



Aerospace | Defense & Government | Intelligence Community

July 2023 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

R. LEE PRIEST, JR.
703-231-6924
lpriest@southwindcap.com

J. HARRISON POWELL, II
804-338-3915
hpowell@southwindcap.com

Securities transactions for Southwind are conducted through Ashton Stewart & Co. Inc., Member FINRA/SIPC. Certain individuals of Southwind are Registered Representatives of Ashton Stewart & Co., Inc., which is not affiliated with Southwind.

Advanced Air Mobility

Last month we highlighted the significant amount of VC money going into the category of Defense Technology and observed that given the stable but limited defense budget, much of the value creation might be expected to manifest itself from technology spillover into commercial use cases. One such sector with the potential to transform commercial aerospace (much like investments into “new space” companies are transforming the satellite & space industry – see Quilty Space for more commentary on this), is Advanced Air Mobility (AAM).

Publicly disclosed investment in this sector grew from \$180 million in 2019 to \$5.8 billion in 2021. The large prime contractors are even devoting significant investment, as demonstrated by Boeing’s \$450 million investment in Wisk Aero last year.

While the financial returns are uncertain, investors and regulators are devoting significant resources into this sector, making it one to keep our eye on.

Publicly Traded Universe

AAM Company	Ticker	Stock Price (as of 7/31/23)	Market Cap (\$ in Millions)	Cash (\$ in millions)
Vertical Aerospace Ltd.	EVTL	\$1.88	\$415	\$90
Joby Aviation, Inc.	JOBY	\$8.95	\$6,104	\$1,195
Archer Aviation Inc.	ACHR	\$6.73	\$1,673	\$450
Eve Holding, Inc.	EVEH	\$9.15	\$2,462	\$211
Lilium N.V.	LILM	\$1.37	\$677	\$200
Surf Air Mobility Inc.	SRFM	\$2.04	\$145	\$93
		TOTAL	\$11,476	\$2,238

Noteworthy Statistics

\$100B+

Annual expected growth by 2035 for the domestic AAM industry
-- Deloitte

21.7%

2025-2035 expected CAGR for the AAM market
-- Allied Market Research

\$5.62B

Worldwide investment growth in AAM between 2019 and 2021
-- Lufthansa Innovation Hub

\$11.5B

Collective market cap of publicly traded industry participants
-- S&P Capital IQ

Additional Reading

- [Transforming Aviation: Congress Should Clarify Certain Tax Exemptions for Advanced Air Mobility](#)
 - United States Government Accountability Office Report to Congressional Committees
- [Urban Air Mobility \(UAM\) Market Study](#)
 - Booz Allen Hamilton
- [Perspectives on Advanced Air Mobility — Navigating the Emerging Passenger Urban and Regional Air-Mobility Industry](#)
 - McKinsey & Company
- [Urban Air Mobility \(UAM\) Concept of Operations](#)
 - Federal Aviation Administration
- [Advanced Air Mobility — Disrupting the Future of Mobility](#)
 - Deloitte



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

Strategy & Policy



✓ [Alarming Navy Intel Slide Warns of China's 200X Greater Shipbuilding Capacity](#)

"In a statement...the U.S. Navy has confirmed the authenticity of the slide..."

✓ [The Low-Earth Orbiting Satellite Race Needs More Than A First Place Victor](#)

Scale = Success. Maybe it's more important that the victor isn't communist. - 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



✓ [Silicon Valley Defense Group NATSEC100](#)

"The top-tier startups... have collectively attracted an impressive \$42B in funding to date...without substantial contracts from government customers, venture investors will put their money elsewhere."

✓ ['Tech Watchlist' Reveals Pentagon Vision of Future Digital Battlefield](#)

"...the list helps visualize all the technical areas that DISA is going to be looking at over the coming 12 months, or even several years out."

✓ [Bloomberg Makes Proposals For a More Innovative and Secure Defense](#)

"...culture change is needed to go from a 'no-fail' mindset that the mission must succeed at all costs to a 'fail fast' mentality."

Contracting, Procurement & Budget



✓ [Uh, Guys, We Really Should Think About Spending More On Defense](#)

"It has become increasingly clear that the U.S. defense strategy and posture have become insolvent."

✓ [Private Aerial Refueling Tanker Has Gassed Up An Air Force Plane For the First Time](#)

"A doorway to the Air Force making use of contractor operated tankers...may finally be cracked open."

