



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

September 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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Then Again, Maybe it is Worth More...

Several weeks ago, the CTO of Palantir Technologies, Shyam Sankar, spoke to the House Armed Services Committee. As part of his prepared remarks, he noted that [“Before the fall of the Berlin wall, 86% of DoD spending went to companies that had Defense AND Commercial businesses...Today that figure is 6%.”](#) Our monthly spotlights have spent much time discussing this dynamic along with the efforts to reverse this trend. ‘Dual use’ is an overused term that tries to capture the path out of this wilderness, however the reality is much more complex. The solution is not necessarily a product or app that can be used commercially and for the DoD, rather it is breaking down the ‘stove-pipes’ where innovation takes place. While the ‘customer’ may be different (and have different needs), we can no longer afford to segregate R&D, sales, business development, capital markets, etc., and develop defense technology in a vacuum. We must take advantage of best practices and spread the cost of these practices across a broader base. The result will be better innovation, better products & services, reduced risk and reduced cost.

This transition will not be smooth and there will be many roadblocks. But what does this mean for valuations and prospects for smaller companies that still reside within the DoD/Government stovepipe? Investors have made extremely attractive risk adjusted returns within the Government/DoD ‘industry’ and this has attracted even more capital, broadening the [availability of capital](#) for these companies. While this may imply higher valuations going forward, we would strongly caution against this viewpoint. As discussed above, and in many of our related spotlights, the industry (and more importantly the *customer*) is going through a dramatic transformation. Unless your company can efficiently compete with companies that have much greater resources such as venture-backed or corporate-backed intellectual property, you may not be worth much more than the value of the discounted free cash flow of your existing customer backlog. (And that’s not even taking into account the effect of set-aside contracts).

Is there any good news? Well, we have all read some version of the [Know Your Worth](#) story, where the father gives his daughter a run-down, old car and challenges her to take it around town to assess its value. Most dealers did not understand how to monetize the value of the classic car... but the collectors knew. If you (or your advisor) are shopping your company to buyers that have access to hundreds of other companies just like you (i.e., you are not differentiated by your technology), expect a lower-end valuation. Is there something unique your company brings to the table? All potential buyers have different needs and different costs of capital. If you seek to maximize valuation, be ready and able to articulate **how** you can add value to those companies with the greatest need for your capabilities and the greatest ability to pay for it. Companies that can effectively tell this story will come out with above average market valuations.



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

Strategy & Policy



- ✓ **Competition & Constraint: Toward a Balanced American Security Strategy**
"The United States spends about 13% of the federal budget on defense, compared to 69% when U.S.-Soviet competition was at its peak in the 1950s and a Cold War average of 40 percent."
- ✓ **A Maritime Deterrence Strategy**
"The Navy needs to explain to a broader audience what it is trying to do – not how it is trying to do it."
- ✓ **First-Ever 'China Week' Takes Aim at America's Dependence on Beijing**
"Unfortunately, bad Chinese routers have already been purchased by NASA, the Pentagon and other government agencies."

Trends in Technology



- ✓ **Reflections on Software Lock-in at the Defense Department**
"Agencies tend to spend more on making systems flexible than the actual switching cost."
- ✓ **Pentagon On the Hunt For Cheap One-way Drones**
"The department intends to "move aggressively" during the compete process, with the goal of having signed contracts with the chosen companies by mid-January, the spokesperson said."
- ✓ **2024 Global AI Trends Report**
"In 2023, survey respondents were still largely experimenting with AI... This year, the majority of respondents report that AI is 'currently widely implemented' and 'driving critical value' in their organization."

Contracting, Procurement & Budget



- ✓ **Fiscal Fiasco**
"In the 48 years this structure has been in place, Congress has only managed to pass all required appropriations bills four times on time."
- ✓ **The Pentagon's Gordian Knot**
"Political will is essential for true change in the Pentagon."
- ✓ **When NASA Nearly Gave Boeing All The Crew Funding**
"McAlister asked if the veteran procurement official had ever seen a federal agency choose a bidder that cost 60 percent more when both bids were technically acceptable."

