

**Aerospace | Defense & Government |
Intelligence Community**

March 2024 Market Snapshot

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RISK

In our [June 2023 Spotlight](#) we highlighted the valuations placed on certain Defense Technology unicorns and observed that investor returns were unlikely to be realized except at the expense of existing market participants. One of our observations at the time was the possibility that “Congress fully intends to disaggregate the prime contracting universe, reversing years of consolidation.” It is in this context that Boeing finds itself working through a series of self-inflicted safety challenges/issues.

While every day seems to bring [yet one more example](#) of the problems at Boeing, there are no shortage of real-time post-mortems, almost all of which contain some variation of the theme that “[A large part of the issues can be traced back to the Boeing-McDonnell Douglass merger in 1997.](#)” As told, the story is one of a firm that was once highly focused on technology and engineering but has now transformed into a risk averse organization, more focused on margins and financial engineering. U.S. regulators and policy makers share some culpability here, allowing (some might say encouraging or facilitating) the firm to evolve into two protected markets, a commercial aircraft manufacturing duopoly and a government contracting monopsony.

Both the government and Boeing seem to be making modest strides toward addressing the issues. The DoD and Congress, through the creation of the Office of Strategic Capital, is encouraging private investment in new technologies by sending a “demand signal” to investors that returns will be forthcoming and is likely indirectly (or directly) responsible for the aforementioned evolution of the Defense Technology unicorn. For its part, Boeing (along with the obligatory window dressing of a management shakeup) is [seeking to re-acquire Spirit Aerosystems](#), partially reversing a multi-decade financial engineering trend of outsourcing production.

In contrast, it is interesting to note that two of this generation’s greatest entrepreneurs, Elon Musk and Steve Jobs, shared a business philosophy of keeping engineers and production facilities in physical proximity. We can even watch this contrast play out in real time as we observe the evolution of SpaceX’s Starship and the Boeing / NASA Space Launch System (SLS) rocket. We would leave it to our partners at [Quilty Space](#) to highlight differences, but it is interesting to speculate as to why a relatively young startup got the jump on Boeing in developing affordable access to space given Boeing’s incumbent market position, engineering capability and access to capital.

Technological success possibly requires visionaries with almost dictatorial authority of the type exhibited by Musk and Jobs, but Boeing’s problems are more probably linked to poor choices and execution rather than style. In fact, John Paul Jones, another ambitious authoritarian from Revolutionary War times more succinctly sums it up as “He who will not risk cannot win.”



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

Strategy & Policy



✓ [Applying the Principles of War to Defense Modernization](#)

"...the principles of war serve as timeless principles that guide military strategy and decision-making."

✓ [Lawmakers Launching New Defense Modernization Caucus](#)

"Its launch is also inspired by lawmakers' firsthand experiences and frustrations they've dealt with associated with attempting to drive defense modernization."

✓ [The Fallacy of Soft Power](#)

"With a vengeance, today's battlefields force public debate to reckon with material things: the defence industrial base, energy supplies, mass and logistics, manpower and shipyard capacity."

Trends in Technology



✓ [Applying the 7 Powers in Defense Tech](#)

"Strategy Capital Co-Founder and CIO, Hamilton Helmer, captured lessons he's learned through a career focused on business strategy in his book 7 Powers: The Foundations of Business Strategy."

✓ [Drones Are Transforming the Battlefield in Ukraine But in an Evolutionary Fashion](#)

"Drones have not fundamentally altered the character of war and will not determine who wins or loses this war."

✓ [If SpaceX's Secret Constellation Is What We Think It Is, It's Game Changing](#)

"It is also very possible, if not plausible that the constellation NRO is acquiring from SpaceX will have sensor suites capable of performing multiple kinds of ISR tasks."

Contracting, Procurement & Budget



✓ [Congress Passes Defense Spending Bill After Months of Delays](#)

"Multiyear contracts are usually reserved for big-ticket purchases like ships and aircraft, but the Pentagon hopes using them for munitions will ensure demand stability, which in turn encourages defense contractors to ramp up production capacity."

