the aerospace sector, the defense index experienced a reversal from its 1Q18 gains, as shares declined 9.9% during 2Q18. As a result, defense index performance dipped below the S&P500 for the period, ending 1H18 down 2.2% for the year. One primary driver behind sector underperformance was investor disappointment over earnings; while guidance was generally positive, it failed to meet the expectations of investors following a two-year budget deal, raising concerns that sector upside is narrowing as outlooks normalize and midterm uncertainty threatens a 2020 showdown and the possibility of sequestration. The sector's historical outperformance of the market since 2012 has driven valuation multiples to their highest levels since 2001, a year marked by the beginning of a major war and a wave of industry consolidation. Defense EV / NTM EBITDA multiples dipped from a high of 13.9x to 12.4x in 2Q18, ending a streak of 12 consecutive quarters without a decline as rising interest rates, political uncertainty, and temperate budget expectations have cooled previously red-hot expectations for the sector.

The government technology solutions index ended the quarter up 0.7%, marking the fifth consecutive quarter the index has posted positive returns. Benefitting from positive earnings announcements and strong momentum from 1H18, the government technology solutions index is poised to continue a steady, positive trajectory behind continued budgetary focus on cloud and next-generation solutions. EV / NTM EBITDA multiples reflected such optimism, finishing 2Q18 at 12.2x, up from a 1Q18 multiple of 11.9x to realize its fifth consecutive quarter of growth. In the second quarter, the index added Perspecta, which was formed by the combination of Vencore, KeyPoint Government Solutions, and the DXC U.S. Public Sector business. Shares opened on June 1st at \$24.88 and have since dropped to \$20.55. Conversely, CSRA left the index after it was acquired by General Dynamics ("GD") – CSRA's stock last traded on April 3rd, at 99.2% of its all-time high. While 2Q18's 1.3% rise lagged behind 1Q18's 9.0% growth, which was partly driven by CSRA's share price rise following the GD acquisition announcement, the index still has positive momentum behind a series of strong earnings announcements. After falling 14.8% in 1Q18, Engility finished the quarter up 29.7% and is now up 7.0% on the year after beating analyst expectations by reporting \$477 million in revenue, a \$12 million increase from its last earnings announcement in March. ICF International and Booz Allen Hamilton shares increased 19.3%, and 15.4%, respectively, after beating EPS estimates during their May earnings calls. Notable firms that posted negative second quarter returns include Leidos, which fell 9.1% amid greater competitor scale, and Vectrus, whose shares fell 16.2% due to its May earnings announcement.



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

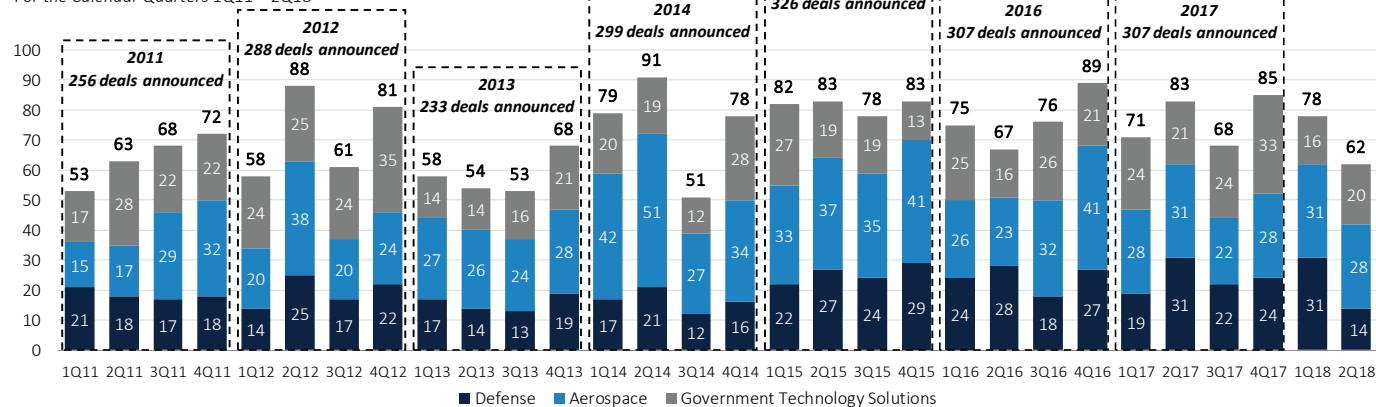
M&A Trends & Activity

The aerospace, defense, and government technology solutions sectors experienced 62 M&A transactions in 2Q18. While this is slightly below the average of 76 deals per quarter across 2016 – 2017, the quarter included multiple large, marquee deals across all three sectors. Overall, industry participants are bullish on continued M&A activity; based on KippsDeSanto’s recent survey of more than 160 active market participants⁽¹⁾, 48.8%, 68.1%, and 75.4% of respondents expected an annual increase of M&A activity in 2018 of 5% or more in the aerospace, defense, and government services markets, respectively. This volume is expected to be driven mainly by growing customer budgets and defense spending, general economic confidence, and favorable capital markets valuations.

The 28 announced aerospace deals in the quarter is roughly on par with second quarter transaction volume in 2016 and 2017. The sector is on pace to finish the year with nearly 120 deals, which, if realized, would represent a slight uptick over 2017 levels. Strategic buyers have maintained an emphasis on sizable vertical acquisitions focused on increasing capabilities and scale throughout the supply chain and aftermarket services markets. Most notably, Boeing’s announced \$4.3 billion acquisition of KLX would significantly augment its maintenance, parts, and services business. According to Boeing, the deal represents an ability to more effectively compete in a \$2.6 trillion, 10-year services market, and better positions Boeing’s burgeoning services business to meet its goal of tripling sales to \$50 billion within a decade. To further pursue this, Boeing complemented its acquisition strategy through the creation of an auxiliary power unit (“APU”) joint venture (“JV”) with Safran in June. Most recently, Boeing capped off an active quarter with the creation of a \$4.75 billion commercial aerospace JV with Embraer, giving it an immediate and significant foothold in the small, regional jetliner market. Also of note, Spirit Aerosystems announced its \$650 million acquisition of Asco Industries in May, accelerating the company’s efforts to diversify beyond its core Boeing fuselage business by adding components used on Airbus’ A320 and A350, as well as military systems such as the F-35 Joint Strike Fighter, A400M, and KC-390.

M&A Transaction Volume⁽²⁾

For the Calendar Quarters 1Q11 – 2Q18



The defense sector experienced a slower quarter with respect to transaction volume with only 14 announced deals. While M&A activity in 2Q18 was lower compared to prior quarters, it comes following a flurry of activity in the first quarter. As a result, defense deal activity remains on track to maintain the annual pace of ~90 – 100 transactions it has achieved since 2015. Of particular note, L3 announced the sale of its Vertex Aerospace division to American Industrial Partners. For L3, this transaction represents continued efforts to focus on its core defense and defense electronics capabilities; for American Industrial Partners, Vertex’s scale and footprint represent a unique opportunity to establish an investment platform focused on military and aviation logistics and maintenance.