Capital Markets



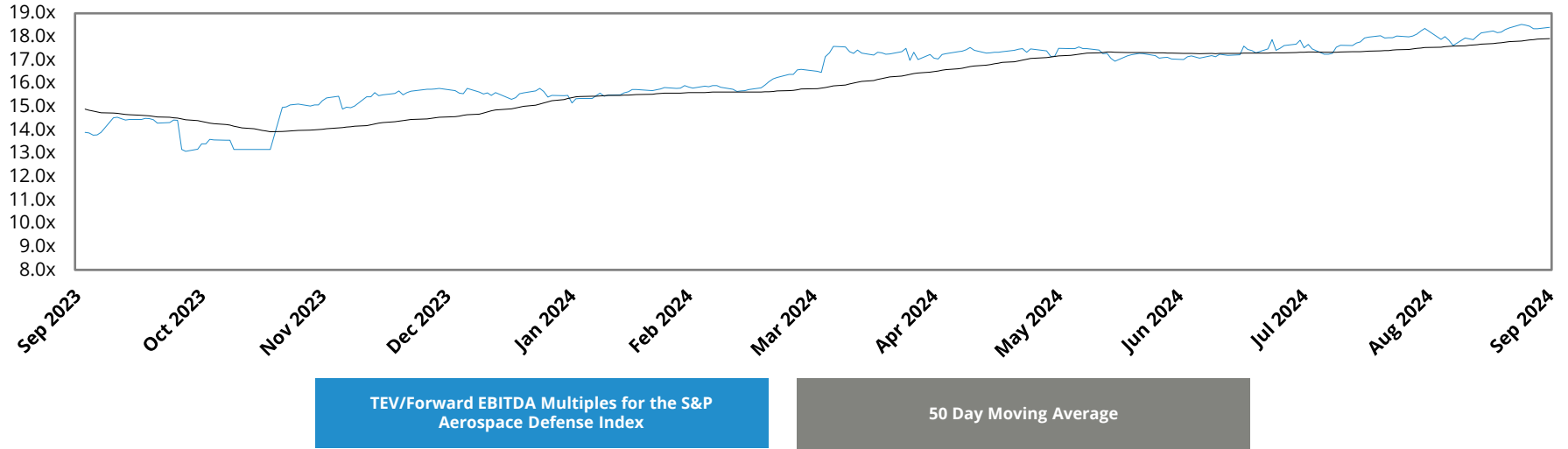
- ✓ **Defense Tech Companies Can Apply for Pentagon Loans Starting Next Year**
"The Defense Department hopes the effort will help companies fund the construction and equipment needed to scale production across 31 technology categories deemed critical to U.S. national security."
- ✓ **CACI Acquires Applied Insight to Build Up Cloud Migration Offerings**
"The combined business of CACI and Applied Insight will enhance enterprise-wide cloud, cyber, and user productivity for secure networks in the IC," CACI CEO John Mengucci said in a release."
- ✓ **Gogo Seeks Entry into Gov't Military Market**
"...has signed a definitive agreement to acquire in-flight connectivity company Satcom Direct for \$375 million in cash."

