



PCE Industry Report

Aerospace & Defense



Middle Market M&A Summary

Aerospace & Defense

4th Quarter 2015

Key Highlights

- The average value of the top five transactions was \$1.94 billion.
- The largest transaction was the acquisition of Sikorsky Aircraft Corporation by Lockheed Martin Corporation for \$9.0 billion.
- The smallest transaction was the acquisition of STEICO Industries, Inc. by Senior plc for \$75 million.
- The public company industry median TEV/EBIT multiple is 13.1x.
- The public company industry median TEV/EBITDA multiple is 10.7x.

Key Trends

- The Support Services & Systems and Rockets, Spacecraft & Satellites subsectors' transaction volume were negatively trending, while Weapons and Military Transport subsectors were trending neutrally.
- The Support Services & Systems subsector's transaction volume was the largest at 85% of the industry over the past quarter.
- Aerospace & Defense M&A activity has and will continue to rise due to decreased government spending leading to industry consolidation and divestitures of lower-margin businesses.¹
- Despite decreased U.S. defense spending, space tourism is set to launch with companies such as SpaceX and Orbital ATK drastically changing the industry landscape and undercutting traditional industry front-runners.¹

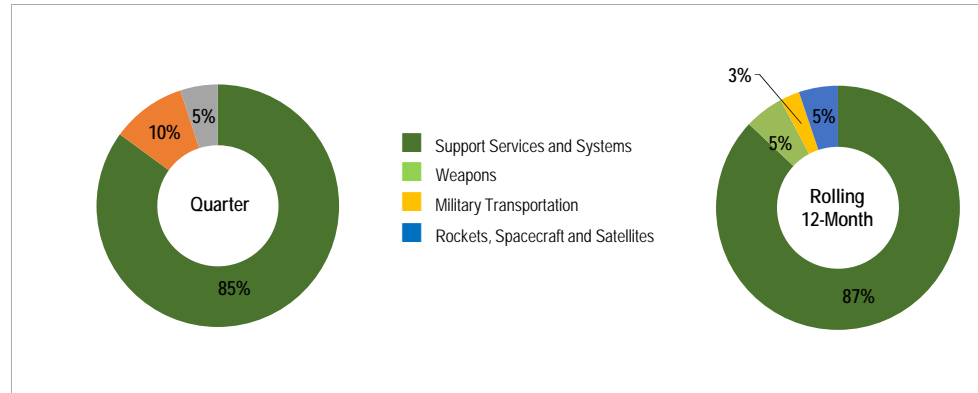
Source: ¹ IBISWorld, *Space Vehicle & Missile Manufacturing (Dec 2015)*

Industry Trends During Quarter

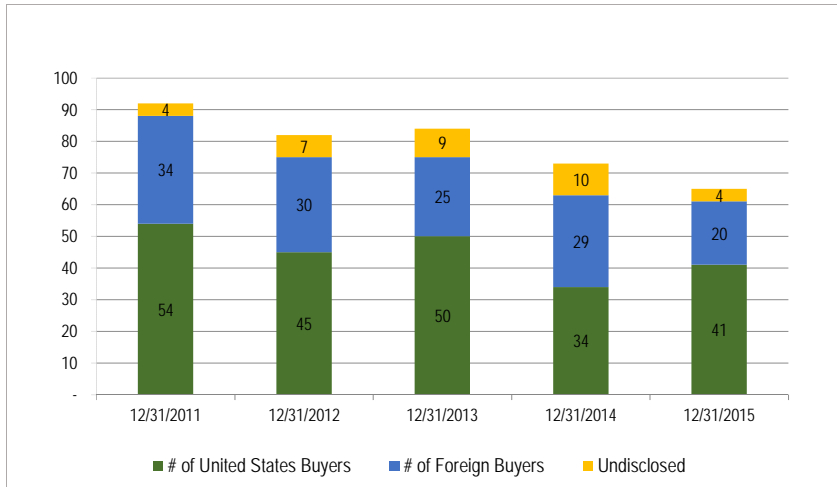
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Support Services and Systems	↓	↑	↓
Weapons	⇒	↓	↓
Military Transportation	⇒	↑	↓
Rockets, Spacecraft and Satellites	↓	↑	↑

* Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data

Transaction Volume as % of Industry



Rolling 12-Month Transaction Volume Trends by Buyer Origin



Representative Transactions Closed During Quarter

Sector	Target	Buyer	Transaction Value
Support Services & Systems	Sikorsky Aircraft Corporation	Lockheed Martin Corporation	\$9,000.0
Support Services & Systems	Robertson Fuel Systems, LLC	HEICO Electronic Technologies Corp.	\$255.0
Support Services & Systems	Secure Communication Systems Inc.	Benchmark Electronics Inc.	\$230.0
Support Services & Systems	Breeze-Eastern Corporation	TransDigm Group Incorporated	\$142.8
Support Services & Systems	STEICO Industries Inc.	Senior plc	\$75.0

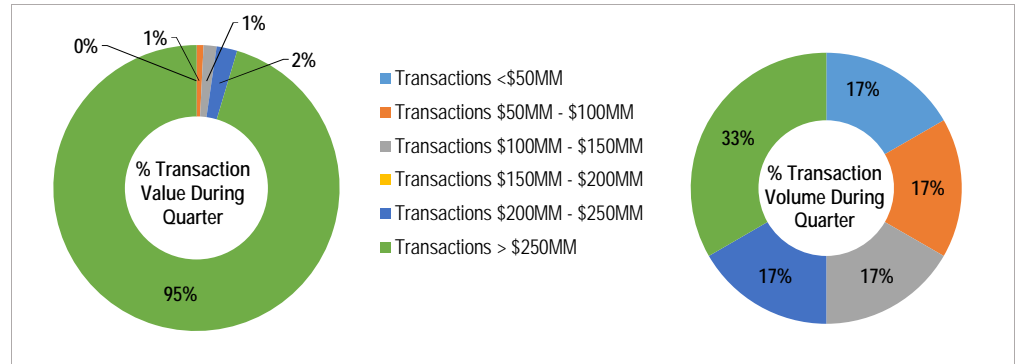
Source: S&P Capital IQ as of 1/26/2016 and PCE Proprietary Data

Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	17
Number of Transactions with Disclosed Values	6
Transaction Value*	\$9,789.92
Average Transaction Value*	\$1,929.42
Median Transaction Value*	\$230.00

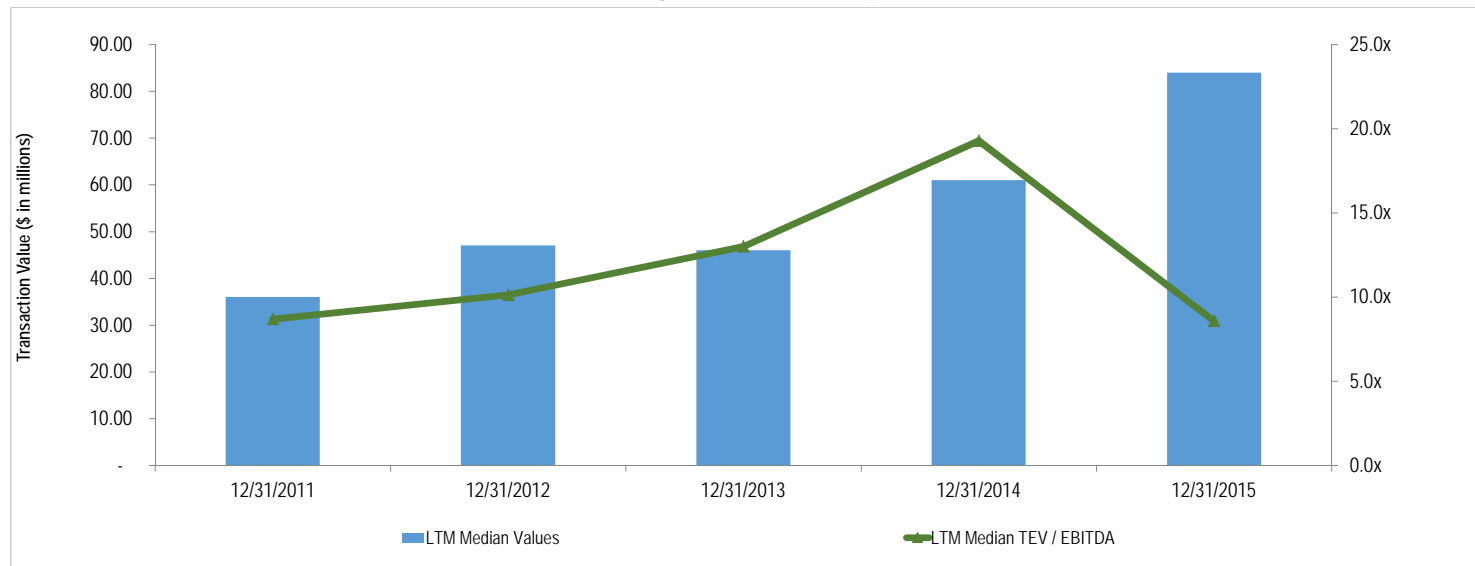
**Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.*