✓ [Defense Officials Tease New Commercial Space Strategies](#)

"...Pentagon and Space Force want to use private space companies for military missions."

✓ [China Isn't Just Spending More, It's Spending Smarter](#)

"...China's military equipment budget has grown six percent points per annum faster than the U.S. defense procurement budget."

Capital Markets



✓ [Boeing's Uncontrolled Descent](#)

"There's no doubt that Boeing is in serious trouble."

✓ [OceanSound Partners Closes \\$1.15 Billion Single-Asset Continuation Fund](#)

"...pursuing complementary acquisitions to drive transformational growth resulting in revenue growth from \$68 million in 2019 to over \$1.2 billion in 2023."

✓ [Shining a Light on the Defense Department's Industrial Base Problems](#)

"... a 43 percent decline in small businesses in the defense industrial base over the last decade."

Aviators & Warfighters



✓ [The First Offensive Use of Hot Air Balloons in Combat Came in 1849](#)

"To keep the Venetians from reemerging as a dominant force to be reckoned with, the Habsburgs decided to show them something they'd never seen before: death from above."

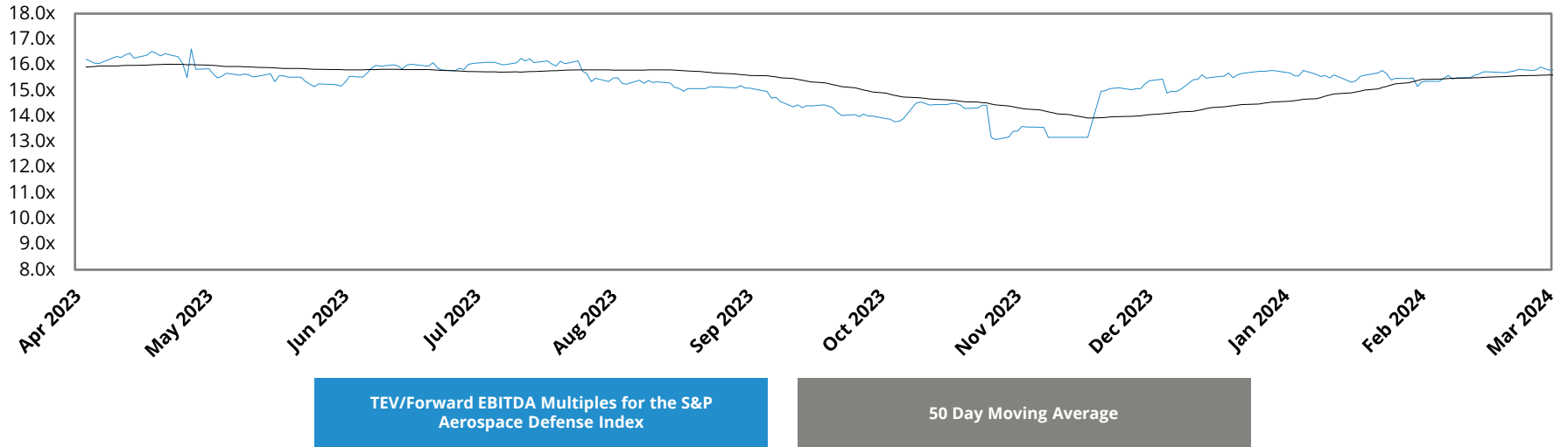
✓ [The Real-life TOPGUN Advisors Made Cameos In Top Gun and Top Gun Maverick](#)

"She told me, 'If they get it wrong and you had a chance to make it better that you didn't take, you'll be complaining about it for the rest of your life, and if they get it right, you'll regret that you weren't a part of it.'"