There were 20 government technology solutions M&A transactions announced in 2Q18, which is relatively consistent with the 21 deals announced in 2Q17. 2Q18 was marked by several high-profile transactions involving financial sponsors, such as Madison Dearborn Partners and CoVant Group’s acquisition of LinQuest Corporation and Veritas Capital portfolio company Peraton’s acquisition of Strategic Resources International, Inc⁽³⁾. Financial sponsors were the acquiring entity in half of the deals in the quarter, compared to less than 40% in this period last year. Private equity continues to be aggressive in M&A processes as the interest in the sector is high and private equity has ample access to capital equity and debt. Additionally, strategic buyers have stayed active in the market, headlined by SOSI’s acquisitions of STG and MAG DS Corp’s acquisition of North American Surveillance Systems. For example, Arlington Capital recently sold Polaris Alpha after completing six acquisitions in the past two years to form and grow its portfolio company. In addition to its size appeal, Polaris Alpha’s Next Generation IT capabilities, including cybersecurity and cloud, as well as its Intelligence Community customer base, are highly desirable in today’s market. Continued strong activity from financial sponsors and interest from strategics suggests an increase in M&A activity in the second half of 2018.



(1) KippsDeSanto Aerospace / Defense & Government Services 2018 M&A Survey (available at kippsdesanto.com)
 (2) S&P Capital IQ, company filings, and KippsDeSanto research
 (3) KippsDeSanto & Co. served as exclusive financial advisor

Aerospace Update





Boeing's 2018 Strategic Investments to Boost MRO / Aftermarket Revenues


			
Announce Date	01/16/18	05/01/18	06/04/18
Transaction Type	Joint Venture	M&A	Joint Venture
Products	Aircraft Seats	Components / Parts	APUs
Description	Provides seating to airlines and aircraft leasing companies	Provides aerospace fasteners, consumables, and logistics services	Designs, builds, and services auxiliary power units ("APU")
Industry Incumbents	   	  	 

BOEING CONTINUES EXPANSION INTO AEROSPACE AFTERMARKET SERVICES SEGMENTS

Building upon the formation of a JV with Adient in 1Q18, Boeing undertook two key initiatives in 2Q18 to further its vertical integration strategy of expanding its business into the higher-margin aftermarket services. In late April, Boeing announced its intent to acquire aerospace parts manufacturing business KLX, Inc. for \$4.3 billion. KLX will be integrated with Boeing's subsidiary Aviall, and will operate as part of Boeing Global Services, its rapidly expanding aircraft services business. Additionally, in June, Boeing announced a JV with Safran to produce and service APUs, which help to provide electricity for aircraft systems and to start the main engines and power aircraft systems when planes are on the ground. Currently, the APU market functions as a duopoly between Honeywell and United Technologies, which use the component as part of a suite of avionics and services sold to airlines and cargo operators. Boeing's entrance into the market will continue its trend of fueling disruption of the status quo for aerospace aftermarket services providers.

Boeing to Broaden its Current Aircraft Fleet with Embraer JV⁽¹⁾













Boeing Aircraft Family – Post JV with Embraer	2018E Deliveries ⁽¹⁾	Range (miles)	Seats (2-class)
Embraer Commercial Jets*	88	2,500–2,800	70–100
 737	586	3,400	130–180
 767	33	4,600–7,500	215–300
 787	144	7,600–8,700	240–330
 777	42	6,000–9,800	300–400

 New Boeing Market Offering Through Embraer *E2-190 Shown

JOINT VENTURES BROADEN OEMS' PORTFOLIOS

Airbus took control of Bombardier's C-Series program on July 1st, and Boeing continues to pursue a JV with Embraer's commercial aviation segment, demonstrating the increased prominence of JVs within the aerospace industry. Aerospace companies have been utilizing JVs as a mechanism to form strategic partnerships, thus providing access to a new capability set and allowing for the entrance into new or adjacent markets. Recently, both Airbus and Boeing have formed JVs to enter into the high-growth, small, single-aisle aircraft market. Embraer estimates that 6,400 small, single-aisle aircraft containing a market value of \$300 billion will be sold over the next 20 years. Similar to Airbus' interest in Bombardier, the commercial JV between Embraer and Boeing would allow Boeing to leverage its supply chain and sales experience with a new market-ready regional jet aircraft.

Key 2018 Procurements by NATO Allies

COUNTRY	Denmark	Romania	Latvia	Belgium
				
QUANTITY	27	40	3	34
PLATFORM	 F-35	 F-16	 RQ-20 PUMA	 F-35
MANUFACTURER	 LOCKHEED MARTIN	 GENERAL DYNAMICS	 AU	 LOCKHEED MARTIN

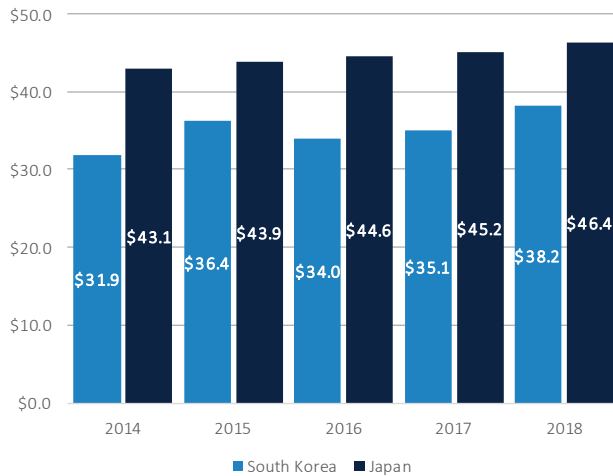
PRESIDENT TRUMP SENDS HIGH-LEVEL DELEGATION TO FARNBOROUGH AIRSHOW

President Trump administration sent a senior delegation to this month's Farnborough Airshow to push the president's "Buy American" policy aimed at boosting exports of weapons and aircraft. The airshow is the largest commercial and military aerospace trade fair of the year. White House trade adviser Peter Navarro led the delegation, which included officials from the State and Commerce Department, the Air Force, and the Pentagon's weapons export administration. Back in February, the administration sent a foreign military sales official to the Singapore Airshow to promote U.S. products. The Conventional Arms Transfer Policy intends to loosen U.S. export rules, while also increasing the advocacy role of senior U.S. officials in closing foreign sales. In 2018, there have already been more than \$43.4 billion in sales to foreign governments, compared to \$42 billion in all of 2017.

Defense Update

South Korea and Japan Defense Spending⁽¹⁾

(in billions)



PRESIDENT TRUMP PROPOSES U.S. MILITARY DRAWDOWN IN SOUTH KOREA

On June 12th, President Trump and Chairman Kim held negotiations at the Singapore Summit over the denuclearization of the Korean peninsula. Trump agreed to cancel upcoming joint military exercises with South Korea as negotiations press forward and hinted at a possible U.S. military drawdown in South Korea if negotiations are successful. However, South Korea and Japan remain committed to a military buildup strategy as a deterrent in case of U.S. troop removal. South Korea seeks to upgrade its military hardware with a focus on its Air Force and Navy to create a force that is capable of fighting with minimal outside assistance. Japan aims to boost the U.S.-Japan military alliance through increased military spending from U.S. suppliers to work more closely with U.S. forces in the Pacific. Even with the progression of North Korean peace talks, the Pacific remains a popular area for defense spending.

