

Aerospace | Defense & Government |
Intelligence Community

September 2023 Market Snapshot

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Developments defining the future of aviation

Our thanks to Dan Wolfe, President of AU VSI Hampton Roads, for the invitation to the Advanced Air Mobility (AAM) Exposition that took place at the end of September. Industry leaders, state officials, and federal representatives gathered to discuss the rapidly evolving world of AAM and showcase some exciting developments that are reshaping the future of aviation. These developments are made possible by groundbreaking advancements in electric propulsion, lithium batteries, hydrogen fuel cells, autonomous systems, and supporting infrastructure.

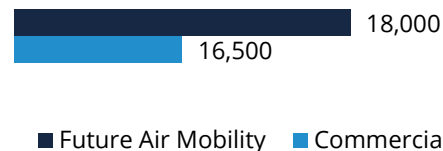
Companies like Joby, Beta Technologies, AIR EV, Regent, Spright, DroneUp, Electra Aero, and others are making remarkable strides in various aspects of AAM. From electric vertical takeoff and landing (eVTOL) aircraft, electric coastal gliders, and hybrid-electric short takeoff and landing solutions to private air transport and remotely piloted autonomous cargo operations, companies like these are revolutionizing the industry. The dual-use capabilities of the technologies being developed (from autonomous drone delivery to re-imagined forms of transportation) underscore that companies like these and the advancements they are making will transform the commercial market while also serving critical roles for the federal government. **Some early adopters are already in operation and accepting preorders, and it is anticipated that we may start seeing certified AAM services as early as 2024.**

The realization of AAM's full potential, to be sure, hinges largely on infrastructure development and the cooperation of local, state, and federal authorities. Notably, the FAA has approved the nation's first public-use Vertiport in Blackstone, VA, marking a significant milestone. Furthermore, AAM's journey toward safe, scalable commercial operations heavily relies on developments in communication, navigation, and surveillance (CNS) systems, and other autonomous technology to enhance unmanned traffic management and beyond visual line of sight (BVLOS) operations, critical components to the ongoing viability of AAM.

What does all this mean? It is too soon to know who the winners will be but what we do know is that funding, technology and regulatory hurdles are converging toward resolution in the 2024 – 2026 timeframe. Orders on hand will explode as these hurdles are cleared. The business model for certain aviation companies will completely change, others will see greatly expanded markets while many new entrants will converge on the industry. Companies serving the traditional aviation market should be prepared as this will disrupt the aerospace & transportation ecosystem as we currently know it.

Key Stats*

Total Aircraft Backlog



The Future Air Mobility (FAM) Industry has backlogged orders for **more than 18,000 aircraft** (compared to 16,500 orders for commercial aircraft), representing an estimated **\$111 billion** in sales.

2023 Market Funding

\$2.5B
Raised YTD
in the
Industry*

15%
Increase as
Compared
to First Six
Months of
2022*



Please see additional insights on the satellite & space industry in the [September 2023 Market Monitor](#) from our partners at Quilty Space.

Strategy & Policy



✓ [Planning for the Next War Must Be a Mixture of Art & Science](#)

"Our knowledge and understanding of warfare is a science, but the conduct of war itself is largely an art"

✓ [Rethinking Geopolitics: Geography as an Aid to Statecraft](#)

Apparently, somewhere along the line we have forgotten that geography informs international relations – SWC

✓ [The US Intelligence Community Has a New Strategy for the Future](#)

"Last year's National Security Strategy identified China as the pacing threat to U.S. national security."

Trends in Technology



✓ [A Compound Problem: Dialing in U.S. Semiconductor Strategy](#)

"Beijing assesses that its dominance in semiconductor raw materials like gallium and germanium can strike fear into global leaders...."

✓ [Department of Defense and Small Business Administration Roll Out the Small Business Investment Company Critical Technologies](#)

"The SBICCT Initiative will pair private capital with federally-guaranteed loans to increase investment in DoD's critical technology areas."

✓ [Air Taxis Will Soon Be Flying Over Major US Cities](#)

"...as soon as 2025"

Contracting, Procurement & Budget



✓ [Digging for Defense](#)

"Graphite, antimony, cobalt, along with other important minerals (dysprosium, iridium, neodymium, magnesium, platinum, gallium, and on and on) all represent significant risks to our supply chains."