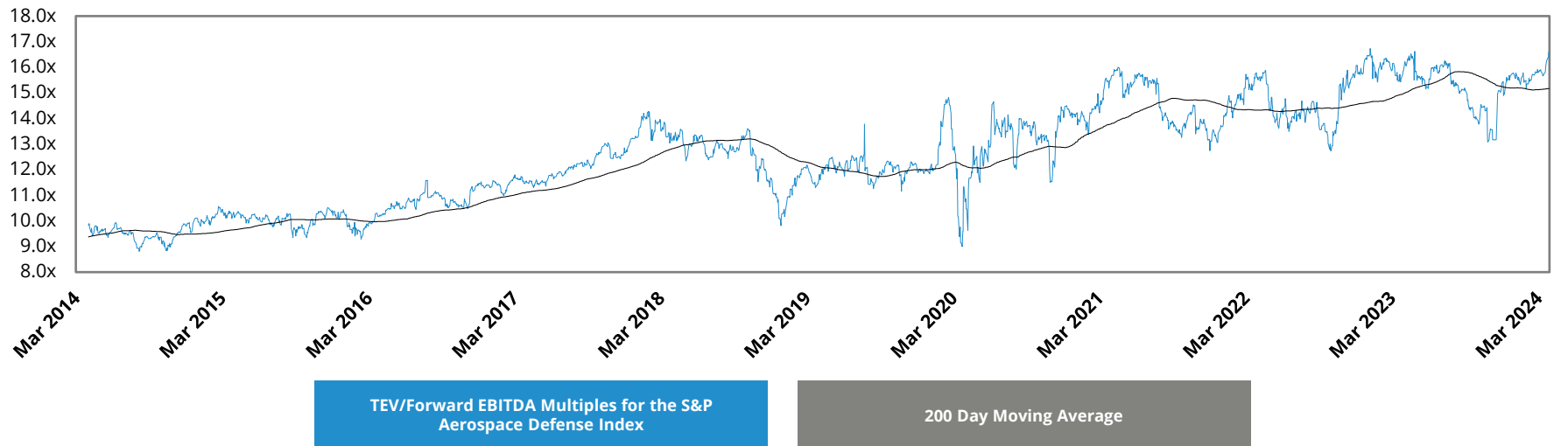
✓ [How Much Does It Cost to Train an Air Force Pilot?](#)

"F-22: \$13.1 million."