Current U.S. Military Space Capabilities Spread Across U.S. Air Force, Army, and Navy

CURRENT U.S. MILITARY SPACE COMMAND STRUCTURE



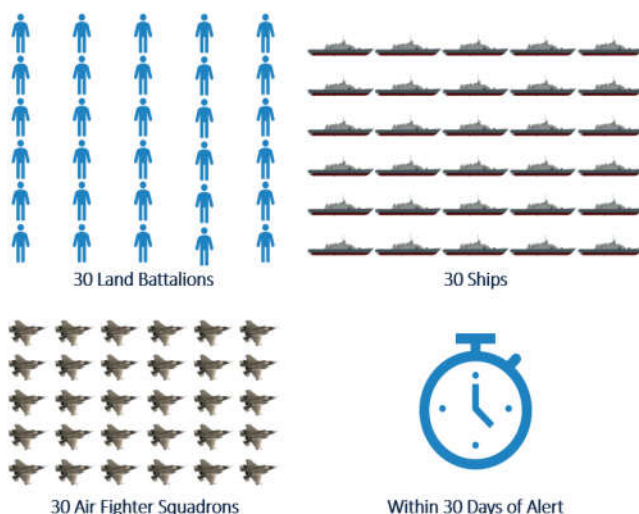
SELECT U.S. MILITARY SPACE APPLICATIONS



NATO AND U.S. PUSH FOR INCREASED DEFENSE SPENDING AMONG MEMBER COUNTRIES

The late June, President Trump directed the Pentagon to establish a sixth branch of the U.S. military dedicated to space. The space force would oversee current U.S. operations in space, such as satellite-based intelligence and weapons command and control, which serve as deterrents to threats from potential adversaries, including Russia and China. These space capabilities currently fall under the U.S. Strategic Command across the U.S. Army, Navy, and Air Force. The idea of a "Space Corps" has emerged previously, and in December 2017, Congress voted against its formation as an independent branch of the military and initiated a large-scale research report to be released in August 2018. For the formation of a space force to occur, Congress must approve its creation in the next GFY2019 NDAA.

NATO 30-30-30-30 Readiness Plan



NATO DETERRENCE POLICIES OVERSHADOW INTERNATIONAL TRADE WAR

U.S. defense firms could face retaliatory tariffs from NATO allies due to the Trump administration's tariffs on steel and aluminum imports. However, the interdependence of NATO allies will likely prevail against a trade war since many European countries rely on U.S. suppliers for key defense technologies. At the NATO summit in Brussels, the Trump administration continued to push its NATO allies to increase defense spending toward the goal of 2% of GDP. As part of its strategy, the U.S. proposed a new 30-30-30-30 readiness plan to be operational by 2020. The plan requires the alliance to have 30 land battalions, 30 air fighter squadrons, and 30 ships ready to deploy within 30 days of being put on alert. Due to the threat posed by Russian forces, European countries will likely remain dependent on U.S. procurements for their military modernization. For example, Denmark recently approved a defense agreement to increase spending by 20% through 2023, and the Danish defense minister stated strong ties with the U.S. and NATO forces remains a priority over trade disputes.

(1) Source: South Korean Ministry of National Defense and Japanese Ministry of Defense

Government Technology Solutions Update

Government Technology Solutions Earnings⁽¹⁾

Government	EPS (Latest Quarter Releases)			EPS Growth YoY
	Est.	Actual	Beat / (Miss)	
Booz Allen Hamilton 4Q18: 05/29/18	\$0.46	\$0.52	14.0%	15.6%
CAI 3Q18: 05/02/18	\$1.80	\$2.33	29.5%	44.7%
ENGILITY 1Q18: 05/02/18	\$0.44	\$0.45	1.9%	(18.2%)
icf 1Q18: 05/02/18	\$0.76	\$0.77	1.9%	11.6%
KeyW@re 1Q18: 05/08/18	(\$0.01)	(\$0.02)	NM	NM
leidos 1Q18: 05/03/18	\$1.02	\$1.03	0.7%	17.0%
ManTech 1Q18: 05/02/18	\$0.48	\$0.51	6.3%	30.8%
perspecta N/A	NA	NA	NA	NA
SAIC 1Q19: 06/13/18	\$1.04	\$1.13	8.6%	4.6%
VECTRUS 1Q18: 05/08/18	\$0.73	\$0.62	(14.5%)	3.3%

ROBUST EXTERNAL ENVIRONMENT DRIVES ANOTHER ROUND OF STRONG EARNINGS

The government technology solutions sector has displayed relatively strong performance during the first half of 2018. While not quite as impressive as its 2017 close, the sector still outperformed estimates by an average of 6.1%, with YoY earnings rising 13.7%, on average. Notably, CAI beat earnings estimates by 29.5% and grew EPS YoY by 44.7%, citing \$1.4 billion in contract awards, with 40% coming as new business, and a strong external environment as driving organic growth. ManTech, another strong performer, also cited the external environment, specifically an 8% defense funding increase, paired with an urgency from clients to utilize remaining funds before the fiscal year end. ManTech anticipates growth will continue in 2018 as its outstanding proposals figure increased from \$4 billion to \$6 billion dating back to the end of 2017. As the GFY2018 end nears, further earnings beats are likely if ManTech and its competitors continue to benefit from customers spending additional procurement dollars.

Key Commercial Cyber Divestitures

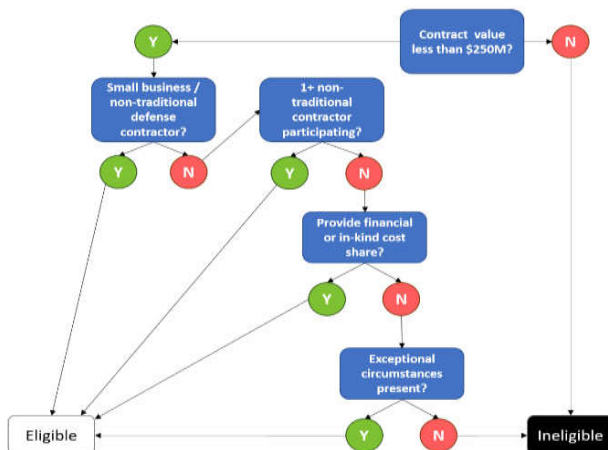
DATE	COMPANY	CYBER DIVESTITURE	BUYER
Jan 2015	BOEING	Narus	Symantec Corp
May 2015	Raytheon	Websense	Forcepoint
May 2015	GENERAL DYNAMICS	Fidelis Cybersecurity	Marlin Equity Partners
July 2015	ManTech	ManTech Cyber	CounterTack
May 2016	KeyW@re	HawkEye AP	Ignite Technologies, Inc.
Jan 2017	NORTHROP GRUMMAN	Blu Vector	LLR Partners
June 2018	leidos	Leidos Cyber	Capgemini

Per the 2018 KippsDeSanto M&A Survey, 87.6% of participants identified cyber as a priority interest area, representing the highest priority amongst government services capability areas

COMMERCIAL CYBERSECURITY M&A TRENDS

Federal contractors are continuing the trend of divesting commercial cybersecurity businesses, evidenced by the recently announced, pending sale of Leidos Cyber to Capgemini. As demands for IT modernization and strengthened cybersecurity across government platforms continue, large technology solutions primes have slowly shed their commercial cyber “products” businesses for more traditionally integrated cybersecurity capabilities and services. The vast differences in business models between the markets have caused companies to refocus their cyber capabilities to better align with their more traditional business models. Since 2015, examples include General Dynamics’ acquisition of SC3, Booz Allen Hamilton’s acquisition of Morphick, and ManTech’s acquisition of Knowledge Consulting Group. As 88% of industry experts say Cybersecurity is a priority area for M&A in 2018, will Leidos follow suit post-transaction?

