



Aerospace | Defense & Government |  
Intelligence Community

April 2024 Market Snapshot

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## Reversing the Consolidation of the Previous 3 Decades

Our [June 2023 Spotlight](#) highlighted the valuations placed on certain Defense Technology unicorns, leading us to observe that investor returns were unlikely to be realized except at the expense of existing market participants. We continue to see disparate data points likely pointing to this outcome. This month, we see a significant award to Anduril Industries, along with reports of continued willingness of venture capital investors to deploy capital in Defense Technology.

The [recent option award of the Collaborative Combat Aircraft \(CCA\) program](#) to Anduril (at the expense of existing primes Lockheed, Boeing and Northrop Grumman) signifies a shift towards innovative, agile, and technologically advanced solutions in an arena traditionally dominated by established defense contractors. This victory highlights the growing influence of startups in shaping the defense sector, emphasizing the critical role of cutting-edge technologies like artificial intelligence and autonomous systems in modern warfare. As these startups continue to demonstrate their capabilities and agility in securing key contracts, a wave of change is likely to ripple through the defense industry, challenging the traditional dominance of legacy companies and reshaping the dynamics of prime contracting within the DoD.

Indeed, we are already seeing the existing prime contractors (and some tier 2 suppliers) react to the evolving landscape. During Raytheon's April 23 earnings call, [its CEO stated](#) that Raytheon "will no longer compete to be a prime contractor in the space field, focusing on its 'strengths' as a supplier of payloads, sensors and components to other companies...". For its part, Northrop Grumman's CEO told investors in its first quarter earnings call that the [company is not going to compete](#) to build "cheap, non-survivable drones." We also see L3Harris [discussing](#) the divesting of 'non-defense parts of the company' to reduce debt resulting from previous acquisitions and position the company as more of a 'purely defense-focused' contractor.

Additionally, our friends at [Building our Defense](#) highlight the [continued deployment of significant levels of investment](#) into early-stage Defense Technology companies. Not willing to let the dust settle on previously awarded unicorn valuations in Defense Tech, investors seem to be "doubling-down" with additional capital. It seems the smart money knows things the rest of us do not – or are connected to people that do...!

The consolidation of the defense industry, which led to a reduction from 51 to 5 major aerospace and defense prime contractors since the 1990s, has led to a reliance on a limited number of suppliers for critical defense capabilities, backed by technology that lags the commercial market. New market participants, particularly those with [commercial or dual use applications](#) are increasingly likely to upend the status quo and usher in a new landscape for the Defense Industrial Base. We look forward to continually monitoring this ongoing evolution in the industry.



Please see additional insights on the satellite & space industry in the [April 2024 Market Monitor](#) from our partners at Quilty Space.

## Strategy & Policy



### ✓ [Mideast missile duels have cost US Navy Nearly \\$1B](#)

"Interceptor missiles are roughly twice as expensive than the anti-ship missiles they are built to destroy."

### ✓ [US to Withdraw from Chat, Niger Amid Counterterrorism Role Questions](#)

"Relations have frayed between Niger and Western countries since mutinous soldiers ousted the country's democratically elected president in July. Niger's junta has since told French forces to leave and turned instead to Russia for security."

### ✓ [Unleashing Attritable Mass](#)

"Heck, even everyone's favorite dead Prussian (Carl von Clausewitz) dedicates an entire chapter in his seminal treatise On War to the "superiority of numbers"..."

## Trends in Technology



### ✓ [Genetics as Weapons](#)

"This technology, in theory, could enable the creation of pathogens that incapacitate or eliminate individuals based on their genetic profiles—turning genetics into a weapon against specific populations or even individuals."

### ✓ [Pentagon secures \\$500M for first tranche of Replicator systems](#)

"Officials noted that the vendor base for Replicator includes traditional and non-traditional vendors providing systems, components, software and payloads."

### ✓ [Microsoft deploys GPT-4 large language model for Pentagon use in top secret cloud](#)

"Microsoft has deployed the GPT-4 large language model in an isolated, air-gapped Azure Government Top Secret cloud for use by the Department of Defense."

## Contracting, Procurement & Budget



### ✓ [Global defense spending jumped in 2023](#)

"Ascendant defense spending in 2023 contrasted the slowing outlook for the global economy."

### ✓ [Resolving the disconnect between industry and the DOD's space strategy](#)

"...recent estimates suggest that the market for governments purchasing satellite access rather than building their own satellite networks could reach \$14.5B by 2032."