Aviators & Warfighters

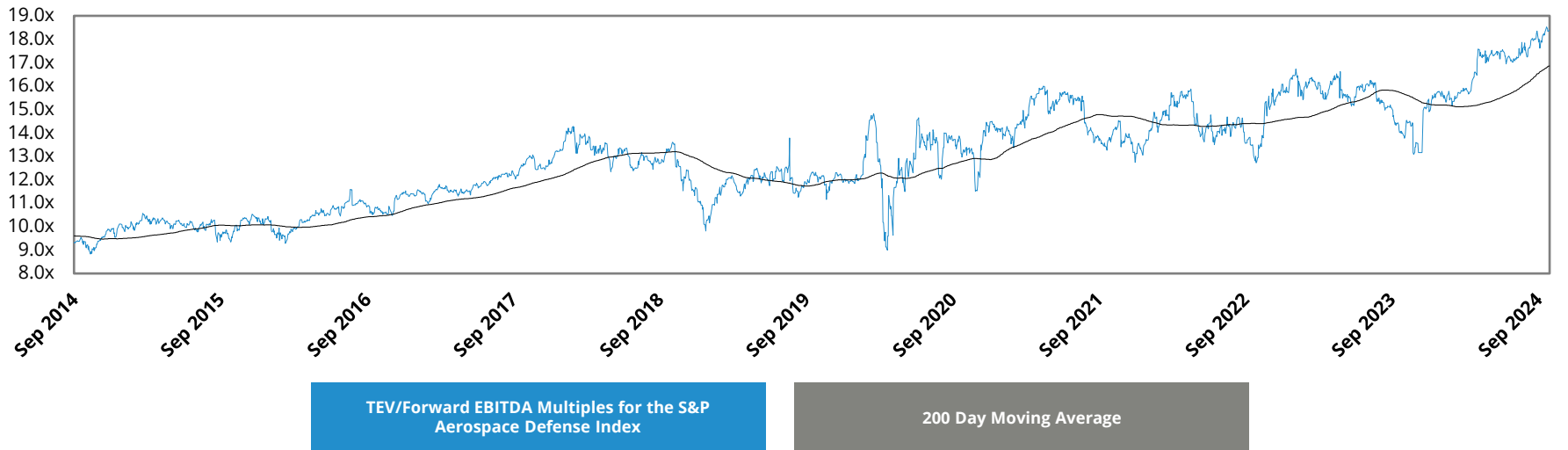


- ✓ **Five Incredible Facts About Carlson's Long Patrol**
"...a bit more than just a patrol. It was a complete special operation. For a little less than a month, they were behind enemy lines causing chaos."
- ✓ **The Intelligence Support Activity**
"The unit maintained a close relationship with the CIA and operated on the gray fringe that divides military and intelligence operations."
- ✓ **51 Heroes & Heroines of Aviation**
A Long List! - SWC

1-Yr Historical EBITDA Multiples*



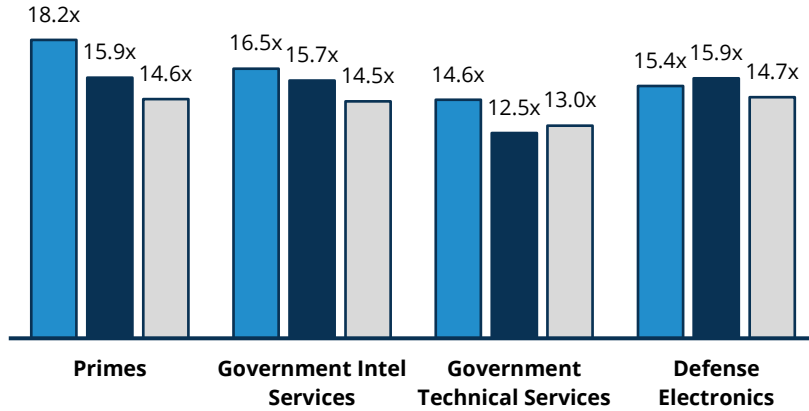
10-Yr Historical EBITDA Multiples*



Defense & Government | Intelligence Community*

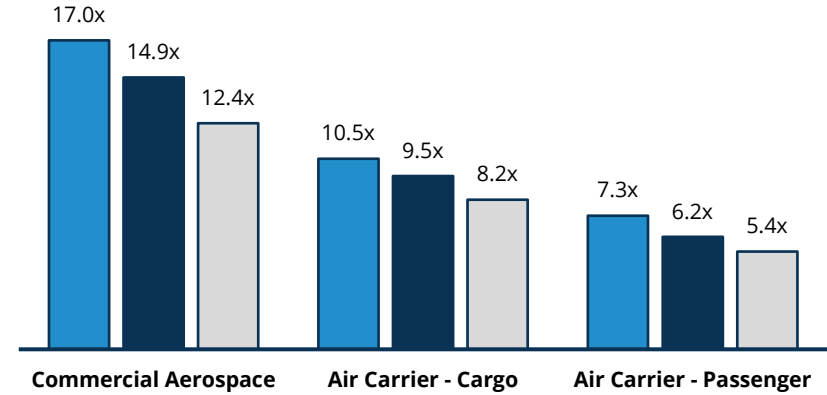
■ LTM ■ 2024CY □ 2025CY

Median EV/EBITDA (x)

