



Aerospace | Defense & Government |
Intelligence Community

August 2023 Market Snapshot

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Defense News Top 100 and the NATSEC100

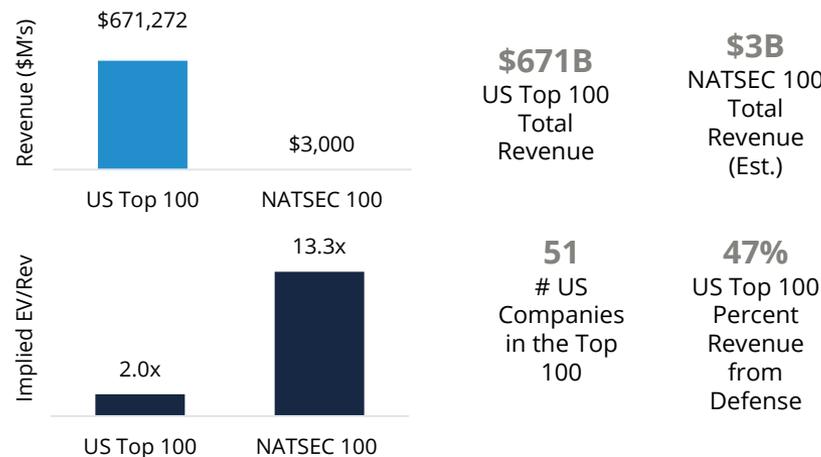
Andrew Glenn publishes a substack entitled [Building our Defense](#) in which he discusses Defense Technology, commercially funded dual use technology and the need for a reversal of the multi-decade consolidation in the defense industry. In an August 9 posting entitled [“Hey, we’ve got a problem here”](#), Andrew touches on an observation we made in our [June 2023 Market Snapshot](#). While we compared the ‘big 5’ prime contractors to the 5 venture-backed Defense Technology “Unicorns”, Andrew takes a more detailed look at two recently published lists to (more eloquently) draw similar conclusions, namely (a) Defense News’ Top 100, an annual ranking of the publicly traded companies with the most revenues from the global defense industry for the previous year, and (b) Silicon Valley Defense Group’s NATSEC100, an inaugural ranking of the top venture backed defense technology firms.

Based on these lists, Andrew draws conclusions that we wholeheartedly agree with. Specifically, there is a stark contrast in defense-related revenues generated by the companies on these lists. While the NatSec 100 raised \$40B in venture funding, these same companies only generated \$2-4B in revenues, less than 6% of just Lockheed Martin’s defense-related earnings. Because a small number of companies continue to earn much of the available business, Andrew concludes: (1) building for defense is and will remain incredibly difficult; (2) the DoD acquisition and procurement processes should be reformed in favor of startups and innovation; and (3) many startups should consider a strategy that aims for acquisition as an exit.

While we agree, we would also note that for venture investor expectation to be realized, something must ‘give’, such as disaggregation of the existing industry leadership or a realization of value in the commercial sectors (see our conclusions from June). We would also highlight that Southwind has represented two clients in selling to NATSEC 100 firms (Chainalysis and Kymeta), while our partners at Quilty Space have additional transaction experience with NATSEC 100 members. In each of these cases, a common theme for buyers was access to the customer (i.e., through existing contracts, cleared personnel, and/or detailed knowledge of the procurement system).

The defense industrial base continues to cross-pollinate with the commercial sector, irrespective of who is doing the acquiring, and hopefully pure defense plays are becoming more of an exception rather than a rule. I’m old enough to remember when each of the big three auto makers owned significant defense contracting businesses, prior to the consolidation that kicked off in the 90s. As Henry Ford II once said (at least according to Ford v. Ferrari), “This isn’t the first time Ford Motors has gone to war in Europe.” Our commercial industrial base will no doubt have to rise to the occasion in the future as well.

Additional Observations



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

Strategy & Policy



✓ [Sorry, The Swarm Will Not Save Us](#)

"There is no secret weapon or war winning technology ...that will allow us to skip past the hard work of a viable strategy backed up by a properly resourced industrial capacity to build, maintain, deploy, and sustain a fighting force on the other side of the Pacific for years if needed."