✓ [Space Force Changed Launch Procurement Plan Due to Concerns About Capacity](#)

"The Space Force estimates it could launch as many as 88 missions in the 2027-2032 timeframe."

Capital Markets



✓ [Safran Makes \\$1.8B Offer for Collins Aerospace's Actuation, Flight Control Tech Portfolio](#)

"...to balance the company's exposure to the military and commercial aircraft markets through the acquisition."

✓ [RSC2 Eyes C5ISR Market Footprint Growth With Navigant Systems Buy](#)

"...the two companies have complementary C5ISR platforms, and the acquisition would expand the acquirer's force protection and communications expertise."

✓ [Calian Completes Acquisition of Hawaii Pacific Teleport](#)

HPT was advised by Southwind Capital & Quilty Space - SWC

Aviators & Warfighters



✓ [Memorial To Those That Pioneered Stealth Technology Unveiled](#)

"Stealth technology...has roots dating back to the 1940s."

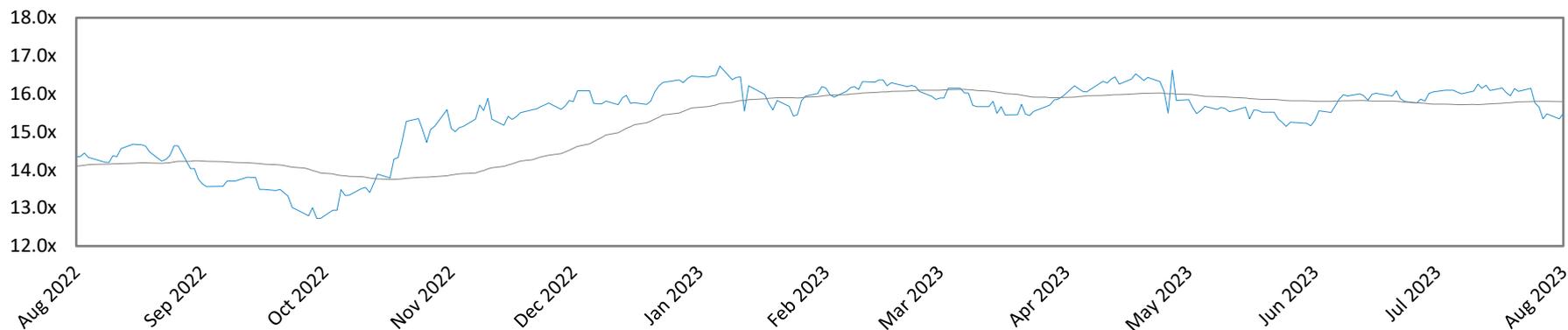
✓ [The Truth About Pirate Weapons](#)

"The purpose was to get their victims to surrender as fast as possible to avoid a long-drawn-out bloody battle."

✓ [A Pair of Mysterious Blue Spacesuits and the Crazy Story Behind Them](#)

"The ultimate goal of the program was to use the Manned Orbiting Laboratory as a spying outpost."

