

May 2023 Market Snapshot

OBSERVATIONS & TAKEAWAYS:

- **Valuations:**
 1. 2023 industry valuations are trending 1.5x – 2.0x turns of EBITDA higher than in 2022 (pg 3)
 2. Industry valuations have trended steadily higher over the past decade, currently standing at 15.2x EBITDA as compared to 8.6x 10 years ago (pg 3)
- **Deal Flow:**
 1. US M&A deal flow has dropped off dramatically (pg 5)
 - Only 731 transactions in May; roughly half of 2022 monthly trends
 2. Industry deal flow has expanded significantly in 2023
 - 2023 YTD average of 18.4 deals per month
 - Last 7 months of 2022 averaged only 12 deals per month
- **Other Commentary - Things to Watch:**
 1. Budget Process – Can we restore regular order and move away from continuing resolutions?
 2. Emergence of the Defense Unicorns – Is there enough TAM to justify \$1B+ valuations?
 3. Opportunities in the lower middle market – Are there enough pools of investment capital to continue to drive deal flow?
 4. Interest Rates – Will rate hikes dampen Industry deal flow?



PLEASE SEE ADDITIONAL INSIGHTS ON THE SATELLITE & SPACE INDUSTRY IN THE [MAY 2023 MARKET MONITOR](#) FROM OUR PARTNERS AT QUILTY SPACE.

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What We're Reading:



STRATEGY & POLICY

- ✓ [A Strategist's Guide to Disruptive Innovation](#)
"...innovation creates heretofore non-existent capabilities...disruption occurs when most of us are unwilling or unable to seize those same opportunities."
- ✓ [Book Review: The New Makers of Modern Strategy](#)
"Geopolitics is back in vogue. Great power rivalry has superseded conflicts with...non-state actors."
- ✓ [A Surplus of Strategists - But a Lack of Good Strategy](#)
"...strategic education...a rite of passage instead of something to be put into practice."



TRENDS IN TECHNOLOGY

- ✓ [Why Manned-Unmanned Teaming Could Be the Fourth Offset for America's Military](#)
"The general idea of CCAs (Collaborative Combat Aircraft) is not new."
- ✓ [From Sky to Space to Defense](#)
"The rise of private space companies offers valuable lessons that are directly applicable to the defense sector."
- ✓ [AI & Autonomous Systems Dive](#)
"This was not written by ChatGPT..."



CONTRACTING, PROCUREMENT & BUDGET

- ✓ [The US Military Needs More Capital for Capital Assets](#)
"Procurement as a share of overall defense spending has been falling steadily since the 1950s."
- ✓ [Silicon Valley Wants to Help Defend America](#)
"...the structure of VC funds and commitments to LPs may lead to defense start-ups feeling pressure to show cashflow."
- ✓ [Milley's Team Readying Analysis for Establishing New 'Joint Futures' Organization for DoD](#)
"Joint Futures could end up being a unified command, a new agency, a fresh office within DoD-or something else."



CAPITAL MARKETS

- ✓ [In Race With China, SOCOM Must Leverage Private Equity](#)
"It still takes a billion dollars to 'IPO' a defense company."
- ✓ [The Perfect Tool for Scaling US Defense Investment](#)
"...last year investors directed only \$9 billion into hardware startups, while \$123 billion into software."
- ✓ [Jacobs Plans Spinoff of Government Services Business](#)
"We will have a lot of time in the coming months to learn more about what Critical Mission Solutions will be on its own, including a name and strategy."

