



Aerospace | Defense & Government |  
Intelligence Community

June 2024 Market Snapshot



## IN THIS ISSUE

Spotlight	2
What We're Reading	3
Valuation Trends	4
Public Company Valuations	5
M&A Trends	6
Monthly Transaction Activity	7
Monthly Venture Activity	10

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## The Project

Like many companies, SWC has been monitoring the evolving Artificial Intelligence landscape, trying to see how it fits into our existing business model and learning how to best utilize it as a tool for business. AI has the potential to radically alter the business model of any commercial enterprise and investment banking is no different. As part of our education, we have sat through a number of educational panels and have spent numerous hours reading and experimenting with different AI tools and applications.

But what if the evolution of Artificial Intelligence is approaching Artificial General Intelligence (AGI) or even Superintelligence much faster than we realize? Is it still just indicative of an industrial and economic explosion much like that driven by the steam engine or the internet? (Also note that there are [contrary views](#) to this.) Or are we talking about a national security issue?

In [Situational Awareness: The Decade Ahead](#), Leopold Ashenbrenner outlines just this scenario. His collection of essays are based on an insider's view of what *"a few hundred people, most of them in San Francisco and the AI labs"* are seeing. While much of the series discusses the potential trendlines of how GPT-4 could evolve to Superintelligence (what would be required and the potential constraints therein), latter essays discuss the security of leading AI labs and required security/controls for machines with vastly more cognitive capabilities than any human.

The sixth essay explicitly states: "Superintelligence will be the most powerful technology—and most powerful weapon—mankind has ever developed. It will give a decisive military advantage, perhaps comparable only with nuclear weapons." Essay seven proclaims: "Superintelligence will be the United States' most important national defense project." In justifying his view that *The Project* will be a government program on par with the Manhattan Project, Ashenbrenner states, "I find it an insane proposition that the US government will let a random SF startup develop superintelligence. Imagine if we had developed atomic bombs by letting Uber just improvise." In summary, he outlines three core tenets:

- 1) Superintelligence is a matter of national security
- 2) America must lead
- 3) We need not screw it up

We have summarized an important 165-page article into a few paragraphs but please take some time and read the full collection of essays. It is in this context that we point back to observations that the best minds in Silicon Valley are once again putting significant levels of early-stage capital into Defense Technology only a few short years after employees at many leading technology companies put up serious resistance to participation in defense contracts. Perhaps this convergence is no coincidence.



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

Strategy & Policy



✓ [Would Russia Aid China in an Invasion of Taiwan?](#)

"Why would it be willing to aid Beijing in an invasion that would likely be met with a response from the United States and its allies? The most simple answer is because China did it for Russia."

✓ [What Will Replace the Marine Corps?](#)

"Since 2019, the Marine Corps has largely abandoned its amphibious capability in favor of a limited mission of deterring or fighting a war with China in the South China Sea..."

✓ [Sunk at the Pier: Crisis in the American Submarine Industrial Base](#)

"...there are currently not enough shipyards to handle the scheduled maintenance for the Navy's submarine force..."

Trends in Technology



✓ [The U.S. Must Win The AI Race](#)

"History dictates that in global conflict, the most powerful tools will prevail. It is, therefore, incumbent on U.S. innovators to win the AI race and achieve the goal of 'peace through strength.'"

✓ [Could AI Help US Intelligence End Decades-long Aversion to Unclassified Data?](#)

"Yet the mindset around the perceived superiority of classified information has persisted even as good-quality online information has mushroomed."

✓ [AI's Hidden Secret - Data Centers](#)

"The larger the data centers, the more powerful the AI model. Yet, unlike almost any other business, they only require one major input: electricity—and massive quantities of it."

Contracting, Procurement & Budget



✓ [SASC FY25 NDAA Summary](#)

"...\$923B, a 5% increase in defense spending and \$25B above the \$895B FRA caps which the House aligned to."