1-Yr Historical EBITDA Multiples*



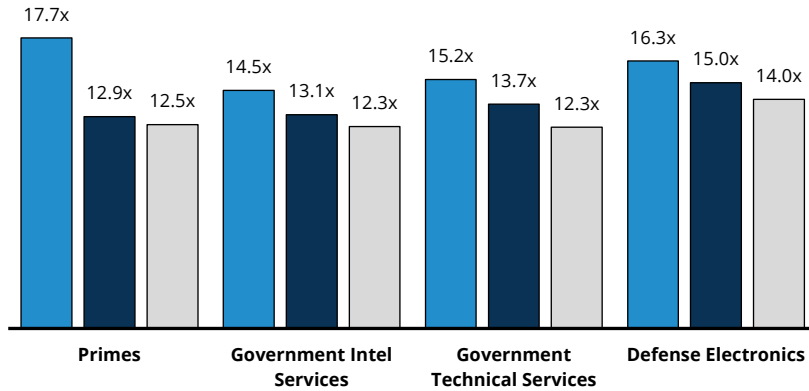
10-Yr Historical EBITDA Multiples*



Defense & Government | Intelligence Community*

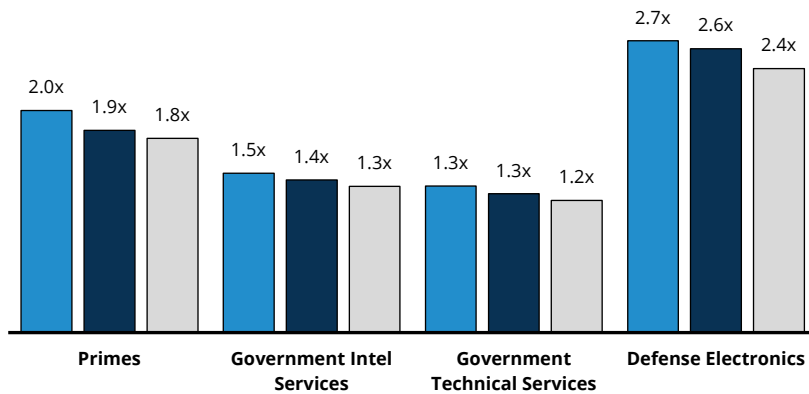
■ LTM ■ 2023CY □ 2024CY

Median EV/EBITDA (x)



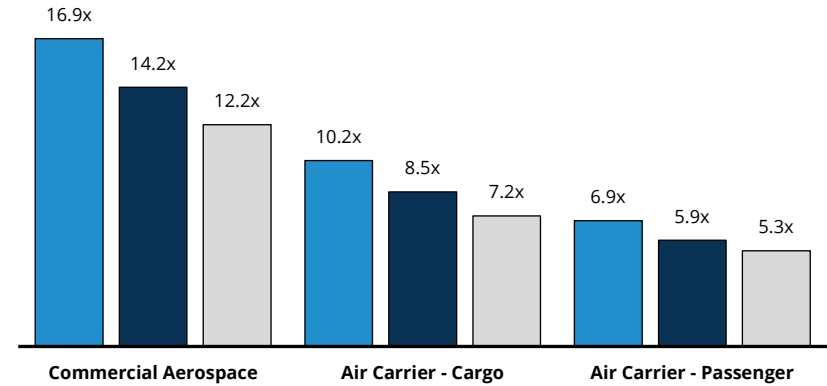
■ LTM ■ 2023CY □ 2024CY

Median EV/Revenue (x)

