

Aerospace / Defense & Government Services 2024 M&A Survey Public Report



Aerospace / Defense & Government Services 2024 M&A Survey

Aerospace / Defense and Government Services M&A activity in 2023 started off very strong, with more than 100 deals announced in 1Q23 before slowing in 2Q23. While some of the 2Q23 decline may be attributable to an elevated 1Q23 (with some 4Q22 deals slipping), the dip also reflects increased credit market turbulence, following the collapse of several banks in early 2023. Despite aggressive monetary policy and elevated inflation, the Defense and Government Services sectors managed to bounce back in the second half of the year, demonstrating strength and resiliency to broader economic pressures. Though the Aerospace sector saw a considerable uptick of commercial travel, there was a 20% decrease in year-over-year deal activity, a three-year historical low point, as the sector continues to battle supply chain disruptions.

In our seventh annual survey of M&A activity and sentiment, we find dealmakers cautiously optimistic for 2024, as 51% of respondents anticipate moderate economic growth in the U.S., up from 30% in our 2023 survey. While not reaching the growth expectations observed in 2021 and 2022, the shift is positive, with only 11% expecting a moderate to strong contraction, down from 38% reporting the same last year.

Dealmakers anticipate increased M&A activity in the Aerospace / Defense and Government Services sectors, with 89% of respondents expecting flat or increased transaction volume. In the Aerospace sector, the percentage of respondents anticipating lower levels of M&A activity diminished significantly (9% in 2024 vs. 25% in 2023), while Defense sector expectations for increased M&A activity reached a five-year high (50% in 2024, up from 27% in 2023). In the Government Services sector, respondents share a considerably more positive sentiment for the year ahead, demonstrated by the dropping percentage of respondents who expect a decline in M&A activity (11% in 2024 compared to 43% in 2023).

Many of the most active dealmakers in the Aerospace / Defense and Government Services sectors participated in this survey. This includes CEOs, presidents, CFOs, corporate development executives (or other executive-level respondents from corporate / strategic buyers), private equity partners, and other senior professionals.

“Through this report, we hope to present the market with a broader view of the underlying factors that impact the decision-making of dealmakers of these sectors in 2024, including potential drivers of M&A activity in the Aerospace / Defense and Government Services sectors. Additionally, by aggregating sentiment, we strive to provide unique market insights. We, like many of our respondents, remain optimistic by what we are seeing in our sectors.

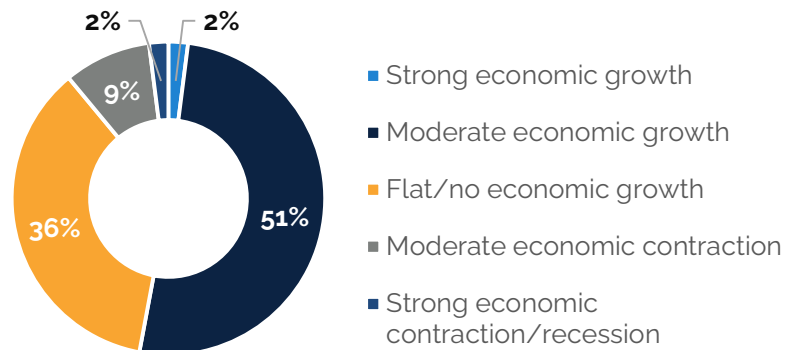
KIPPSDESANTO & CO.

Dealmakers are Cautiously Optimistic for Growth

Along with dealmakers' bullish expectations for 2024 M&A activity, nearly half of respondents (53%) predict moderate or strong economic growth, up 22% from last year's survey. As another sign of positive sentiment, there was a noticeable drop in respondents who expect economic contraction (11% in 2024 vs. 38% in 2023).

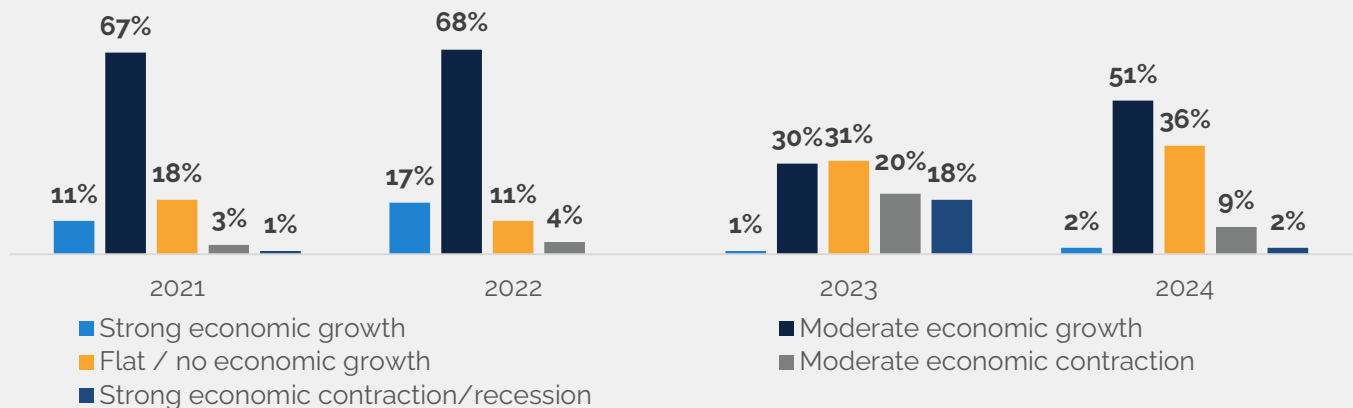
Looking back at historical survey data, respondents' expectations have shifted from overwhelmingly strong or moderate growth in 2021 – 2022, to a more pessimistic outlook of 2023, before rebounding in our most recent data to a view of flat to moderate economic growth expected in 2024.

Expectations for the U.S. Economy in 2024



IN RESPONSE TO: Which of the following best describes your expectation for U.S. economic growth in 2024?

Expectations for the U.S. Economy, Year-Over-Year Trend

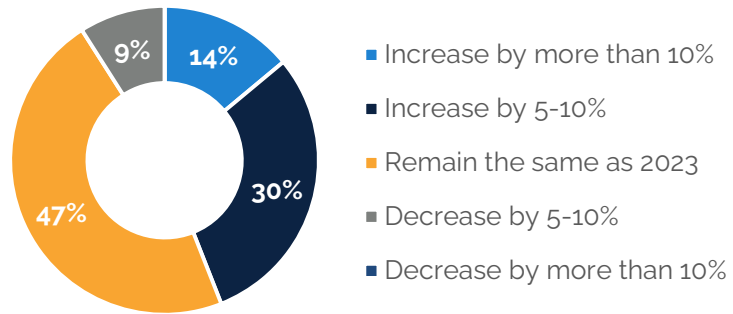


Dealmakers Shift Away from Decreased Deal Activity Expectations

Overall, predictions about M&A activity in this year's survey continue to show a positive trajectory across each of the sectors queried. In a shift from the last two years' surveys, nearly 40% or more of respondents across all three sectors expect M&A activity to increase. The percentage of respondents who believe 2024 will show a decrease in M&A activity came down significantly from our 2022 and 2023 surveys to a level generally in-line with our 2021 survey results. While we are not seeing a complete reversal toward high expectations of large deal activity increases, sentiment appears to be more rooted toward stability.

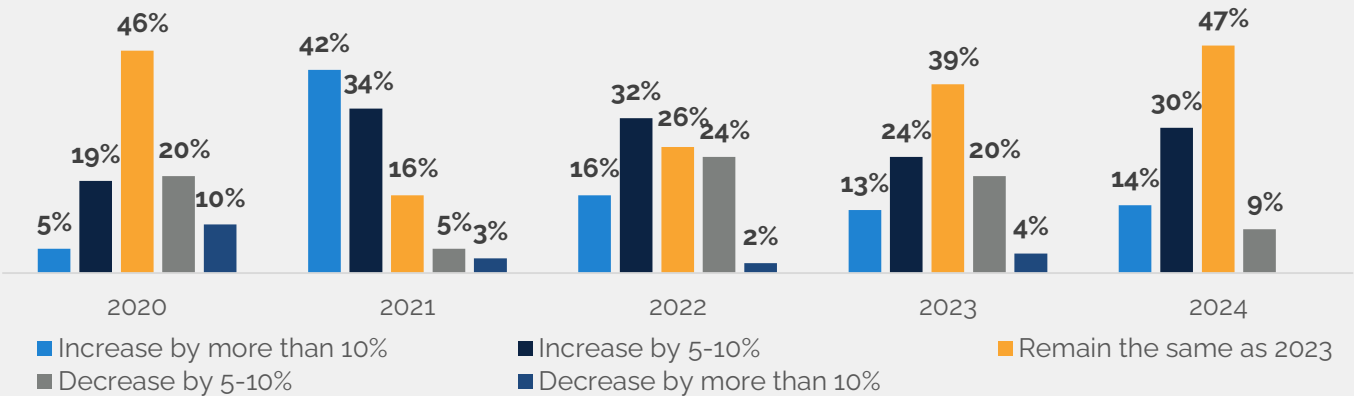
This cautiously optimistic viewpoint continues in 2024 around M&A activity in the **Aerospace sector**, with 44% of respondents expecting deal activity to increase as compared to 37% in 2023. While 47% believe it will remain flat, (an increase from 39% last year), the most telling difference year-over-year is reflected in only 9% of respondents reporting they expect activity to decrease, down considerably from 24% in 2023.

Anticipated M&A Activity in the Aerospace Sector, 2024 vs. 2023



IN RESPONSE TO: M&A activity in the Aerospace sector in 2024 compared to 2023. The number of deals closed in 2024 will...

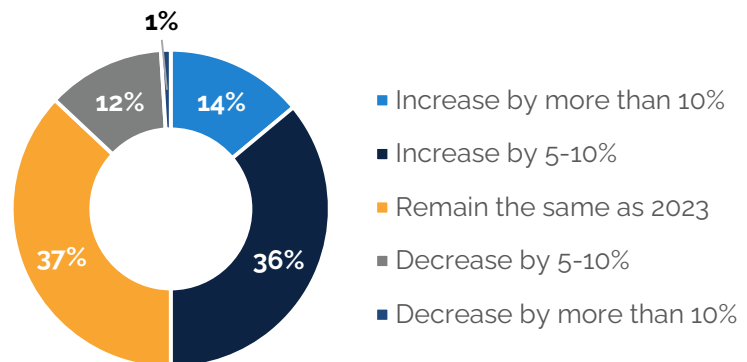
Anticipated M&A Activity in the Aerospace Sector, Year-Over-Year Trend



The percentage of respondents predicting an increase in deal activity within the **Defense Products and Technology sector** has reached a five-year high, almost doubling compared to 2023 (50% vs. 27%). Again, we see the biggest positive shift in just 13% of respondents expecting fewer deals in 2024, as compared to 32% in 2023.