Transaction by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



** Values and multiples may be skewed given data includes reported information only. While ~ 30% - 40% of transactions disclose values, only ~ 3% - 5% disclose EBITDA multiples. As a result, data may be a poor indicator of overall market performance.*

Source: S&P Capital IQ as of 1/26/2016 and PCE Proprietary Data

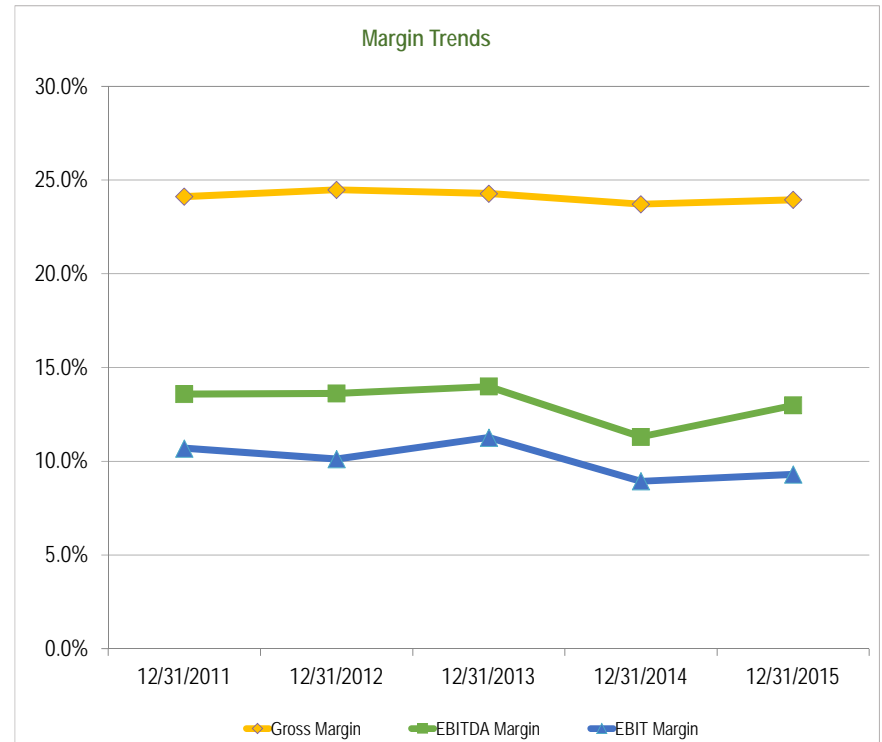
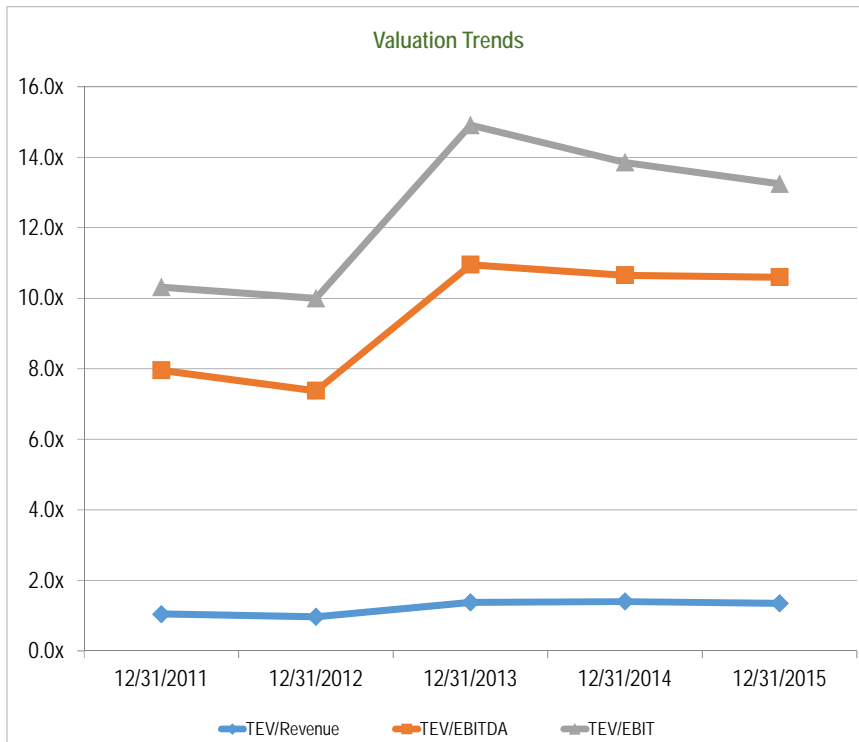
Support Services and Systems

