



Aerospace | Defense & Government |
Intelligence Community

January 2024 Market Snapshot



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The Growing Influence of Defense Technology

If you follow defense contracting and the DoD, it will come as no surprise to you that change is afoot in the world of defense technology. We are witnessing a profound shift as startups and investors increasingly turn their attention to the sector, signaling a major realignment in the tech industry's relationship with the Pentagon. This is partly due to rising international tensions with near-peer adversaries, an increasing awareness that the DoD's outdated procurement system has been an obstacle to equipping our warfighters with the cutting-edge technology needed for future combat readiness, and a growing dedication to what's been termed "techno-patriotism" to right the ship. Combined, these dynamics are altering how defense technology is developed, funded, and integrated into the military, signaling a potential "generational" change in the defense sector.

This is more than conjecture, as evidenced by the DoD's inaugural National Defense Industrial Strategy (NDIS)*, calling for meaningful change, a modernized industrial ecosystem, and enhanced partnerships between the U.S. government and private industry. The strategy signals DoD's commitment to modernization in the interest of national security, and affirms the Pentagon's need to work more with non-traditional, innovative companies. Although how this will unfold remains to be seen, one thing is clear: in a world where technology must be pushed to the brink for the U.S. military to remain competitive on the global scene, defense tech startups (and the venture capitalists backing them) are driving investment and human capital toward effecting this change.

With this in mind, we find it both helpful and fitting to begin tracking relevant VC investment in the space—starting with this month's edition of our Market Snapshot. While many of these smaller investments fall below the radar screen and are not picked up by traditional media, our goal is to offer a representative overview to monitor the general trends in the industry and to inform our perspectives on the market and the DoD's execution of its strategy. In the "What We're Reading" section that follows, you'll find several articles that will help further prime this topic for discussion. There's a lot that the government and industry will need to work through, particularly how these early-stage efforts blend into the existing industry ecosystem but as we have mentioned previously, the most exciting technologies (and returns on capital) will likely manifest themselves in the broader commercial market.

 **The current and future strategic environment demands immediate, comprehensive, and decisive action to strengthen and modernize our defense industrial base ecosystem so it delivers at speed and scale for our warfighters.** 

- Kathleen Hicks, Deputy Secretary of Defense



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

Strategy & Policy



✓ [DoD Releases First-Ever National Defense Industrial Strategy](#)

The full NDIS and a fact sheet are available at: <https://www.businessdefense.gov/NDIS.html>

✓ [Naval Special Warfare Will Have to Fight Differently](#)

"The U.S. military and the policy establishment have had a "strategy problem" for multiple generations... NSW's unique talents could prove decisive if they are employed with coherent strategic skill."

✓ [Rejecting Our Faustian Bargain](#)

"...relying on war to motivate progress is not an optimal strategy."

Trends in Technology



✓ [Defense Tech is Having its Moment in Silicon Valley](#)

"For the past few years, more startups and investors have been building and funding companies targeting the Pentagon as a customer."

✓ [Dual-Use Defense Tech: One Size Doesn't Fit All](#)

"...focusing on the consumer market first can lead to a significant delay in military adoption, potentially creating a capability gap against adversaries."

✓ [The Military's Insistence on Owning Commercial Intellectual Property is Limiting Innovation](#)

"...Department of Defense leaders are beginning to recognize that intellectual property policy has become a serious obstacle to defense innovation."

Contracting, Procurement & Budget



✓ [Unpacking Defense Contracting](#)

"The Department of Defense's monopsony power...meets the contractors' monopoly power... This has led to a 'bilateral monopoly'—a unique situation where both monopoly and monopsony powers coexist."

✓ [Defense Technology Firms Watch New Strategy for "Generational" Change](#)

"From my experience, government strategies are a dime a dozen...The real money is made in execution."

✓ [Wide Ranging Conversation with Harry Stebbings About the Re-emergence of Defense Tech](#)

YT:
<https://lnkd.in/gCQQRyUf>
Spotify:
<https://lnkd.in/gqEKH6b2>

Capital Markets



✓ [Arlington Capital Partners Breaks the \\$3B Mark with Fund Six](#)

"The private equity firm describes submarine structures and cyber as among key focus areas..."

✓ [Saalex Expands Federal IT, Software Capabilities with Spalding Consulting Purchase](#)

"Saalex will operate Spalding as its wholly owned subsidiary and expects to grow into an organization with more than 1,200 employees and over \$175 million in annual revenues through the deal."