✓ [Break the Department of Defense's Acquisition Monopsony](#)

"Today, there is a bigger monopsony that has evaded scrutiny but is even more deserving of disruption: the DoD."

✓ [Bridging the Gulf Between Ideas and Action](#)

"The U.S. military is in innovation overload."

Capital Markets



✓ [Bootstrapping our Defense](#)

"Is venture capital the right funding avenue for my aerospace and defense startup?"

✓ [Maxar Splits Into Space Infrastructure](#)

"The reorganization came four months after private equity firm Advent International closed its acquisition of Maxar in an all-cash transaction worth approximately \$6.4 billion."

✓ [Defense startup Anduril Acquires UAS-maker Blue Force Technologies](#)

"Anduril's announcement comes just days after [the DoD] revealed plans to initiate a new effort, dubbed 'Replicator'"

Aviators & Warfighters



✓ [200 Years Ago, the Marines Helped Save the Declaration of Independence](#)

"British soldiers....helped themselves to President James Madison's dinner."

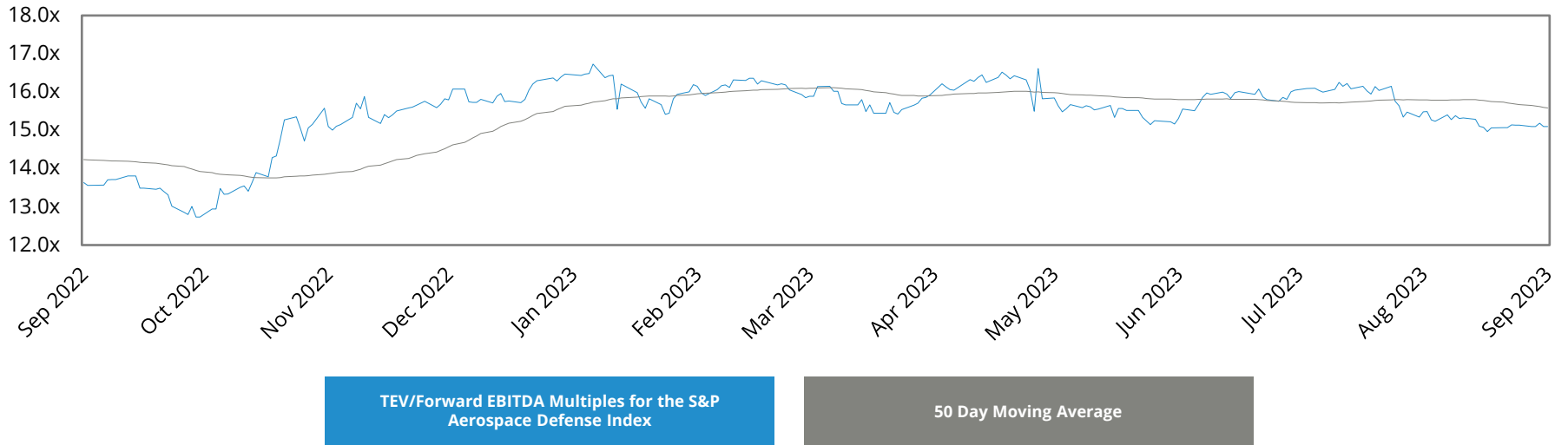
✓ [How a Native Alaskan became a legendary Navy SEAL](#)

"He was one of the Navy's first 60 SEALs, making him a 'plank holder' for SEAL Team 1."