✓ [Retired Army General's Chilling Warning over China's Chokehold on US Military](#)

"Chinese manufacturers are deeply embedded in U.S. defense systems, providing critical technology and raw materials used in everything from air-to-air missiles to fighter jets."

✓ [A Fiscal Crisis: The West is on the Wrong Side of the Cost Curve](#)

"SpaceX's rapid trial and error prototyping to develop rockets and OpenAI's early release and testing of ChatGPT are examples of this approach to develop capability faster."

Capital Markets



✓ [SpaceX Reportedly Prepping Tender Offer at Record \\$210B Valuation](#)

"...a record for a privately held US company."

✓ [Anduril's \\$1.5B Deal Underscores VC Zeal for Defense Tech](#)

"The deal would value the startup, co-founded seven years ago by Oculus headset creator Palmer Luckey, at \$14 billion including dollars raised..."

✓ [Boeing Strikes \\$4.7B All-stock Deal for Spirit AeroSystems](#)

"According to Boeing, the transaction's total value is approximately \$8.3 billion, including Spirit's last reported net debt."

Aviators & Warfighters



✓ [The Legendary Special Forces Soldiers of "The Secret War"](#)

"On October 5th, 1968, a nine-man team came up on 10,000 NVA. Between the recon team and TAC Air, they inflicted 90% casualties on a 10,000-man NVA unit."

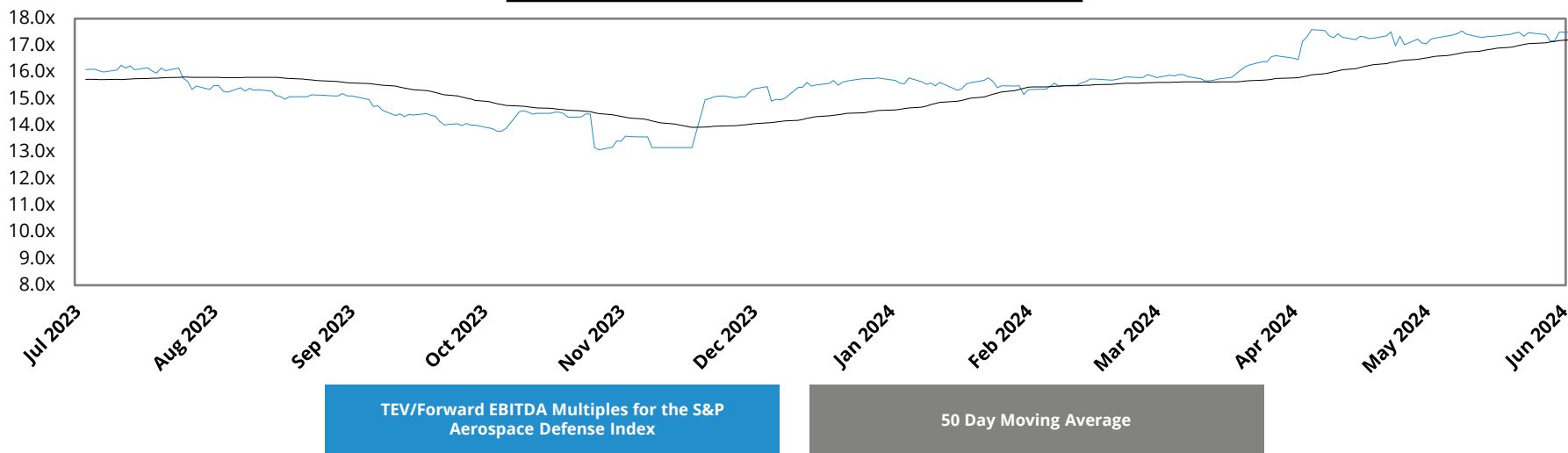
✓ [5 Books About US Special Forces That Should Be Made Into Movies](#)

"For better or worse, most people acquire the balance of their knowledge about U.S. special operations forces from entertainment media."

