



Aerospace | Defense & Government |
Intelligence Community

May 2024 Market Snapshot



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What is My Company Worth?

The short answer to this question, much like with any asset, is always: Its worth whatever someone is willing to pay for it. If asked, most M&A, private equity and corporate development professionals will break out the comparable company or comparable transaction analysis. These are valuable tools however their usefulness breaks down when one digs deeper into issues such as: (a) is this the appropriate comparable industry? (b) is the comparable list complete? Does it truly represent ALL comparables or is the sample size too limited? Are the best comparables' terms "not disclosed"? (c) Are growth rates comparable? (d) are other risks comparable?

Our advice around valuation (for sellers) tends to center around first, what are the characteristics of the seller and second, how many prospective buyers are there and what is their cost of capital? By first focusing on what the seller brings to the table (i.e. growth, strategic capabilities, profitability, etc.) we can then work toward targeting a buyer universe with the highest need and the lowest cost of capital. At a high level, the broad categories of buyers will be:

- 1) *Individuals & Founder Led Companies (including employees/ESOPs)*
 - a. Largest category, however limited by availability of capital
 - b. Typically funded by retained earnings and personally guaranteed debt
 - c. Highly sensitive to interest rates
 - d. Typical structures will include seller notes, earnouts and rolled equity
- 2) Private Equity / Institutional Capital
 - a. Increasingly large with availability of dry capital
 - b. Funded by Institutional LPs
 - c. Sensitive to equity return expectations of their LPs & to a lesser extent, availability & cost of bank debt
 - d. Typical structures will include rolled equity
- 3) Institutionally Backed Companies
 - a. Smallest category, but with the lowest cost of capital
 - b. Funded by either public or private equity and non-recourse debt
 - c. Sensitive to their own equity valuations and to a lesser extent, cost of debt
 - d. Typical structures are all cash deals

It is intuitive that the prospective buyer with the lowest cost of capital can pay the highest valuations, but that does not necessarily mean they will show up to bid (or that they will even provide the highest offer they could afford). Because of that, our pre-marketing opinion on valuation will center on a 'highly confident' valuation level, at which we think there will be multiple interested buyers. We would then point to the potential upside valuation should we be able to move up the valuation food chain to a higher category of buyer.

(continued on next page)



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

What is My Company Worth? (cont.)

The low interest rate environment of the past 15 or so years has fueled the growth of capital formation available as liquidity to small business owners. More recently however, the latest cycle of interest rate increases, which started in early 2022 (see below), has significantly impaired valuations in the lower middle market (transactions less than \$25 million, which tend to be effected by individuals & founder led companies). The chart below shows that for 2014 – 2021, EBITDA valuation multiples for companies less than \$25 million averaged approximately 9x EBITDA, around a 20%-30% discount to larger transactions (\$25 million - \$250 million). In 2023 and YTD 2024, after the latest interest rate increase cycle, valuation multiples for transactions between \$25 million and \$250 million are roughly the same, while those less than \$25 million are now approximately 33% less than they were (and approximately 50% less than their larger counterparts).

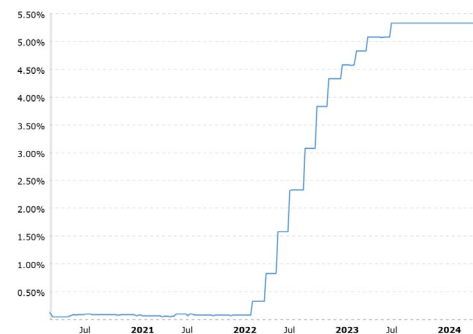
Bottom line, there are many more variables (and sub-categories) for the topics listed above and valuation is truly an ‘art’ not a science, no matter how much math we try and apply. The only way to know for certain is to be in the market and solicit qualified offers. Three final pieces of advice:

- 1) **Get help:** Most owners will do this only once and it will be the most important transaction of their life – do not do it without knowing what will be asked of you by prospective buyers.
- 2) **Be prepared:** Diligence will be invasive. A buyer is unlikely to write a check without justifying it to their sources of capital (even if they are the source).
- 3) **Understand:** Most transactions will not provide 100% liquidity; this is just the first step. The best option may not involve the highest price.

We would be happy to dig into more details and answer questions for you. Please reach out to us!