✓ [Albedo Collects \\$35M for Very Low Earth Satellite Development](#)

"...marks the foray of Booz Allen Hamilton's corporate venture capital arm into the space startup ecosystem."

Aviators & Warfighters



✓ [10 Most Lethal Special Operations Units From Around the World](#)

"...the world may never know exactly what these teams have accomplished..."

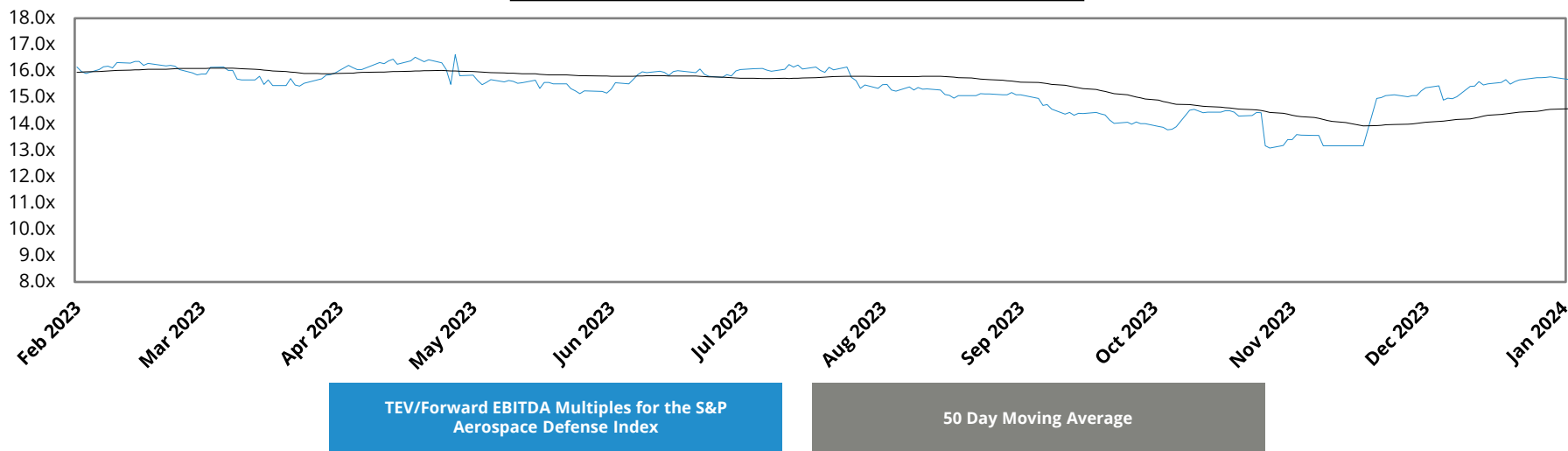
✓ [Military Flight Instructor's Most Important Lesson: Student Pilots Will Try to Kill You](#)

"...welcome to the world of real students. After you've instructed for a while, you'll understand."

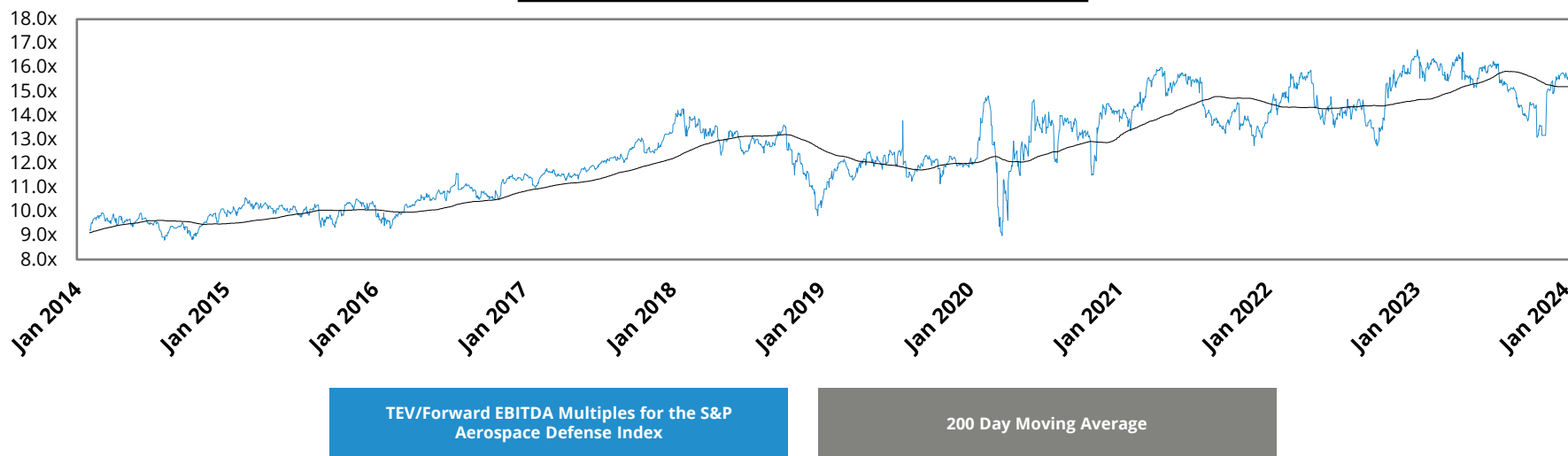
✓ [The Incredible, Untold Story of 75th Ranger Regiment's Search & Rescue of the 'Lone Survivor'](#)