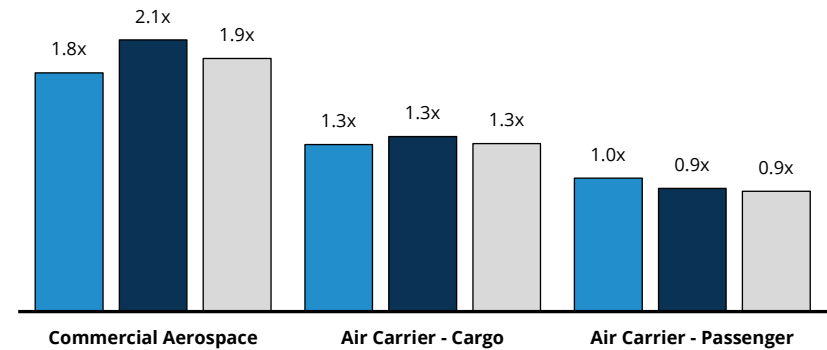


Commercial Aerospace*

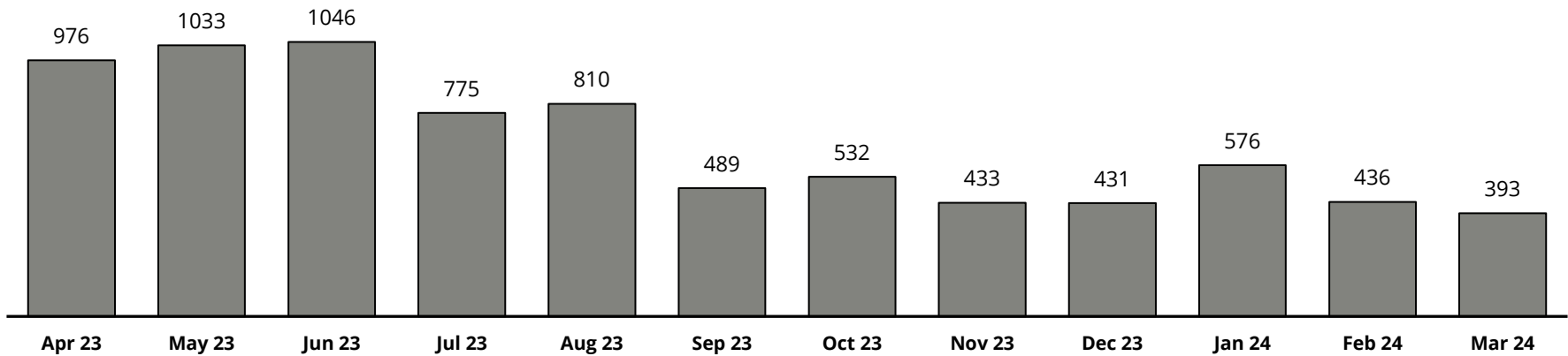
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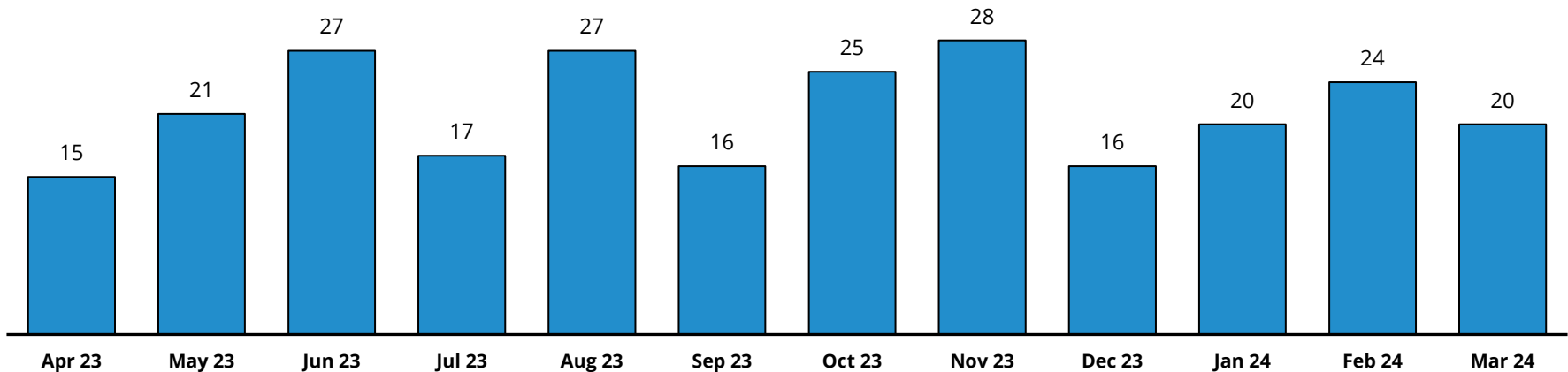
■ LTM ■ 2023CY □ 2024CY



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)
03/01/2024	Announced	Terran Orbital Corporation	Lockheed Martin Corporation	\$329.03	n.d.
03/04/2024	Announced	Satelles, Inc.	Iridium Communications Inc.	\$115.00	n.d.
03/11/2024	Announced	Assets of AeroTech Miami Inc.	Eastern 737 Asset Holdings LLC	n.d.	n.d.
03/12/2024	Announced	Valeport (Holdings) Limited	Teledyne Technologies Incorporated	n.d.	n.d.
03/20/2024	Announced	Future Tech Inc.	Nature's Miracle Holding Inc.	n.d.	n.d.
03/25/2024	Announced	ILC Dover LP	Ingersoll Rand Inc.	\$2,400.00	n.d.
03/25/2024	Announced	INFODAS Society for System Development and Information Processing mbH	Airbus SE	n.d.	n.d.
03/27/2024	Announced	Peerless Aerospace Fastener Corp.	Diploma PLC	\$300.00	n.d.
03/27/2024	Announced	Civitanavi Systems S.p.A.	Honeywell International Inc.	\$205.91	23.3x
03/01/2024	Closed	Alpha Safety Intermediate, LLC	Safariland, LLC	\$106.50	n.d.
03/01/2024	Closed	Synectic Research & Analysis, Inc.	Avion Solutions, Inc.	n.d.	n.d.
03/01/2024	Closed	Triumph Airborne Structures/Triumph Accessory Services-Grand Prairie/Triumph Aviation Services Asia	AAR Corp.	\$725.00	n.d.

