

PCE Industry Report

Aerospace & Defense





Middle Market M&A Summary

Aerospace & Defense

2nd Quarter 2015

Key Highlights

- The public company industry median TEV/EBIT multiple is 13.5x.
- The public company industry median TEV/EBITDA multiple is 10.1x.

Key Trends

- The A&D industry's focus remains on controlling costs and driving growth in the face of slowing mature markets in both the U.S. & Europe.
- Increases in R&D continue as a result of increased competition and the need to develop a competitive edge in the marketplace.
- Other areas seeing increased attention include supply chain reorganization, largely driven by endeavors to reduce costs. This may drive M&A activity into 2016 as companies look to increase operational efficiencies.
- The Support Services & Systems subsector's transaction volume was the largest at 86% of the industry over the past quarter.

Sources: S&P Capital IQ, PCE Proprietary data & KPMG Aerospace and Defense Outlook June 2015

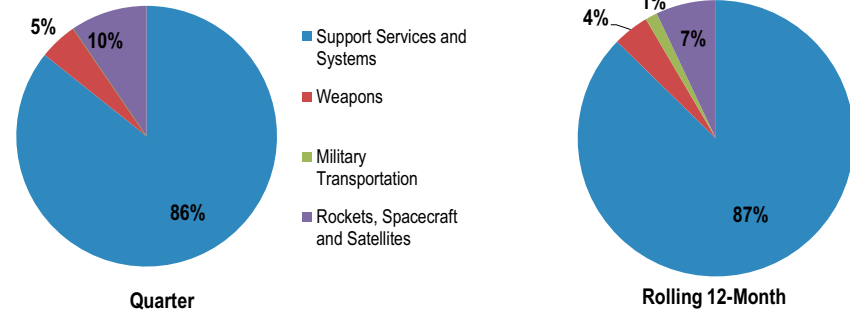
Aerospace & Defense - For the Quarter Ended 06/30/15

Industry Trends During Quarter

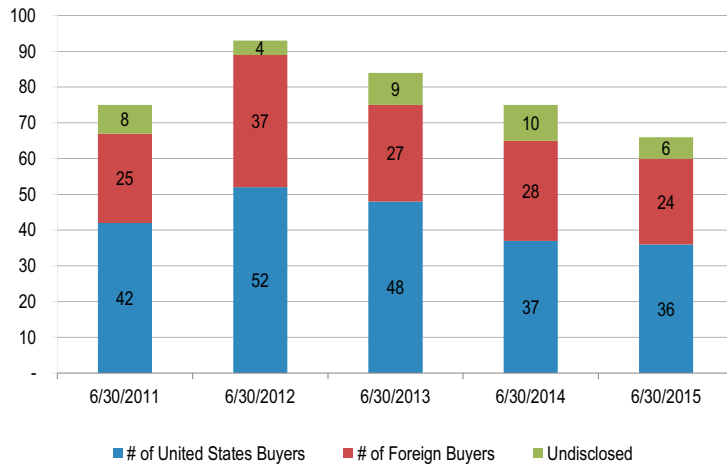
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Support Services and Systems	↑	↑	↓
Weapons	↑	↑	↓
Military Transportation	→	↑	↓
Rockets, Spacecraft and Satellites	↑	↑	↓

* 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	Exelis Inc.	Harris Corporation	\$5,193.2
Support Services & Systems	Kellstrom Materials	AE Industrial Partners, LLC	Not available
Support Services & Systems	Premier Professional Systems, Inc.	PROJECTXYZ, Inc.	Not available
Support Services & Systems	Accord Technology LLC	Aspen Avionics, Inc.	Not available
Support Services & Systems	Aequs Aero Machine, Inc.	Aequs Aerospace LLC	Not available
Support Services & Systems	Sheets Manufacturing Inc.	GKN plc	Not available
Support Services & Systems	Smyrna Air Center, Inc.	Carpenter Avionics, Inc.	Not available
Support Services & Systems	Precision Aero Corporation	H-D Advanced Manufacturing Company	Not available
Support Services & Systems	FMH Aerospace Corp.	Industrial Growth Partners; Industrial Growth Partners IV,	Not available
Support Services & Systems	Kutta Technologies, Inc.	Sierra Nevada Corporation	Not available