Schedule a Call

Fed Funds Rate: 2021 – YTD 2024



| | 2014-2019 | 2020 | 2021 | 2022 | 23/'24 |
|----------------|-------------|-------------|-------------|-------------|-------------|
| EV Range | EV / EBITDA | EV / EBITDA | EV / EBITDA | EV / EBITDA | EV / EBITDA |
| \$ in millions | Average | Average | Average | Average | Average |
| 0-25 | 9.12x | 8.84x | 8.86x | 6.31x | 6.11x |
| 25-250 | 11.52x | 11.41x | 12.42x | 12.09x | 12.07x |



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

Strategy & Policy



✓ [American Globalism Versus "America First"](#)

"...he does not label "America First" as isolationist."

✓ [Too Big To Win](#)

"This reality has created an absence of strategic discipline, and a military policy that prioritizes a tiny guild of contractors feeding an obese top-heavy structure rather than winning wars."

✓ [Chips & Ships: Time to Stop Gambling with US Seapower](#)

"Last year, China churned out 30 navy combat ships while the US delivered 2."

Trends in Technology



✓ [Anduril Is Building Out the Pentagon's Dream of Deadly Drone Swarms](#)

"In 2014, DARPA conducted a study...and concluded that a combination of next-generation fighter jets and uncrewed systems or "loyal wingman" capable of working in teams would be the surest way to gain an advantage in future conflict."

✓ [Misreading the Battlefield](#)

"Technology is lowering the bar to entry to military activities, with a preference for the offense."

✓ [Pentagon Technology Hub Sees Lower Transition Rate, Higher Value Deals](#)

"The Defense Innovation Unit transitioned 10 projects from commercial prototypes to military capabilities in fiscal 2023."

Contracting, Procurement & Budget



✓ [Divided Skies: Congress vs. the Army on Drone Strategy](#)

"...would require the Department of the Army to establish a Drone Corps and elevate it to the level of a "basic branch" similar to infantry, corps of engineers, armor branch, military intelligence, and others."

✓ [New Contract Expands Maven AI's Users From Hundreds to Thousands](#)

"...the Pentagon officially determined no other company was capable of meeting its requirements."

✓ [5% GDP: Top SASC Republican Pitches Dramatic Jump in Defense Spending](#)

"The United States spent about 3 percent ...in 2023, ...and hasn't sustained defense spending at the 5 percent level since the early 1990s.."

Capital Markets



✓ [Will SpaceX Be the Most Valuable Company by 2026?](#)

"SpaceX could be making \$100-200 billion in revenue in 2026. This could be 80%+ profit... \$80 billion of annual profit with a 100 PE multiple is \$8 trillion."

✓ [Firefly May Be For Sale](#)

"That makes two of the handful of US companies with operational rockets, Firefly and United Launch Alliance, actively on offer."

✓ [Newspring Continues to Build Bcore](#)

"The private equity firm has supported Bcore in closing three acquisitions over less than a year."

Aviators & Warfighters



✓ [How B-52 Bombers Shot Down Enemy Fighter Jets in Vietnam](#)

"...it was designed almost entirely in a [single weekend](#)..."

