

Aerospace & Defense

Paris is Always a Good Idea

We're just back from the Paris Air Show featuring oppressive temperatures and bright sunshine. We tried to avoid the heat by huddling with clients in air conditioned exhibition halls and chalets for much of each day, though we braved the elements to check out the static exhibits and (impressive) flight displays.

KEY IMPRESSIONS FROM THE SHOW

There were more orders announced than many predicted. We've written in the past about how closely we follow order flow, given the historic correlation between orders and valuation. Clients we spoke to, however, worried about the *quality* of the orders.

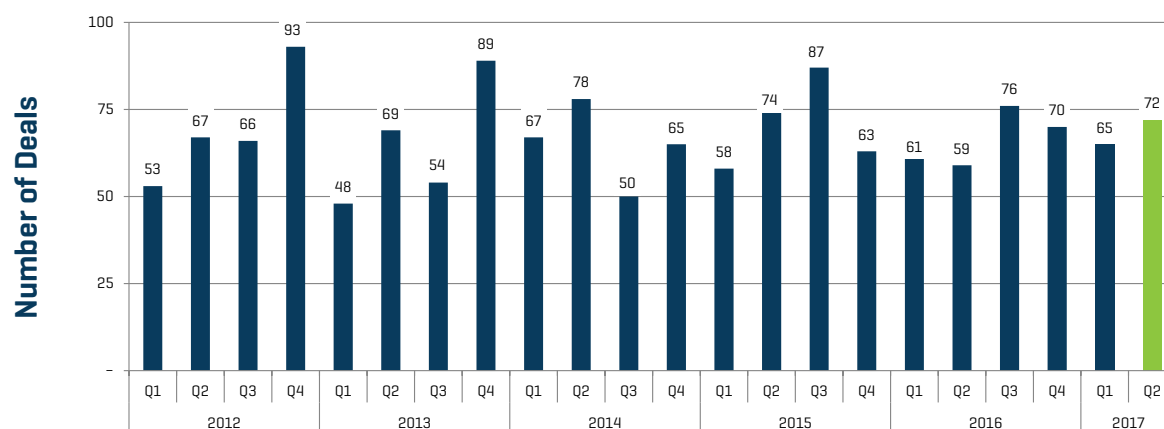
CAPITAL MARKETS Q2 2017

DJIA	▲ 3.3%
S&P 500	▲ 2.6%
NASDAQ	▲ 3.9%

Boeing bested Airbus on the net new orders front (463 vs. 326), led by a reasonable (though not strong) showing for the 737 MAX 10, which was launched at the show. Their New Market Aircraft (NMA) began to take real shape at the show, and while it wasn't officially announced, it was present on some Boeing presentation slides. This twin-aisle aircraft will likely feature a composite fuselage and "single-aisle economics." Many clients we spoke to speculated it will be officially announced by Boeing at Farnborough next year. So, how will Airbus respond? (A322?)

Large aircraft had a relatively weak show – and we heard much talk of continued overcapacity in the widebody space.

AEROSPACE M&A VOLUME



Source: **STOUT** and various sources.



About This Piece

This Aerospace & Defense Industry Update is authored by **Eric D. Reuther**. Eric is a Director within Stout's Investment Banking group and resides in the Chicago office. This piece is exclusive to Stout Risius Ross, LLC (Stout) and is based on proprietary data continually collected by Stout on several hundred relevant deals.

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Commercial aerospace suppliers we met with seemed focused on two issues. First, where are we in the commercial aerospace cycle. "I feel like we're approaching a cliff," one attendee said, "but I just don't know how far from the edge we are." Second, Boeing's increasing interest in the aftermarket, and the potential threat it poses to lower-tier suppliers and their aftermarket business.

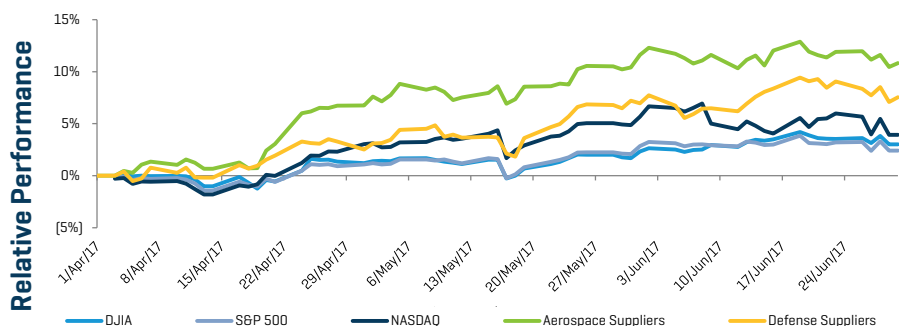
Defense suppliers were, dare we say, giddy, and rightly so for several reasons. Significant US Department of Defense spending is coming, and the Navy and Air Force will likely benefit in particular. There also is a strong focus on technology in the industry—*everyone* wants to buy defense electronics businesses right now. Valuations are trending up and there is considerable optimism surrounding foreign military spend.