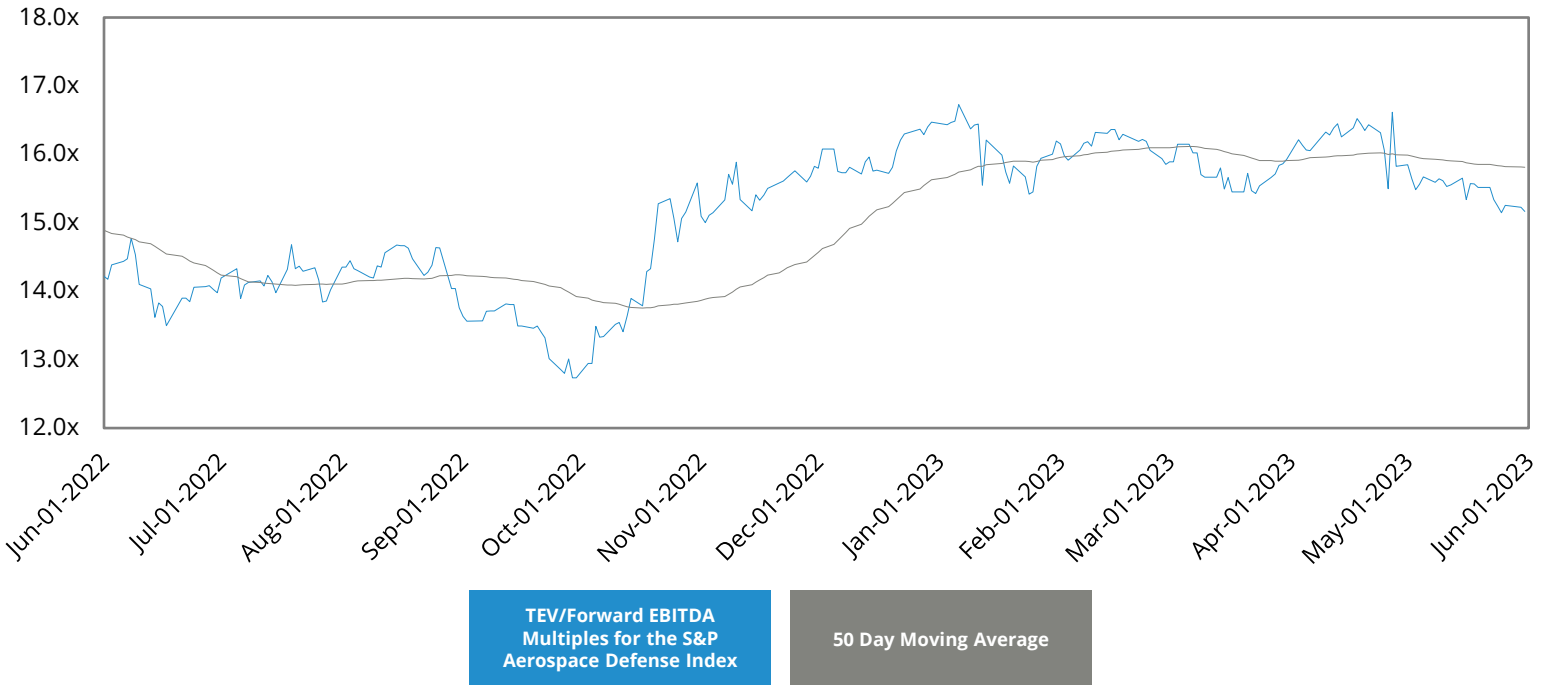


AVIATORS & WARFIGHTERS

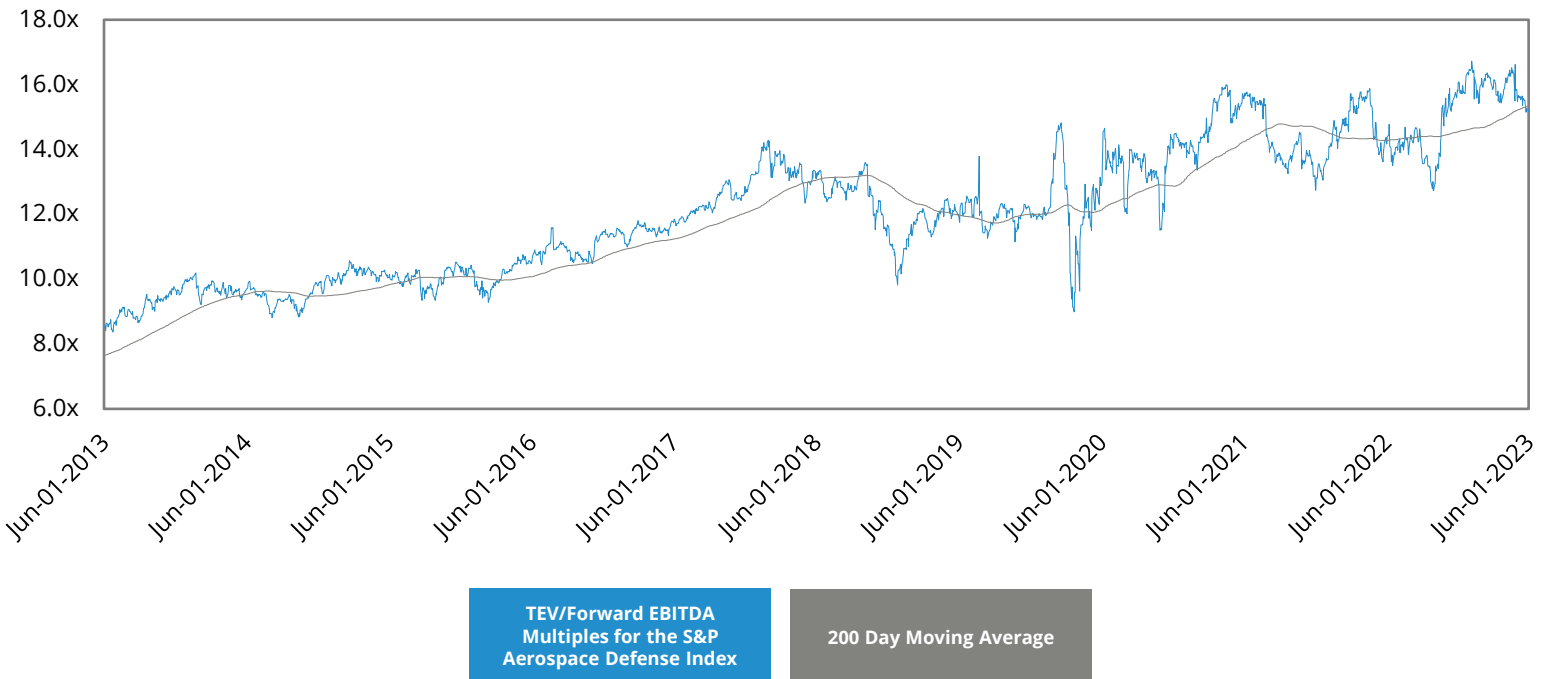
- ✓ [Don't Give Up the Ship: Why the Navy's Mantra Really Belongs to the Marines](#)
"The Marines attacked the British boarding party while the American sailors stood by and offered no resistance."
- ✓ [The Maryland 400: Revolutionary War Meets Spartan 300](#)