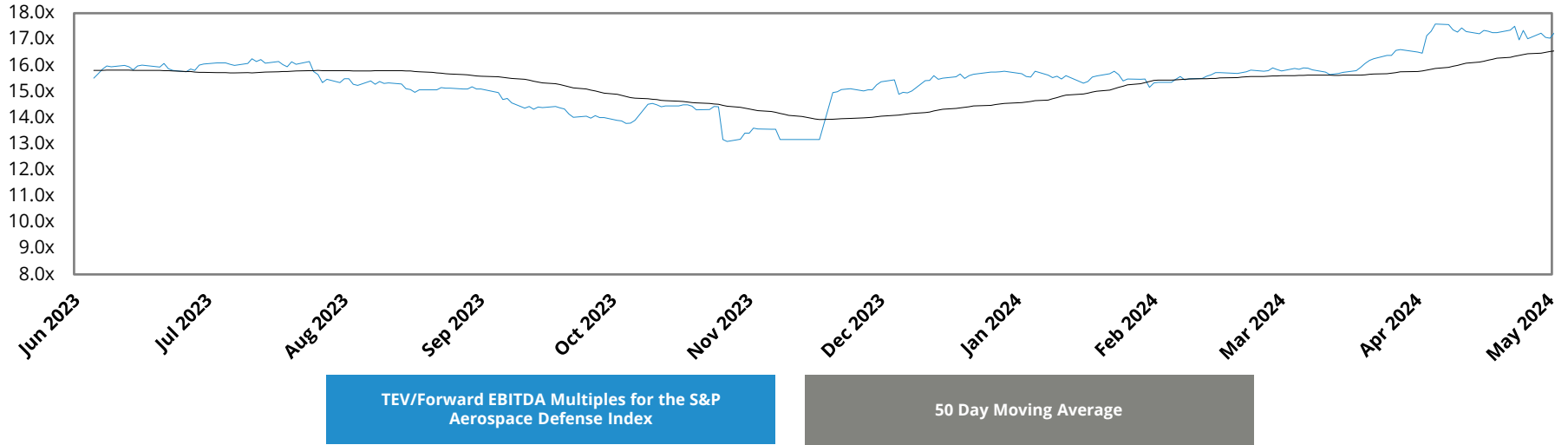
✓ [Bizarre B-17 Collision Over the North Sea During World War II](#)

"I pulled out a cigarette and was about to light it when a young German soldier with a rifle came slowly up to the wing, making me keep my hands up. He grabbed the cigarette out of my mouth and pointed down. The wing was covered with gasoline."

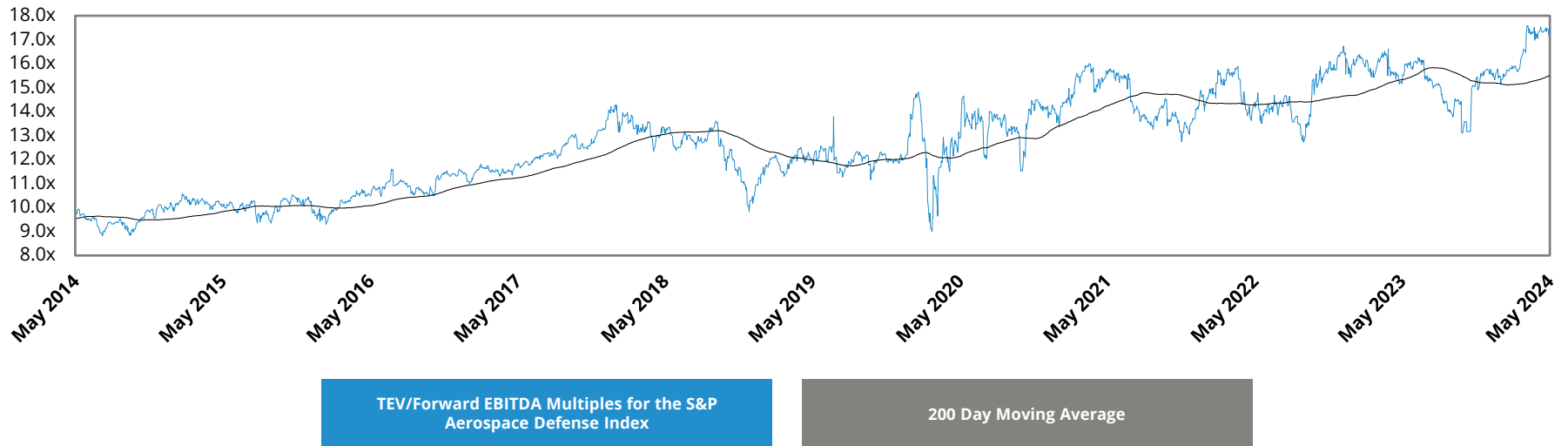
✓ [AI-Piloted F-16 Takes on Human Pilot in Complex Dogfights](#)

"According to the Air Force, the X-62 flew entirely under AI control..."