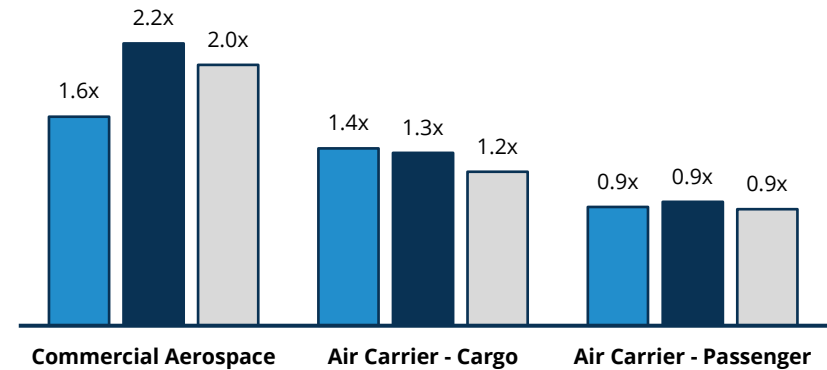
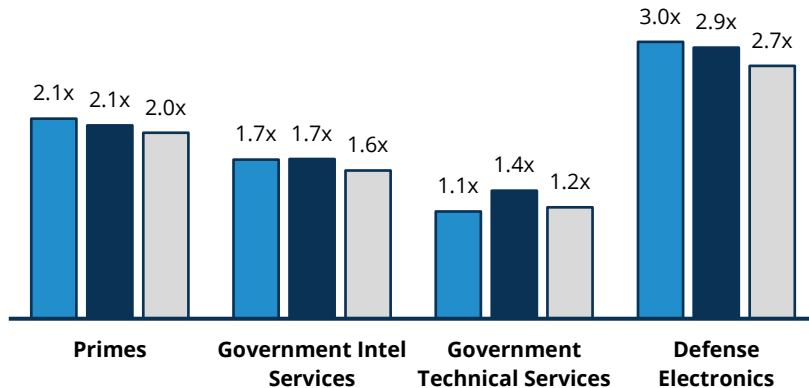