✓ [Replicator is DoD's Big Play To Build Thousands of Autonomous Weapons in Just Two Years](#)

See above - SWC

✓ [What Makes the Black Sea So Strategically Important?](#)

"...if there were ever a body of water well suited for bullying your neighbor, it would be the Black Sea."

Trends in Technology



✓ [Hey, We've Got a Problem Here](#)

"...I think that for many startups, they should consider a strategy that aims for acquisition as its exit.."

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

"American production capacity for the same is severely limited."

✓ [Man-Machine Integration May Revolutionize Combat Arms](#)

"Despite being in a period of rapid change and technological disruption, some things remain the same—warfare will always be a contest of wills, controlling land will always be a determining factor, and people will always be most important, he said."

Contracting, Procurement & Budget



✓ [A Three-Hub Navy. Again](#)

"Enough with the strategy already, build some damn ships."

✓ [Co-Everything: Pentagon Teases Series of Weapon Production Partnerships With Friendly Nations](#)

Words escape me - SWC

✓ [Budget Endgame Scenarios: From Acceptable to Apocalypse](#)

"Once again the defense budget faces the risk of a continuing resolution that would put our future military competitiveness and security at risk by freezing all new starts and locking spending in at FY23 levels."

Capital Markets



✓ [Defense News Top 100](#)

"Data for the Top 100 list comes from information Defense News solicited from companies, from companies' annual reports, from analysts, and from research by Defense News, the International Institute for Strategic Studies, SPADE Indexes and Oliver Wyman.."

✓ [Why BAE is Paying \\$5.5B to Acquire Ball's Aerospace Unit](#)

"Ball Aerospace enters that equation as a manufacturer of spacecraft, instruments and sensors that go into satellites for tracking everything in space and in the Earth's atmosphere."

✓ [Horizon Says New SPAC Deal Will Fund Development of New Favorite X7 EVTOL Demonstrator](#)

Just wait until they figure out the SPAC investors will tender their shares but keep the warrants - SWC

Aviators & Warfighters



✓ [The Soviets Crashed Into the Moon While Apollo 11 Was On It](#)

"..only a few hundred miles away from where Neil Armstrong was standing."

✓ [Medal Of Honor: A Long And Epic History](#)

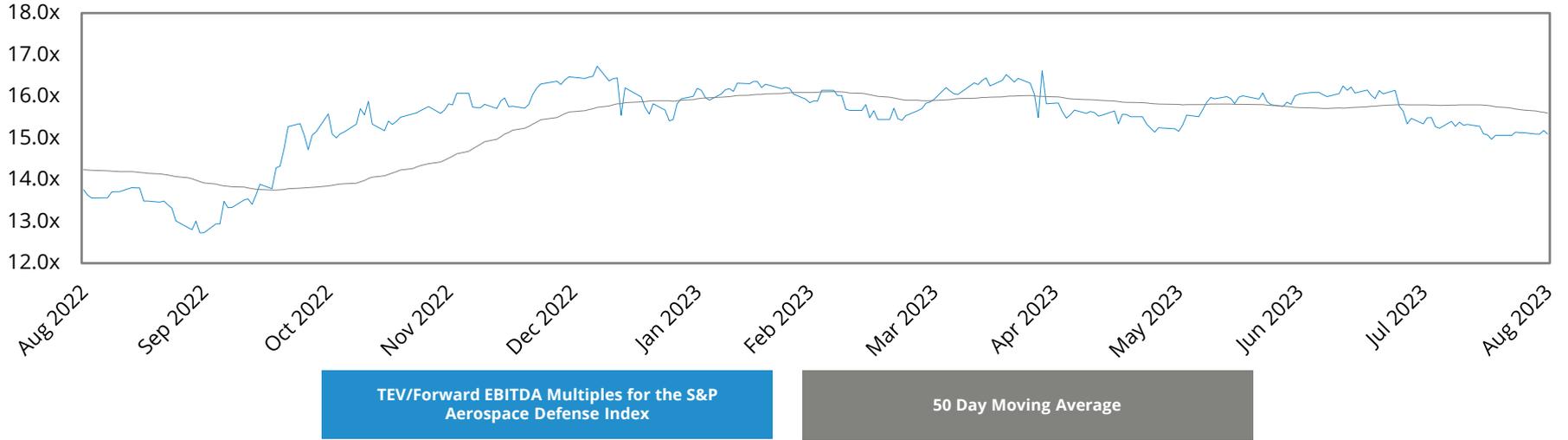
"To date...approximately 3,516 individuals have earned the medal."