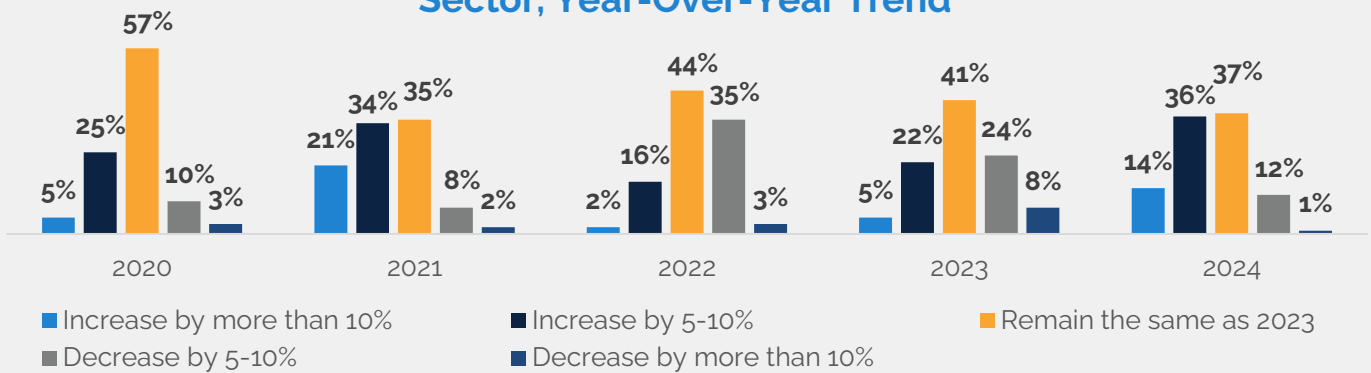
Considering how sentiment has trended over the last five years, dealmakers' 2024 predictions demonstrate strength, with a sizable drop in the percentage of respondents expecting less activity (from a high of 38% in 2022 to just 13% in this year's data).

Anticipated M&A Activity in the Defense Products and Technology Sector, 2024 vs. 2023



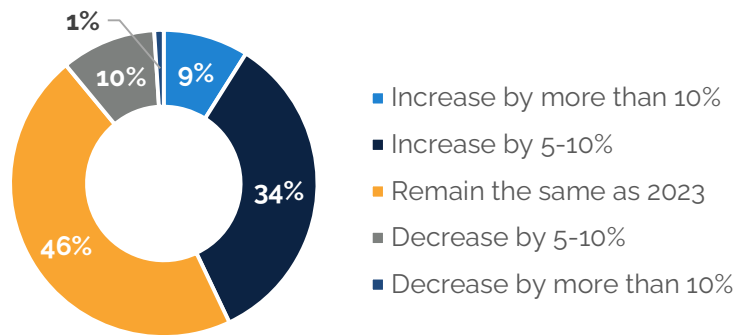
IN RESPONSE TO: M&A activity in the Defense Products and Technology sector in 2024 compared to 2023. The number of deals closed in 2024 will...

Anticipated M&A Activity in the Defense Products and Technology Sector, Year-Over-Year Trend



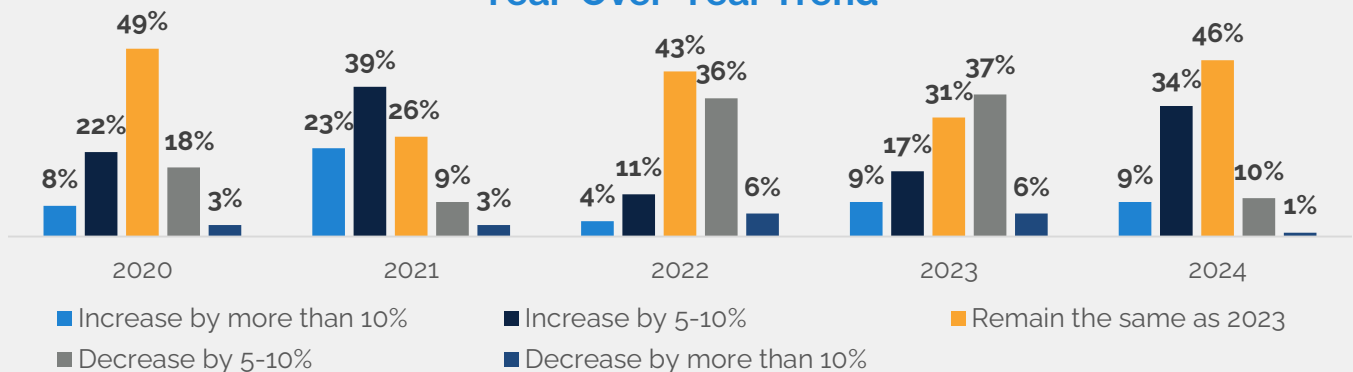
Within the **Government Services sector**, 43% of respondents predict an increase in M&A activity in 2024, a sizable uptick from our 2023 results (26%) and nearly three times as reported in 2022 (15%), a sign interest in this sector continues to gain strength. While a similar percentage of dealmakers believe activity will remain stable (46%), the largest movement is once again the decline in negative expectations, with only 11% of this year's respondents anticipating a decrease, compared to 43% in 2023.

Anticipated M&A Activity in the Government Services Sector, 2024 vs. 2023



IN RESPONSE TO: M&A activity in the Aerospace sector in 2024 compared to 2023. The number of deals closed in 2024 will...

Anticipated M&A Activity in the Government Services Sector, Year-Over-Year Trend



Dealmakers Expect to Close More Deals in 2024 vs. 2023

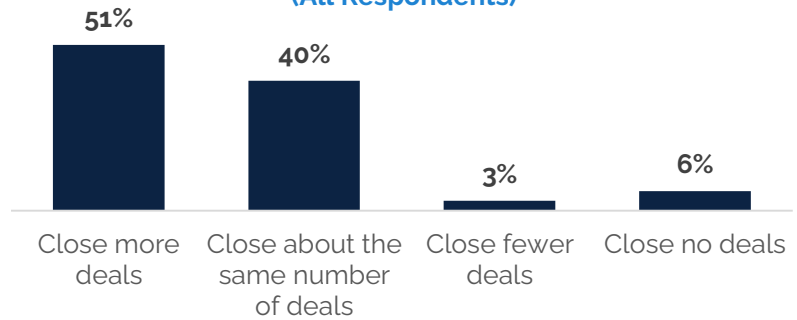
Most respondents (51%) predict their firms will close more deals next year (as compared to 43% in 2023), while 40% predict closing about the same number of deals (down slightly from 42% in 2023).

Both corporate (43%) and private equity group (64%) respondents indicated they anticipate closing more deals in 2024 (vs. 40% and 47%, respectively, in 2023).

This is an interesting result as it contradicts respondents' expectations of M&A activity across the rest of the market. Essentially, individual respondents expect their own firms to close more deals in 2024, but the rest of the market to remain flat, thus signaling M&A demand is alive and well in 2024.

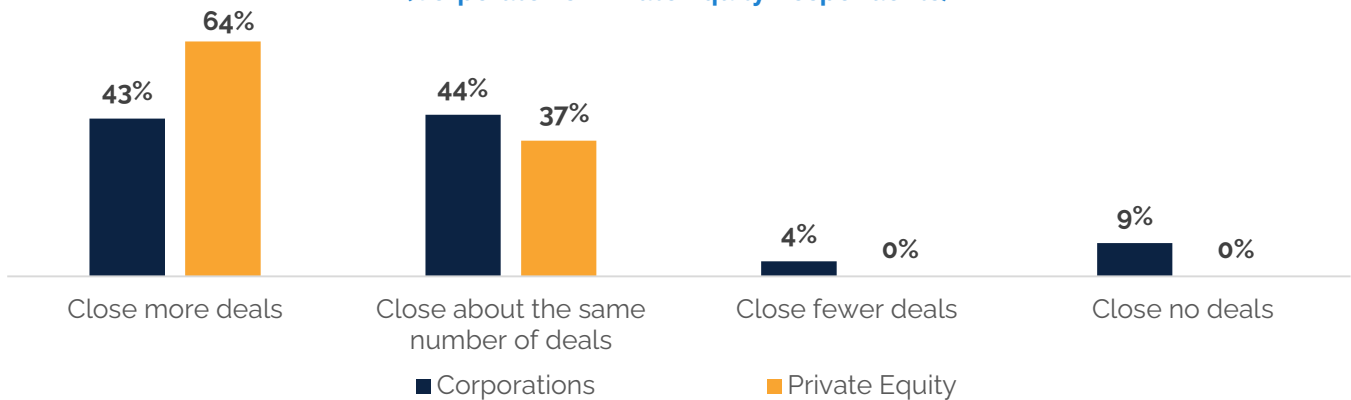
Not a single respondent from a private equity group indicated they expect to close fewer or no deals next year, while just 13% of those from corporations did.

M&A Deals at Dealmakers' Own Organization Outlook in 2024 (All Respondents)



IN RESPONSE TO: How active will your organization be in M&A in 2024 compared to 2023? We expect to...

M&A Deals at Dealmakers' Own Organization Outlook in 2024 (Corporate vs. Private Equity Respondents)



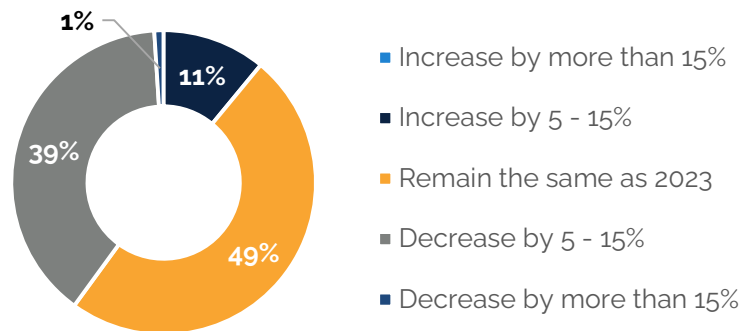
IN RESPONSE TO: How active will your organization be in M&A in 2024 compared to 2023? We expect to...

Majority of Dealmakers Predict More Stable Valuations in 2024

In our 2024 results, valuation sentiment has moved to a position of more stability, with nearly half (49%) of all respondents reporting M&A target valuations will remain level in 2024, a large increase over the 32% who reported this in 2023. While those expecting an increase (11%) has dropped from the 14% reported in 2023, those expecting a decrease has also softened, from 54% to 40% in this year's survey results.

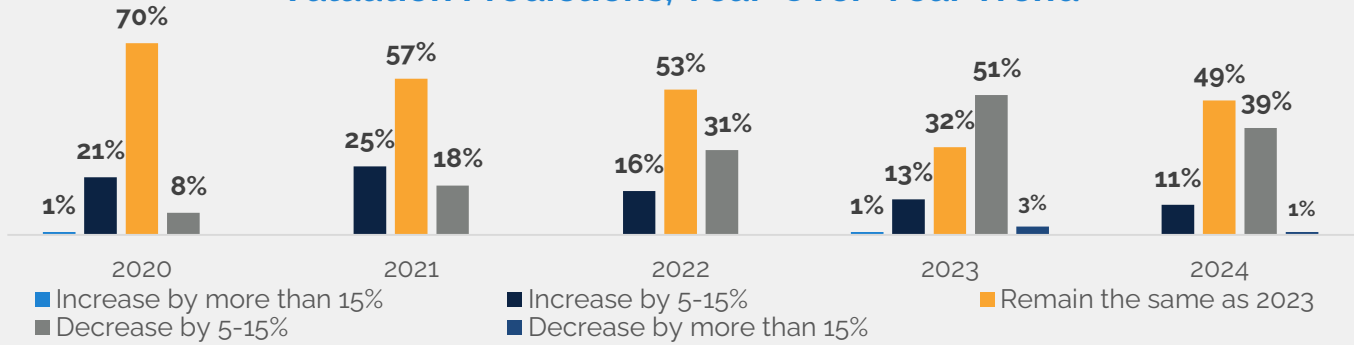
Expectations about valuations over the past five years illustrate a majority of respondents usually predict valuations will remain about the same as the prior year.