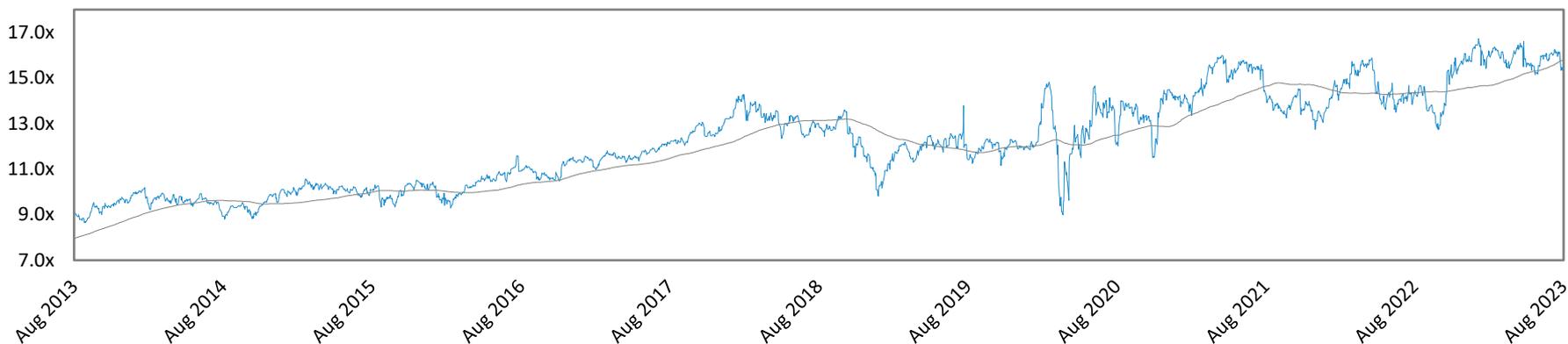
1-Yr Historical EBITDA Multiples*



TEV/Forward EBITDA Multiples for the S&P
Aerospace Defense Index

50 Day Moving Average

10-Yr Historical EBITDA Multiples*



TEV/Forward EBITDA Multiples for the S&P
Aerospace Defense Index

200 Day Moving Average

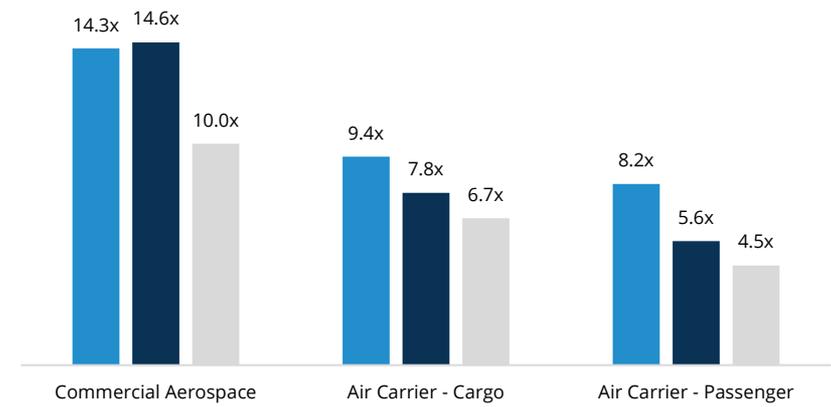
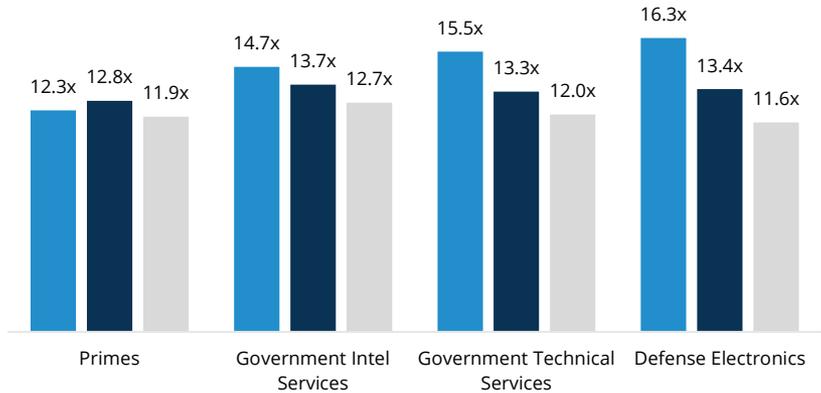
Defense & Government | Intelligence Community*