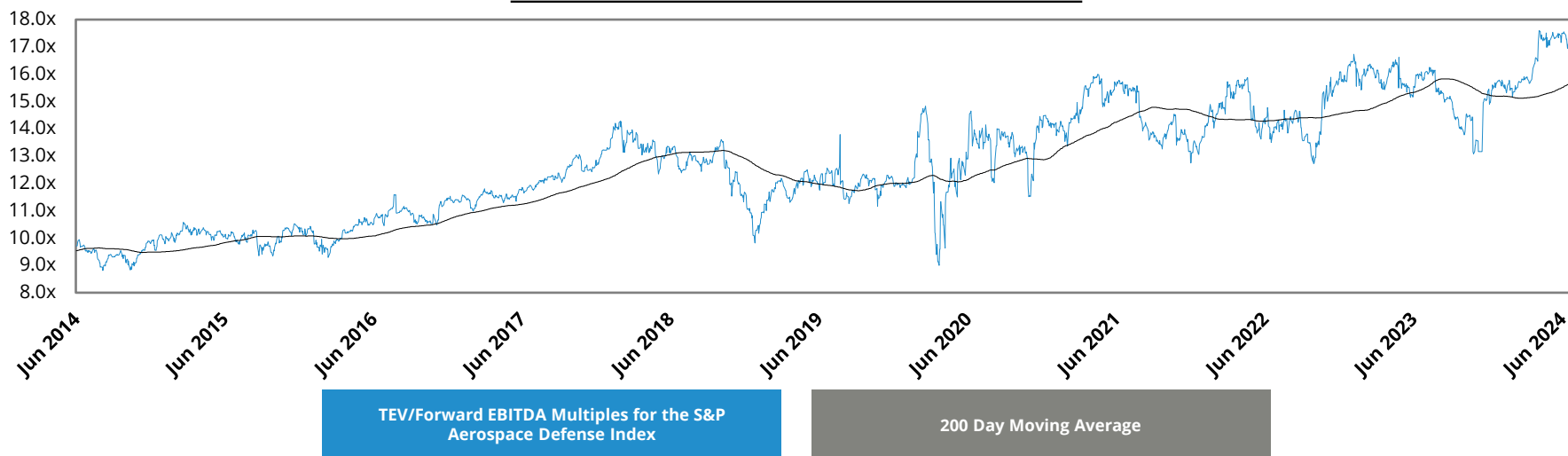
✓ [This P-38 Pilot Shot Down Five Germans In Five Minutes](#)

"...scriptwriters might have to tone down Blumer's extraordinary achievements and full-throttle shenanigans during World War II to make them appear more believable."