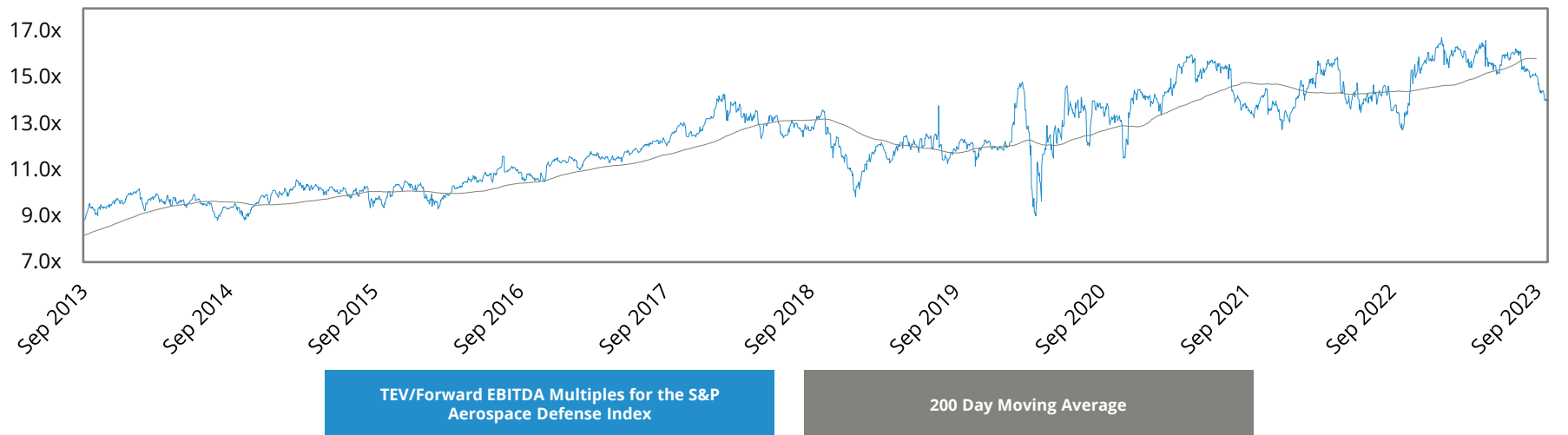
✓ [The Incredible Story of Capt. Paris Davis' Medal of Honor](#)

"I just Disobeyed the Order."

1-Yr Historical EBITDA Multiples*



10-Yr Historical EBITDA Multiples*



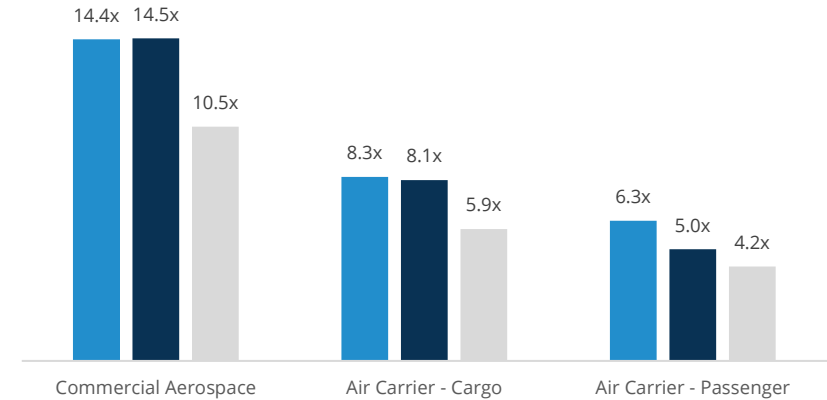
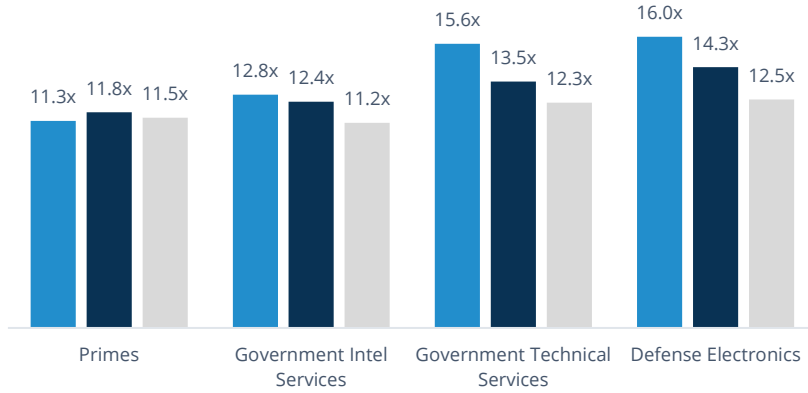
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Commercial Aerospace*