Valuation Predictions for 2024



IN RESPONSE TO: How will the overall valuations of U.S.-based M&A targets in 2024 compared to 2023?

Valuation Predictions, Year-Over-Year Trend

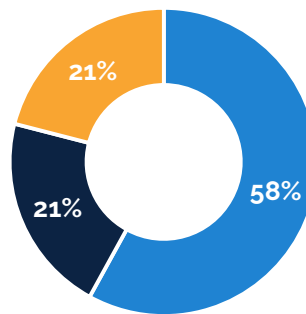


Majority Expect the Cycle of M&A Activity and Valuations has Peaked

In last year’s survey, we noted a substantial change in dealmakers’ predictions about where we were in the cycle of M&A activity and valuations, as 61% believed the cycle had peaked in last year’s survey, up from 36% in 2022; in this year’s survey, results were generally in-line, as 58% believe the cycle has peaked.

Of the respondents still looking favorably at where we are in the cycle, 21% believe the cycle will peak in 2024. In previous years, respondents typically held more belief the cycle would peak in that reported year and then stabilize. Nearing 2021 expectations (about a quarter of respondents), 21% believe the cycle will peak in the next 2 – 3 years, after which valuations will stabilize.

Thoughts on the Cycle of M&A Activity and Valuations in 2024



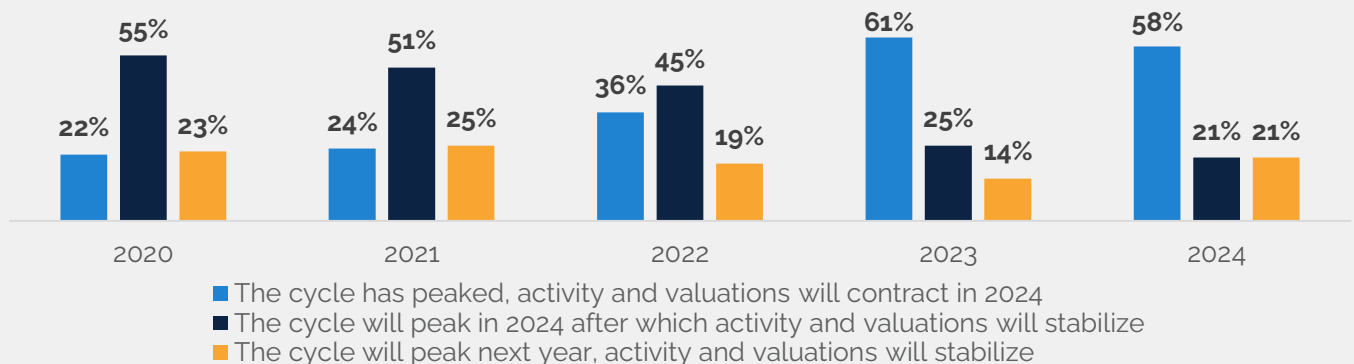
- The cycle has peaked, activity and valuations will contract in 2024
- The cycle will peak in 2024 after which activity and valuations will stabilize
- We are still on our way up and will peak in the next 2-3 years after which activity and valuations will stabilize

IN RESPONSE TO: *What are your thoughts on where we are in the cycle of M&A activity and valuations?*

Further segmenting these respondents by organization type, close to half (48%) of respondents from public corporations believe the cycle has already peaked, whereas 60% of respondents from private corporations and 62% of respondents from private equity groups hold this view.

About a quarter of respondents from public corporations (26%) and private corporations (24%) believe activity and valuations are on the way up, compared to only 15% of private equity groups.

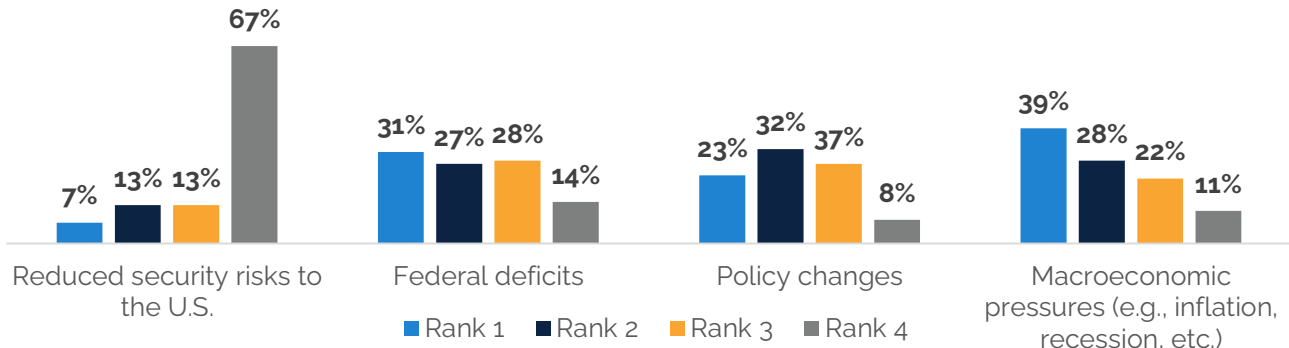
Thoughts on the Cycle of M&A Activity and Valuations, Year-Over-Year Trend



Macroeconomic Pressures Remain a Concern for Most Dealmakers

Respondents were asked to rank four threats to their budget and growth prospects: reduced security threats to the U.S. (suggesting less defense spending), federal deficits (more pressure from legislators to reduce spending), policy changes, and macroeconomic pressures (e.g., inflation, recession, etc.).

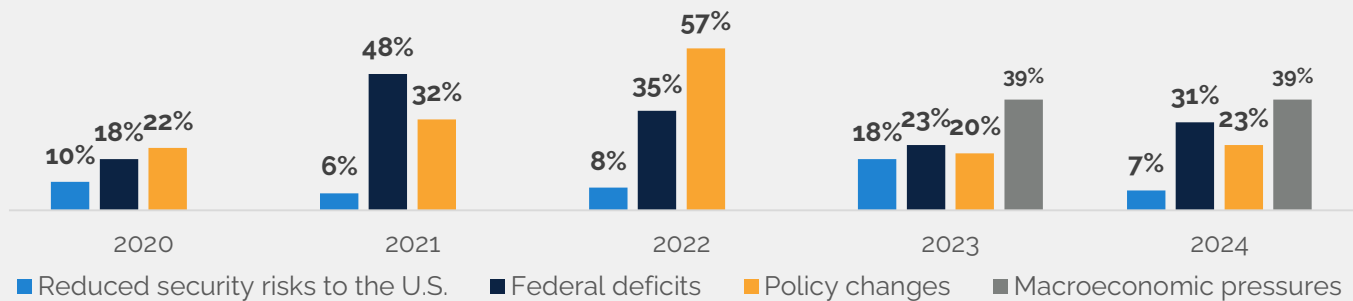
Highest Risks to Budgets and Growth Prospects in 2024



IN RESPONSE TO: Please rank the following based on which you think present the biggest overall risks to budgets and growth prospects, with 1 being the biggest risk and 4 the smallest risk.

Macroeconomic pressures were perceived as the greatest threat to budget and growth prospects in 2024 (39% ranking this in the top spot), followed by federal deficits (31%) and policy changes (23%). When looking at the broader economy, these responses are not surprising, considering the narrowly avoided government shutdown in the second half of 2023. Just 7% of respondents ranked a potential reduction in security threats to the U.S. as their top concern, a common trend we have seen over the years given the ongoing global threats and strong defense spending.

Highest Risk to Budgets and Growth Prospects, Year-Over-Year Trend (% Ranked as 1st Priority)



Potential Outcomes and M&A Impact of Elections

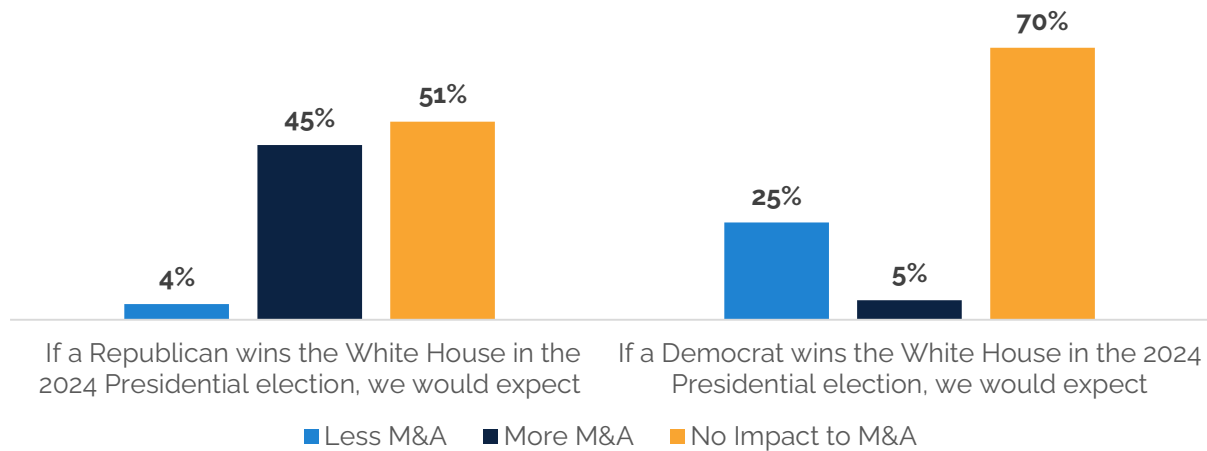
Changes in government policies, regulations, and economic conditions can all affect the M&A landscape. When it comes to elections, most respondents tend to indicate outcomes will impact their expectations around deal activity, while playing only a minor influence on M&A strategies.

Overall, while a majority of respondents do not believe the outcome of the 2024 Presidential election will have a significant effect on M&A, respondents associate a Republican victory with increased activity (45%) and a Democrat victory with less (25%). This is even more telling when we look at the increase in this sentiment from last year, where 33% of respondents indicated a Republican victory would increase deal activity.

Nearly half of respondents (51%) anticipate no impact to M&A if a Republican wins the presidency in 2024, while 45% expect more activity and 4% expect less.

A large majority of respondents (70%) anticipate no impact to M&A if a Democrat wins the presidency in 2024, while 25% expect less activity and 5% expect more.

November 2024 Presidential Election Impacts on M&A Strategy



IN RESPONSE TO: How would the following potential outcomes of the November 2024 presidential election impact your M&A strategy given outlook today?

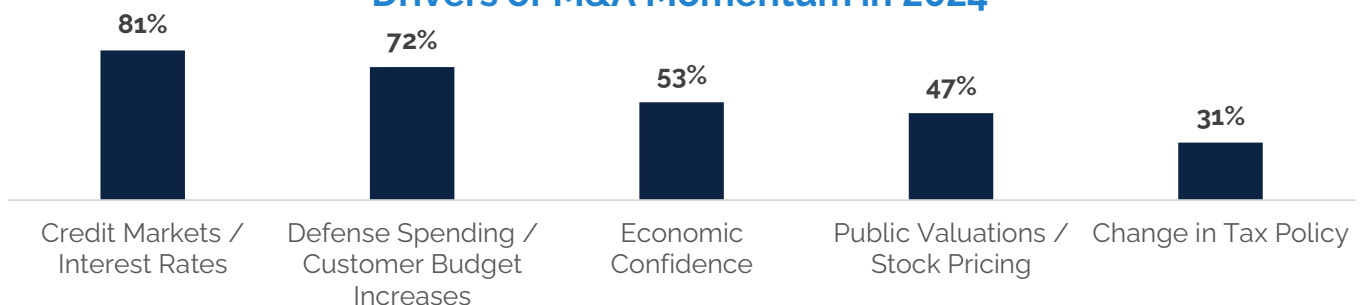
Dealmakers Expect Credit & Interest Rates to Influence M&A Activity

After a year of rising interest rates, credit markets dynamics were reported as the most important factor influencing deal activity across the Aerospace / Defense and Government Services sectors.