"'Leave No Man Behind' is a powerful reminder of the cost of war and the importance of acknowledging it every single day."

1-Yr Historical EBITDA Multiples*

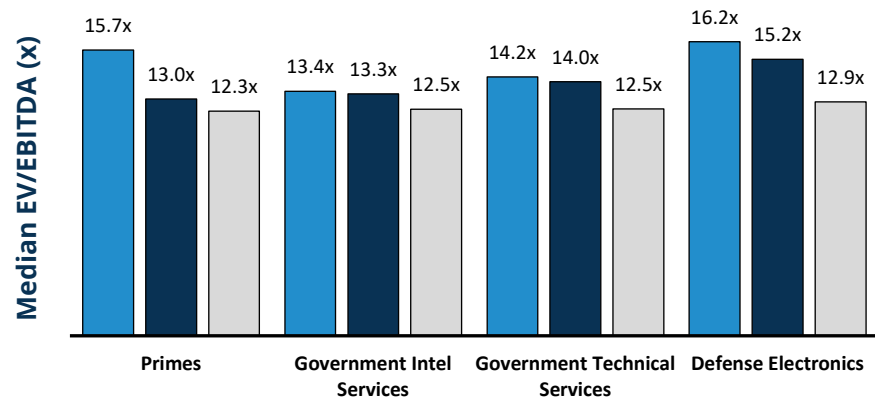


10-Yr Historical EBITDA Multiples*



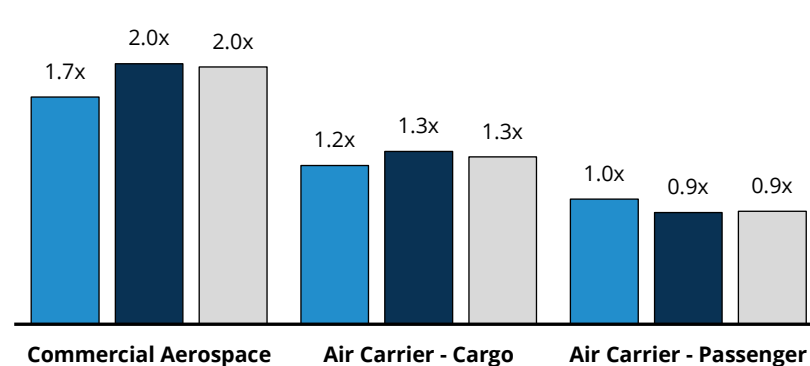
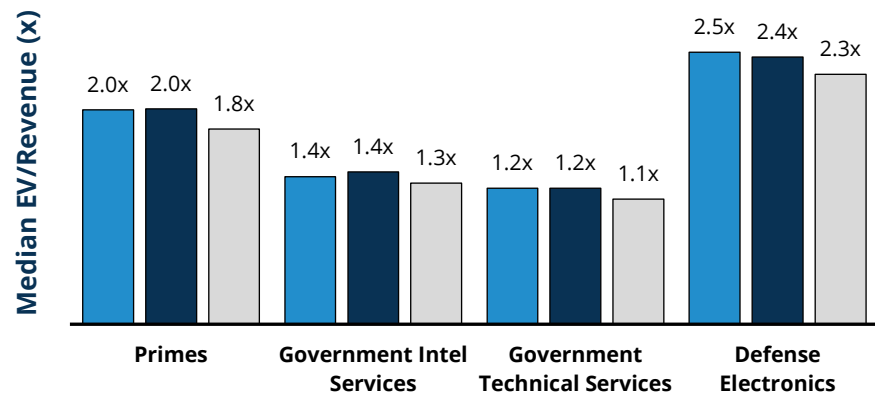
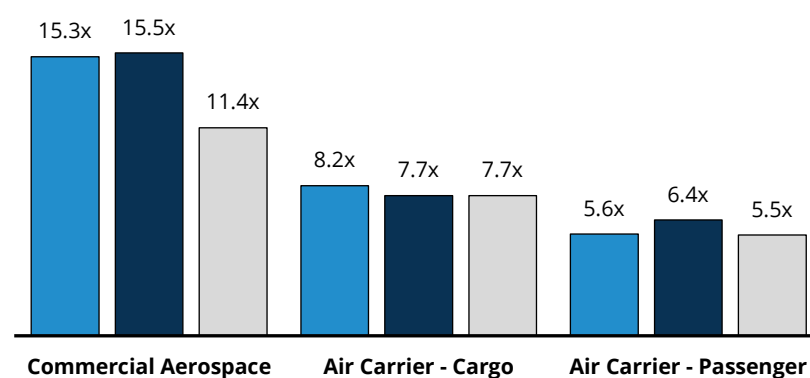
Defense & Government | Intelligence Community*