✓ [Jimmy Buffet's Legacy in the Sky](#)

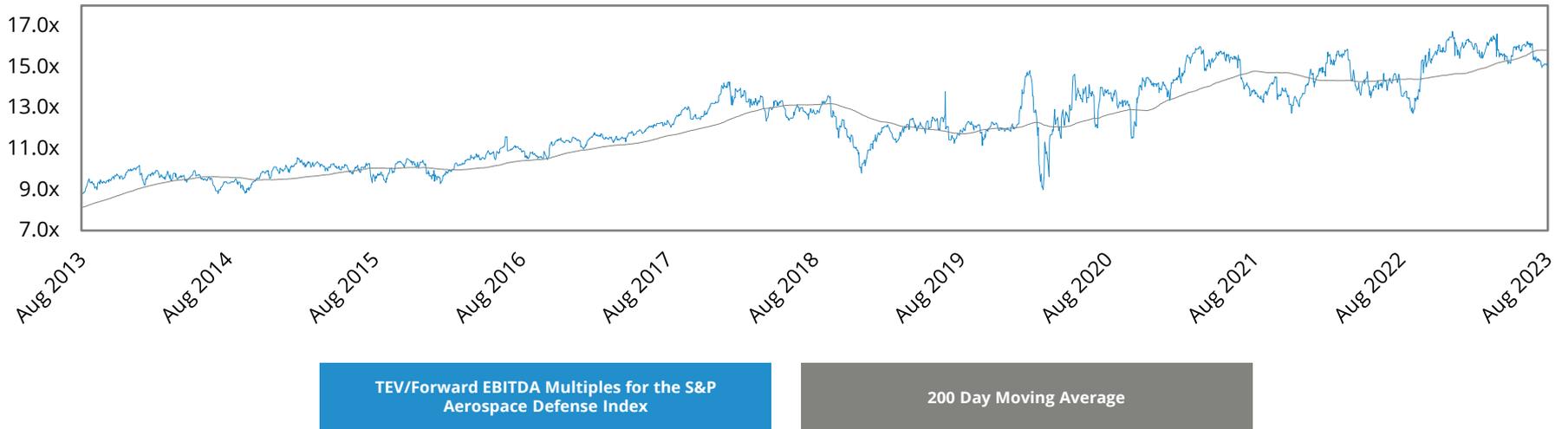
Jimmy passed away peacefully on the night of September 1st surrounded by his family, friends, music and dogs.

He lived his life like a song till the very last breath and will be missed beyond measure by so many.