"The 'Maryland 400'...mounted two frontal attacks directly against the 2,000 dug-in redcoats..."
- ✓ [Profile of a Ship: USS North Carolina](#)
"On June 27, 1947, the most-decorated battleship of World War II was decommissioned."

Valuation Trends:

1-Yr Historical EBITDA Multiples*



10-Yr Historical EBITDA Multiples*

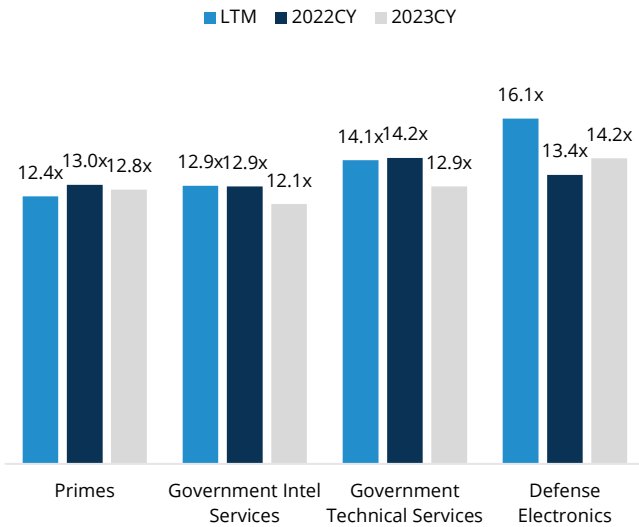


* Source: S&P Capital IQ.

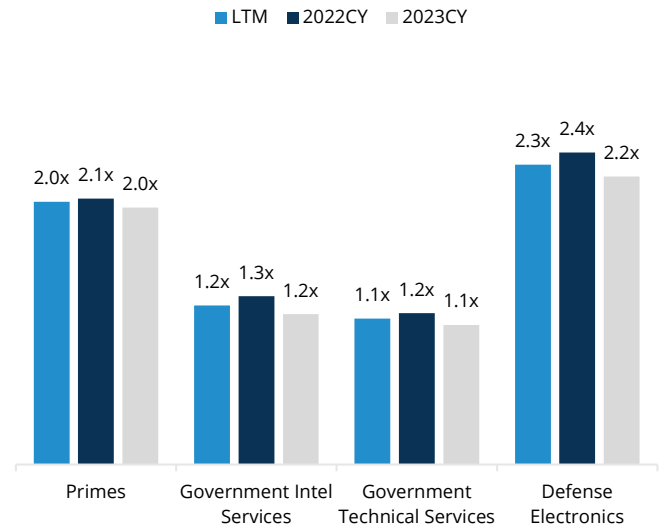
Public Company Valuations:

Defense & Government | Intelligence Community*

Median EV/EBITDA

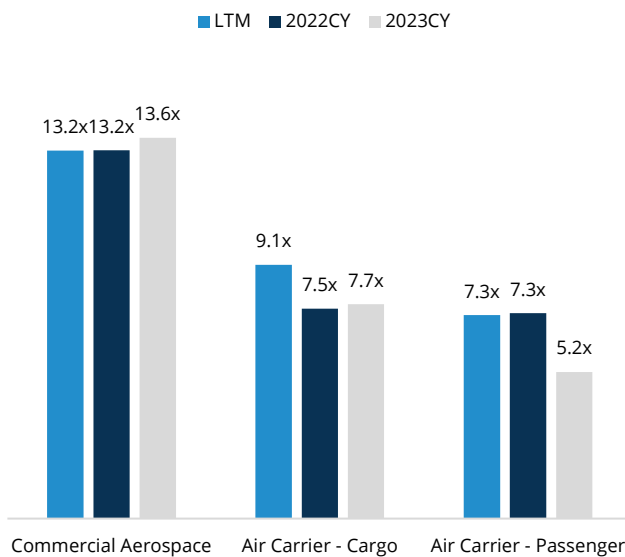


Median EV/Revenue

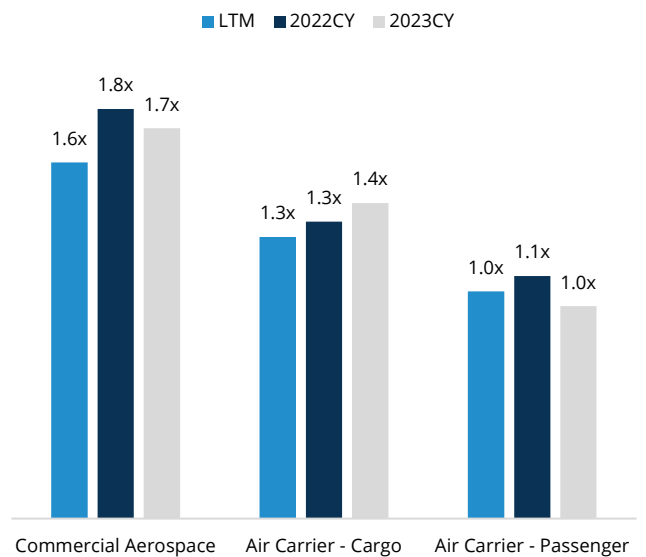


Commercial Aerospace*

Median EV/EBITDA



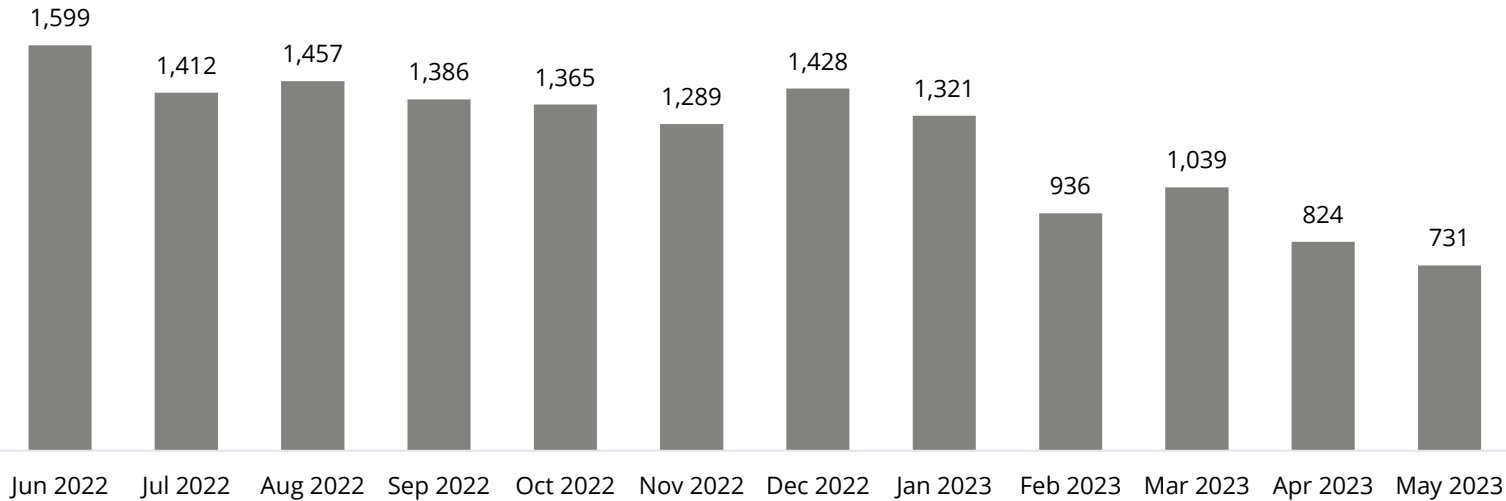
Median EV/Revenue



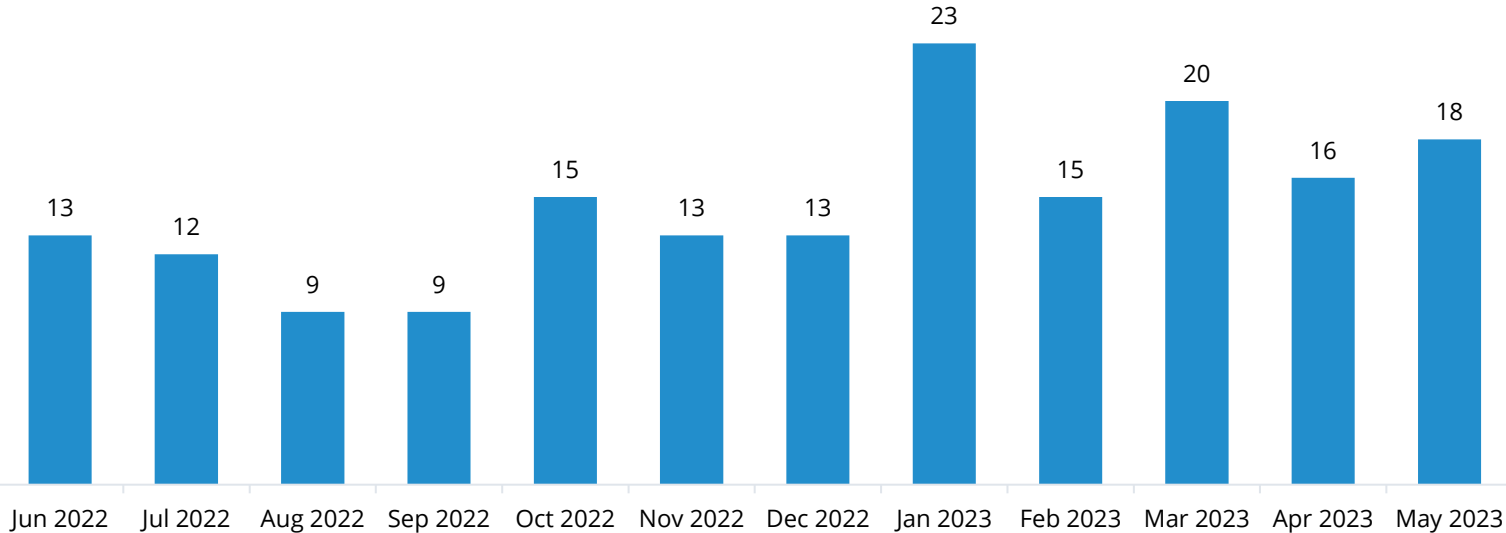
* Source: S&P Capital IQ as of May 31, 2023. For a full list of companies within each index, see page 8.

M&A Trends*:

LTM US M&A Activity—Consolidated



LTM US M&A Activity—Southwind Industry Universe



* Source: S&P Capital IQ. These charts consist of completed transactions that were announced within the last twelve months.