OTA Smooths Bid Process, But Has Strict Qualification Requirements



OTHER TRANSACTION AWARDS (“OTAs”) STREAMLINING BID PROCESS

Certain contractors have begun to take advantage of a contract award system developed for NASA in the late 1950s: the OTA. Designed to remove the administrative red tape from the solicitation process for time-sensitive R&D work, OTAs are effectively sole-source contracts with limited protest recourse. Lately, government contractors who qualify for OTA work—particularly those with existing relationships with the DoD—have enjoyed quick and unchallenged bidding processes, an invaluable tool in today’s crowded Technology Services market. However, as evidenced in Oracle’s protest on the REAN Cloud \$950M award, OTAs are not without oversight.

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

Public Company Trading Analysis⁽¹⁾

(\$ in millions, except per share amounts)

Aircraft and Engine OEMs	Stock Price 06/30/18	% of 52 Week High	Market Cap	Enterprise Value	CY2018E			CY2019P			EV / CY2018E		EV / CY2019P	
					Rev.	EBITDA	Margin	Rev.	EBITDA	Margin	Rev.	EBITDA	Rev.	EBITDA
Boeing	\$335.51	89.6%	\$195,462	\$198,099	\$97,671	\$14,019	14.4%	\$103,521	\$15,196	14.7%	2.03x	14.1x	1.91x	13.0x
General Electric Co	13.61	49.3%	118,207	252,151	121,120	16,382	13.5%	123,246	19,993	16.2%	2.08x	15.4x	2.05x	12.6x
Airbus SE	116.98	94.1%	90,747	90,817	75,210	8,837	11.7%	81,571	10,276	12.6%	1.21x	10.3x	1.11x	8.8x
Safran SA	121.40	98.8%	52,922	51,098	23,892	4,210	17.6%	25,512	4,842	19.0%	2.14x	12.1x	2.00x	10.6x
MTU Aero Engines AG	192.04	97.6%	9,890	11,079	5,081	908	17.9%	5,492	968	17.6%	2.18x	12.2x	2.02x	11.4x
Median		94.1%	\$90,747	\$90,817	\$75,210	\$8,837	14.4%	\$81,571	\$10,276	16.2%	2.08x	12.2x	2.00x	11.4x

Aerostructures	Stock Price 06/30/18	% of 52 Week High	Market Cap	Enterprise Value	CY2018E			CY2019P			EV / CY2018E		EV / CY2019P	
					Rev.	EBITDA	Margin	Rev.	EBITDA	Margin	Rev.	EBITDA	Rev.	EBITDA
Spirit AeroSystems	85.91	81.7%	9,775	10,482	7,246	1,131	15.6%	7,696	1,237	16.1%	1.45x	9.3x	1.36x	8.5x
Hexcel	66.38	90.4%	5,939	6,730	2,177	517	23.7%	2,376	579	24.4%	3.09x	13.0x	2.83x	11.6x
Senior plc	4.01	92.7%	1,675	1,885	1,367	177	13.0%	1,440	198	13.7%	1.38x	10.6x	1.31x	9.5x
Triumph Group	19.60	56.7%	975	2,377	3,307	200	6.0%	3,334	280	8.4%	0.72x	11.9x	0.71x	8.5x
Median		90.4%	\$1,675	\$2,377	\$2,177	\$200	13.0%	\$2,376	\$280	13.7%	1.38x	11.9x	1.31x	9.5x

Aerospace Suppliers	Stock Price 06/30/18	% of 52 Week High	Market Cap	Enterprise Value	CY2018E			CY2019P			EV / CY2018E		EV / CY2019P	
					Rev.	EBITDA	Margin	Rev.	EBITDA	Margin	Rev.	EBITDA	Rev.	EBITDA
Arconic	17.01	54.6%	8,213	13,431	13,842	1,904	13.8%	14,214	2,109	14.8%	0.97x	7.1x	0.94x	6.4x
Curtiss-Wright	119.02	83.0%	5,262	5,680	2,453	462	18.8%	2,587	525	20.3%	2.32x	12.3x	2.20x	10.8x
Meggitt PLC	6.51	93.1%	5,027	6,330	2,623	605	23.1%	2,757	647	23.5%	2.41x	10.5x	2.30x	9.8x
RBC Bearings	128.81	92.0%	3,105	3,224	714	177	24.7%	780	197	25.2%	4.52x	18.3x	4.13x	16.4x
Moog Inc.	77.96	83.0%	2,787	3,438	2,706	334	12.3%	2,784	377	13.5%	1.27x	10.3x	1.23x	9.1x
Esterline Technologies	73.80	73.4%	2,172	2,596	2,016	301	14.9%	2,062	320	15.5%	1.29x	8.6x	1.26x	8.1x
Astronics	35.97	72.7%	1,009	1,269	791	101	12.8%	829	121	14.6%	1.60x	12.5x	1.53x	10.5x
Héroux-Devtek	11.53	90.6%	418	449	339	52	15.3%	451	68	15.0%	1.32x	8.6x	1.00x	6.7x
Ducommun	33.09	92.2%	377	585	602	62	10.3%	628	72	11.5%	0.97x	9.5x	0.93x	8.1x
Median		83.0%	\$2,787	\$3,224	\$2,016	\$301	14.9%	\$2,062	\$320	15.0%	1.32x	10.3x	1.26x	9.1x

Aftermarket / MRO	Stock Price 06/30/18	% of 52 Week High	Market Cap	Enterprise Value	CY2018E			CY2019P			EV / CY2018E		EV / CY2019P	
					Rev.	EBITDA	Margin	Rev.	EBITDA	Margin	Rev.	EBITDA	Rev.	EBITDA
TransDigm Group	345.14	99.3%	18,096	28,819	3,895	1,938	49.8%	4,130	2,057	49.8%	7.40x	14.9x	6.98x	14.0x
HEICO	72.93	93.7%	8,731	9,594	1,768	453	25.6%	1,904	491	25.8%	5.43x	21.2x	5.04x	19.5x
Singapore Technologies Engineering	2.41	85.5%	7,531	7,547	5,118	621	12.1%	5,392	676	12.5%	1.47x	12.1x	1.40x	11.2x
BBA Aviation	4.50	92.2%	4,632	5,804	2,525	475	18.8%	2,663	497	18.7%	2.30x	12.2x	2.18x	11.7x
KLX Inc.	71.90	87.2%	3,648	4,535	2,025	398	19.7%	2,138	437	20.4%	2.24x	11.4x	2.12x	10.4x
SIA Engineering	2.30	76.6%	2,576	2,234	816	101	12.4%	842	105	12.4%	2.74x	22.1x	2.65x	21.3x
AAR Corp.	46.49	94.8%	1,578	1,748	1,950	164	8.4%	2,221	NA	NA	0.90x	10.7x	0.79x	NA
Median		92.2%	\$4,632	\$5,804	\$2,025	\$453	18.8%	\$2,221	\$494	19.5%	2.30x	12.2x	2.18x	12.8x