Commercial Aerospace*

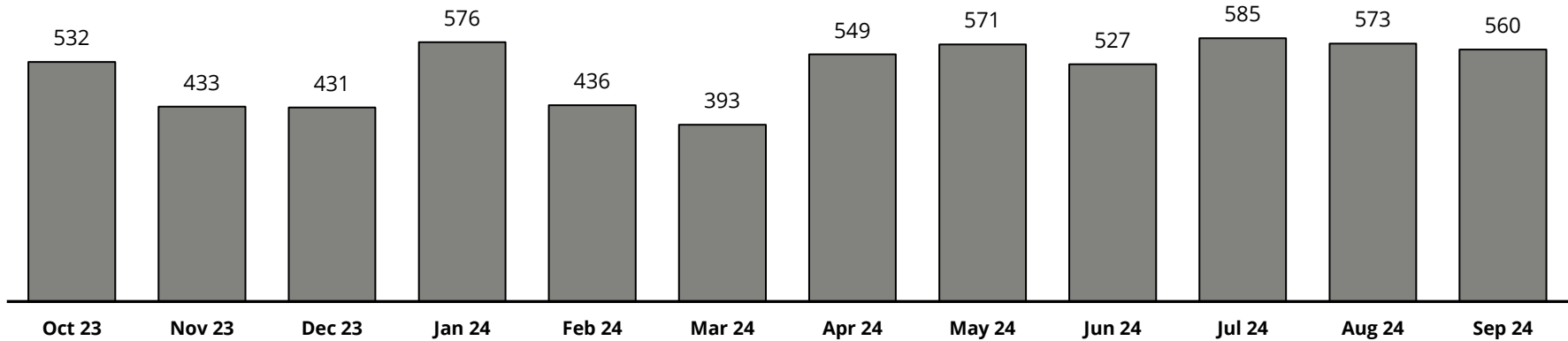
■ LTM ■ 2024CY □ 2025CY



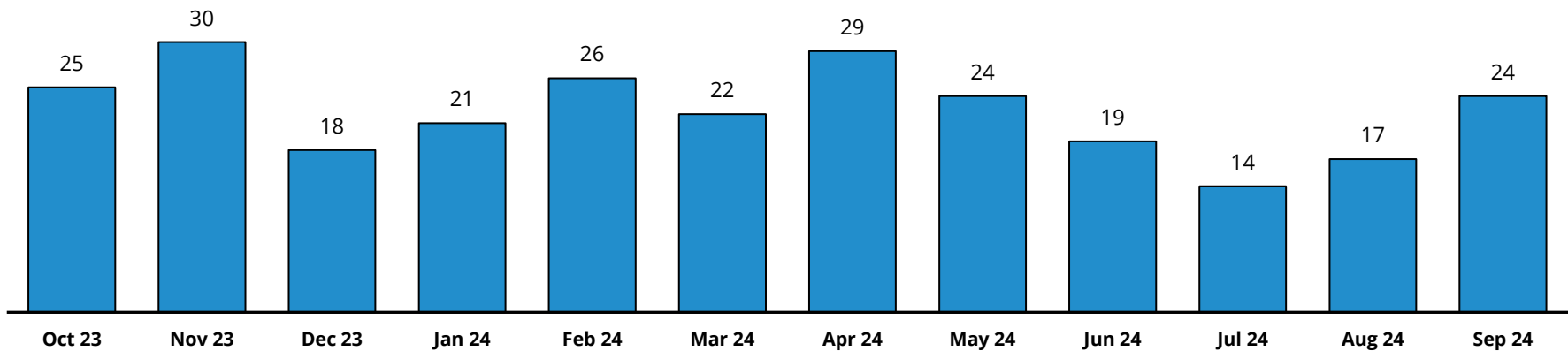
Median EV/Revenue (x)



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)
09/12/2024	Announced	Recorded Future, Inc.	Mastercard Incorporated	\$2,650.00	n.d.
09/16/2024	Announced	Azure Summit Technology, Inc.	CACI, Inc. - Federal	\$1,275.00	n.d.
09/19/2024	Announced	Naval Propulsors & Handling business of Rolls-Royce Holdings plc	Fairbanks Morse Defense	n.d.	n.d.
09/25/2024	Announced	SKT2 LLC	Codan US Inc.	\$33.60	n.d.
09/30/2024	Announced	Satcom Direct, Inc.	Gogo Inc.	\$636.20	n.d.
09/03/2024	Closed	ATA, LLC	Cherokee Nation Businesses, L.L.C.	n.d.	n.d.
09/03/2024	Closed	LinQuest Corporation	KBR, Inc.	\$745.00	n.d.
09/03/2024	Closed	Flexitech LLC	T2S, LLC	n.d.	n.d.
09/03/2024	Closed	Nomad Solutions, LLC	NexTech Solutions, LLC	n.d.	n.d.
09/03/2024	Closed	Hera Systems, Inc.	Redwire Corporation	n.d.	n.d.
09/04/2024	Closed	Cobham Advanced Electronic Solutions Inc.	Honeywell International Inc.	\$1,900.00	n.d.
09/04/2024	Closed	Tucson Embedded Systems, Inc.	Precise Systems Inc.	n.d.	n.d.