### ✓ [Pentagon canceled Northrop's classified satellite program due to 'budgetary concerns'](#)

"While details are scarce, the cancellation of the program may be part of the Pentagon's pivot from buying large, exquisite satellites to putting hundreds of small, cheap satellites on orbit."

## Capital Markets



### ✓ [Rising Olympians or Fallen Titans](#)

"DefenseTech...has remained one of the few bright spots in an otherwise dour tech market."

### ✓ [L3Harris Selloffs Hampered by Low Bids](#)

"L3Harris has been gradually divesting non-defense parts of the company to reorient itself as a purely defense-focused contractor."

### ✓ [Its an Empty Executive Suite](#)

"The headquarters in Arlington is empty. Nobody lives there. It is an empty executive suite. The CEO lives in New Hampshire. The CFO lives in Connecticut. The head of HR lives in Orlando."

## Aviators & Warfighters



### ✓ [The Coast Guard's Only Medal of Honor Recipient Died Rescuing Marines](#)

"When asked by his commanding officer if the Coast Guardsman was able to go back and extract the overwhelmed Marines, the 22-year-old Munro reportedly gave a confident, "Hell, yeah!""

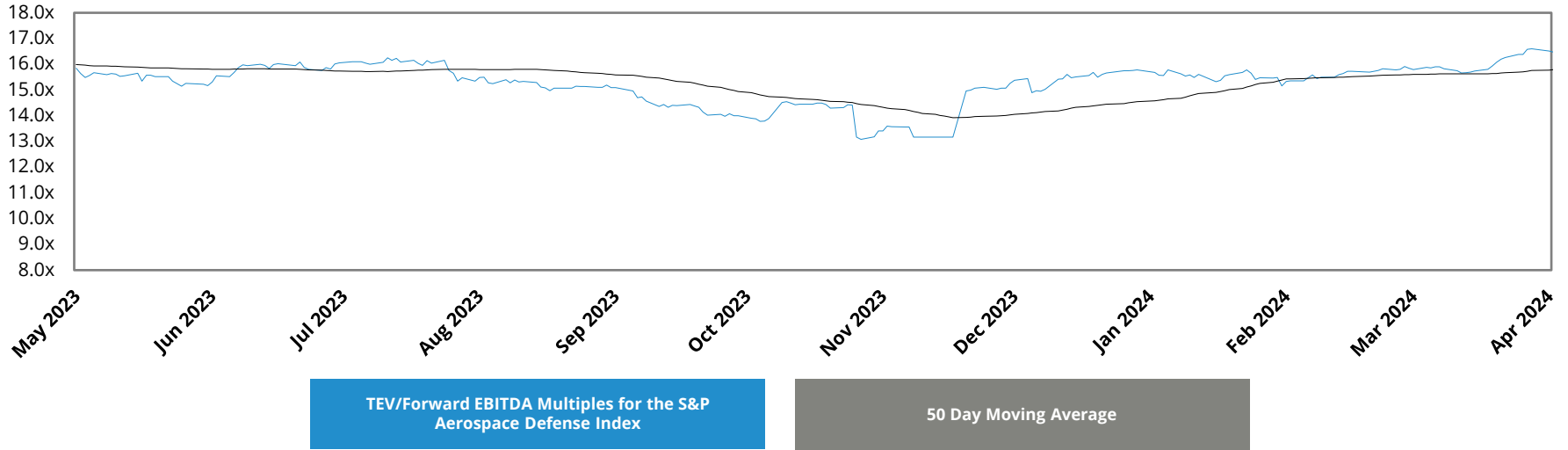
### ✓ [The Flak Can't Always Miss. Somebody's Gotta Die](#)

"At 40 degrees below zero, you can sweat."