The F-35 flight display was incredibly impressive, and undoubtedly did not go unnoticed by critics (and potential buyers).

New technologies—3D printing, in particular—were prominent. We had many conversations about where these technologies will be deployed, as well as where they won't be.

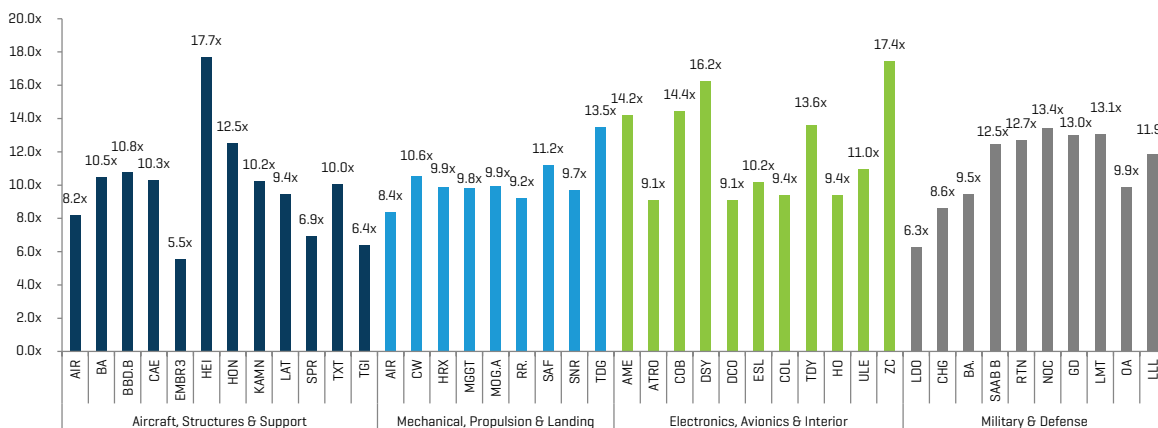
Despite being tired and hot at the end of each day, we left Le Bourget feeling positive about the industry and where it's headed.

EQUITY INDEX PERFORMANCE



ABD Supplier Index constituents include: AAR, Ametek, Astronics, CAE, Cobham, Curtiss-Wright, Ducommun, Esterline Technologies, HEICO, Heroux-Devtek, Honeywell International, Kaman, Latécoère, Meggitt, Moog, Rockwell Collins, Rolls Royce Holdings, Safran, Senior, Spirit AeroSystems Holdings, Teledyne Technologies, Thales, TransDigm Group, Triumph Group, Ultra Electronic Holdings, and Zodiac Aerospace.
Defense Index Constituents include: BAE Systems, Chemring Group, General Dynamics, L3 Technologies, Leonardo, Lockheed Martin, Northrop Grumman, Orbital ATK, Raytheon, and SAAB. Source: S&P Capital IQ, Inc.