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

Public Company Trading Analysis, cont.⁽¹⁾

(\$ in millions, except per share amounts)

Defense Primes	Stock Price 06/30/18	% of 52 Week High	Market Cap	Enterprise Value	CY2018E			CY2019P			EV / CY2018E		EV / CY2019P	
					Rev.	EBITDA	Margin	Rev.	EBITDA	Margin	Rev.	EBITDA	Rev.	EBITDA
Boeing	\$335.51	89.6%	\$195,462	\$198,099	\$97,671	\$14,019	14.4%	\$103,521	\$15,196	14.7%	2.03x	14.1x	1.91x	13.0x
Lockheed Martin	295.43	81.4%	84,354	96,255	51,483	8,159	15.8%	54,003	8,802	16.3%	1.87x	11.8x	1.78x	10.9x
Raytheon	193.18	84.1%	55,491	58,286	26,772	4,884	18.2%	28,230	5,223	18.5%	2.18x	11.9x	2.06x	11.2x
General Dynamics	186.41	81.0%	55,370	57,517	35,948	5,137	14.3%	39,501	5,719	14.5%	1.60x	11.2x	1.46x	10.1x
Northrop Grumman	307.70	85.3%	53,658	58,549	30,085	4,314	14.3%	34,089	4,989	14.6%	1.95x	13.6x	1.72x	11.7x
BAE Systems	8.53	98.0%	27,234	28,475	24,770	2,908	11.7%	25,926	3,105	12.0%	1.15x	9.8x	1.10x	9.2x
Median		84.7%	\$55,430	\$58,417	\$33,017	\$5,011	14.3%	\$36,795	\$5,471	14.7%	1.91x	11.9x	1.75x	11.0x

Defense Systems	Stock Price 06/30/18	% of 52 Week High	Market Cap	Enterprise Value	CY2018E			CY2019P			EV / CY2018E		EV / CY2019P	
					Rev.	EBITDA	Margin	Rev.	EBITDA	Margin	Rev.	EBITDA	Rev.	EBITDA
Safran	121.40	98.8%	52,922	51,098	23,892	4,210	17.6%	25,512	4,842	19.0%	2.14x	12.1x	2.00x	10.6x
L3 Technologies	192.32	87.9%	15,093	18,135	9,996	1,346	13.5%	10,516	1,471	14.0%	1.81x	13.5x	1.72x	12.3x
Huntington Ingalls Industries	216.79	78.4%	9,647	10,399	7,596	1,104	14.5%	7,807	1,096	14.0%	1.37x	9.4x	1.33x	9.5x
FLIR	51.97	93.3%	7,131	7,137	1,790	419	23.4%	1,882	482	25.6%	3.99x	17.0x	3.79x	14.8x
Cobham	1.70	85.6%	4,038	4,558	2,529	374	14.8%	2,588	409	15.8%	1.80x	12.2x	1.76x	11.2x
Kongsberg Gruppen	21.25	84.7%	2,540	2,621	1,820	189	10.4%	2,164	262	12.1%	1.44x	13.9x	1.21x	10.0x
Cubic	64.20	88.6%	1,748	1,968	1,183	110	9.3%	1,335	148	11.1%	1.66x	17.9x	1.47x	13.3x
AeroVironment	71.43	97.0%	1,684	1,427	331	48	14.7%	307	30	9.7%	4.31x	NM	4.65x	NM
Median		88.3%	\$5,585	\$5,848	\$2,175	\$396	14.6%	\$2,376	\$445	14.0%	1.81x	13.5x	1.74x	11.2x

Defense Electronics / Comm.	Stock Price 06/30/18	% of 52 Week High	Market Cap	Enterprise Value	CY2018E			CY2019P			EV / CY2018E		EV / CY2019P	
					Rev.	EBITDA	Margin	Rev.	EBITDA	Margin	Rev.	EBITDA	Rev.	EBITDA
Harris	144.54	84.8%	17,161	20,937	6,344	1,436	22.6%	6,781	1,630	24.0%	3.30x	14.6x	3.09x	12.8x
Teledyne	199.06	92.9%	7,119	8,067	2,826	488	17.3%	2,936	514	17.5%	2.86x	16.5x	2.75x	15.7x
Viasat	65.72	81.9%	3,871	4,835	1,800	258	14.3%	2,299	482	21.0%	2.69x	18.8x	2.10x	10.0x
Mercury Systems	38.06	69.2%	1,834	1,985	538	121	22.6%	597	140	23.5%	3.69x	16.4x	3.32x	14.1x
Ultra Electronics	21.77	76.1%	1,614	1,715	988	170	17.2%	1,020	174	17.0%	1.74x	10.1x	1.68x	9.9x
Kratos Defense & Security Solutions	11.51	82.6%	1,191	1,357	644	56	8.6%	716	72	10.1%	2.11x	24.4x	1.90x	18.8x
Comtech Telecommunications	31.88	92.1%	754	892	594	78	13.1%	627	NA	NA	1.50x	11.4x	1.42x	NA
Median		82.6%	\$1,834	\$1,985	\$988	\$170	17.2%	\$1,020	\$328	19.2%	2.69x	16.4x	2.10x	13.5x

Homeland Security	Stock Price 06/30/18	% of 52 Week High	Market Cap	Enterprise Value	CY2018E			CY2019P			EV / CY2018E		EV / CY2019P	
					Rev.	EBITDA	Margin	Rev.	EBITDA	Margin	Rev.	EBITDA	Rev.	EBITDA
Smiths Group	22.41	93.8%	8,867	10,253	4,321	908	21.0%	4,516	948	21.0%	2.37x	11.3x	2.27x	10.8x
MSA Safety Incorporated	96.34	99.0%	3,691	4,043	1,359	288	21.2%	1,419	315	22.2%	2.98x	14.1x	2.85x	12.9x
Axon	0.00	NA	3,680	3,583	411	64	15.6%	478	83	17.3%	8.72x	56.0x	7.50x	43.3x
OSI Systems, Inc.	77.33	80.0%	1,398	1,681	1,084	169	15.6%	1,150	192	16.7%	1.55x	10.0x	1.46x	8.8x
American Outdoor Brand	12.03	53.4%	654	792	602	88	14.7%	620	108	17.4%	1.32x	9.0x	1.28x	7.3x
Median		86.9%	\$3,680	\$3,583	\$1,084	\$169	15.6%	\$1,150	\$192	17.4%	2.37x	11.3x	2.27x	10.8x

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

Public Company Trading Analysis, cont.⁽¹⁾

(\$ in millions, except per share amounts)