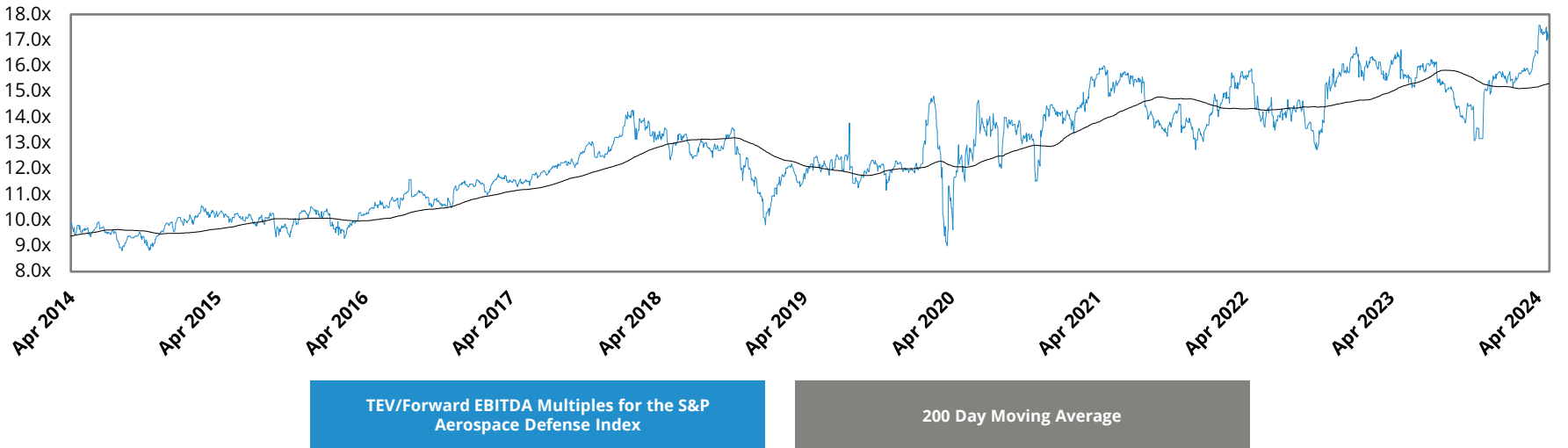
### ✓ [The Man Who Made Belleau Wood - and the Marine Corps - Immortal](#)

"As a noncombatant, Gibbons ignored the request that he stay back and joined a Marine attack on June 6, 1918..."

### 1-Yr Historical EBITDA Multiples\*



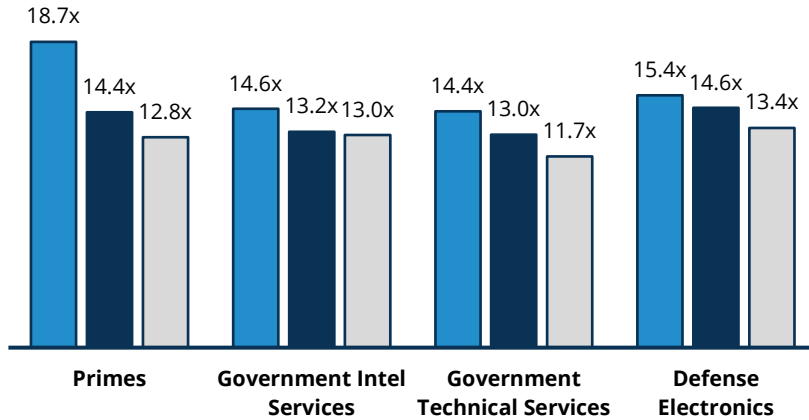
### 10-Yr Historical EBITDA Multiples\*



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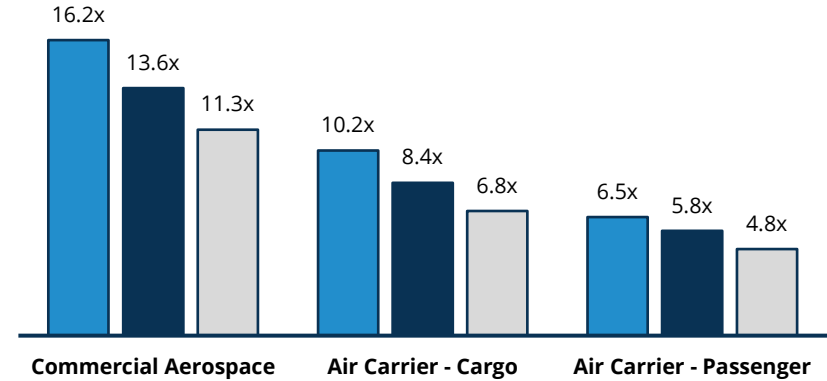
■ LTM ■ 2024CY □ 2025CY

Median EV/EBITDA (x)