In this year’s survey, 81% of respondents ranked credit markets / interest rates as either extremely or very influential, up from 69% in the 2023 survey. While defense spending held this top spot in surveys from 2020 – 2023, credit markets / interest rates surpassed it this year; however, despite this year-over-year decrease, respondents still consider defense spending to be a major driver of M&A momentum.

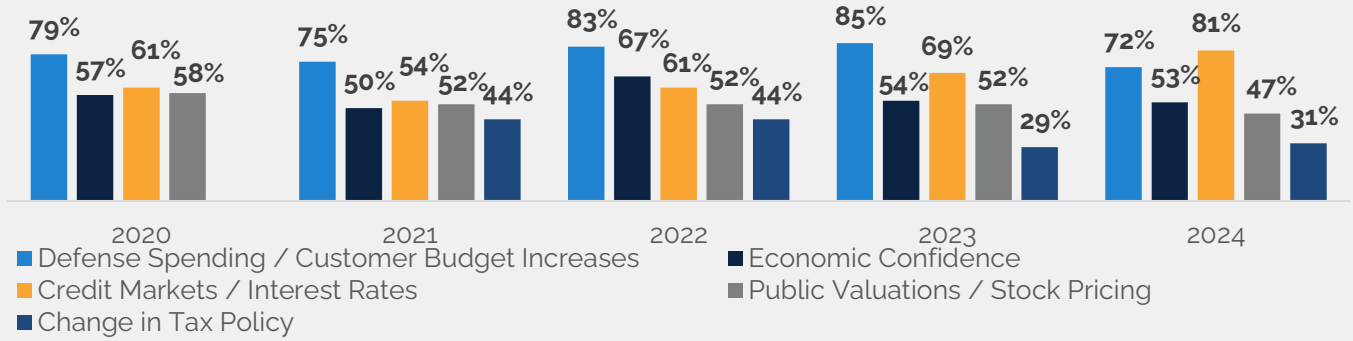
Economic confidence remains steady as the third highest rated factor in 2024, with 53% of respondents ranking it an extremely or very influential factor. Not far behind, 47% of respondents ranked public valuations / stock prices fourth in terms of drivers of M&A momentum in 2024 (a slight decline from 52% in 2023).

Drivers of M&A Momentum in 2024

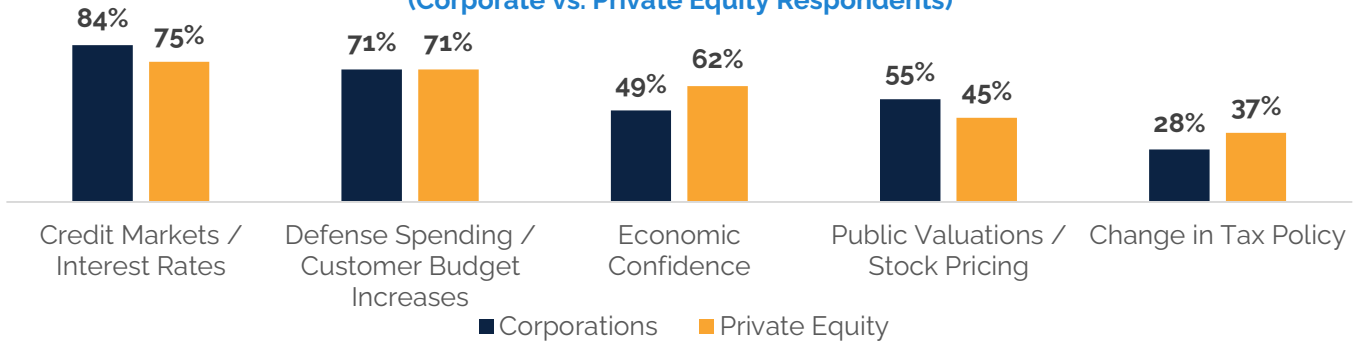


IN RESPONSE TO: Drivers of M&A Momentum (% saying factor is extremely or very influential)

Drivers of M&A Momentum, Year-Over-Year Trend



Drivers of M&A Momentum in 2024 (Corporate vs. Private Equity Respondents)



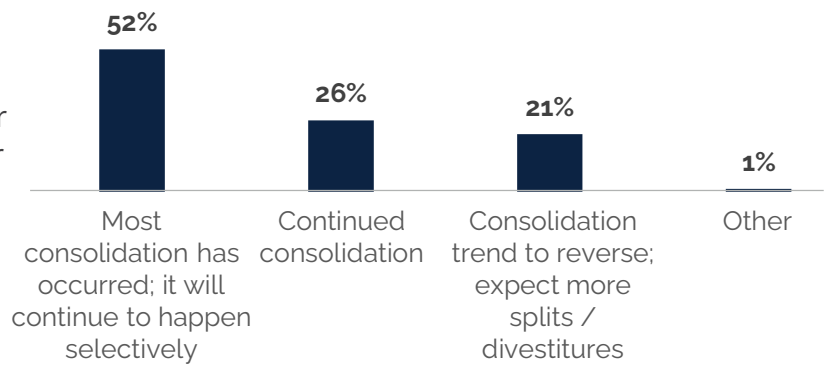
IN RESPONSE TO: Drivers of M&A Momentum (% saying factor is extremely or very influential)

Most Expect Consolidation to Continue or Stabilize

The majority of respondents still believe consolidation will continue, with about half of respondents (52%) predicting it will continue to happen selectively, a slight increase over 2023 results (49%). When looking across our targeted markets, the responses differ from a high of 54% as reported by those in the Government Services sector and a low of 39% by those in the Aerospace sector.

Continued consolidation is expected by 26% of respondents, down from 39% last year. Interestingly, the number of respondents expecting the consolidation trend to reverse has more than doubled from 10% in 2023 to 21%, the largest movement across all options. This result highlights the diverging opinions we see from many respondents where some are more optimistic for 2024 while others remain skeptical.

Predictions About Consolidation Trends in 2024



IN RESPONSE TO: What is your outlook on continued consolidation of publicly traded ADG companies? I expect...

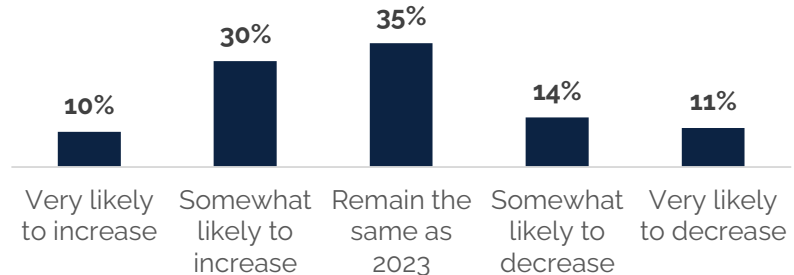
Predictions for Credit Markets Remain Optimistic

Private equity dealmakers were asked for predictions about credit markets in 2024, given their influence on deal activity and valuations.

Overall, 75% of respondents expect debt / leverage availability to remain the same or increase in 2024. While 40% of respondents expect debt / leverage availability to increase in 2024, last year only 14% expected an increase, representing a major shift in sentiment.

Of those expecting an increase, respondents in the Aerospace sector are especially bullish at 48%. This represents a large jump from last year's survey where 14% of respondents believed an increase was likely.

Debt / Leverage Availability in 2024 vs. 2023 (Asked of Private Equity Respondents Only)



IN RESPONSE TO: How do you expect debt leverage / availability to change in 2024 compared to 2023 for your transactions?

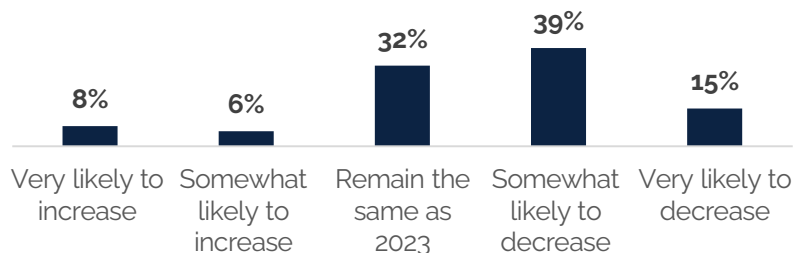
Most Dealmakers Expect Varied Results from Rising Interest Rates

The majority of private equity respondents (54%) believe rising interest rates will reduce the number of transactions they complete in 2024, as compared to 32% in 2023. Those believing transaction activity will not be impacted by rising interest rates registered at 32%, down from 52% in 2023.

Interestingly, 8% of respondents indicated rising interest rates would very likely increase the number of transactions, an unexpected response which was not selected by anyone in last year's survey.

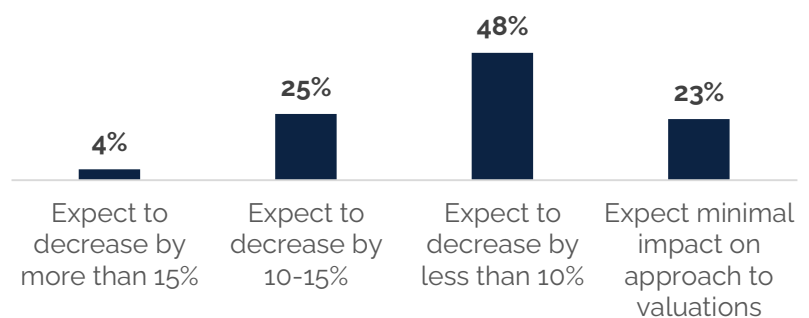
Nearly half of respondents (48%) expect interest rates to decrease valuations by less than 10%, while 25% of respondents expect interest rates to decrease valuations by 10% to 15%. Very few respondents (4%) expect rising interest rates to decrease valuations by more than 15%. Furthermore, responses indicate a general decline in the belief that we will see decreased valuations from our 2023 survey, as a shift in expectations for rates to have a minimal impact jumped from 8% to 23% this year.

Impacts of Rising Interest Rates on Transactions (Asked of Private Equity Respondents Only)



IN RESPONSE TO: How do you expect rising interest rates to impact the number of transactions you complete in 2024 vs. 2023?