■ LTM ■ 2023CY ■ 2024CY

■ LTM ■ 2023CY ■ 2024CY

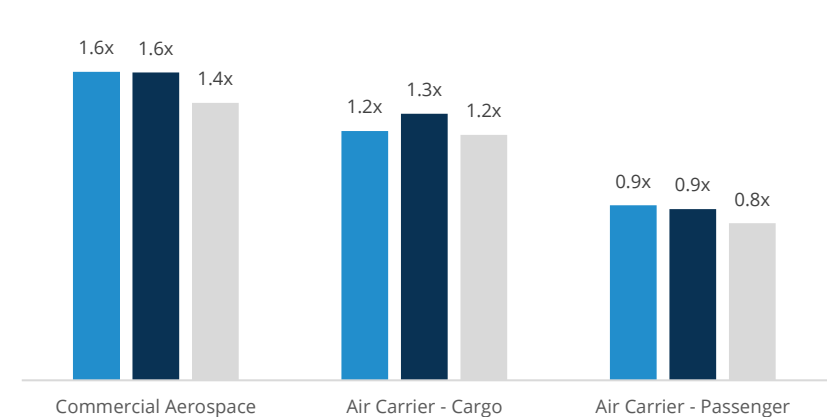
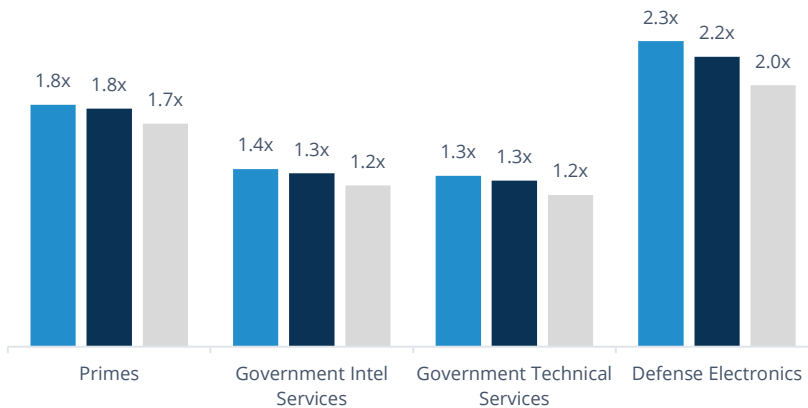
Median EV/EBITDA (x)