■ LTM ■ 2023CY □ 2024CY

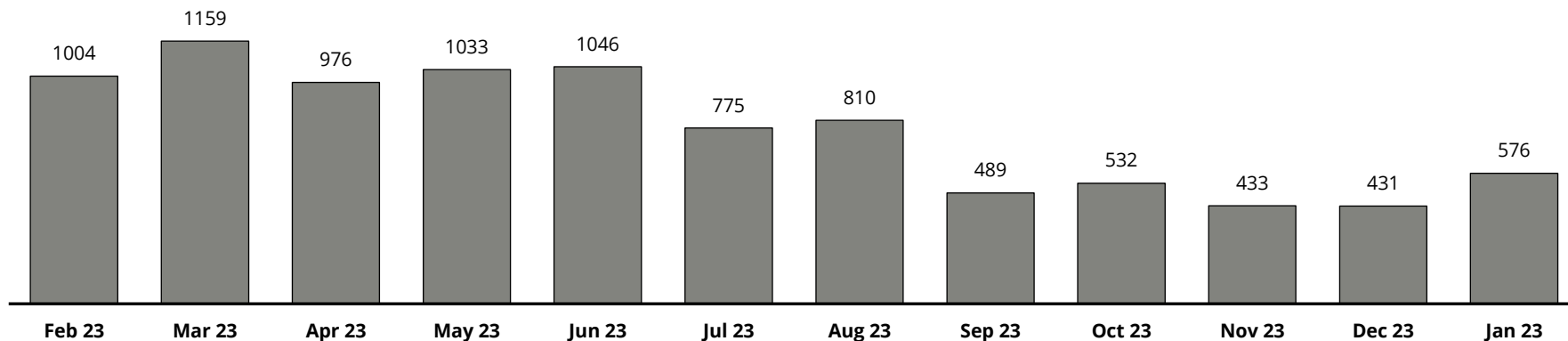


Commercial Aerospace*

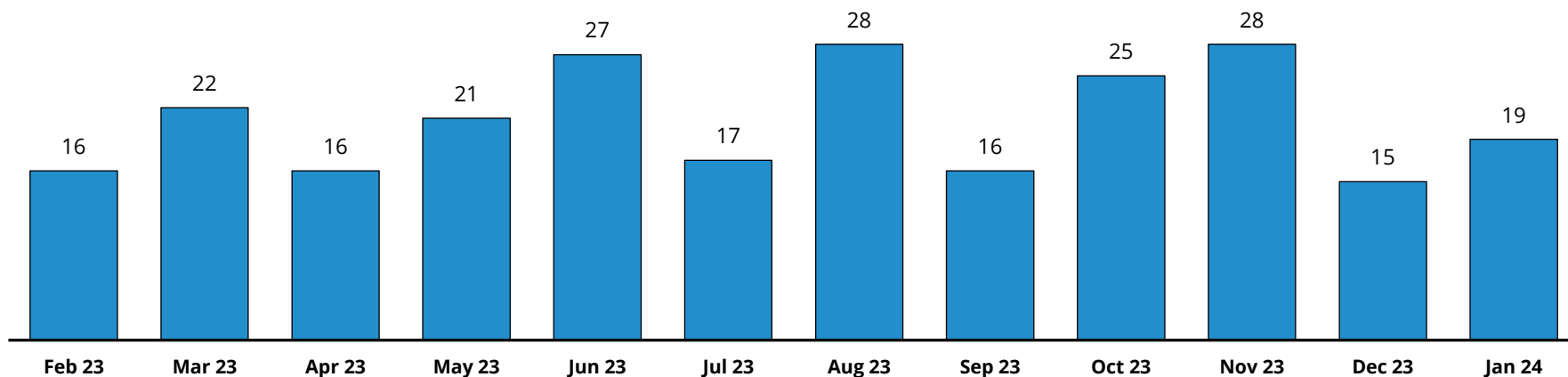
■ LTM ■ 2023CY □ 2024CY



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)
01/09/2024	Announced	Juniper Networks, Inc.	Hewlett Packard Enterprise Company	\$15,276.69	17.3x
01/15/2024	Announced	Aerovel Corporation	Airbus Helicopters, Inc.	n.d.	n.d.
01/19/2024	Announced	Kaman Corporation	Arcline Investment Management LP	\$1,928.18	13.9x
01/25/2024	Effective	Merrill Technologies Group	Arlington Management Employees, LLC	n.d.	n.d.
01/26/2024	Announced	Onclave, Inc.	Option3	n.d.	n.d.
01/30/2024	Announced	Carlisle Interconnect Technologies Inc.	Amphenol Corporation	\$2,025.00	n.d.
01/02/2024	Closed	Bearing Engineers, Inc.	Novanta Corporation	\$189.00	n.d.
01/03/2024	Closed	Vian Enterprises, Inc.	Crane Company	\$103.00	n.d.
01/03/2024	Closed	Ascolta, LLC	Management Science & Innovation, LLC	n.d.	n.d.
01/03/2024	Closed	AQST-USA, LLC	Global Warming Solutions, Inc.	n.d.	n.d.
01/04/2024	Closed	Walbar Engine Components/Numet Machining Techniques, LLC/AeroCision, LLC	Arlington Management Employees, LLC	n.d.	n.d.
01/05/2024	Closed	TrustWave Holdings, Inc.	The Chertoff Group, Investment Arm; MC2 Security Fund (The Chertoff Group, LLC)	\$205.00	n.d.


Date	Status	Target	Acquirer/Investor	Transaction Value (US\$ Mil)	Valuation (EV/LTM EBITDA)
01/08/2024	Closed	Cyberspace Solutions LLC	The Donkey Barn LLC	n.d.	n.d.
01/09/2024	Closed	The Gonkulator	OpsLab, Inc.	n.d.	n.d.
01/09/2024	Closed	Zavda Technologies, LLC	Applied Insight, LLC	n.d.	n.d.