Rising Interest Rates Impact on Valuations (Asked of Private Equity Respondents Only)

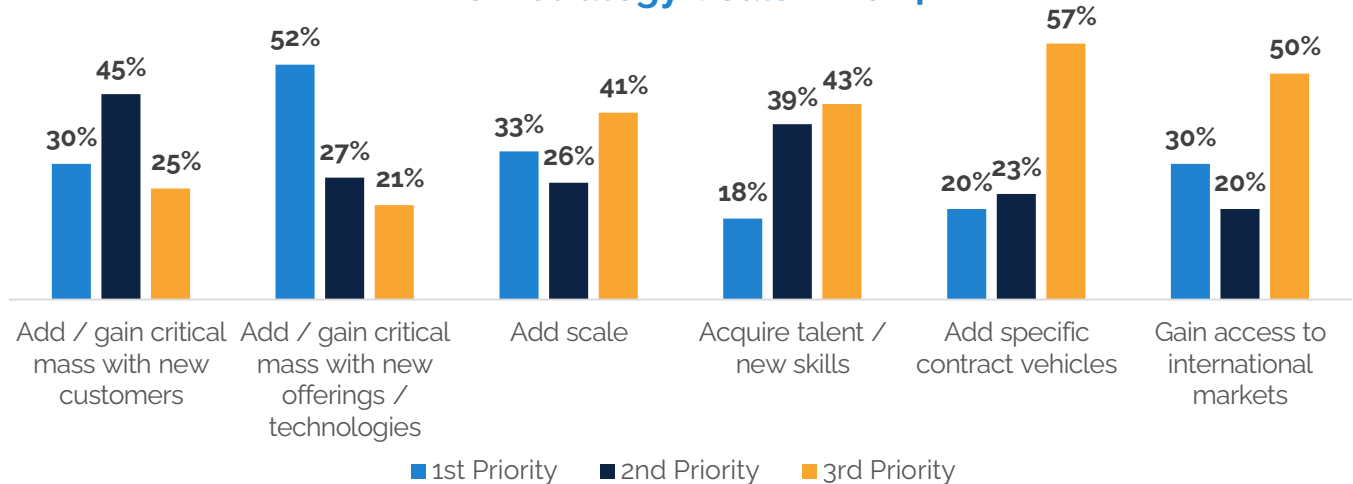


IN RESPONSE TO: How do you expect rising interest rates to impact valuations in 2024 vs. 2023?

Adding New Offerings / Technologies Continues to be Clear Priority

Consistent with previous years, adding critical mass with new offerings / technologies continues to be the clear priority when assessing M&A targets in 2024. Also consistent with previous surveys is adding critical mass with new customers as the second priority. Interestingly, adding specific contract vehicles has remained a significantly lower priority compared to 2020 and 2021 levels (20% in 2024), possibly due to the rise in popularity of Small Business Innovation Research (“SBIR”) and Other Transaction Authority (“OTA”) contracts, which can offer more flexibility and quicker timelines than the traditional contract acquisition process.

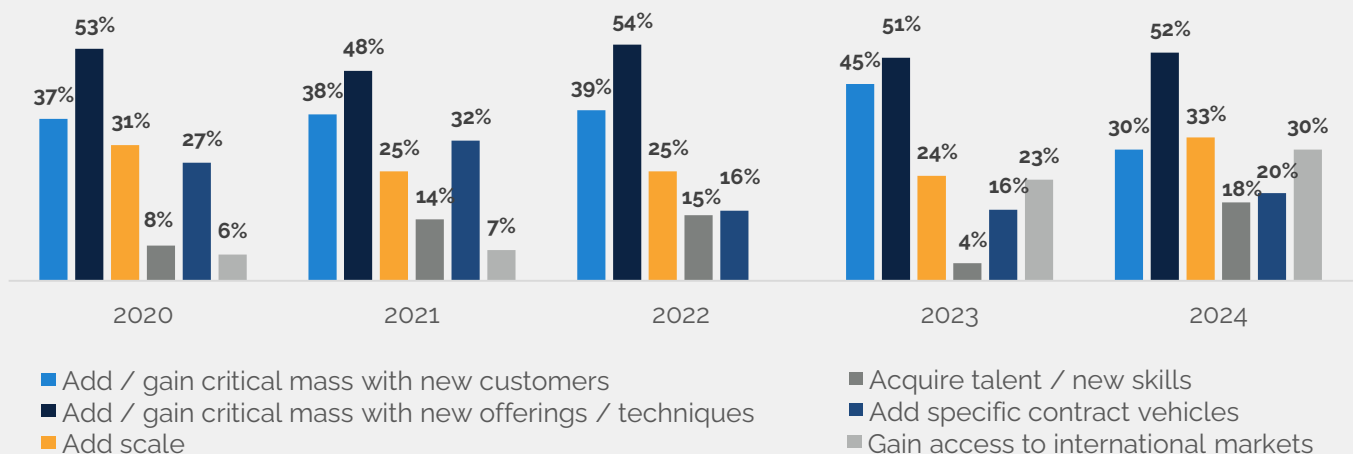
M&A Strategy Goals in 2024



IN RESPONSE TO: Please rank how important the following goals are in your organization’s M&A strategy

Adding scale was a top priority for 33% of respondents, up from its relatively flat 25% over the last three years. Gaining access to international markets has gained some traction, with 30% of respondents selecting this option as a top priority in 2024, as compared to no respondents selecting this as the top priority two years prior. It would also appear that acquiring new talent / skills picked up more interest as a priority in this year’s survey (18% vs. 4% in 2023). The new positioning of top priorities seen in this year’s survey indicate that respondents are starting to diversify their M&A strategies.

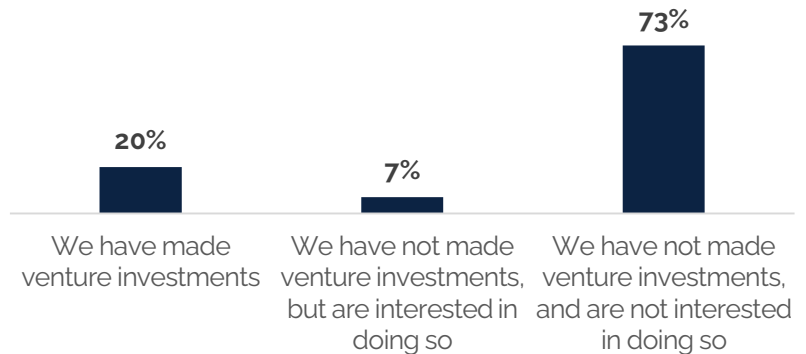
M&A Strategy Goals, Year-Over-Year Trend (% Ranked as 1st Priority)*



Corporate Engagement in Venture Investing

When asked about venture investing, 73% of corporate respondents indicated they have not explored this investment type and had no interest in doing so. This is up slightly from 70% reported in 2023, as is the 20% of corporate respondents reporting that they are currently engaging in this investment type (up from 15% in 2023). An additional 7% are not currently investing but interested, declining to nearly half of what was reported in 2023 (14%). Public corporations were nearly twice as likely (29%) to indicate they have made venture investments than private corporations (15%).

Engagement in Venture Investing (Asked of Corporate Respondents Only)



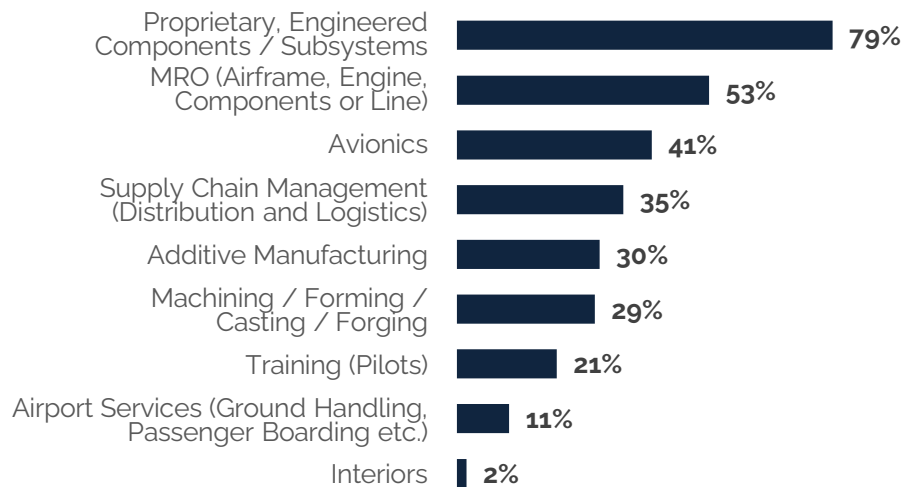
IN RESPONSE TO: *Does your organization engage in venture investing?*

Top M&A Interest Areas by Industry Sector - Aerospace

In the **Aerospace sector**, proprietary, engineered components / subsystems hold strong as the top priority area, marking its seventh consecutive year at the top of the list, with overwhelming support from respondents ranking this among their top three areas of interest.

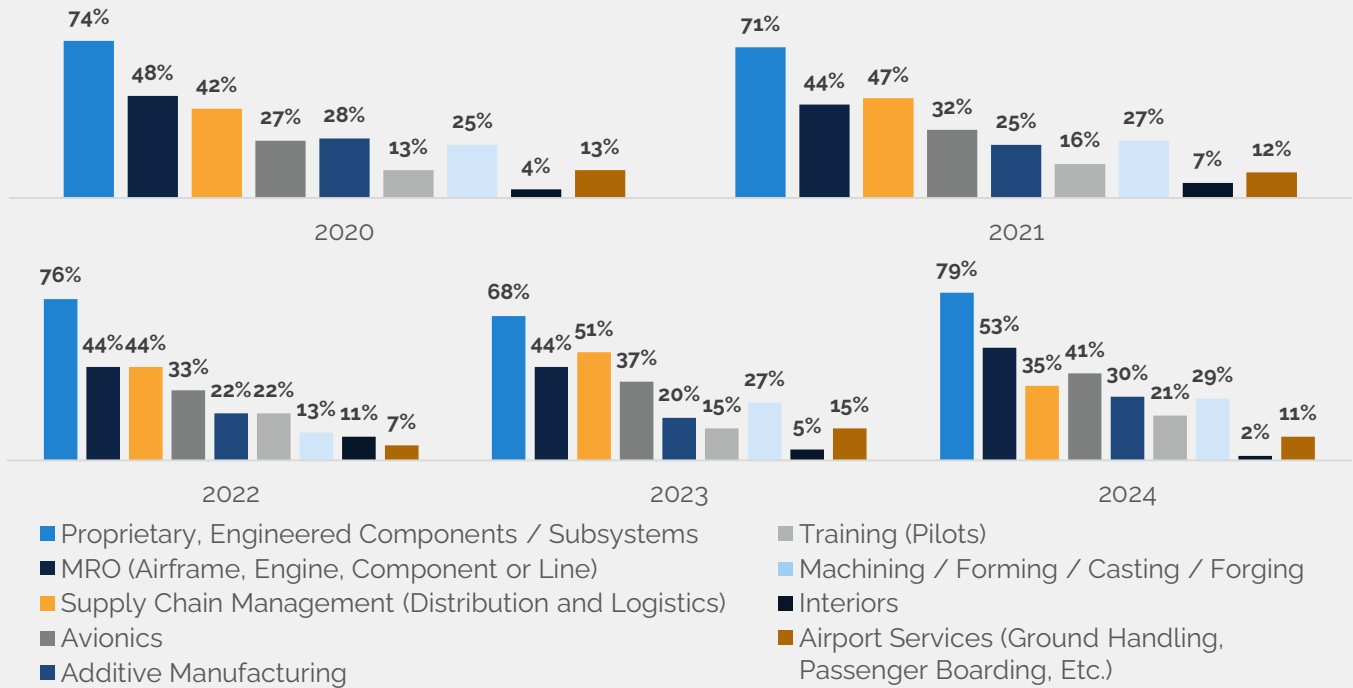
Respondents' prioritization of other target areas continues to shift with maintenance, repair, and operations ("MRO") in second place at 53%, and supply chain management declining to 35% after a peak at 51% in 2023.