### 1-Yr Historical EBITDA Multiples\*



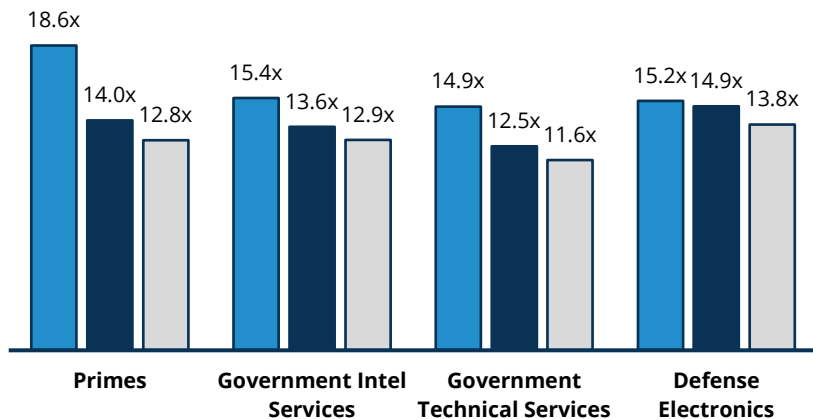
### 10-Yr Historical EBITDA Multiples\*



Defense & Government | Intelligence Community\*

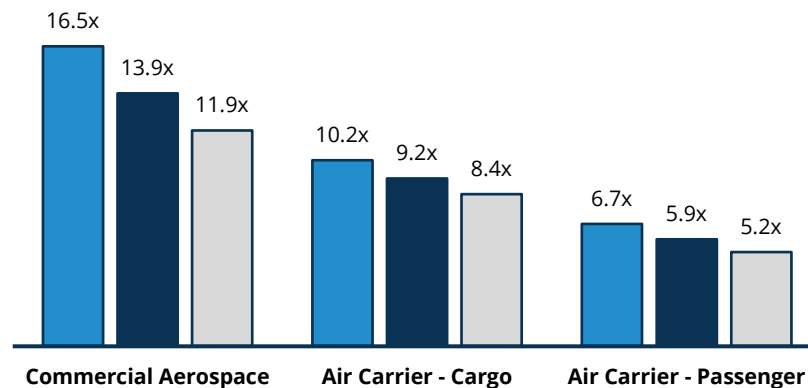
■ LTM ■ 2024CY □ 2025CY

Median EV/EBITDA (x)

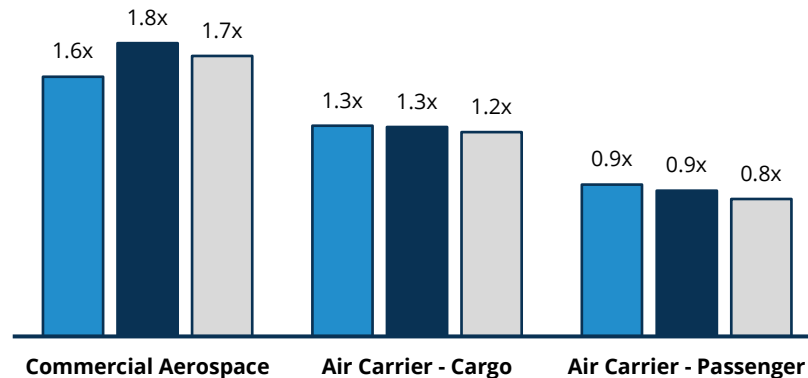
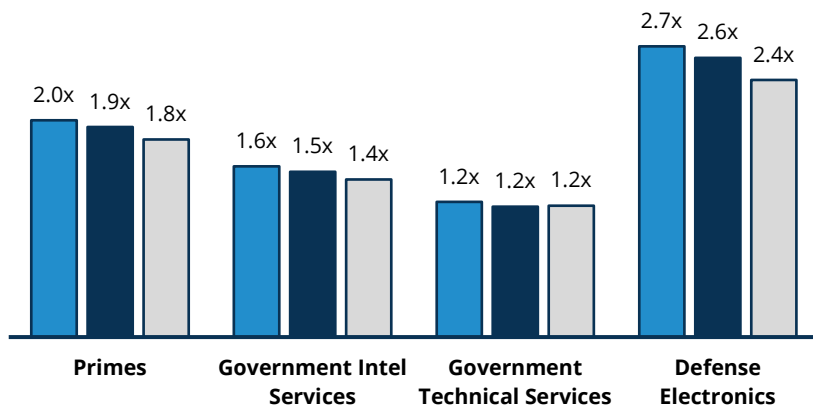