1-Yr Historical EBITDA Multiples*



10-Yr Historical EBITDA Multiples*



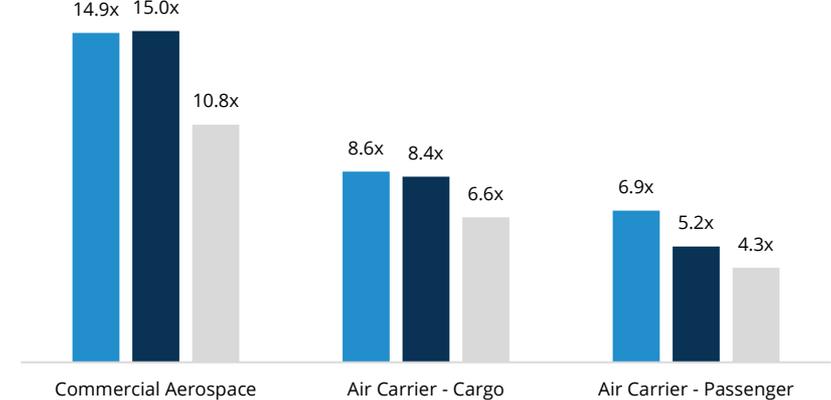
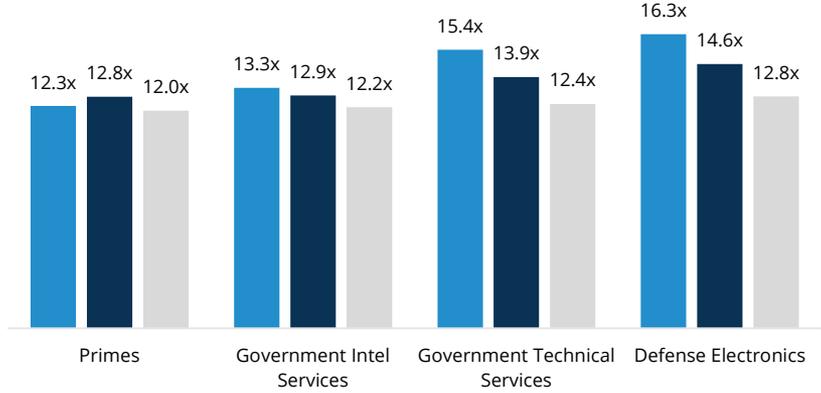
Defense & Government | Intelligence Community*

Commercial Aerospace*

■ LTM ■ 2023CY ■ 2024CY

■ LTM ■ 2023CY ■ 2024CY

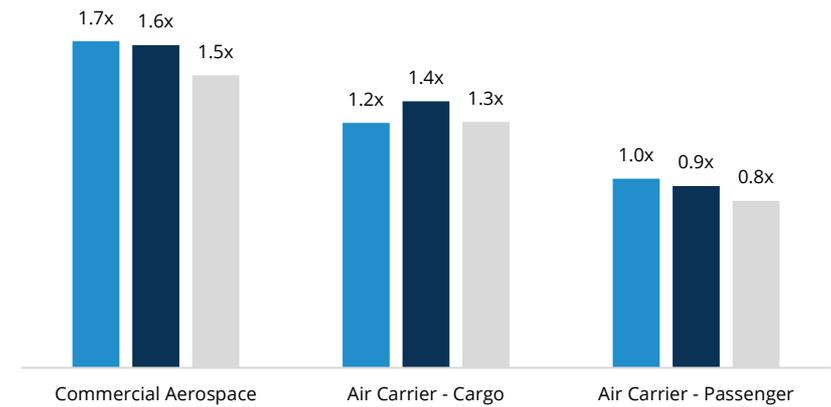
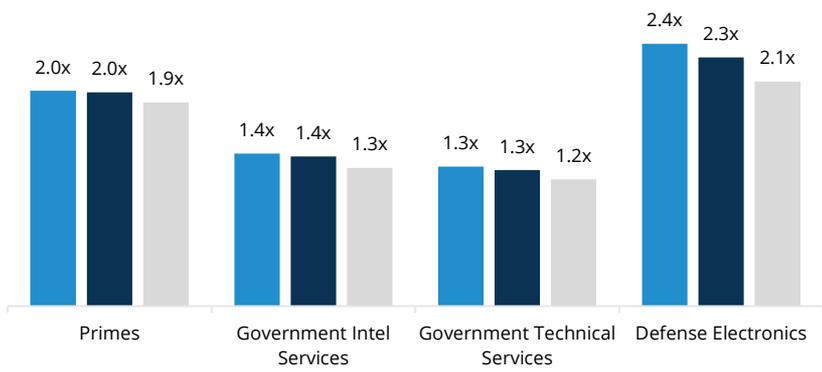
Median EV/EBITDA (x)