Aerospace Priority Interest Areas in 2024 (% chosen as a priority area)



IN RESPONSE TO: *Aerospace Priority Interest Areas*

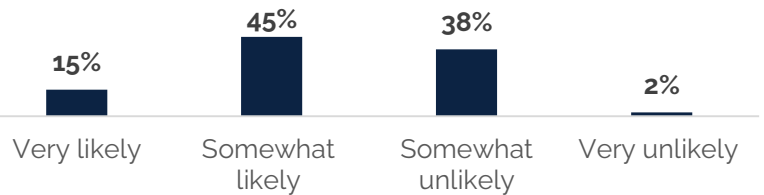
Aerospace Priority Interest Areas, Year-Over-Year Trend (% Chosen as a Priority Area)



Expectations Aerospace Market Disruptions due to Supply Chain Issues

A new addition to the survey this year asked respondents how supply chain issues may disrupt the Aerospace sector. The majority (60%) of respondents indicate they believe supply chain issues will cause more Aerospace companies to become distressed; however, three-fourths of those respondents think it is only somewhat likely as opposed to very likely.

Disruption Due to Supply Chain Issues

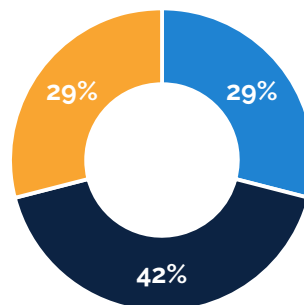


IN RESPONSE TO: Do you expect more companies in the Aerospace market will become distressed due to ongoing supply chain issues?

Expectations on Air Traffic Trends

Another new question for this year’s survey asked respondents where they believe the market is regarding the commercial aerospace cycle – 42% of respondents indicated they believe the market will continue to increase and then level off in 2025 or 2026. An equal percentage of respondents (29%) felt air traffic levels are expected to level off in 2024 or will continue to increase and then level off beyond 2026.

Sentiment Regarding the Current Commercial Aerospace Cycle



- Air traffic levels are expected to level off in 2024
- Air traffic levels are expected to continue steadily increasing then level off in 2025 / 2026
- Air traffic levels are expected to continue steadily increasing then level off beyond 2026

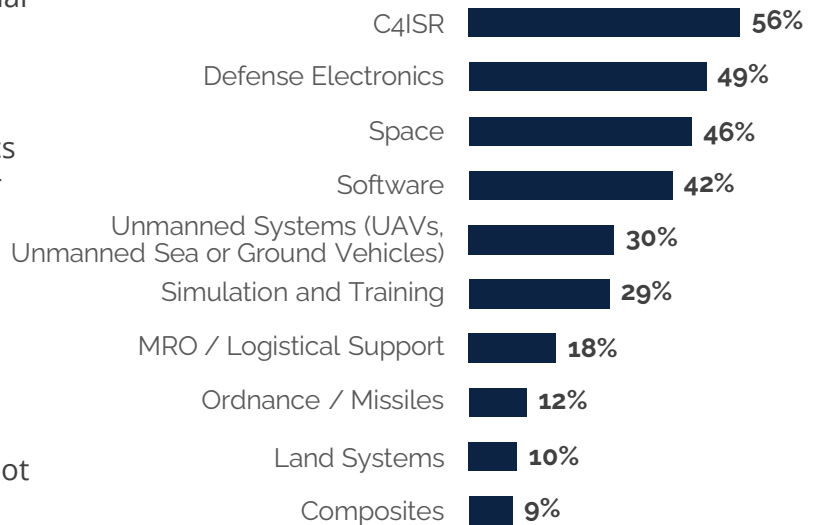
IN RESPONSE TO: What are your thoughts on where we are in the commercial aerospace cycle?

Top M&A Interest Areas by Industry Sector – Defense Technology and Products

In the **Defense Technology and Products** sector, the top three priority M&A interest areas for 2024 are similar to those chosen over the past five years. C4ISR remains the highest priority, chosen by 56% of respondents, with defense electronics (49%) and space (46%) retaining their ranks as second and third priority.

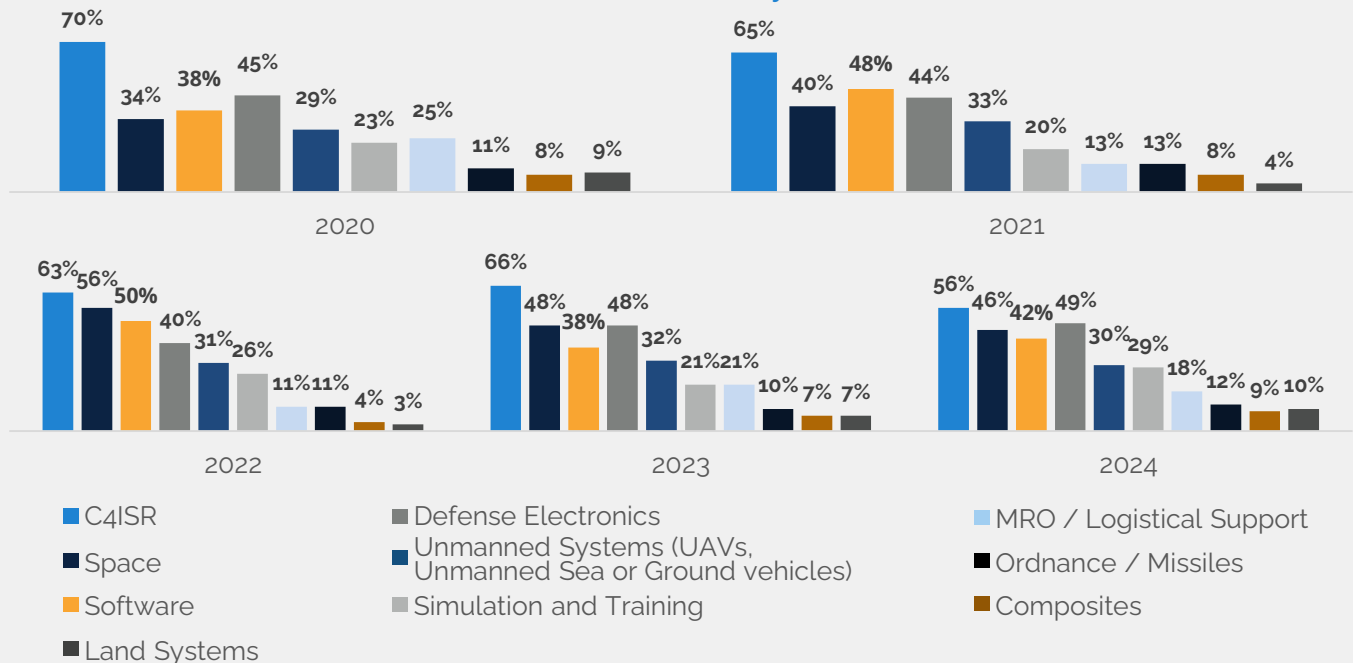
Interest in space-related companies appears to be leveling off with 46% ranking this a top three priority interest area in 2024, compared to 34% in 2020 to 56% in 2022. Meanwhile space continues to be a hot area for completed transactions, as deal volume increased by ~40% in 2023.

Defense Priority Interest Areas in 2024 (% chosen as a priority area)



IN RESPONSE TO: Defense Priority Interest Areas

Defense Priority Interest Areas, Year-Over-Year Trend (% Chosen as a Priority Area)



Top M&A Interest Areas by Industry Sector – Government Services

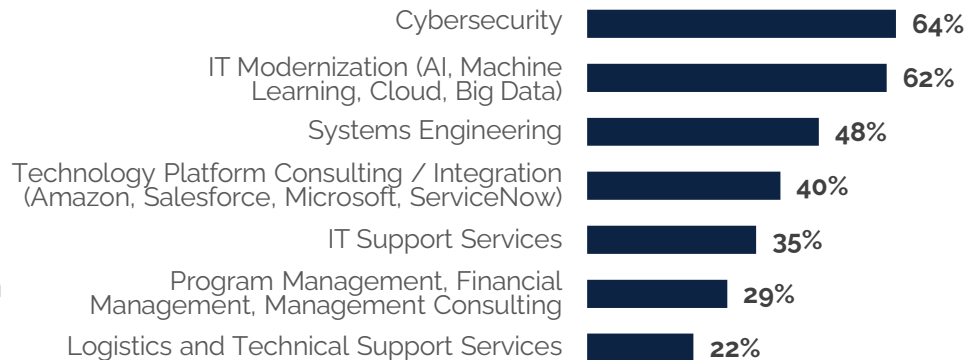
In the **Government Services** sector, while IT modernization remains strong at 62%, cybersecurity climbed into the top spot this year with 64% of respondents indicating it as a top priority, the highest response for this capability across all our past surveys.

Systems engineering ranks third, where it has appeared consistently; however, its emphasis has risen considerably, from a previous high of 28% in 2023 to 48% this year.

While previously considered less of a priority, IT support services, program management, and logistics all appear to have garnered more interest as we head into 2024, each increasing in their noted rankings over previous years.

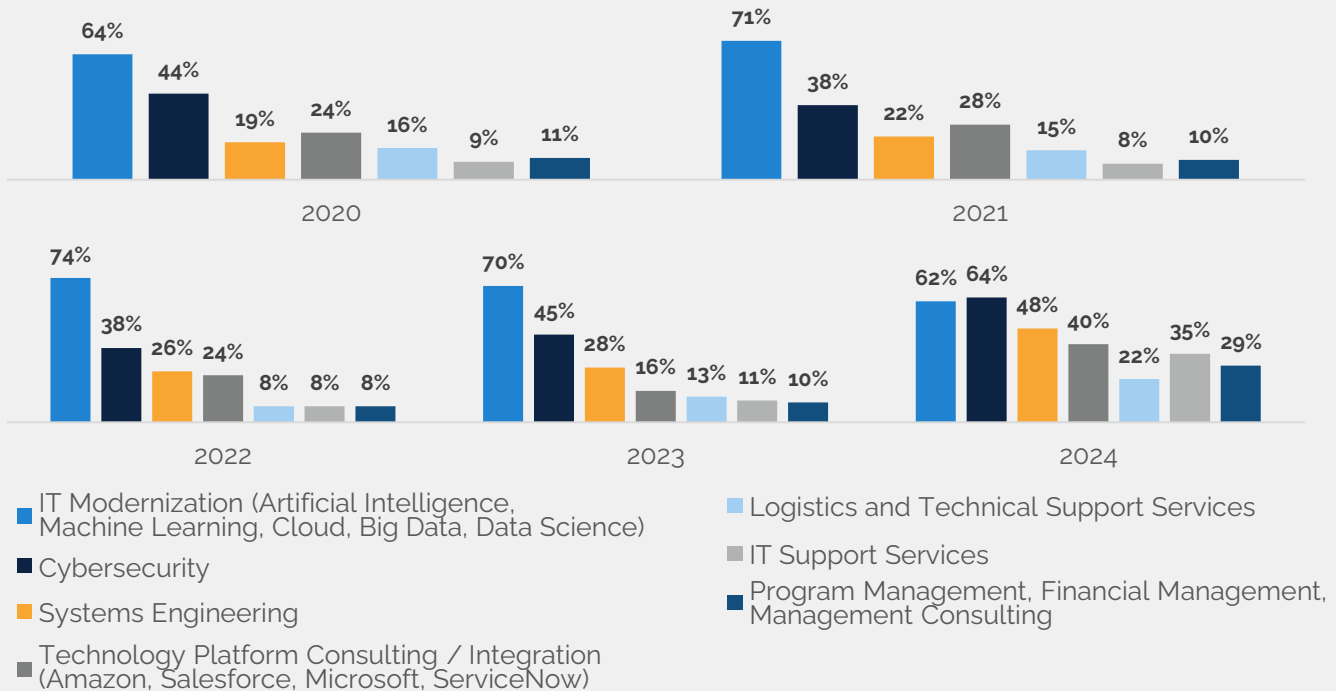
Government Services Priority Interest Areas in 2024