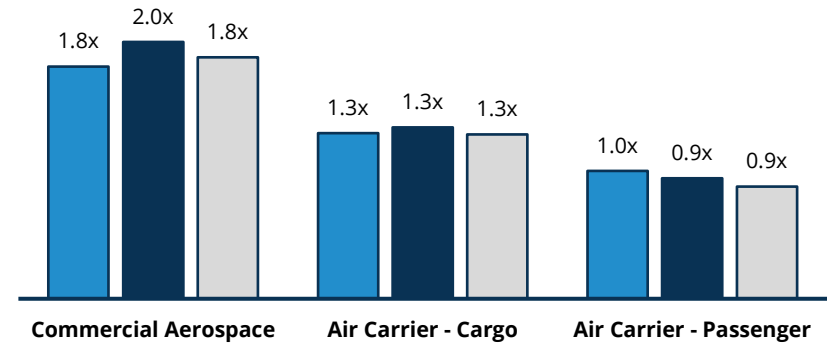
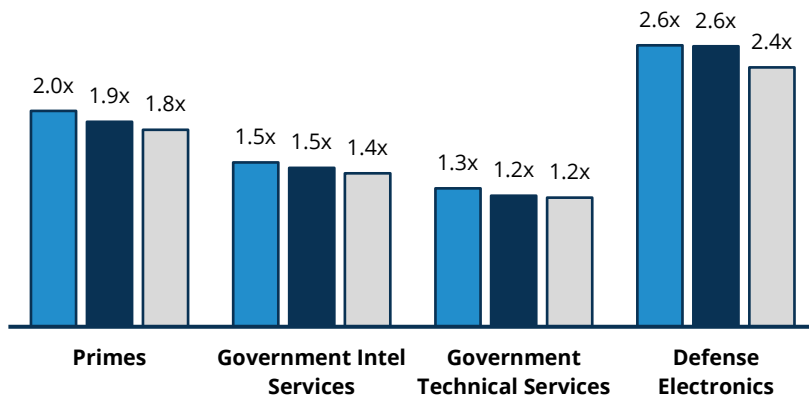


Commercial Aerospace\*

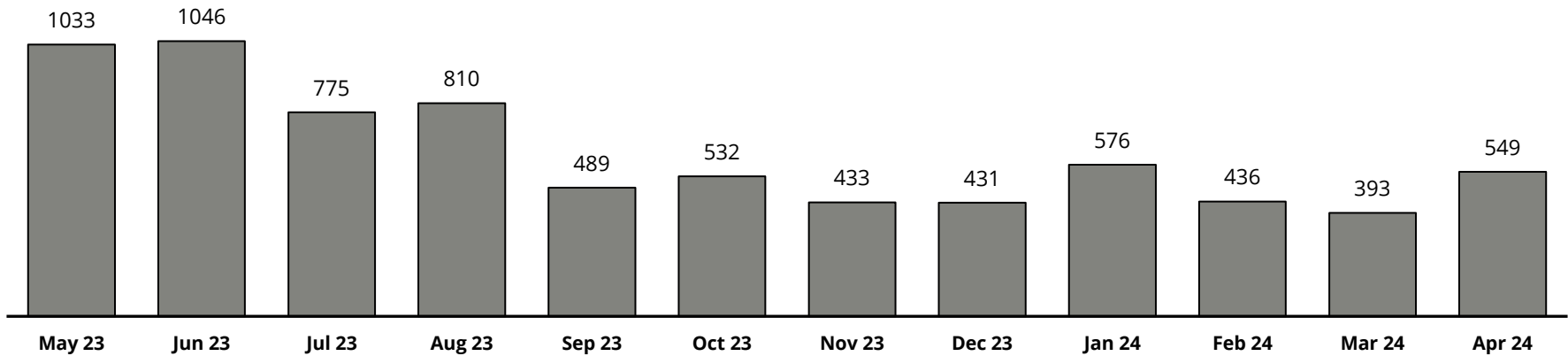
■ LTM ■ 2024CY □ 2025CY



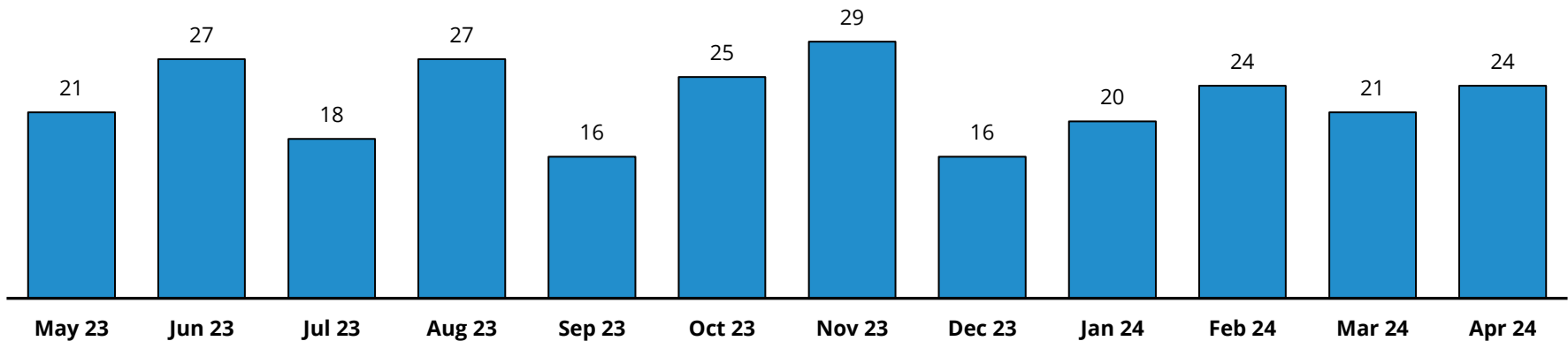
Median EV/Revenue (x)