Government Technology Solutions	Stock Price 06/30/18	% of 52 Week High	Market Cap	Enterprise Value	CY2018E			CY2019P			EV / CY2018E		EV / CY2019P	
					Rev.	EBITDA	Margin	Rev.	EBITDA	Margin	Rev.	EBITDA	Rev.	EBITDA
Leidos Holdings	\$59.00	84.2%	\$8,955	\$11,838	\$10,392	\$1,085	10.4%	\$10,849	\$1,152	10.6%	1.14x	10.9x	1.09x	10.3x
Booz Allen Hamilton	43.73	95.4%	6,271	7,882	6,474	609	9.4%	6,874	661	9.6%	1.22x	12.9x	1.15x	11.9x
CACI International	168.55	96.4%	4,163	5,190	4,566	415	9.1%	4,775	430	9.0%	1.14x	12.5x	1.09x	12.1x
SAIC	80.93	89.1%	3,435	4,299	4,595	331	7.2%	4,738	353	7.5%	0.94x	13.0x	0.91x	12.2x
ManTech International	53.64	86.2%	2,121	2,176	1,924	165	8.6%	2,056	176	8.6%	1.13x	13.2x	1.06x	12.4x
ICF International	71.05	93.3%	1,336	1,548	1,271	121	9.5%	1,347	133	9.9%	1.22x	12.8x	1.15x	11.6x
Engility Holdings	30.64	86.0%	1,132	2,067	1,878	166	8.8%	1,909	169	8.9%	1.10x	12.4x	1.08x	12.2x
VSE Corporation	47.78	79.8%	520	701	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
KeyW	8.74	88.9%	431	698	510	47	9.2%	531	52	9.9%	1.37x	14.9x	1.32x	13.3x
Vectrus, Inc.	30.82	74.3%	346	394	1,257	55	4.4%	1,283	57	4.5%	0.31x	NM	0.31x	6.9x
Median		87.5%	\$1,729	\$2,122	\$1,924	\$166	9.1%	\$2,056	\$176	9.0%	1.14x	12.9x	1.09x	12.1x

Engineering & Construction	Stock Price 06/30/18	% of 52 Week High	Market Cap	Enterprise Value	CY2018E			CY2019P			EV / CY2018E		EV / CY2019P	
					Rev.	EBITDA	Margin	Rev.	EBITDA	Margin	Rev.	EBITDA	Rev.	EBITDA
Jacobs Engineering	63.49	88.0%	9,002	10,773	16,131	1,174	7.3%	16,525	1,160	7.0%	0.67x	9.2x	0.65x	9.3x
Babcock International	10.79	89.6%	5,444	7,208	7,078	926	13.1%	7,486	955	12.8%	1.02x	7.8x	0.96x	7.5x
AECOM	33.03	82.8%	5,296	8,601	19,897	944	4.7%	20,616	1,104	5.4%	0.43x	9.1x	0.42x	7.8x
Tetra Tech	58.50	99.4%	3,254	3,529	2,215	254	11.5%	2,301	271	11.8%	1.59x	13.9x	1.53x	13.0x
KBR	17.92	82.6%	2,520	2,733	4,552	385	8.5%	4,987	374	7.5%	0.60x	7.1x	0.55x	7.3x
Median		88.0%	\$5,296	\$7,208	\$7,078	\$926	8.5%	\$7,486	\$955	7.5%	0.67x	9.1x	0.65x	7.8x

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

Select Recent Aerospace / Defense M&A⁽¹⁾

(\$ in millions)

Announce Date	Buyer / Investor	Target	Target Description	EV	Revenue	EBITDA	EBITDA		EV / LTM	
							Margin	Rev.	Rev.	EBITDA
06/29/18	Derichebourg Group's AS Division (Derichebourg Atis Aerospace)	Ausgael Aviation Services Inc.	Provides inspection services to airline and leasing companies as aircraft are being built and delivered	ND	\$0.7	ND	ND	ND	ND	ND
06/28/18	Imenco AS	Kongsberg Maritime AS (Subsea Cameras and CCTV Systems Business)	Provides subsea cameras and harsh environment CCTV systems	ND	ND	ND	ND	ND	ND	ND
06/21/18	Goshawk Aviation Limited	SKY Aviation Leasing International	Provides aircraft as a globally active, full-service, commercial leasing platform focused on new and young mid-life aircraft	ND	ND	ND	ND	ND	ND	ND
06/19/18	Cerberus Capital Management	Worldwide Flight Services	Provides aviation and aircraft ground support services such as cargo handling, technical contracting, and ramp and passenger services	\$1,389.2	1,400.0	ND	ND	0.99x	ND	ND
06/18/18	MAG Aerospace Corporation	North American Surveillance Systems, Inc. (NASS)	Provides integration of ISR systems onto fixed- and rotary-wing platforms and undertakes other aircraft modification and upgrades	ND	ND	ND	ND	ND	ND	ND
06/13/18	Viasat, Inc.	Horsebridge Defence and Security	Provides design, system integration, and support of deployable secure networks	ND	ND	ND	ND	ND	ND	ND
06/12/18	TGP Investments, LLC	Mid-America Precision Products, LLC	Provides highly-engineered, precision-machined components for missiles, aerospace, and maritime products	ND	ND	ND	ND	ND	ND	ND
06/08/18	Gardner Aerospace	Northern Aerospace Limited	Provides design, manufacture, and assembly of precision machined aircraft components to leading aircraft manufacturers	ND	ND	ND	ND	ND	ND	ND
06/06/18	Lynx FBO Network (The Sterling Group)	Napa Jet Center, Inc.	Provides general aviation services such as aircraft management, complete aircraft maintenance, concierge services, as well as aircraft sales and acquisition	ND	ND	ND	ND	ND	ND	ND
06/05/18	ACR Electronics, Inc.	Flight Data Systems	Provides flight data recorders, ground support equipment, and electronics manufacturing for the global aviation industry	ND	ND	ND	ND	ND	ND	ND
06/04/18	Patria Oyj	Patricomp Oy	Provides aircraft sheet metal part manufacturing, surface treatments, and assemblies	ND	7.8	ND	ND	ND	ND	ND
06/01/18	Cache Creek Industries, LLC	Mountain Secure Systems	Provides proprietary, ruggedized and highly engineered electronic solutions to defense contractors	ND	ND	ND	ND	ND	ND	ND
05/29/18	CBE, Inc.	Osprey Defense (Ark Defense, LLC subsidiary)	Provides design and manufacturing of piston systems and accessories	ND	ND	ND	ND	ND	ND	ND
05/28/18	Jet Support Services, Inc. (1848 Capital Partners, LLC)	Conklin & de Decker Associates, Inc.	Provides aircraft cost and performance data, as well as aircraft acquisition, fleet planning, finance, education, and tax consulting services	ND	ND	ND	ND	ND	ND	ND
05/23/18	BBA Aviation plc	EPIC Aviation, LLC	Provides fuels and services to FBOs, commercial airlines, airports, ground fueling operators, the U.S. Defense Logistics Agency (DLA), and other government agencies	88.1	400.0	\$7.5	1.9%	0.22x	11.7x	
05/18/18	New Mountain Partners	MAG DS Corp.	Provides manned aerial sensing, unmanned aerial sensing, aviation training, and aviation logistics services to federal, global, and commercial customers	ND	92.0	ND	ND	ND	ND	ND
05/18/18	The Carlyle Group	HGH Infrared Systems	Provides optoelectronic and infrared systems and software for surveillance applications, test & measurement, and industrial thermography	ND	ND	ND	ND	ND	ND	ND
05/17/18	Mecadaq Group	Hirschler Manufacturing Inc.	Provides high-precision manufacturing of mechanical parts made from hard metals for the aerospace industry	ND	8.8	ND	ND	ND	ND	ND
05/14/18	Aerostructures Long Island, Inc.	Triumph Structures - Long Island, LLC (subsidiary of the Triumph Group, Inc.)	Provides aircraft structural components and dynamic parts and assemblies for commercial and military aerospace programs	9.5	ND	ND	ND	ND	ND	ND
05/11/18	Valence Surface Technologies, LLC (Trive Capital portfolio company)	Triumph Structures - Los Angeles, Inc. and Triumph Processing, Inc.	Provides manufacturing and assembly of structural components and non-destructive testing, chemical processing, and paint services to the aerospace industry	ND	ND	ND	ND	ND	ND	ND
05/08/18	Astro Aerospace Ltd.	Passenger Drone	Provides aerial transport vehicles with vertical takeoff and landing capabilities	ND	ND	ND	ND	ND	ND	ND
05/07/18	Spell Capital Partners, LLC	3P Processing, Inc.	Provides metal finishing, testing, and inspection process services to the aerospace and defense sector, specializing in complex geometric and high-precision parts	ND	ND	ND	ND	ND	ND	ND
05/04/18	Axon Enterprise, Inc.	VIEVU, LLC (Safariland subsidiary)	Provides wearable video cameras and data management software for law enforcement and private security professionals	7.1	ND	ND	ND	ND	ND	ND
05/03/18	TurbineAero Repair LTD	APU Repair Product Line (RPL) (subsidiary of Triumph Aviation Services Asia, Ltd.)	Provides repair services and testing for APU component parts and related parts accessories	ND	ND	ND	ND	ND	ND	ND
05/02/18	Spirit AeroSystems Holdings, Inc.	Asco Industries N.V.	Provides high lift wing structures, mechanical assemblies, and components to OEMs and Tier-1 suppliers in commercial aerospace and military markets	650.0	400.0	69.9	17.5%	1.63x	9.3x	