Commercial Aerospace\*

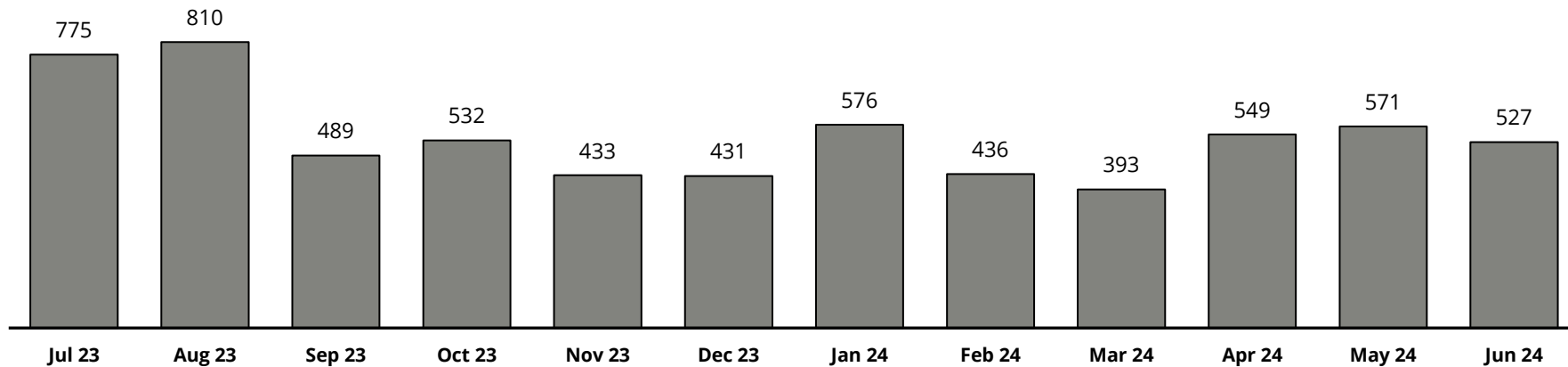
■ LTM ■ 2024CY □ 2025CY



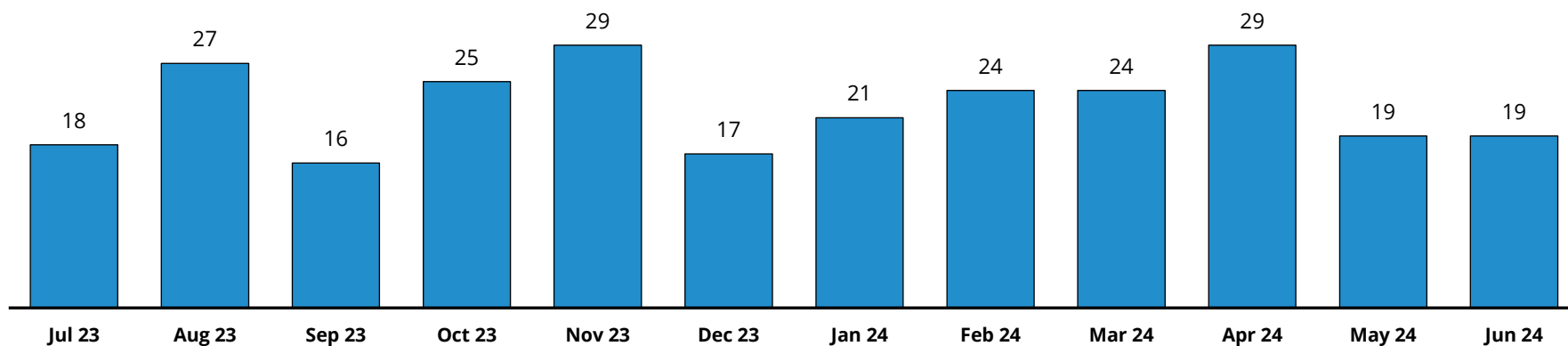
Median EV/Revenue (x)