May Transaction Activity*:

Date	Status	Target	Acquirer / Investor	Transaction Value (US\$ Mil)	Valuation (EV/LTM EBITDA)
5/1/2023	Closed	Air Traffic Management activities of Selex ES Inc.	Indra Sistemas, S.A.	n.d.	n.d.
5/1/2023	Closed	INGRESSIVE Business Division of MAXISIQ	Millennium Corporation	n.d.	n.d.
5/1/2023	Announced	Federal and Defense Segment of VSE Corporation	Bernhard Capital Partners Management, LP	\$100.00	n.d.
5/2/2023	Closed	Saleria LLC	Synthetic Applied Technologies, LLC	n.d.	n.d.
5/2/2023	Closed	Micro-Mode Products, Inc.	ITT Inc.	\$80.00	n.d.
5/3/2023	Closed	Maxar Technologies Inc.	Advent International Corporation; British Columbia Investment Management Corporation	\$6,570.02	14.2x
5/4/2023	Announced	Desser Holding Company LLC	VSE Aviation, Inc	\$124.00	n.d.
5/4/2023	Announced	Seginus Aerospace LLC/AOG Aviation Spares/DAC Engineered Products	Loar Group, Inc.	\$30.00	n.d.
5/8/2023	Closed	Calspan Corporation	TransDigm Group Incorporated (NYSE:TDG)	\$725.00	n.d.
5/8/2023	Closed	Logistics and Supply Chain Management Business of SAIC	ASRC Federal Holding Company, LLC	\$350.00	n.d.
5/8/2023	Closed	La Jolla Logic, Inc.	Boecore, Inc.	n.d.	n.d.
5/8/2023	Announced	Duotech Services, Inc.	Bernhard Capital Partners Management, LP	n.d.	n.d.
5/9/2023	Closed	Precise Systems Inc.	Bluestone Investment Partners	n.d.	n.d.
5/9/2023	Closed	Aquarian Space LLC	Crean & Associates, Inc.	n.d.	n.d.
5/15/2023	Closed	INAV LLC	Engine Lease Finance Corporation	n.d.	n.d.
5/15/2023	Announced	Wencor Group, LLC	HEICO Corporation (NYSE:HEI)	\$2,050.00	n.d.
5/16/2023	Closed	Selection Pressure LLC	Exiger LLC	n.d.	n.d.

* Source: S&P Capital IQ. This list represents select deals within Southwind's industry universe that have been announced and/or closed in the past month.

May Transaction Activity (cont.)*

Date	Status	Target	Acquirer / Investor	Transaction Value (US\$ Mil)	Valuation (EV/LTM EBITDA)
5/16/2023	Closed	iDoxSolutions, Inc.	B&A, Inc.	n.d.	n.d.
5/16/2023	Announced	Innoplex, LLC	iNovex Information Systems, Inc.	n.d.	n.d.
5/17/2023	Announced	Certain assets of Virgin Orbit Holdings, Inc.	Stratolaunch LLC	\$17.00	n.d.
5/18/2023	Closed	Pacific Coast Composites, Inc.	GracoRoberts	n.d.	n.d.
5/20/2023	Closed	Starlink facilities of SpaceX	Unipol Gruppo S.p.A.	n.d.	n.d.
5/22/2023	Closed	VDL-5 Technologies, Inc.	Trident Development Corporation	n.d.	n.d.
5/23/2023	Announced	Certain Long Beach California Aerospace Production and Manufacturing Assets of Virgin Orbit Holdings	Rocket Lab USA, Inc. (NasdaqCM:RKLB)	\$16.12	n.d.
5/23/2023	Announced	Mojave Desert facility	Vast	\$2.70	n.d.
5/24/2023	Closed	XOR Security LLC	Agile Defense, Inc.	n.d.	n.d.
5/25/2023	Announced	Replicon Inc.	Deltek, Inc.	n.d.	n.d.
5/30/2023	Announced	JBT AeroTech Corporation	Oshkosh Corporation (NYSE:OSK)	\$800.00	14.7x
5/30/2023	Closed	Gardetto Engineering, LLC	SilverEdge Government Solutions LLC	n.d.	n.d.

* Source: S&P Capital IQ. This list represents select deals within Southwind's industry universe that have been announced and/or closed in the past month.

About Southwind Capital:

More Than **60** Transactions · Over **\$6 Billion** in Transaction Value

Core Values Driving Success



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.

Southwind Publicly Traded Company Indices

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

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