4th Quarter 2015

Summary of Public Comparables as of Quarter End (\$ in millions)

	Total Enterprise Value				Last Twelve Months 12/31/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$13,123	1.6x	12.2x	19.9x	TEV/Revenue	↓
Median	\$2,163	1.4x	10.6x	13.2x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months 12/31/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	25.5%	12.8%	9.3%	Gross Margin	↑
Median	23.9%	13.0%	9.3%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 1/26/2016 and PCE Proprietary Data



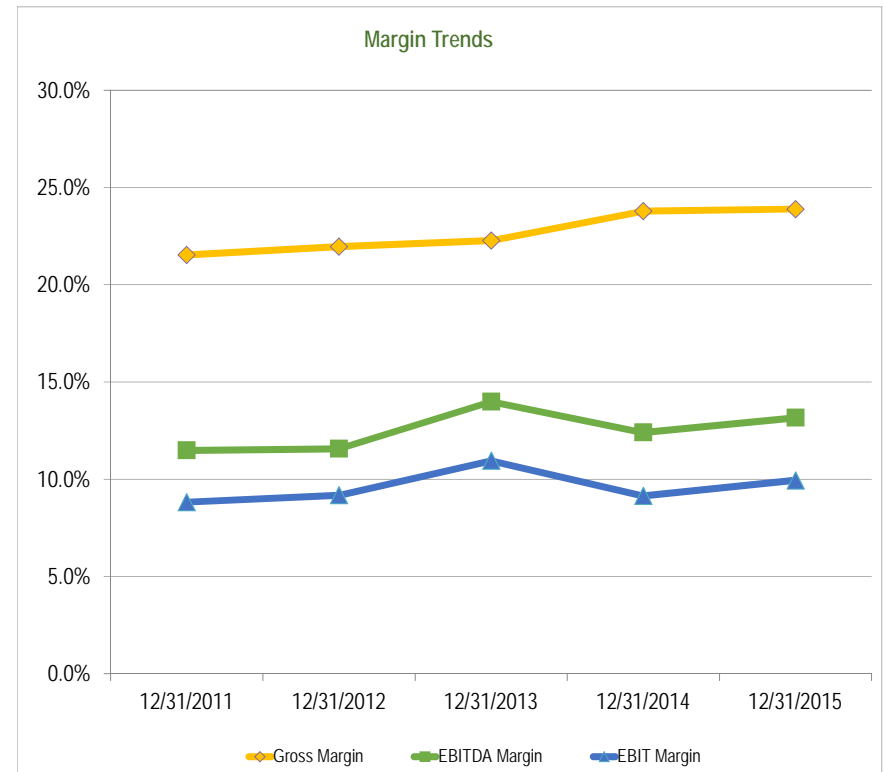
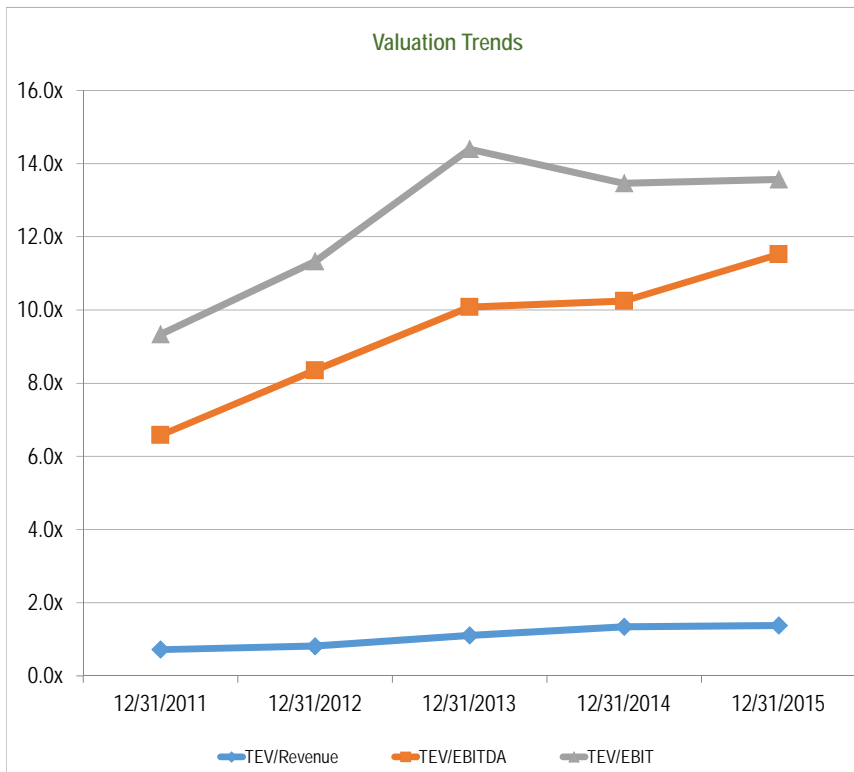
Weapons