### 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)
06/03/2024	Announced	Ultra Nuclear Limited/Weed Instrument Co Inc	Curtiss-Wright Corporation	\$200.00	n.d.
06/04/2024	Announced	Mindpoint Group, LLC	Tyto Athene, LLC	n.d.	n.d.
06/05/2024	Announced	Belcan, LLC	Cognizant Domestic Holdings Corporation	\$1,286.97	n.d.
06/09/2024	Announced	Biconix International Ltd.	Brightman Almagor Zohar & Co.	n.d.	n.d.
06/11/2024	Announced	FlightWave Aerospace Systems Inc.	Red Cat Holdings, Inc.	n.d.	n.d.
06/12/2024	Announced	Garrison Technology Limited	Forcepoint LLC	n.d.	n.d.
06/13/2024	Announced	EpiSys Science, Inc.	Merlin Labs, Inc.	n.d.	n.d.
06/20/2024	Announced	Cobham Advanced Electronic Solutions Inc.	Honeywell International Inc.	\$1,900.00	n.d.
06/23/2024	Announced	Ault Disruptive Technologies Corporation	Gresham Worldwide, Inc.	n.d.	n.d.
06/03/2024	Closed	Chameleon Consulting Group, LLC	Clarity Innovations LLC	n.d.	n.d.
06/03/2024	Closed	Non-Core Assets of L3Harris Technologies, Inc.	Fisica, Inc.	\$200.00	n.d.
06/03/2024	Closed	ILC Dover LP	Ingersoll Rand Inc.	\$2,400.00	n.d.

Date	Status	Target	Acquirer/Investor	Transaction Value (US\$ Mil)	Valuation (EV/LTM EBITDA)
06/03/2024	Closed	Global Access Solutions	Honeywell International Inc.	\$4,950.00	n.d.
06/04/2024	Closed	Autonomy Division of Xwing Inc.	Joby Aviation, Inc.	n.d.	n.d.
06/04/2024	Closed	Adimec Advanced Image Systems B.V.	Teledyne Technologies Incorporated	n.d.	n.d.
06/05/2024	Closed	Sunvair, Inc.	Greenbriar Equity Group, L.P.	n.d.	n.d.
06/06/2024	Closed	Aero Business of Workhorse Group Inc.	ATW Partners LLC	n.d.	n.d.
06/06/2024	Closed	Electron Device Business of Communications & Power Industries, Inc.	TransDigm Group Incorporated	\$1,385.00	n.d.
06/07/2024	Closed	Par Government Systems Corporation	Booz Allen Hamilton Inc.	\$95.00	n.d.
06/13/2024	Closed	Aerodyne Corporation	Atlantic Jet Partners LLC	n.d.	n.d.
06/13/2024	Closed	J2X Solutions LLC	Adarga Limited	n.d.	n.d.
06/14/2024	Closed	Phoenix Technology Works, LLC	M4 Engineering Inc.	n.d.	n.d.
06/17/2024	Closed	Clango, Inc.	MajorKey Technologies LLC	n.d.	n.d.
06/17/2024	Closed	Coastal Clinical And Management Services, Inc.	Luke & Associates, Inc.	n.d.	n.d.




Date	Status	Target	Acquirer/Investor	Transaction Value (US\$ Mil)	Valuation (EV/LTM EBITDA)
06/18/2024	Closed	Llamas Plastics, Inc.	Lee Aerospace Inc.	n.d.	n.d.
06/18/2024	Closed	SPYROS Information & Technology Consulting, LLC	Synergy ECP, LLC.	n.d.	n.d.
06/20/2024	Closed	Quotient, Inc.	Virtual Technologies Group, Inc.	n.d.	n.d.
06/27/2024	Closed	High Point Aerotechnologies LLC	Dzyne Technologies Incorporated	n.d.	n.d.

Date	Status	Company	Series/Round	New Investor(s)	Industry Sector*	Investment Size (US\$ Mil)
06/10/2024	Completed	Psionic	6 <sup>th</sup> Round	n.d.	A&D	\$10.03
06/18/2024	Completed	CesiumAstro	5 <sup>th</sup> Round	Assembly Ventures, Development Bank of Japan, InMotion Ventures, Matter Venture Partners, Mesh Ventures, Quanta Computer	A&D	\$65.00
06/25/2024	Completed	Regent	3 <sup>rd</sup> Round	Calm Ventures, H.I.S., MOL Switch, TransLink Capital	Air Mobility	\$60.55
06/26/2024	Completed	Launchpoint	2 <sup>nd</sup> Round	n.d.	Air Mobility	\$7.89

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.