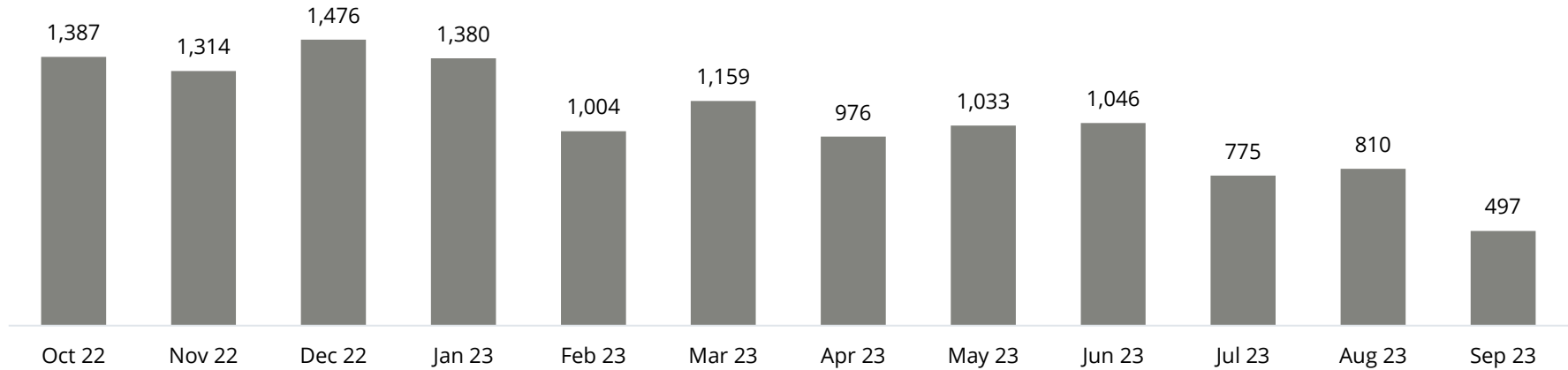
■ LTM ■ 2023CY ■ 2024CY

■ LTM ■ 2023CY ■ 2024CY

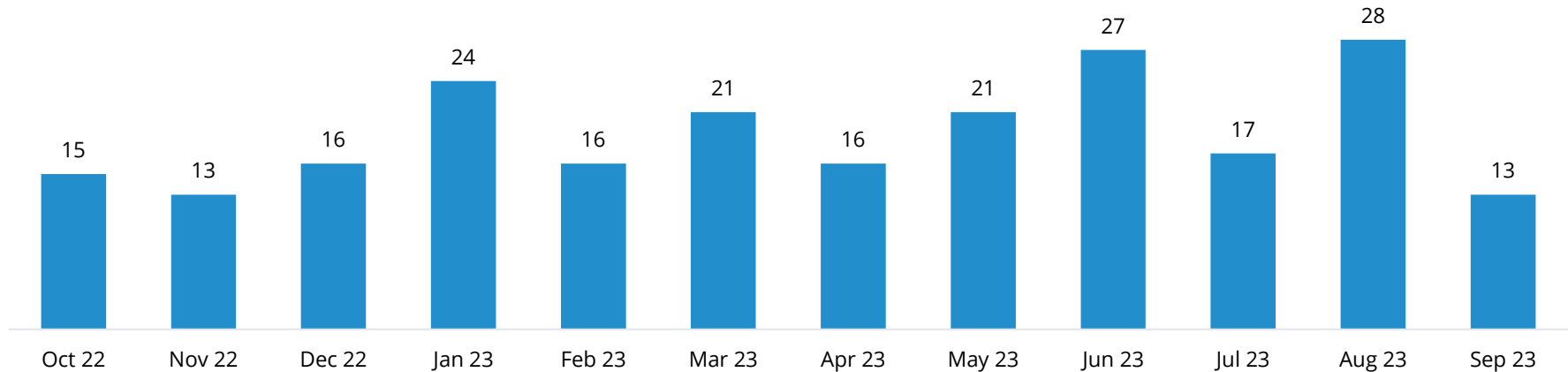
Median EV/Revenue (x)



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)
09/30/2023	Effective	Datron World Communications, Inc.	Cyberlux Corporation	n.d.	n.d.
09/26/2023	Announced	Exostar LLC	Arlington Management Employees, LLC	n.d.	n.d.
09/21/2023	Announced	Splunk Inc.	Cisco Systems, Inc.	\$31,863.65	175.0x
09/11/2023	Announced	Boston Logan and Newark Liberty International Airports of Spirit Airlines, Inc.	Allegiant Travel Company	n.d.	n.d.
09/05/2023**	Announced	Fluid Power, Inc.	O2 Aero Acquisitions, LLC	n.d.	n.d.
09/19/2023	Closed	VTG LLC	A&M Capital Advisors, LP	n.d.	n.d.
09/19/2023	Closed	Tone Commander Systems	Patton Electronics Company, Inc.	n.d.	n.d.
09/15/2023	Closed	EO Vista, LLC	General Atomics Electromagnetic Systems Inc.	n.d.	n.d.
09/15/2023	Closed	Tomahawk Robotics, Inc.	AeroVironment, Inc.	\$116.25	n.d.
09/14/2023	Closed	Xceliron Corp.	CERATIZIT S.A.	n.d.	n.d.
09/12/2023	Closed	Definitive Logic Corporation	ManTech International Corporation	n.d.	n.d.

Date	Status	Target	Acquirer/Investor	Transaction Value (US\$ Mil)	Valuation (EV/LTM EBITDA)
09/08/2023	Closed	Assets of Performance Plastics, Inc.	Rock West Composites, Inc.	n.d.	n.d.
09/07/2023	Closed	Fortbrand Services LLC	Basalt Infrastructure Partners LLC	n.d.	n.d.
09/07/2023	Closed	Blue Force Technologies, Inc.	Anduril Industries, Inc.	n.d.	n.d.
09/07/2023	Closed	CrowdAI, Inc.	Saab AB (publ)	n.d.	n.d.
09/06/2023	Closed	PRKK L.L.C.	Systems Planning and Analysis, Inc.	n.d.	n.d.
09/06/2023	Closed	Phillips Machine & Welding Co., Inc.	Concurrent Technologies Inc.	\$3.56	n.d.
09/05/2023	Closed	Infinite ID LLC	First Advantage Corporation	\$41.00	n.d.

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.