4th Quarter 2015

Summary of Public Comparables as of Quarter End (\$ in millions)

	Total Enterprise Value				Last Twelve Months 12/31/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$15,902	1.6x	14.8x	14.9x	TEV/Revenue	↑
Median	\$3,700	1.4x	11.5x	13.6x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 12/31/2015	
	Gross Profit	EBITDA	EBIT		
Average	26.5%	10.9%	7.7%	Gross Margin	↑
Median	23.9%	13.2%	9.9%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 1/26/2016 and PCE Proprietary Data

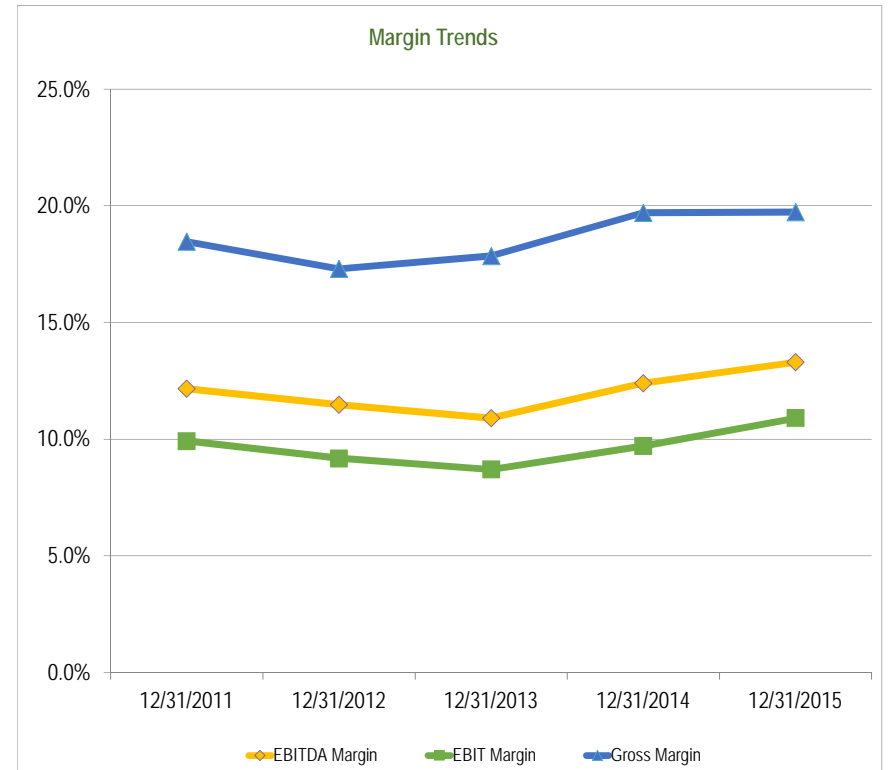
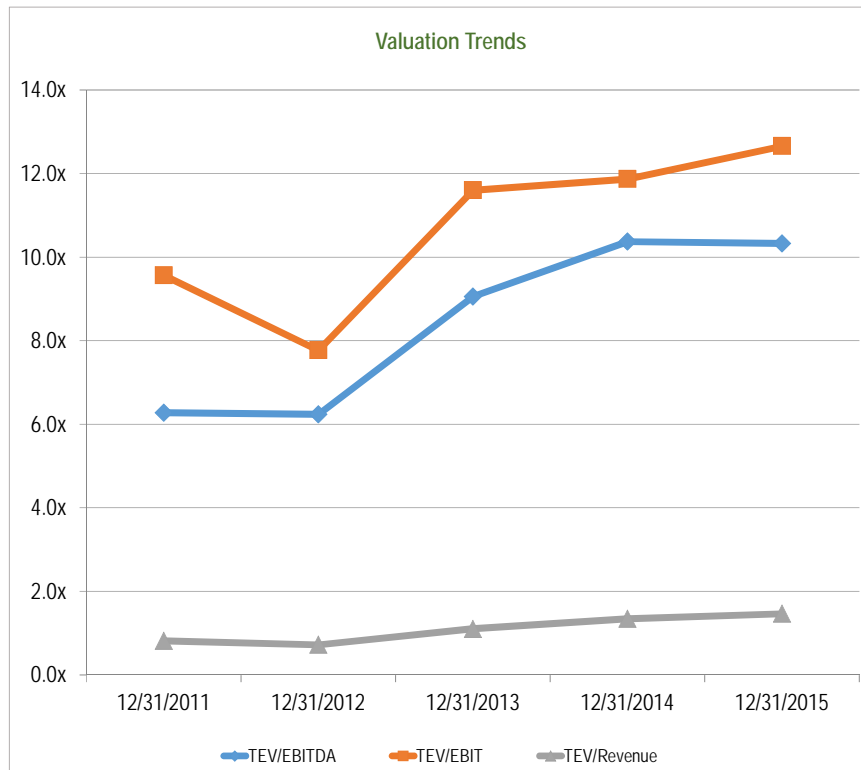
Military Transportation