Commercial Aerospace*

■ LTM ■ 2023CY ■ 2024CY

■ LTM ■ 2023CY ■ 2024CY

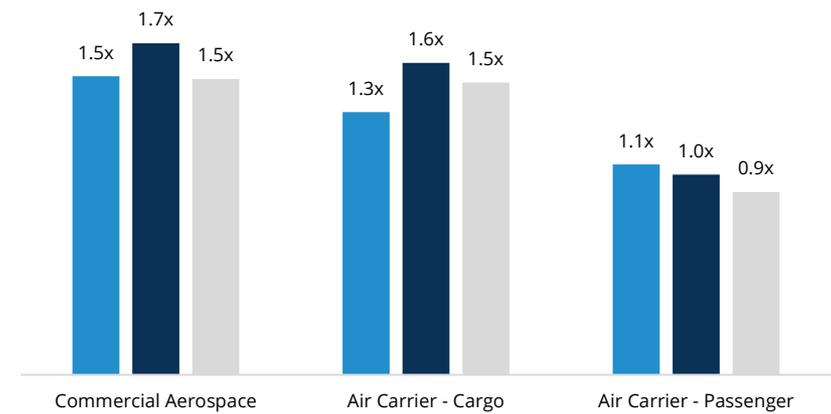
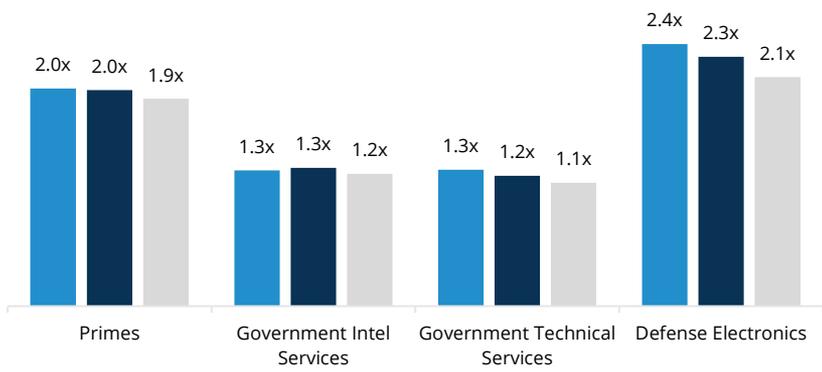
Median EV/EBITDA (x)



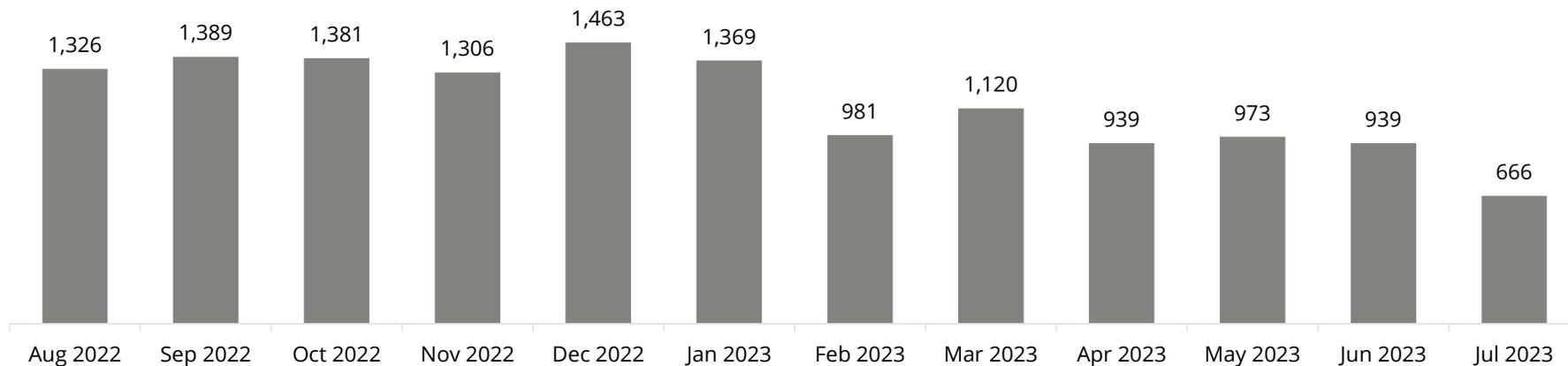
■ LTM ■ 2023CY ■ 2024CY

■ LTM ■ 2023CY ■ 2024CY

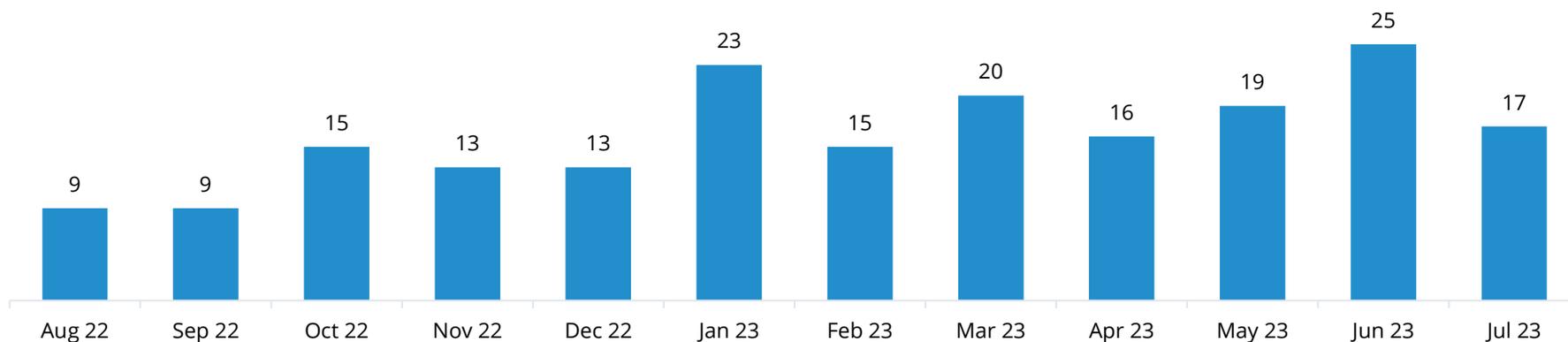
Median EV/Revenue (x)