LTM US M&A Activity—Consolidated\*



LTM US M&A Activity—Southwind Industry Universe\*



Date	Status	Target	Acquirer/Investor	Transaction Value (US\$ Mil)	Valuation (EV/LTM EBITDA)
04/05/2024	Announced	Non-Core Assets of L3Harris Technologies, Inc.	Kanders & Company, Inc.	\$200.00	n.d.
04/15/2024	Announced	Cognosante, LLC	Accenture Federal Services LLC	n.d.	n.d.
04/24/2024	Announced	HashiCorp, Inc.	International Business Machines Corporation	\$7,695.18	n.d.
04/30/2024	Announced	Reorganized ISA S.A.	SES S.A.	\$2,844.00	n.d.
04/01/2024	Closed	Satelles, Inc.	Iridium Communications Inc.	\$124.50	n.d.
04/01/2024	Closed	Alpha Aircraft Services LLC	Ventura Air Charters, Inc.	n.d.	n.d.
04/02/2024	Closed	Wsc, Inc.	Curtiss-Wright Corporation	\$34.00	n.d.
04/02/2024	Closed	Equinox Innovative Systems LLC	TCOM, L.P.	n.d.	n.d.
04/02/2024	Closed	Challenger Aerospace & Defense, Inc.	Resilient Energy Inc.	n.d.	n.d.
04/02/2024	Closed	Cobham Aerospace SAS	Thales S.A.	\$1,100.00	n.d.
04/03/2024	Closed	Newbrook Solutions, Inc.	Edgesource Corporation	n.d.	n.d.
04/05/2024	Closed	CyberRadio Solutions	Epiq Design Solutions, Inc.	n.d.	n.d.

Date	Status	Target	Acquirer/Investor	Transaction Value (US\$ Mil)	Valuation (EV/LTM EBITDA)
04/08/2024	Closed	Microtel LLC	Tyto Athene, LLC	n.d.	n.d.
04/09/2024	Closed	Torin Consulting, Inc.	RealmOne	n.d.	n.d.
04/10/2024	Closed	Valeport (Holdings) Limited	Teledyne Technologies Incorporated	n.d.	n.d.
04/15/2024	Closed	Oscar Deuce LLC	Barbaricum, LLC	n.d.	n.d.
04/16/2024	Closed	Omnyon LLC	Cedar Solutions Group	n.d.	n.d.
04/16/2024	Closed	Strategic Management Solutions, LLC	Bernhard Capital Partners Management, LP	n.d.	n.d.
04/18/2024	Closed	Ahmic Aerospace LLC	Cubrc, Inc.	n.d.	n.d.
04/19/2024	Closed	Kaman Corporation	Arcline Investment Management LP	\$1,919.47	17.1x
04/22/2024	Closed	Triad RF Systems Inc.	Comrod Communication AS	n.d.	n.d.
04/22/2024	Closed	Electronic Warfare Associates, Inc.	Sigma Defense Systems LLC	n.d.	n.d.
04/23/2024	Closed	Ascent AeroSystems LLC	Robinson Helicopter Company, Inc.	n.d.	n.d.
04/24/2024	Closed	Turbine Controls, Inc.	VSE Corporation	\$120.00	n.d.




Date	Status	Target	Acquirer/Investor	Transaction Value (US\$ Mil)	Valuation (EV/LTM EBITDA)
04/25/2024	Closed	GKN Aerospace North America, Inc.	The Boeing Company	n.d.	n.d.
04/25/2024	Closed	Vana Solutions, LLC	VTG LLC	n.d.	n.d.
04/29/2024	Closed	Substantially all of the assets of Gryphon Scientific, LLC	Deloitte Consulting LLP	n.d.	n.d.
04/30/2024	Closed	Willbrook Solutions, Inc.	Special Aerospace Services, LLC	n.d.	n.d.