Source: S&P Capital IQ as of 7/17/2015 and PCE Proprietary Data

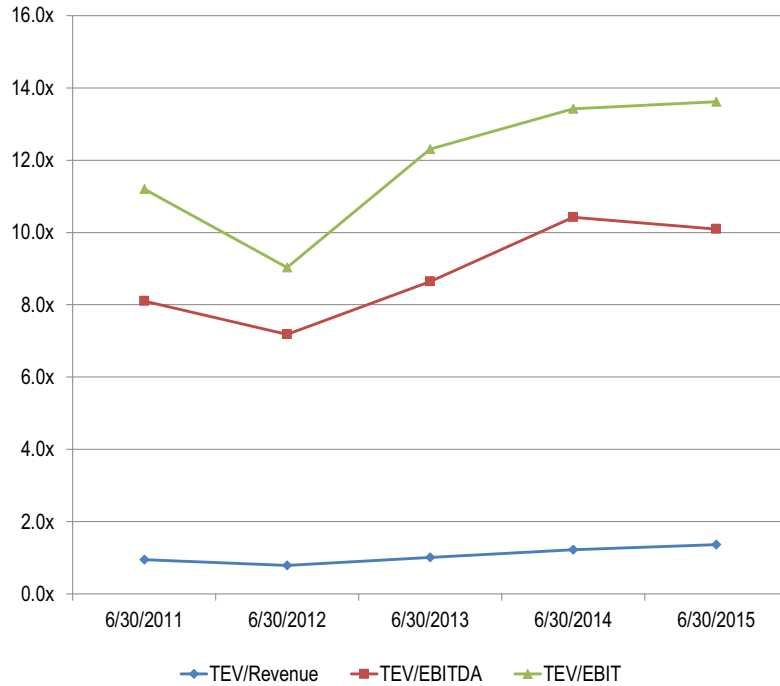
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Summary of Public Comparables as of Quarter End (\$ in millions)

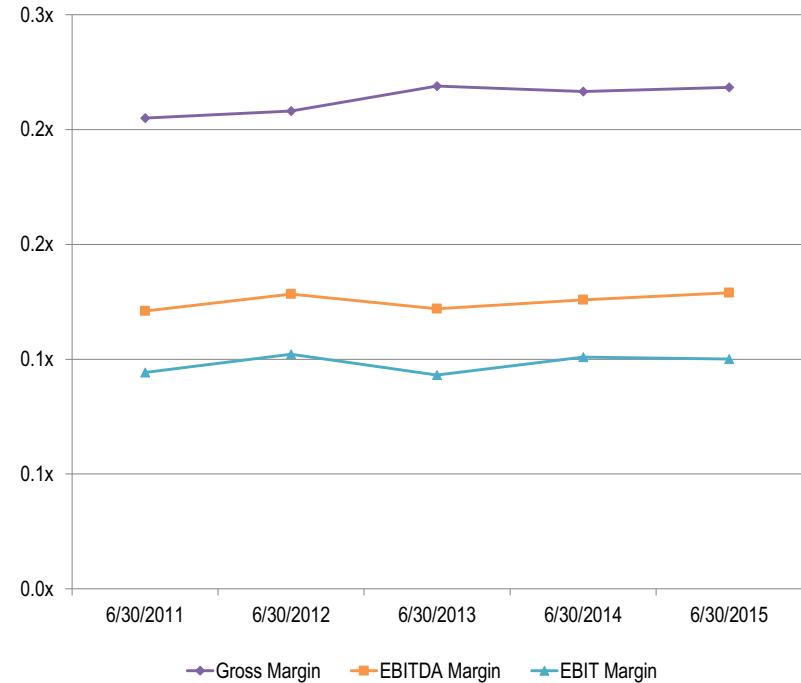
	TEV				LTM 6/30/2015 Trends
	Market Cap	Revenue	EBITDA	EBIT	
Average	\$24,945	1.7x	12.9x	24.1x	TEV/Revenue ↑
Median	\$12,672	1.4x	10.1x	13.6x	TEV/EBITDA ↓
					TEV/EBIT ↑

	Margins			LTM 6/30/2015 Trends
	Gross Profit	EBITDA	EBIT	
Average	22.5%	9.1%	11.9%	Gross Margin ↑
Median	21.8%	12.9%	10.0%	EBITDA Margin ↑
				EBIT Margin ↓

Valuation Trends



Margin Trends



Source: S&P Capital IQ as of 7/17/2015 and PCE Proprietary Data

Data Assumptions

At PCE, we consider 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 announced dates.

Glossary

EBIT - Earnings Before Interest and Taxes

EBITDA - Earnings Before Interest, Taxes, Depreciation and Amortization

LTM - Last Twelve Months

TEV - Total Enterprise Value



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About PCE

Eighteen years ago, PCE was formed to provide professional investment banking, business valuation and advisory services to middle market companies. We determined from our experience as business owners that there was a need that was not being professionally fulfilled.

We understand the importance of creating a relationship and the value of trust when providing our services. PCE's professionals are successful business owner, entrepreneurs, lenders, former Federal Reserve board members, CPA's, CFA's, national & international valuation experts, international analysts and investors. PCE offers senior level attention, sound advice, skilled execution and personalized attention you can trust.

Our mission is to be the premier investment bank serving middle market companies. PCE is committed to providing individualized strategies throughout your business life-cycle, focused on maximizing shareholder value.

PCE Investment Bankers, Inc. – member FINRA & SIPC; PCE Valuations, LLC; PCE Advisory, LLC