(% chosen as a priority area)



IN RESPONSE TO: Government Services Priority Interest Areas

Government Services Priority Interest Areas, Year-Over-Year Trend (% Chosen as a Priority Area)

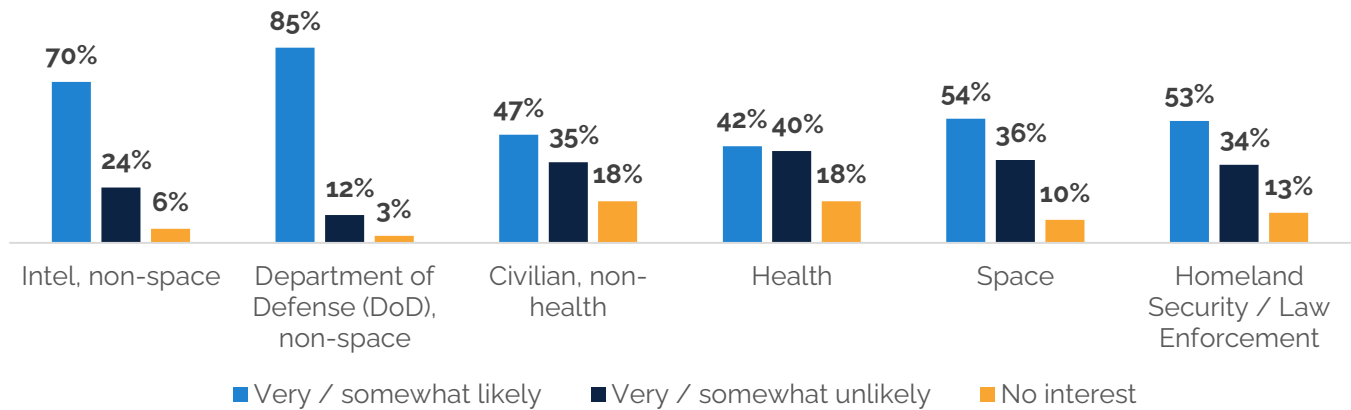


Department of Defense and Intel, non-Space Continue to Lead as Priority End Markets

Respondents were also asked which end markets would be likely targets in the next 12-24 months – 85% of respondents indicated Department of Defense (“DoD”) with 70% eyeing Intelligence Community (“IC”), non-space targets as very or somewhat likely.

Interestingly, the remaining end markets appear to have a more balanced response to pursuit; civilian, non-health shows 47% mentioning they are very / somewhat likely to pursue, with 53% saying they are very / somewhat unlikely to pursue or have no interest. This is repeated through health (42% vs. 58%), space (54% vs. 47%), and homeland security / law enforcement (53% vs. 47%).

Priority End Markets in 2024 — Government Services Sector



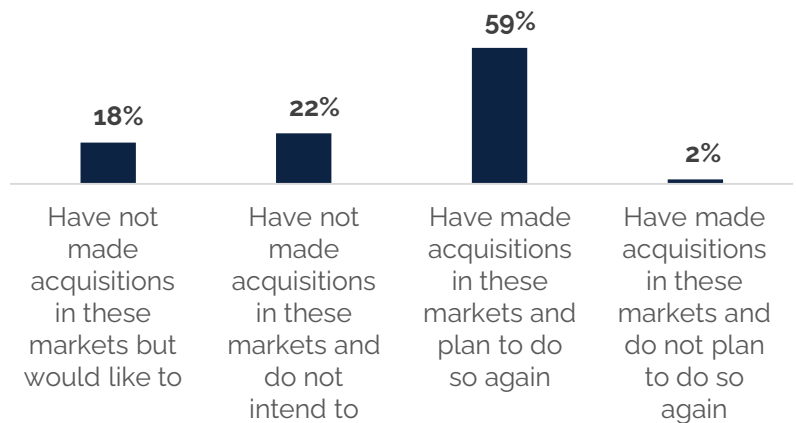
IN RESPONSE TO: Priority End Markets for the Government Services Sector.

Acquisitions in the GovTech / Non-Federal Government Sectors

A majority (59%) of respondents indicated they have made acquisitions in other areas of government technology (e.g., state and local) and plan to do so again. Overall, 39% of respondents have not made government technology acquisitions; however, 18% of respondents have indicated they are interested in making their first acquisition in this market.

Among respondents whose companies have not made government technology acquisitions, private equity groups indicate they are more open to them (26%) than those representing corporations (13%). Conversely, a higher percentage of corporate respondents (30%) indicated they have no intention to pursue this type of acquisition.

Acquisitions in the GovTech / Non-federal Government Sectors



IN RESPONSE TO: Does your organization make acquisitions in the GovTech / non-federal government sectors (e.g., state and local, education, other commercial technology)?

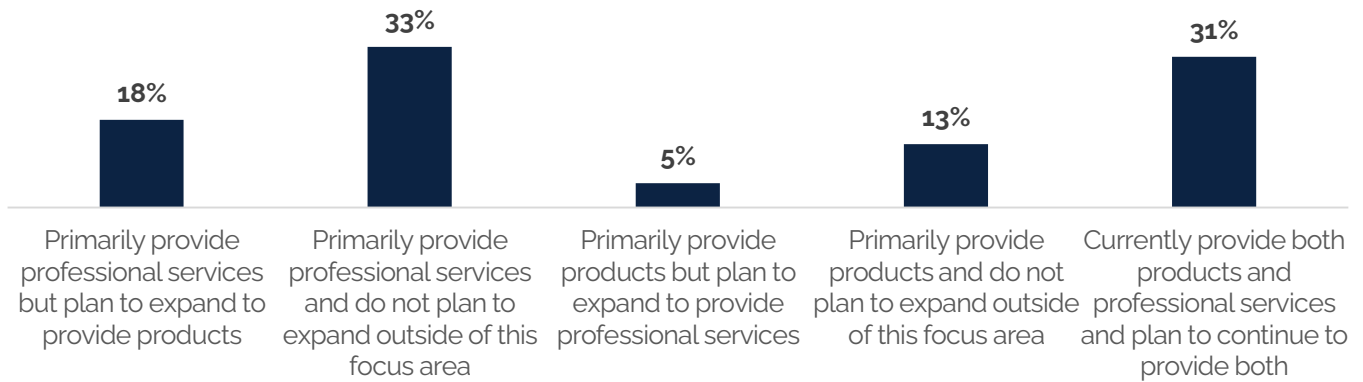
Product and Service Focus Areas and Expansion Plans

Corporate respondents were asked to share their current focus areas and near-term expansion plans. Specifically, they were asked if they primarily provide professional services or products and whether they intend to expand their offerings if not currently doing work in both areas.

Overall, many respondents plan to stick with their current strategy, rather than expand or change focus. About 51% of corporate respondents primarily provide professional services – 33% of all corporate respondents do not plan to expand into products in 2024, while 18% do plan to expand into products.

In line with survey results seen since 2021, 33% of respondents primarily provide professional services, 13% primarily provide products, and 31% provide both products and professional services. However, over the years, respondents have said they are increasingly likely to continue with their current strategy and less likely to expand outside of their current product / service offerings, likely given lessons learned from some other organizations who have attempted to straddle those offerings unsuccessfully.

Expansion Plans for 2024 (Asked of Corporate Respondents Only)

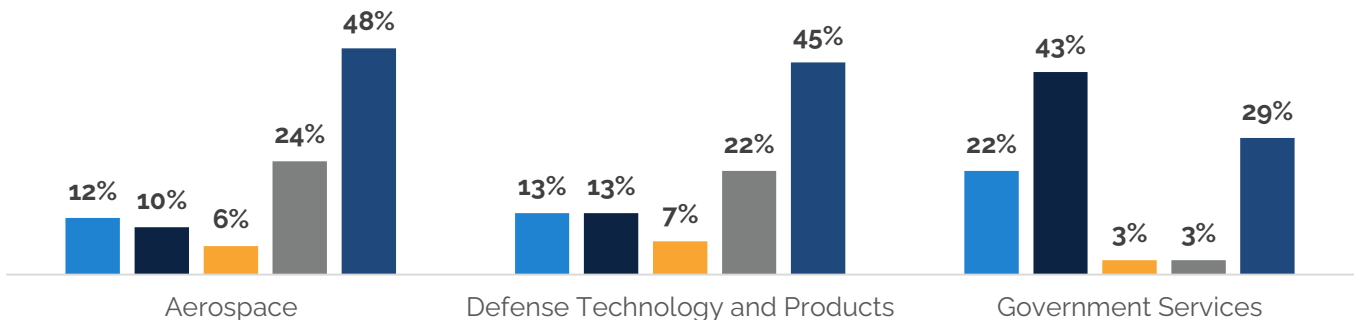


IN RESPONSE TO: Which of the following best describes your expansion plans for 2024?

Within this data, there are some noteworthy differences in focus areas and expansion plans by sector. Of firms focused on Government Services, 65% specialize in providing professional services, and about a third of this group plans to expand into offering products.

The majority of firms in Defense (74%) and Aerospace (78%) sell products, with more than half of each also providing services. On the other hand, about half of the companies in these sectors that currently specialize in professional services have plans to expand into products.

Expansion Plans for 2024 (By Sector)



- Primarily provide services but plan to expand to provide products
- Primarily provide services and DO NOT plan to expand outside of this focus area
- Primarily provide products but plan to expand to provide services
- Primarily provide products and DO NOT plan to expand outside of this focus area
- Currently provide both products and services and plan to continue to provide both

IN RESPONSE TO: Which of the following best describes your expansion plans for 2024? (Asked of corporate only)

M&A Dealmaking Process Insights

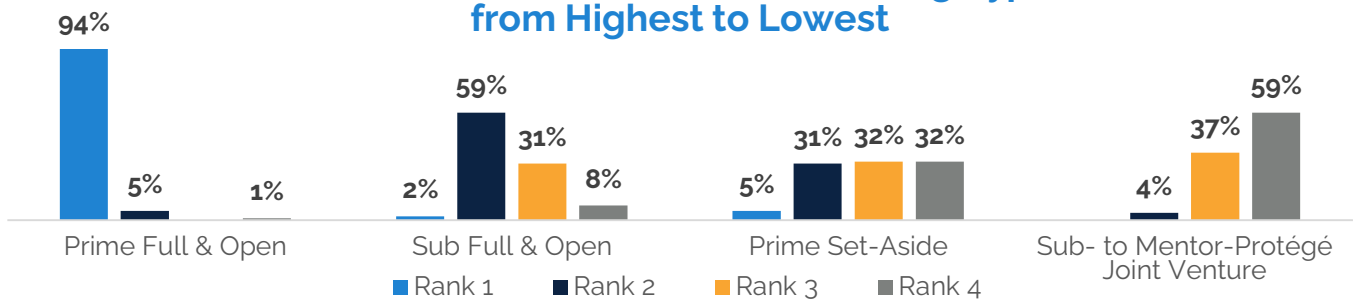
We asked a range of other questions to assess respondents' preferences and approach for the dealmaking process, such as challenges to deal success and the optimal deal process timeline.