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)
7/21/2023	Announced	Actuation and Flight Control Business of Collins Aerospace	Safran SA	\$1,800.00	n.d.
7/10/2023	Announced	Global Governments and Critical Infrastructure Business of Forcepoint LLC	TPG Capital, L.P.	n.d.	n.d.
7/12/2023	Announced	Cobham Aerospace SAS	Thales S.A.	\$1,100.00	n.d.
7/17/2023	Announced	AQST-USA, LLC	Global Warming Solutions, Inc.	n.d.	n.d.
7/25/2023	Announced	Inpixon	XTI Aircraft Company	n.d.	n.d.
7/25/2023	Announced	Imperva, Inc.	Thales S.A.	\$3,600.00	n.d.
7/3/2023	Closed	Savannah River Nuclear Solutions, LLC	Huntington Ingalls Industries, Inc.; Fluor Federal Services Inc.	n.d.	n.d.
7/10/2023**	Closed	Assets Related to Certain Inertial, Communication and Navigation Product Lines of Honeywell	Innovative Solutions and Support, Inc.	\$36.00	n.d.
7/11/2023	Closed	Ardent Management Consulting, Inc.	Mission1st Group, Inc.	n.d.	n.d.
7/11/2023	Closed	Riverbed Technology LLC	Vector Capital Management, L.P.	n.d.	n.d.
7/13/2023	Closed	OPS Consulting, LLC	The Swift Group, LLC	n.d.	n.d.
7/13/2023	Closed	Dasi, LLC	Marubeni Corporation	n.d.	n.d.

Date	Status	Target	Acquirer/Investor	Transaction Value (US\$ Mil)	Valuation (EV/LTM EBITDA)
7/17/2023	Closed	Trident Systems Incorporated	LightRidge Solutions	n.d.	n.d.
7/17/2023	Closed	Air Rescue Systems Corp	Vita Inclinata Technologies, Inc.	n.d.	n.d.
7/18/2023	Closed	Capital Solution Design LLC	NeuroFlow Inc.	n.d.	n.d.
7/18/2023	Closed	Hill Aircraft and Leasing Corp.	Priester Aviation LLC	n.d.	n.d.
7/19/2023	Closed	SB Cyber Technologies, LLC	CISO Global Inc.	n.d.	n.d.
7/19/2023	Closed	Ecliptic Enterprises Corporation	Arquimea Group, S.L.	n.d.	n.d.
7/20/2023	Closed	Substantially All of the Assets of Talyn Air Inc.	Ampaire Inc.	n.d.	n.d.
7/24/2023	Closed	Navigant Systems, LLC	RSC2, Inc.	n.d.	n.d.
7/24/2023	Closed	Delta P Design, Inc.	True Velocity Ammunition, LLC	n.d.	n.d.
7/26/2023	Closed	Bridge Core LLC	NewSpring Franchise	n.d.	n.d.
7/28/2023	Closed	Aerojet Rocketdyne Holdings, Inc.	L3Harris Technologies, Inc.	\$5,127.49	15.9x

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.
Aerojet Rocketdyne Holdings, Inc.	Hub Group, Inc.	Copa Holdings, S.A.
Moog Inc.	Chorus Aviation Inc.	Allegiant Travel Company
Triumph Group, Inc.	AAR Corp.	Hawaiian Holdings, Inc.
AAR Corp.	Sun Country Airlines Holdings, Inc.	Mesa Air Group, Inc.
Ducommun Incorporated	Mesa Air Group, Inc.	
Astronics Corporation	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.