(1) S&P Capital IQ, company filings, and KippsDeSanto research
 ND = not disclosed

Select Recent Aerospace / Defense M&A, cont.⁽¹⁾

(\$ in millions)

Announce Date	Buyer / Investor	Target	Target Description	EV	Revenue	EBITDA	EBITDA		EV / LTM	
							Margin		Rev.	EBITDA
05/01/18	Boeing Co.	KLX, Inc.	Provides aerospace fasteners, consumables, and logistics services worldwide through its Aerospace Solutions Group	\$4,158.6	\$1,740.8	\$282.4	16.2%	2.39x	14.7x	
05/01/18	American Industrial Partners	Vertex Aerospace (L3 Technologies Subsidiary)	Provides sustainment & support and aviation & aerospace technical services for the DoD, government agencies, and foreign governments	540.0	ND	ND	ND	ND	ND	
04/26/18	Hensoldt Sensors GmbH	Airbus DS Electronics and Border Security SAS	Provides highly secure data link solutions and a range of identification friend or foe ("IFF") products	ND	23.9	ND	ND	ND	ND	
04/24/18	QinetiQ Group plc	E.I.S. Aircraft GmbH	Provides aerial training services, threat representation, and combat battle simulations	85.5	24.5	6.6	26.9%	3.49x	13.0x	
04/23/18	Ducommun, Inc.	Certified Thermoplastics Co., LLC	Provides precision profile extrusions and extruded assemblies of engineered thermoplastic resins, compounds, and alloys for aerospace, defense, and other industries	30.5	ND	ND	ND	ND	ND	
04/20/18	Fastener Distribution Holdings (Audax Capital)	Blue Sky industries	Provides c-class parts to aerospace and defense MRO and OEM customers	ND	ND	ND	ND	ND	ND	
04/19/18	Tooling Tech Group (GenNx360 Capital Partners portco)	Century Tool Group	Provides precision compression molds, automation equipment, and secondary fixtures for aerospace, marine, automotive, and heavy-truck industries	ND	ND	ND	ND	ND	ND	
04/17/18	Arsenal Capital Partners	Fralock	Provides components and subassemblies for companies in the aerospace, satellite, semiconductor equipment, and life science industries	ND	ND	ND	ND	ND	ND	
04/17/18	Vantage Speciality Chemical Holdings (H.I.G. Capital)	B&B Tritech, Inc.	Provides surface treatment solutions engineered for defense and commercial aviation markets	ND	ND	ND	ND	ND	ND	
04/17/18	Dukane Seacom, Inc. (HEICO Corp. subsidiary)	Instrumar Ltd.'s Emergency Locator Transmitter Beacon Product Line	Provides emergency locator transmitter beacons for the commercial aviation and defense markets	ND	ND	ND	ND	ND	ND	
04/12/18	Luminar Technologies, Inc.	Black Forest Engineering, LLC	Provides high-performance receivers used in LiDAR systems	ND	ND	ND	ND	ND	ND	
04/11/18	Jet Aviation (General Dynamics Corp. Subsidiary)	Hawker Pacific Pty. Ltd.	Provides a wide range of aviation services, including civil MRO services, government fleet management, FBO services, aircraft sales, and parts sales	250.0	143.0	31.0	21.7%	1.75x	8.1x	
04/11/18	UmbraGroup S.p.A.	Thomson Aerospace & Defense (subsidiary of Meggitt plc)	Provides highly engineered ball screws and electromechanical systems to defense and commercial clients	ND	40.0	ND	ND	ND	ND	
04/09/18	Woodward, Inc.	L-Orange GmbH (subsidiary of Rolls-Royce plc)	Provides fuel injection systems for industrial diesel, heavy fuel oil, and dual-fuel engines	811.0	282.6	85.7	30.3%	2.87x	9.5x	
04/04/18	Aviation Technical Services	American Cooler Service, Inc.	Designs and develops heat exchangers, fuel systems, pneumatics, and electromechanical products	ND	ND	ND	ND	ND	ND	
04/03/18	Performance Inflatables Co., LLC (Pinewell Capital portco)	Avon Engineered Fabrications, Inc. (Avon Rubber plc)	Provides military-grade performance inflatable products to various DoD and U.S. military branches, as well as other commercial clients worldwide	9.3	ND	ND	ND	ND	ND	
04/03/18	LDI, Ltd.	Polygon Company	Manufactures and supplies composite bearing, non-gelcoat composite pneumatic cylinders, and dielectric motor insulation, among others	ND	ND	ND	ND	ND	ND	
04/03/18	Orolia SA	Talen-X, Inc.	Provides advanced techniques and products to solve real-world GNSS vulnerability problems	ND	ND	ND	ND	ND	ND	
04/03/18	Liberty Hall Capital Partners	AeroCision, LLC	Provides complex engine components and assemblies for the global aerospace industry	ND	ND	ND	ND	ND	ND	
04/03/18	Day & Zimmermann	M2 Services Corporation	Provides aviation and vehicle heavy maintenance, modification, painting, component repair, and overhaul services	ND	ND	ND	ND	ND	ND	
04/03/18	GenNx360 Capital Partners	Subsea Global Solutions	Provides underwater ship maintenance, inspection, repair, and marine construction services	ND	ND	ND	ND	ND	ND	
03/29/18	Melrose Industries plc	GKN plc	Provides design, development, and manufacturing of aerospace and defense products, as well as automotive and agrotechnical components	11,100.0	12,240.0	903.0	7.4%	0.91x	12.3x	
03/29/18	Tata Advanced Systems	Tata Power's Defense business	Provides design, development, production, integration, supply, and life-cycle support of defense systems	156.4	81.6	ND	ND	1.92x	ND	
03/27/18	Kelly Aerospace	AeroKool Aviation Corp.	Provides repair and overhaul of airframe environmental control systems, heat transfer, and oil and fuel pumping system components	ND	ND	ND	ND	ND	ND	
03/22/18	Consolidated Machine & Tool Holdings, LLC (White Wolf Capital)	LCP Machine, Inc.	Provides CNC precision machining serving a number of industries, including aerospace, defense, energy, and industrial	ND	ND	ND	ND	ND	ND	