01/09/2024	Closed	Thompson Software Solutions, LLC	Lynx Software Technologies, Inc.	n.d.	n.d.
01/10/2024	Closed	RSR Partners LLC	Iron Mountain Incorporated	\$200.00	n.d.
01/16/2024	Closed	Key assets of Honeywell International Inc.	Sunshine Avionics LLC	n.d.	n.d.
01/16/2024	Closed	American Pacific Corporation	NewMarket Corporation	\$700.00	n.d.
01/17/2024	Closed	Miles Space, Inc.	RocketStar, Inc.	n.d.	n.d.
01/24/2024	Closed	Spalding Consulting, Inc.	Saalex Corp	\$75.00	n.d.
01/25/2024	Closed	Omni Logistics, LLC	Forward Air Corporation	\$3,200.00	17.7x
01/29/2024	Closed	Metal Trades, Inc.	Keel Holdings, LLC	n.d.	n.d.
01/29/2024	Closed	Airbus Oneweb Satellites LLC	Airbus U.S. Space & Defense, Inc.	n.d.	n.d.
01/30/2024	Closed	2 Million Square Ft. Industrial Facility in Northwest Alabama	AE Industrial Partners, LP	n.d.	n.d.

Date	Status	Company	VC Round	New Investor(s)	Industry Sector	Investment Size (US\$ Mil)
01/01/2024	Completed	Bavovna	1 st Round	Network VC	A&D	n.d.
01/01/2024	Completed	TrustPoint	2 nd Round	Pirque	A&D	n.d.
01/08/2024	Completed	Novo Space	2 nd Round	n.d.	A&D	\$5.34
01/09/2024	Completed	Space-Eyes	1 st Round	n.d.	A&D	\$3.50
01/12/2024	Completed	Hidden Level	3 rd Round	Booz Allen Ventures, One 9 Investments, Valor Equity Partners, Veteran Ventures Capital	A&D	\$20.00
01/23/2024	Completed	Albedo	4 th Round	Bill Perkins, Booz Allen Ventures, Standard Investments	A&D	\$35.00
01/24/2024	Completed	Tidal Flight	Angel	n.d.	Air Mobility	\$0.30

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.