Date	Status	Target	Acquirer/Investor	Transaction Value (US\$ Mil)	Valuation (EV/LTM EBITDA)
09/05/2024	Closed	Axient LLC	Oasis Systems, LLC	n.d.	n.d.
09/05/2024	Closed	FlightWave Aerospace Systems Inc.	Red Cat Holdings, Inc.	n.d.	n.d.
09/05/2024	Closed	INFODAS Society for System Development and Information Processing mbH	Airbus SE	n.d.	n.d.
09/09/2024	Closed	Iron Eaglex, Inc.	General Dynamics Information Technology, Inc.	n.d.	n.d.
09/09/2024	Closed	Lockheed Martin Commercial Engine Solutions	FTAI Aviation Ltd.	\$170.00	n.d.
09/11/2024	Closed	QualX Corporation	Renovus Capital Partners	n.d.	n.d.
09/12/2024	Closed	kSARIA Corporation	ITT Inc.	\$475.00	n.d.
09/13/2024	Closed	Aeyon LLC	CGI Federal Inc.	n.d.	n.d.
09/16/2024	Closed	The Technology Resale Business of Three Wire Systems, LLC	Emergent, LLC	n.d.	n.d.
09/16/2024	Closed	Saint Technologies Inc.	First Aviation Services Inc.	n.d.	n.d.
09/16/2024	Closed	C5MI Insight LLC	DC Capital Partners, LLC	n.d.	n.d.
09/17/2024	Closed	Excelicon	Strategic Innovation Group LLC	n.d.	n.d.

Date	Status	Target	Acquirer/Investor	Transaction Value (US\$ Mil)	Valuation (EV/LTM EBITDA)
09/18/2024	Closed	Artel, LLC	Cydecor, Inc.	n.d.	n.d.
09/18/2024	Closed	Hawaiian Holdings, Inc.	Alaska Air Group, Inc.	\$2,976.27	10.3x
09/19/2024	Closed	Ravenswood Solutions, Inc.	NA	n.d.	n.d.
09/19/2024	Closed	Night Shift Development, Inc.	Snowflake Inc.	n.d.	n.d.
09/27/2024	Closed	Critical Mission Solutions/Cyber & Intelligence Government Services of Jacobs Solutions Inc.	Amentum Holdings, Inc.	n.d.	n.d.


Date	Status	Company	Deal Type	New Investor(s)	Industry Sector*	Investment Size (US\$ Mil)
09/01/2024	Completed	Theseus	Seed Round	First Round Capital	A&D	n.d.
09/03/2024	Completed	AirSight	Later Stage VC	Cypress Growth Capital	A&D	n.d.
09/04/2024	Completed	ATLAS Space Operations	Later Stage VC	Michigan Rise, New Space Capital, Red Cedar Ventures	A&D	n.d.
09/05/2024	Completed	FreeFall Aerospace	Later Stage VC	n.d.	A&D	\$0.25
09/09/2024	Completed	SpaceBilt	Seed Round	DDC II	A&D	\$3.11
09/09/2024	Completed	Silent Arrow	Later Stage VC	n.d.	A&D	\$2.00
09/09/2024	Completed	ColliMate Space	Accelerator / Incubator	Techstars	A&D	\$0.02
09/11/2024	Completed	Reveal Technology	Later Stage VC	Next Frontier Capital	A&D	\$6.70
09/11/2024	Announced	Mivium	Equity Crowdfunding	n.d.	A&D	\$5.00

Date	Status	Company	Deal Type	New Investor(s)	Industry Sector*	Investment Size (US\$ Mil)
09/12/2024	Completed	ZeroAvia	Later Stage VC	Airbus Group, BNV Partners, NEOM Investment Fund, Plug and Play Tech Center, The Scottish National Investment Bank, UK Infrastructure Bank, Waarde Capital	Air Mobility	\$150.00
09/13/2024	Completed	Second Front	Later Stage VC	Battery Ventures, Salesforce Ventures	A&D	\$70.00
09/23/2024	Completed	Pyka	Later Stage VC	Obvious Ventures	Air Mobility	\$40.00
09/25/2024	Completed	Haptech Defense Systems	Later Stage VC	n.d.	A&D	\$2.22
09/27/2024	Completed	Starfish Space	Later Stage VC	n.d.	A&D	\$21.00
09/27/2024	Completed	FlyGuys	Later Stage VC	n.d.	A&D	\$1.69

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.