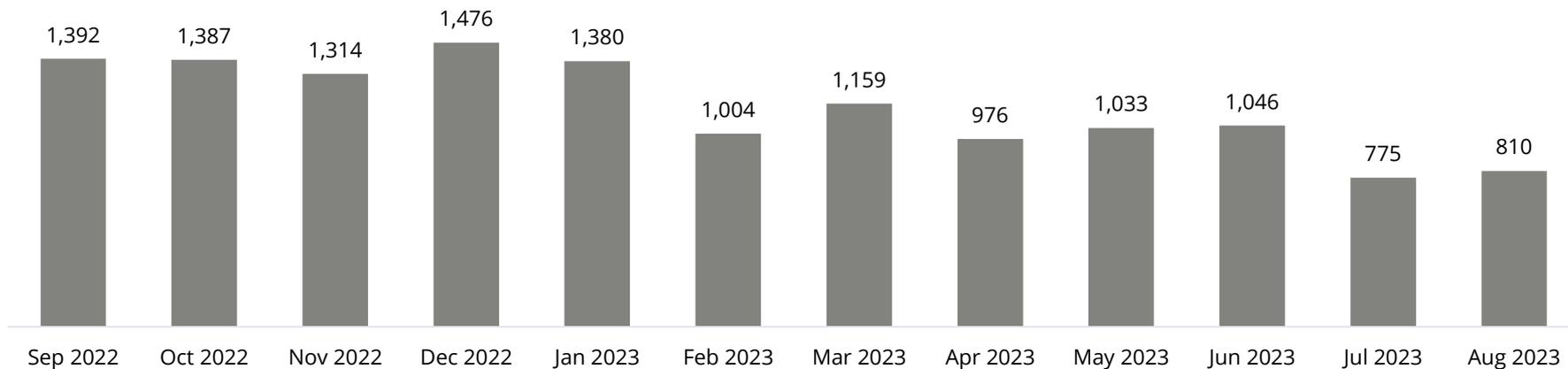
■ LTM ■ 2023CY ■ 2024CY

■ LTM ■ 2023CY ■ 2024CY

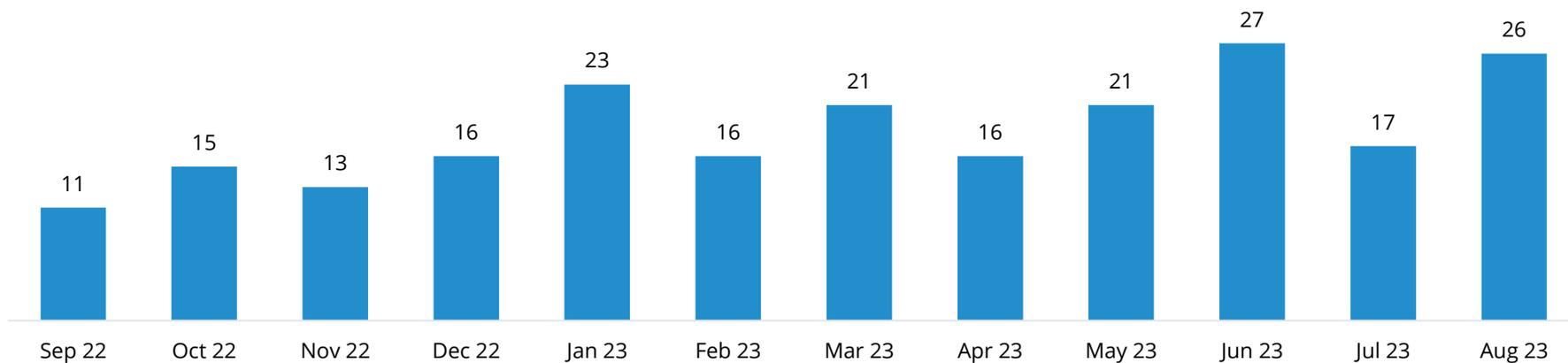
Median EV/Revenue (x)