Date	Status	Company	Series/Round	New Investor(s)	Industry Sector*	Investment Size (US\$ Mil)
04/01/2024	Announced/In Process	eJet Aerospace	1 <sup>st</sup> Round	n.d.	Air Mobility	\$5.00
04/03/2024	Completed	Astro Mechanica	n.d.	Y Combinator	Air Mobility	\$0.50
04/22/2024	Completed	Onebrief	3 <sup>rd</sup> Round	Human Capital, Visary Capital	A&D	\$28.50
04/22/2024	Announced/In Progress	Exovolar	1 <sup>st</sup> Round	n.d.	Air Mobility	n.d.
04/24/2024	Completed	Launchpoint	2 <sup>nd</sup> Round	n.d.	A&D	\$5.90
04/29/2024	Announced/In Progress	eJet Aerospace	2 <sup>nd</sup> Round	n.d.	A&D	\$5.00

Primes	Government Intel Services	Government Technical Services	Defense Electronics
RTX Corporation	Leidos Holdings, Inc.	Jacobs Solutions Inc.	L3Harris Technologies, Inc.
The Boeing Company	Booz Allen Hamilton Holding Corporation	AECOM	BAE Systems plc
Lockheed Martin Corporation	CACI International Inc	KBR, Inc.	Thales S.A.
Northrop Grumman Corporation	Science Applications International Corporation	ICF International, Inc.	Teledyne Technologies Incorporated
General Dynamics Corporation	Parsons Corporation	V2X, Inc.	Textron Inc.
Huntington Ingalls Industries, Inc.			Mercury Systems, Inc.
			AeroVironment, Inc.
			Kratos Defense & Security Solutions, Inc.

Commercial Aerospace	Air Carrier - Cargo	Air Carrier - Passenger
Honeywell International Inc.	United Parcel Service, Inc.	Delta Air Lines, Inc.
Airbus SE	FedEx Corporation	United Airlines Holdings, Inc.
TransDigm Group Incorporated	Expeditors International of Washington, Inc.	Southwest Airlines Co.
HEICO Corporation	Atlas Air Worldwide Holdings, Inc.	Spirit Airlines, Inc.
Embraer S.A.	Air Transport Services Group, Inc.	Alaska Air Group, Inc.
Curtiss-Wright Corporation	Exchange Income Corporation	JetBlue Airways Corporation
Spirit AeroSystems Holdings, Inc.	Forward Air Corporation	Frontier Group Holdings, Inc.
Hexcel Corporation	Cargojet Inc.	SkyWest, Inc.
Moog Inc.	Hub Group, Inc.	Copa Holdings, S.A.
Triumph Group, Inc.	Chorus Aviation Inc.	Allegiant Travel Company
AAR Corp.	AAR Corp.	Hawaiian Holdings, Inc.
Ducommun Incorporated	Sun Country Airlines Holdings, Inc.	Mesa Air Group, Inc.
Astronics Corporation	Mesa Air Group, Inc.	
	Air T, Inc.	





Southwind is a proven merchant bank with exceptional, sector-focused sell-side M&A experience. Our bankers leverage extensive relationships within both the operational and investor communities to provide advice and solutions to product and service providers in the aerospace, defense & government, and intelligence communities.

### Multiple Perspectives, Exceptional Advice

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- Southwind's senior leadership has decades of industry-specific knowledge and experience as customer, contractor, legal counsel, private equity investor and board member, in addition to over 2 decades of M&A advisory track record.
- We understand the challenges of management and our advice is informed by our background—not only as advisors, but as executives and investors.
- We are also uniquely positioned to anticipate questions and concerns before they arise from prospective suitors, thereby enabling us to effectively (and preemptively) communicate company-specific attributes that will optimize potential outcomes.

### Client-Focused Solutions

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**Mergers & Acquisitions** | Underpinned by proprietary modeling and detailed marketing and diligence support, our focus on preparation fosters buyer interest and efficiency.

**Equity & Debt Financing** | Southwind maintains relationships with leading industry capital providers and assists in equity and debt financing services from cradle to grave.

**Valuation & Fairness Opinions** | Southwind offers professional evaluations of a company to determine whether a merger, acquisition, or other transaction is fair and viable.

**Merchant Banking** | Through deep relationships with board-level advisors and family office and high net worth investors, Southwind helps facilitate capital formation.