(1) S&P Capital IQ, company filings, and KippsDeSanto research
 ND = not disclosed

Select Recent Government Technology Solutions M&A⁽¹⁾

(\$ in millions)

Announce Date	Buyer / Investor	Target	Target Description	EV	Revenue	EBITDA	EBITDA		EV / LTM	
							Margin	Rev.	Rev.	EBITDA
06/26/18	Zivaro, Inc. (formerly known as Global Technology Resources, Inc. (GTRI))	Network Professionals Group, LLC (NPG)	Provides value-managed service offerings to address the growing complexity of hybrid information technology such as on-site systems integrated with cloud-based systems	ND	ND	ND	ND	ND	ND	ND
06/07/18	Culmen International, LLC	Analytic Strategies, LLC (Planet Risk Federal Services)	Provides enterprise analytics services to the U.S. Federal Government	ND	ND	ND	ND	ND	ND	ND
05/29/18	Madison Dearborn Partners / CoVant Group	Linquest Corporation	Provides space systems technology solutions focused on the convergence of C4ISR, information, and cyber systems for DoD and IC customers	ND	ND	ND	ND	ND	ND	ND
05/21/18	Fishtech Group	Haystax Technology	Provides advanced security analytics and risk management solutions	ND	ND	ND	ND	ND	ND	ND
05/21/18	The Parsons Corporation	Polaris Alpha	Provides technical capabilities, specialized domain expertise, and mission critical solutions to the DoD and IC customers	ND	ND	ND	ND	ND	ND	ND
05/09/18	Quality Technology, Inc.	Fusion PPT, LLC	Provides IT service management and cloud computing solutions to commercial and government customers in the U.S.	ND	ND	ND	ND	ND	ND	ND
05/02/18	Ontario Systems, LLC	Justice Systems, Inc.	Provides court case management, prosecutor and public defender case management, and electronic payments software for state and municipal court systems	ND	ND	ND	ND	ND	ND	ND
05/15/18	SAP National Security Services	Technology Management Associates ⁽²⁾	Provides technology services to the IC, DoD, and U.S. Federal Government	ND	ND	ND	ND	ND	ND	ND
04/25/18	Ian, Evan & Alexander Corporation	RAI Government Services, LLC	Provides intelligence services to clients in the IC, local and federal law enforcement, and the DoD	ND	ND	ND	ND	ND	ND	ND
04/23/18	Peraton	Strategic Resources International, Inc. ⁽²⁾	Provides telecommunications assets in the areas of mobile, IP transport, and VSAT	ND	ND	ND	ND	ND	ND	ND
04/19/18	Valiant Integrated Services	Cubic Global Defense Services	Provides training, operations, intelligence, maintenance, technical, and other support services to the U.S. Federal Government, its agencies, and allied nations	\$138.0	\$378.0	ND	ND	0.37x	ND	ND
04/16/18	Polaris Alpha	Fourth Demension Engineering, LLC	Provides electronic product development services in multiple engineering disciplines, including mechanical, electrical, and software, to government and commercial clients	ND	ND	ND	ND	ND	ND	ND
04/11/18	SOS International, LLC (SOSi)	STG Group Holdings, Inc.	Provides mission-critical technology, cyber, and data solutions to the U.S. defense, diplomatic, and intelligence communities	83.0	ND	ND	ND	ND	ND	ND
04/04/18	Alvarez and Marsal Capital Partners	Client Network Services, Inc.	Provides a portfolio of IT and business process outsourcing solutions to federal, state, and local government agencies	ND	ND	ND	ND	ND	ND	ND
03/27/18	Superion, LLC	Public Safety Corporation	Provides technology and technology-enabled services focused on state and local government public safety projects and programs	ND	ND	ND	ND	ND	ND	ND
03/12/18	StereoVision, Inc.	Digital Signal Corporation	Provides three-dimensional facial recognition systems and solutions for government and commercial clients	ND	ND	ND	ND	ND	ND	ND
02/27/18	By Light Professional IT Services, Inc.	Axom Technologies, Inc.	Provides IT services to defense, intelligence, and homeland security agencies	ND	ND	ND	ND	ND	ND	ND
02/23/18	KBRwyle Technology Solutions, LLC	Stinger Ghaffarian Technologies, Inc. (SGT)	Provides engineering, mission operations, and IT solutions to the U.S. Federal Government for space, national security, and civilian operations	355.0	ND	ND	ND	ND	ND	ND
02/22/18	Cubic Corporation	MotionDSP, Inc.	Provides real-time video enhancement software and 2-D mapping software solutions	9.7	ND	ND	ND	ND	ND	ND
02/22/18	Patriot Defense Group	Innovative Logistics, LLC	Provides expeditionary logistics services to elements of the U.S. Special Operations Command	ND	ND	ND	ND	ND	ND	ND
02/14/18	Veritas Capital	U.S. Public Sector Business of PWC	Provides federal, state, and local governments with business risk management, financial, and program management services	ND	ND	ND	ND	ND	ND	ND
02/14/18	Arlington Capital Partners	Integrity Applications Incorporated	Provides systems engineering, integrated solutions, technical analysis, and subject matter expertise in the intelligence and defense communities	ND	ND	ND	ND	ND	ND	ND
02/12/18	General Dynamics Corp.	CSRA, Inc.	Provides IT solutions and professional services to U.S. Federal Government customers to modernize IT systems and enhance mission-critical functions	9,871.1	5,064.0	\$841.3	8.5%	1.95x	11.7x	ND
02/07/18	Fulcrum IT Services	The PTR Group	Provides software development, prototype development, consulting, and training to assist commercial companies and government agencies	ND	ND	ND	ND	ND	ND	ND
02/02/18	PAE, Inc.	Macfadden & Associates, Inc.	Provides international disaster response operational support services	ND	ND	ND	ND	ND	ND	ND

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

(2) KippsDeSanto & Co. served as exclusive financial advisor

ND = not disclosed

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 government 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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