4th Quarter 2015

Summary of Public Comparables as of Quarter End (\$ in millions)

	Total Enterprise Value				Last Twelve Months 12/31/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$31,805	1.4x	12.2x	16.3x	TEV/Revenue	↑
Median	\$22,575	1.5x	10.3x	12.7x	TEV/EBITDA	↓
					TEV/EBIT	↑

	Margins			Last Twelve Months 12/31/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	22.0%	12.4%	10.0%	Gross Margin	↑
Median	19.7%	13.3%	10.9%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 1/26/2016 and PCE Proprietary Data

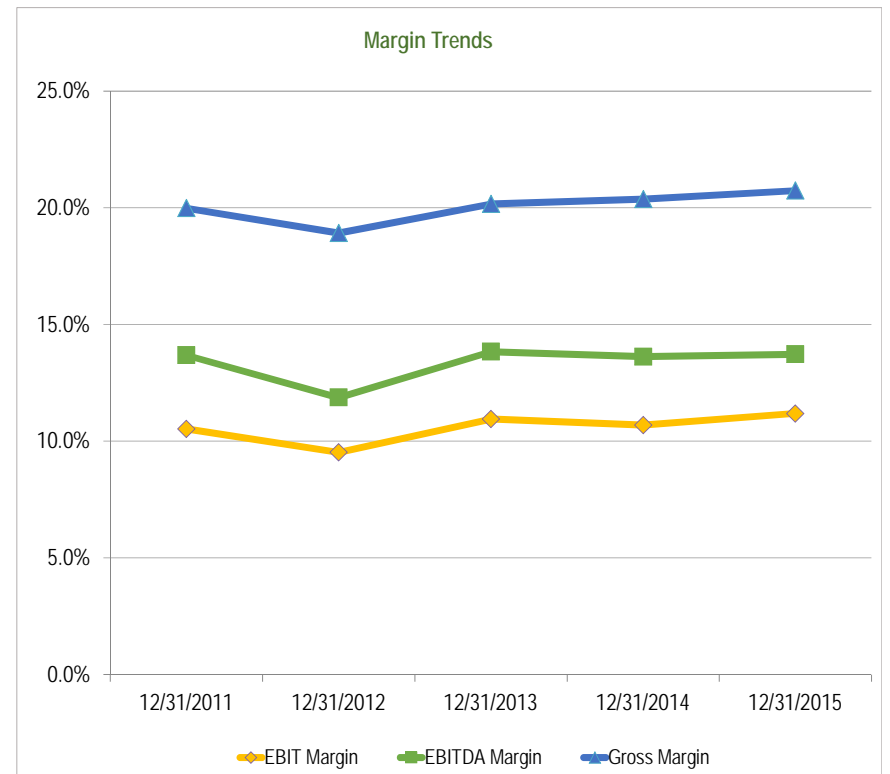
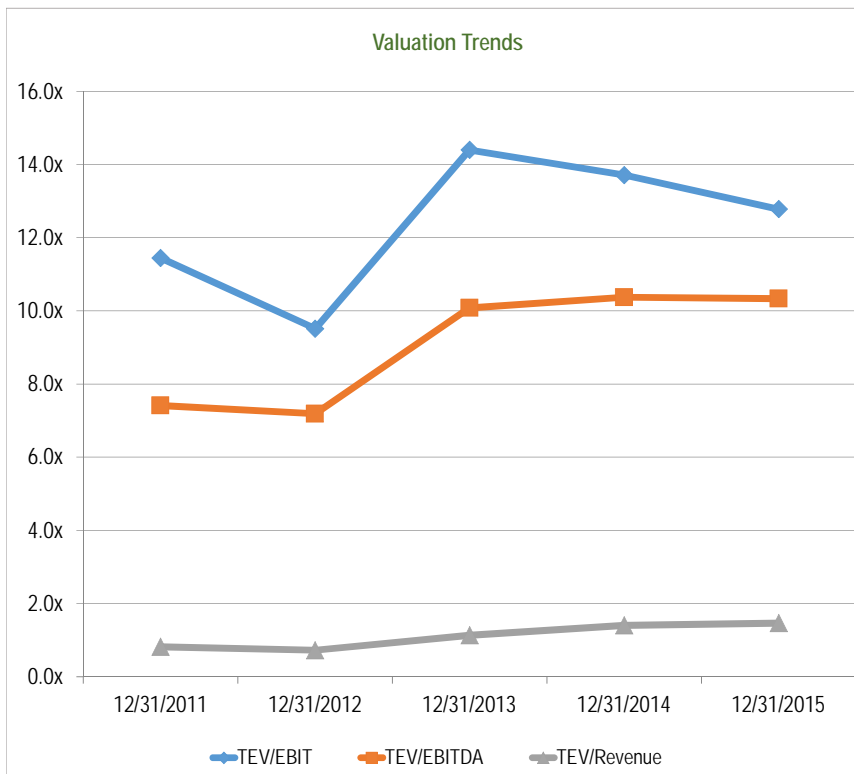
Rockets, Spacecraft and Satellites

4th Quarter 2015

Summary of Public Comparables as of Quarter End (\$ in millions)

	Total Enterprise Value				Last Twelve Months 12/31/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$30,506	1.5x	10.5x	13.3x	TEV/Revenue	↑
Median	\$19,904	1.5x	10.3x	12.8x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months 12/31/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	20.7%	13.9%	11.2%	Gross Margin	↑
Median	20.7%	13.7%	11.2%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 1/26/2016 and PCE Proprietary Data

About PCE

When you're navigating the critical and sometimes challenging phases of the business life cycle, nothing is more important than getting the right advice at the right time. At PCE, that's our specialty. Providing clients with the insightful strategies, creative solutions, and expert guidance they need to address the challenges they face today and achieve the goals they set for tomorrow.

PCE, a leading financial services firm for mid-market companies, offers a full range of services:

- M&A (mergers & acquisitions)
- Growth Capital – Equity & Debt
- Business Valuation
- ESOP (Employee Stock Ownership Plans)
- Financial & Management Consulting
- MBO (management buy outs)
- Bankruptcy
- Restructuring
- Fairness and Solvency Opinion
- Management Consulting
- Succession Planning
- Strategic Analysis
- Litigation Support

Experienced in all market sectors, PCE has established several specialty practice areas:

- Aerospace & Defense
- Banking, Finance & Insurance
- Building Products & Construction
- Business Services
- Consumer & Food
- Diversified Industrials
- Healthcare
- IT & Telecom
- Power & Energy
- Transportation & Logistics

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Data Assumptions

This report represents transaction activity as mergers & acquisitions, consolidations, restructurings and spin-offs. Targets are defined as U.S. Based companies with either foreign or U.S. based buyers. Transaction information provided is based on closed/announced dates only.

Glossary

EBIT - Earnings Before Interest and Taxes
EBITDA - Earnings Before Interest, Taxes, Depreciation, Amortization
LTM - Last Twelve Months
TEV - Total Enterprise Value