Date	Status	Target	Acquirer/Investor	Transaction Value (US\$ Mil)	Valuation (EV/LTM EBITDA)
03/04/2024	Closed	Magpie Aviation, Inc.	Ampaire Inc.	n.d.	n.d.
03/04/2024	Closed	Calca Solutions, LLC	AE Industrial Partners, LP	n.d.	n.d.
03/05/2024	Closed	CDS Architects, Inc.	Stengel-Hill Architecture, Inc.	n.d.	n.d.
03/07/2024	Closed	Technical Advisory Services Programs of ManTech	Systems Planning and Analysis, Inc.	n.d.	n.d.
03/11/2024	Closed	Continental Aircraft Support, Inc/Magnum Aircraft Repair Services, Inc	Crosslake Technologies, LLC	n.d.	n.d.
03/12/2024	Closed	Inpixon	XTI Aircraft Company (nka:XTI Aerospace, Inc.)	\$15.56	n.d.
03/13/2024	Closed	Substantially all the Assets of WhirlWind Propellers Corporation	Hartzell Propeller Inc.	n.d.	n.d.
03/14/2024	Closed	Mission Microwave Technologies, LLC	J.F. Lehman and Company, LLC	n.d.	n.d.
03/18/2024	Closed	Splunk Inc.	Cisco Systems, Inc.	\$30,998.87	169.8x
03/19/2024	Closed	Alteryx, Inc.	Insight Venture Management, LLC; Clearlake Capital Group, L.P.	\$5,027.93	n.d.
03/20/2024	Closed	JJR Solutions, LLC	Logistics Management Institute, Inc.	n.d.	n.d.
03/20/2024	Closed	Aerofab NDT LLC	Precision Aerospace Group, Inc.	n.d.	n.d.


Date	Status	Target	Acquirer/Investor	Transaction Value (US\$ Mil)	Valuation (EV/LTM EBITDA)
03/22/2024	Closed	Global Systems Technologies, Inc.	Sayres and Associates Corp	n.d.	n.d.
03/25/2024	Closed	Near Space Corporation	Aerostar International, Inc.	n.d.	n.d.
03/26/2024	Closed	Sdv Solutions Inc.	Park Place Technologies, LLC	n.d.	n.d.
03/26/2024	Closed	SoftTech Solutions, Inc.	Synergy ECP, LLC.	n.d.	n.d.
03/26/2024	Closed	Ammcon Corp.	Fairbanks Morse Defense	n.d.	n.d.

Date	Status	Company	Series/Round	New Investor(s)	Industry Sector*	Investment Size (US\$ Mil)
03/07/2024	Completed	WISPR (Electronic Equipment and Instruments)	2 nd Round	n.d.	A&D	\$0.30
03/12/2024	Completed	Air Flo Airlines	1 st Round	n.d.	Air	n.d.
03/20/2024	Completed	Launchpoint Electric Propulsion Solutions	2 nd Round	n.d.	A&D	\$5.87
03/21/2024	Completed	Moonware	2 nd Round	Lorimer Ventures, LLC; The House Fund, LLC; Third Prime Capital; Zero Infinity Partners, LLC	AI	\$7.00
03/26/2024	Completed	Picogrid	1 st Round	Alumni Ventures, Credo Ventures, DOMiNO Ventures, Giant Step Capital, Initialized Capital Management, Starburst Ventures	A&D	\$12.03
03/27/2024	Completed	TurbineOne	3 rd Round	Bessemer Venture Partners, Pallas Ventures	A&D	\$15.00

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

- 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

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.