Ascribing Value to Contract Award Competition

Respondents were asked to rank how they would ascribe value to the certain types of work. Unsurprisingly, Prime, Full & Open work is clearly seen as the most valuable given the control and continuity it affords in the context of an acquisition, with 94% selecting this as their top choice and 99% selecting it as their first or second.

This was followed by Full & Open Subcontract positions at 59%, while 31% ranked Prime Set-Aside work as their second choice. Subcontracting to Mentor-Protégé Joint Ventures represented the least preferred work type, with 96% of respondents ranking it third (37%) or fourth (59%).

Rank How You Ascribe Value to the Following Types of Work from Highest to Lowest

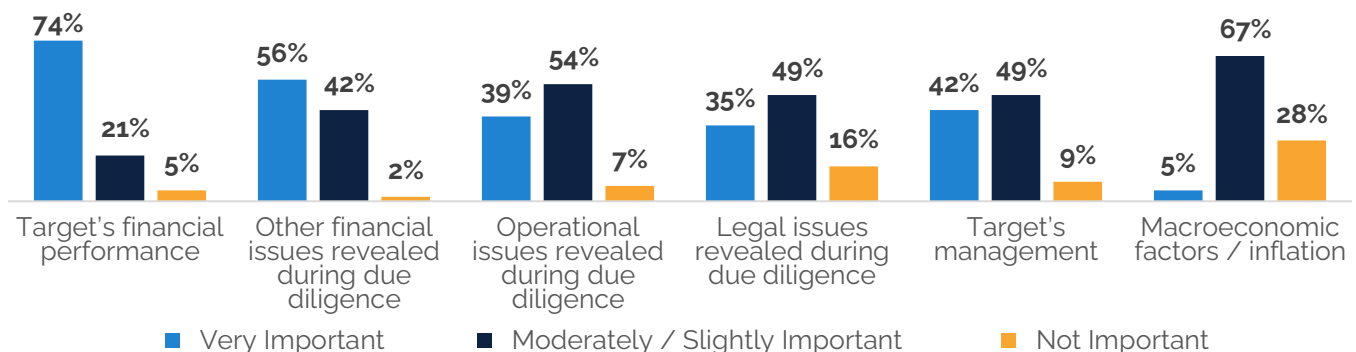


IN RESPONSE TO: Rank how you ascribe value to the following types of work from highest to lowest.

Financial Performance Remain Most Important Cause of Deal Failures

Dealmakers were asked to share insights into why exclusive later-stage deals end up falling apart. The target's financial performance and other financial issues revealed during due diligence are rated as the most important factors in deal failure, with 74% and 56% of respondents choosing these options as very important, respectively, in-line with results from last year's survey.

Deal Failure Factors



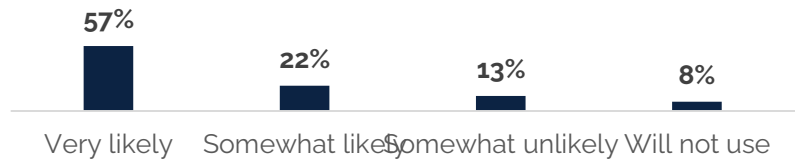
IN RESPONSE TO: In 2023, if your organization had exclusive, later-stage discussions with a potential target that did not close, how important were each of the following as reasons the deal(s) failed?

Use of Representations and Warranties Insurance

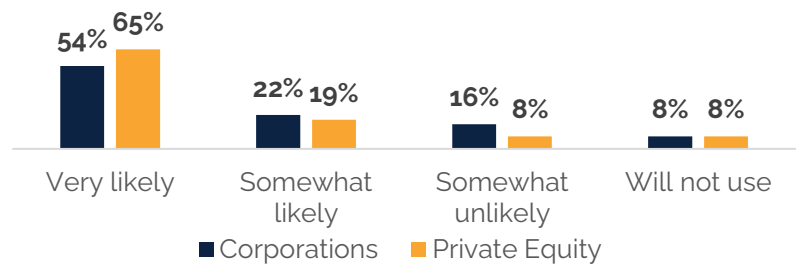
While demonstrating an increase in use over the past six years, the use of Representations and Warranties Insurance ("RWI") could be leveling out. Most respondents (79%) indicate they will be very likely or somewhat likely to use RWI in 2024 (down from 86% in 2023), while 13% of respondents said they are unlikely to use RWI and 8% said they do not intend to use it, both up from 7% last year.

Private equity groups continue to be more likely than corporate respondents to secure RWI policies, indicating a stronger preference for using insurance than corporate respondents, with 65% saying they are very likely to use insurance as opposed to 54% of corporate respondents that provided this response.

Likelihood of Using Representations and Warranties Insurance in 2024

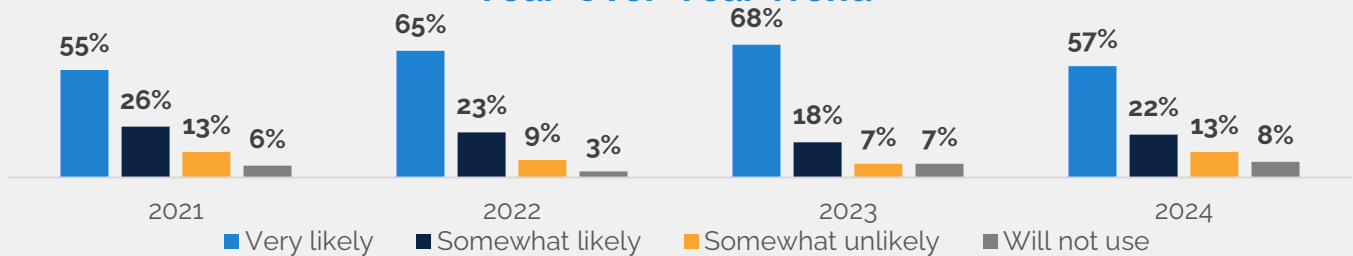


Corporate vs. Private Equity Respondents



IN RESPONSE TO: How likely are you to use Representations and Warranties Insurance in 2024?

Likelihood of Using Representations and Warranties Insurance, Year-Over-Year Trend*



*This question was not asked in the 2020 survey

Select 2023 & 2022 KippsDeSanto & Co. Advised Transactions

<p>December 2023</p> <p>Locana a portfolio company of TRANSON & ANGELENO GROUP has been acquired by TRC a portfolio company of WARBURG PINCUS & ENERGY SERVICE PARTNERS</p>	<p>November 2023</p> <p>OUTSIDE ANALYTICS has been acquired by SMX a portfolio company of OCEAN SOUND PARTNERS</p>	<p>November 2023</p> <p>SIXGEN a portfolio company of Chart National L.P. has been acquired by WASHINGTON HARBOUR</p>	<p>October 2023</p> <p>CSW systems has been acquired by SUMMIT7 a portfolio company of WESTVIEW CAPITAL PARTNERS</p>	<p>October 2023</p> <p>CREOAL EXPERIENCE. INTEGRITY. RESULTS. has been acquired by SMX a portfolio company of OCEAN SOUND PARTNERS</p>	<p>September 2023</p> <p>CONCEPT PLUS has received a growth investment from BLUE DELTA BD CAPITAL PARTNERS</p>	<p>August 2023</p> <p>SOARTECH has been acquired by ESI FORWARD SCOPE INC. a portfolio company of TRIVE CAPITAL</p>
<p>August 2023</p> <p>Aethercomm. has been acquired by FRONTGRADE a portfolio company of VERITAS CAPITAL</p>	<p>July 2023</p> <p>UNITECH COMPOSITES The Standard in Execution a portfolio company of ACORN Caltius Structured Capital the edgewater funds has been acquired by APEX SPACE & DEFENSE SYSTEMS a portfolio company of CHARGER</p>	<p>June 2023</p> <p>PEGASUS STEEL has been acquired by A C P</p>	<p>April 2023</p> <p>ESI Engineering Solutions, Inc. has merged with MEADOWGATE TECHNOLOGIES</p>	<p>March 2023</p> <p>VST VIBRATIONAL SYSTEMS & TECHNOLOGY, INC. has been acquired by ALTAMIRA a portfolio company of ClearSky McNALLY CAPITAL & RAZOR'S EDGE</p>	<p>February 2023</p> <p>Axim GEOSPATIAL a portfolio company of BLUESTONE INVESTMENT PARTNERS has been acquired by NIV5</p>	<p>December 2022</p> <p>XCELERATE SOLUTIONS has been acquired by McNALLY CAPITAL</p>
<p>December 2022</p> <p>BLACKHAWK has been acquired by New State Aviation Holdings a portfolio company of NEW STATE CAPITAL PARTNERS</p>	<p>December 2022</p> <p>DLH has acquired GRSi</p>	<p>November 2022</p> <p>ophir corporation has been acquired by GEOST a portfolio company of ATL PARTNERS</p>	<p>November 2022</p> <p>SYNAPTECH has been acquired by LMI a portfolio company of DECLARATION PARTNERS & CAPITAL MERIDIAN PARTNERS 22C Capital</p>	<p>November 2022</p> <p>iNovex has received an investment from ENLIGHTENMENT CAPITAL</p>	<p>November 2022</p> <p>Coverent has been acquired by ORBIS OPERATIONS a portfolio company of McNALLY CAPITAL</p>	<p>October 2022</p> <p>Woodlawn MANUFACTURING a portfolio company of LONE STAR INVESTMENT ADVISORS has been acquired by NDC</p>
<p>October 2022</p> <p>agile DEFENSE has been acquired by ENLIGHTENMENT CAPITAL</p>	<p>September 2022</p> <p>sbs has been acquired by an affiliate of PEAK ROCK CAPITAL</p>	<p>September 2022</p> <p>SENECA RESOURCES has been acquired by CAYMUS EQUITY</p>	<p>July 2022</p> <p>IPKEYS has been acquired by Chickasaw NATION INDUSTRIES</p>	<p>July 2022</p> <p>numerica Space Division has been acquired by SLINGSHOT AEROSPACE</p>	<p>July 2022</p> <p>Progeny Systems Engineering Solutions That Last Generations has been acquired by GENERAL DYNAMICS</p>	<p>July 2022</p> <p>LMI has been acquired by DECLARATION PARTNERS & CAPITAL MERIDIAN PARTNERS 22C Capital</p>
<p>March 2022</p> <p>TOP ACES a portfolio company of CLAIRVEST</p>	<p>February 2022</p> <p>CENTERPOINT has been acquired by Gunnison CONSULTING GROUP a portfolio company of BLUE DELTA BD CAPITAL PARTNERS</p>	<p>January 2022</p> <p>Elbit Systems of America Metro/Merlin Type Certificate and MRO Support Business of M7 Aerospace has been acquired by ONTIC</p>	<p>January 2022</p> <p>B23 has been acquired by TORCH.AI</p>	<p>January 2022</p> <p>Boecore has been acquired by ENLIGHTENMENT CAPITAL</p>		

Excludes transactions which have not been publicly announced

About KippsDeSanto & Co.

KippsDeSanto & Co. is an investment bank focused on delivering exceptional results for leading, growth-oriented Aerospace / Defense, Government Services, and Technology companies. We leverage our creativity and industry experience to provide M&A, private financing, and strategic consulting.

Our senior team has advised on over 200 transactions totaling more than \$17 billion in deal value. Capitalizing on real-time industry trends and in-depth technical and strategic analysis, our solutions-driven approach is highly structured and uniquely tailored to each client. We are recognized for our market insight and broad industry relationships. We help market leaders realize their full strategic value.

We welcome the opportunity to have a more detailed discussion of developments in our focus sectors. For more information, please contact a member of our team.

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