ENTERPRISE VALUE / NTM EBITDA - AS OF 6/30/2017



Source: S&P Capital IQ as of June 30, 2017

Q2 Aerospace & Defense M&A Transactions

ANN. DATE	TARGET [OWNERSHIP]	ACQUIRER [OWNERSHIP]	EV (\$M)	EV/REV	EV/EBITDA
4/3/2017	Delta Microwave, Inc.	Mercury Systems, Inc. [NasdaqGS:MRCY]	\$40.5	3.2x	--
4/3/2017	Custom Control Concepts, Inc. [Sorenson Capital]	Astronics Custom Control Concepts Inc. [Astronics Corporation [NasdaqGS:ATRO]]	\$10.7	--	--
4/3/2017	FCi Federal, Inc.	Pacific Architects and Engineers Incorporated [Platinum Equity, LLC]	--	--	--
4/3/2017	Gyttorp AB [Förvaltnings AB Segersta]	Norma Precision AB [RUAG Holding AG]	--	--	--
4/4/2017	OceanServer Technology, Inc.	L3 Technologies, Inc. [NYSE:LLL]	--	--	--
4/4/2017*	Bulova Technologies Ordnance Systems LLC [OTCPK:BTGI]	Arc Technologies, Inc.	--	--	--
4/4/2017	OHS Aviation Services GmbH	F. List Germany GmbH [F. List GmbH]	--	--	--
4/5/2017	Whitcraft LLC [Linsalata Capital Partners]	Greenbriar Equity Group LLC	--	--	--
4/6/2017	Jiffy Air Tool, Inc.	Florida Pneumatic Manufacturing Corporation [P&F Industries, Inc. [NasdaqGM:PFIN]]	\$8.0	--	--
4/6/2017	Schafer Corporation [Metalmark Capital LLC]	Belcan Corporation [AE Industrial Partners, LLC]	--	--	--
4/7/2017*	Aerospace Shenzhou Flight Vehicle Co., Ltd.	Zhejiang Nanyang Technology Co., Ltd. [SZSE:002389]	\$227.0	6.1x	--
4/10/2017	Accessory Technologies Corporation	Wencor Group, LLC [Warburg Pincus LLC]	--	--	--
4/11/2017	The Reports and Requirements Company, LLC [R2C]	Buchanan & Edwards, Inc.	--	--	--
4/13/2017	Car Trim GmbH	Greiner aerospace GmbH [Greiner Foam International GmbH]	--	--	--
4/17/2017	Discovery Air Fire Services Inc. [2531599 Ontario Limited]	MAG Aerospace Corp. [Clairvest Group]	--	--	--
4/18/2017	InfoReliance Corporation	ECS Federal, Inc.	--	--	--
4/18/2017	Manufacturing Support Industries, Inc.	Craig Technologies Inc.	--	--	--
4/19/2017	First Tactical LLC	Point Blank Enterprises, Inc. [JLL Partners]	--	--	--
4/24/2017*	Awais Aviation Capital Designated Activity Company [Carmel Capital Sarl]	Dubai Aerospace Enterprise [DAE] Ltd. [Dubai International Capital L.L.C.]	--	--	--
4/24/2017	SmartLynx Airlines SIA	Tripod Investment Management	--	--	--
4/28/2017*	Guavus, Inc.	Thales S.A. [ENXTPA:HO]	\$215.0	7.2x	--
4/28/2017	Gould & Goodrich, Inc.	Point Blank Enterprises, Inc. [JLL Partners]	--	--	--
5/1/2017	PolyAero Inc. [Precision Aerospace Components, Inc.]	Apollo Aerospace Components Ltd. [Park-Ohio Holdings Corp. [NasdaqGS:PKOH]]	\$10.5	--	--
5/2/2017	GAT Airline Ground Support, Inc.	Atlantic Street Capital Management, LLC	--	--	--
5/2/2017	Neya Systems, LLC	Applied Research Associates, Inc. [Ara Holdings, Inc.]	--	--	--
5/3/2017	Microphase Corporation	Digital Power Corporation [AMEX:DPW]	\$7.0	0x	0.1x
5/3/2017	Advatech Pacific, Tactical Cross Domain Technology And Products [Advatech Pacific, Inc.]	General Dynamics Mission Systems, Inc. [General Dynamics Corporation [NYSE:GD]]	--	--	--
5/3/2017	Morgan 6, LLC	Mission Solutions Group, LLC	--	--	--
5/4/2017	Esoteric LLC	Elite 360 Technologies [Elite Aerospace Group, Inc.]	--	--	--
5/4/2017	BEI Precision Systems & Space Co. Inc.	J.F. Lehman & Company, Inc.	--	--	--
5/4/2017	Dallas Aeronautical Services, LLC	West Star Aviation, Inc. [Norwest Equity Partners]	--	--	--
5/8/2017*	AIRCO Group	AIRCO, LLC [Air T, Inc. [NasdaqCM:AIRT]]	--	--	--
5/10/2017	Adcole Maryland Aerospace, LLC	Adcole Corporation [Artemis Capital Partners]	--	--	--
5/10/2017	The Vitec Group plc, Non-Core Haigh-Farr Defence Antennas Business [LSE:VTC]	Management Buyout	\$25.8	2.0x	--
5/11/2017	Supreme Group [USA] LLC [Supreme Group B.V.]	Valiant Integrated Services LLC [The GC Companies]	--	--	--
5/12/2017*	EuroAvionics GmbH [Equistone Partners Europe]	HENSOLDT GmbH [Airbus Defence and Space GmbH]	--	--	--
5/15/2017*	Morf3D, Inc.	Sigma Labs, Inc. [NasdaqCM:SGLB]	--	--	--
5/15/2017	Classic Precision Inc.	Hosco Finishing LLC [Stratadyne, LLC]	--	--	--
5/16/2017	D+C-Airparts Battery In Europe GmbH [Sperber Aviation Industries GmbH]	KAPCO Global	--	--	--

Source: S&P Capital IQ and Equity Research.
EV=Enterprise Value
Rev=Revenue
*Transaction pending