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) |
|--------------|-----------|--------------------------------------|---|------------------------------|---------------------------|
| 08/01/2023 | Announced | Definitive Logic Corporation | ManTech International Corporation | n.d. | n.d. |
| 08/08/2023 | Announced | EchoStar Corporation | DISH Network Corporation | \$3,570.50 | 2.8x |
| 08/10/2023 | Announced | Omni Logistics, LLC | Forward Air Corporation | \$3,200.00 | 17.7x |
| 08/16/2023 | Announced | Phillips Machine & Welding Co., Inc. | Concurrent Technologies Inc. | \$3.56 | n.d. |
| 08/17/2023 | Announced | Ball Aerospace & Technologies Corp. | BAE Systems, Inc. | \$5,550.00 | n.d. |
| 08/22/2023 | Announced | Tomahawk Robotics, Inc. | AeroVironment, Inc. | \$120.00 | n.d. |
| 08/30/2023 | Effective | GCR Inc. | Modaxo Inc. | n.d. | n.d. |
| 08/31/2023 | Announced | Falconry Inc. | Industrial and Financial Systems, IFS AB (publ) | n.d. | n.d. |
| 08/01/2023 | Closed | JBT AeroTech Corporation | Oshkosh Corporation | \$817.60 | 14.7x |
| 08/01/2023** | Closed | Hawaii Pacific Teleport | Calian Group Ltd. | \$46.00 | n.d. |
| 08/01/2023 | Closed | Cyber Cloud Technologies, LLC | T-Rex Solutions, LLC | n.d. | n.d. |

| Date | Status | Target | Acquirer/Investor | Transaction Value (US\$ Mil) | Valuation (EV/LTM EBITDA) |
|------------|--------|---|-------------------------------------|------------------------------|---------------------------|
| 08/02/2023 | Closed | Integrated Data Services, LLC | Arlington Management Employees, LLC | n.d. | n.d. |
| 08/02/2023 | Closed | Empire Products, Inc. | The Day & Zimmermann Group, Inc. | n.d. | n.d. |
| 08/03/2023 | Closed | Waterfront Technical Services LLC | Sentar, Inc. | n.d. | n.d. |
| 08/04/2023 | Closed | Wencor Group, LLC | HEICO Corporation | \$2,050.00 | n.d. |
| 08/07/2023 | Closed | Anser Advisory, LLC | Accenture | n.d. | n.d. |
| 08/07/2023 | Closed | Louis Berger Services, Inc. | Versar, Inc. | n.d. | n.d. |
| 08/07/2023 | Closed | Aethercomm, Inc. | Frontgrade Technologies | n.d. | n.d. |
| 08/08/2023 | Closed | Computing System Innovations, Inc. | Tyler Technologies, Inc. | n.d. | n.d. |
| 08/08/2023 | Closed | Strategic Technology Consulting, LLC | Arcfield | n.d. | n.d. |
| 08/10/2023 | Closed | Clean Energy Asset from Bright Canyon Energy | Ameresco, Inc. | n.d. | n.d. |
| 08/16/2023 | Closed | Summit Aviation, Inc. / Northside Property Group, LLC | TransMedics Group, Inc. | n.d. | n.d. |

| Date | Status | Target | Acquirer/Investor | Transaction Value (US\$ Mil) | Valuation (EV/LTM EBITDA) |
|------------|--------|---|----------------------------------|------------------------------|---------------------------|
| 08/16/2023 | Closed | Solutions By Design II, LLC | Evolver Inc | n.d. | n.d. |
| 08/21/2023 | Closed | Substantially All the Assets of Exo-Space, Inc. | Sidus Space, Inc. | \$0.47 | n.d. |
| 08/21/2023 | Closed | Hypergiant Industries, Inc. | Trive Capital Management LLC | n.d. | n.d. |
| 08/21/2023 | Closed | Artemis Consulting, Inc. | Aretum, LLC | n.d. | n.d. |
| 08/22/2023 | Closed | Replicon Inc. | Deltek, Inc. | n.d. | n.d. |
| 08/22/2023 | Closed | Tidal Basin Holdings, Inc. | Michael Baker International, LLC | n.d. | n.d. |
| 08/22/2023 | Closed | Big Bad Wolf Security, LLC | Owl Cyber Defense Solutions, LLC | n.d. | n.d. |
| 08/23/2023 | Closed | Sealing Technologies, Inc. | Parsons Corporation | \$200.00 | n.d. |
| 08/24/2023 | Closed | Free Space Inc. | SCOUT Space Inc. | n.d. | n.d. |
| 08/24/2023 | Closed | Soar Technology, Inc. | Forward Slope Incorporated | n.d. | n.d. |
| 08/28/2023 | Closed | ATI Solutions Group Pty Ltd | Accenture | n.d. | n.d. |
| 08/29/2023 | Closed | OnCore Consulting LLC | GCOM Software LLC | \$175.00 | 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.