ANN. DATE	TARGET (OWNERSHIP)	ACQUIRER (OWNERSHIP)	EV (\$M)	EV/REV	EV/EBITDA
5/16/2017	C4i Training and Technology, Inc.	Bartragh Services, LLC	--	--	--
5/22/2017	Open Water Power, Inc.	L3 Technologies, Inc. [NYSE:LLL]	--	--	--
5/25/2017*	NOVAerial Robotics Inc.	Global UAV Technologies Ltd. [CNSX:UAV]	\$0.4	--	--
5/26/2017*	Shenzhen Casic Motor System Co., Ltd.	Guizhou Space Appliance Co., Ltd. [SZSE:002025]	\$16.9	--	--
5/31/2017	Marshall Aerospace and Defence Group, FBO / VIP TERMINAL	XLR Executive Jet Centres Limited [Rigby Group (RG) Ltd.]	--	--	--
6/1/2017	Qualiseal Technology (QCC, LLC)	Technetics Group LLC [EnPro Industries, Inc. [NYSE:NPO]]	--	--	--
6/1/2017	Three Add On Aerospace Product Lines	TransDigm Group Incorporated [NYSE:TIG]	\$100.0	3.1x	--
6/1/2017*	MD US, UK, and Australia Trace Holding, LLC	Management Buyout	\$75.5	--	--
6/2/2017	Majority Stake in CAV Ice Protection Limited and CAV Advanced Technologies Ltd	Baird Capital Partners [Baird Financial Group, Inc.]	--	--	--
6/5/2017*	Lockheed Martin Corporation, Some of the Facilities [Lockheed Martin Corporation [NYSE:LMT]]	StandardAero, Inc. [Veritas Capital Fund Management, LLC]	--	--	--
6/5/2017	Ets JC BOUY SAS	Weare Aerospace [ACE Management]	--	--	--
6/5/2017	Berriehill Research Corporation	Applied Research Associates, Inc. [Ara Holdings, Inc.]	--	--	--
6/6/2017	Aero Components Inc.	P4G Capital Management, LLC	--	--	--
6/6/2017	Halo Industries, Inc.	Elite Aerospace Group, Inc.	--	--	--
6/6/2017	Fore Machine Company, Inc.	P4G Capital Management, LLC	--	--	--
6/7/2017*	Aerial Source	EriSat LLC	\$724.0	--	--
6/8/2017	Mecaprotec Loire Atlantique	MECAPROTEC Industries S.A.	--	--	--
6/12/2017	Oliver Crispin Robotics Limited [Avonmore Developments Ltd]	GE Aviation [General Electric Company [NYSE:GE]]	--	--	--
6/12/2017*	Moog Inc., European In-Space Propulsion Businesses [Moog Inc. [NYSE:MOG.A]]	Nammo AS [Patria Oyj]	--	--	--
6/13/2017	Mortek, Inc. [d/b/a/ Lind-Rite Precision Company]	Talon Innovations Corporation [Graycliff Partners]	--	--	--
6/13/2017*	Le Cablage Francais and 51% Stake in Ouest Cablage Aeronautique Et Marine	Hiolle Industries [ENXTPA:ALHIO]	--	--	--
6/15/2017	Dunlop Aircraft Tyres Limited [AAC Capital Partners]	Liberty Hall Capital Partners, L.P.	\$135.0	--	--
6/16/2017*	Aernnova Aerospace S.A. [Springwater Capital, LLC]	Peninsula Capital Advisors, Torreal, SCR, S.A.; TowerBrook Capital	--	--	--
6/19/2017	Integrated Photonics, Inc.	II-VI Incorporated [NasdaqGS:IVI]	\$48	--	--
6/20/2017	Carbon by Design	Flight Support Group, Inc. [HEICO Corporation [NYSE:HEI]]	--	--	--
6/20/2017	Space-Lok, Inc. [Novaria Fastening Systems LLC]	Novaria Holdings LLC	--	--	--
6/22/2017	ISEI	Safran Electronics & Defense SAS [Safran SA [ENXTPA:SAF]]	--	--	--
6/23/2017*	Automated Dynamics Corporation	Trelleborg Sealing Solutions Germany GmbH [Trelleborg AB [OM:TREL B]]	--	--	--
6/23/2017	Photon Corporation	Microsemi Corporation [NasdaqGS:MSCC]	--	--	--
6/27/2017	Vortex Aviation Capital LLC	Kellstrom Aerospace, LLC [AE Industrial Partners, LLC]	--	--	--
6/27/2017*	Terrafugia, Inc.	Zhejiang Geely Holding Group Co., Ltd.	--	--	--
6/28/2017*	Laselec S.A.	Komax Holding AG [SWX:KOMN]	--	--	--
6/29/2017*	Kelvin Hughes Limited [ECI Partners LLP]	HENSOLDT GmbH [Airbus Defence and Space GmbH]	--	--	--

Source: S&P Capital IQ and Equity Research.
EV=Enterprise Value
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This document is intended to provide an overview of certain information relating to the aerospace & defense industry. The material presented herein is based on certain sources and data we consider reliable, however we make no representations as to its accuracy or completeness. The information presented is as of the date provided herein, and we have no obligation to update the information.

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