1-Yr Historical EBITDA Multiples*

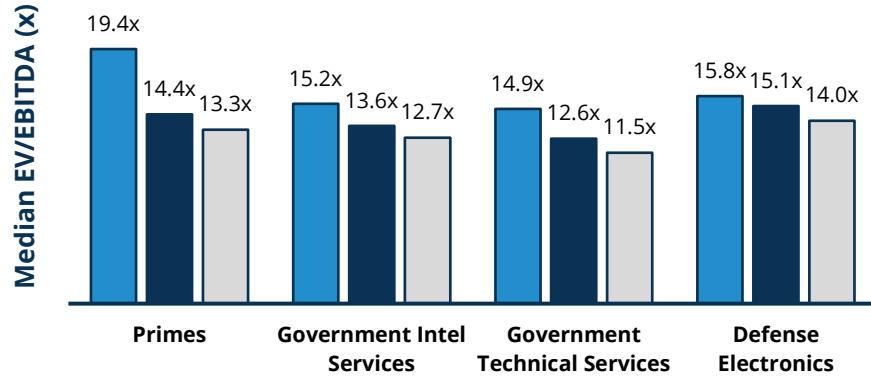


10-Yr Historical EBITDA Multiples*



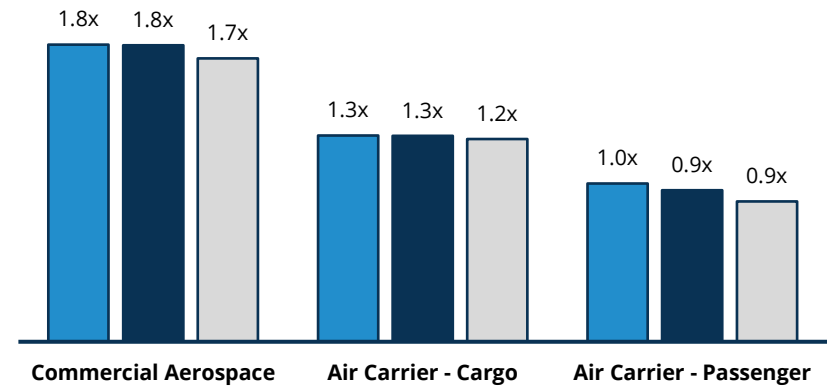
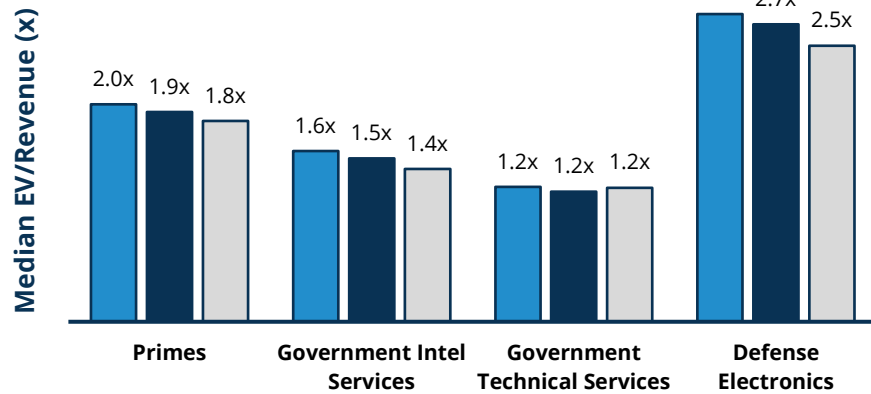
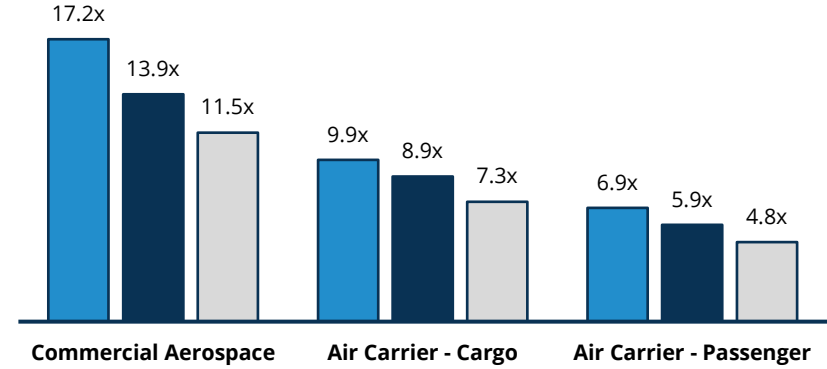
Defense & Government | Intelligence Community*

■ LTM ■ 2024CY □ 2025CY

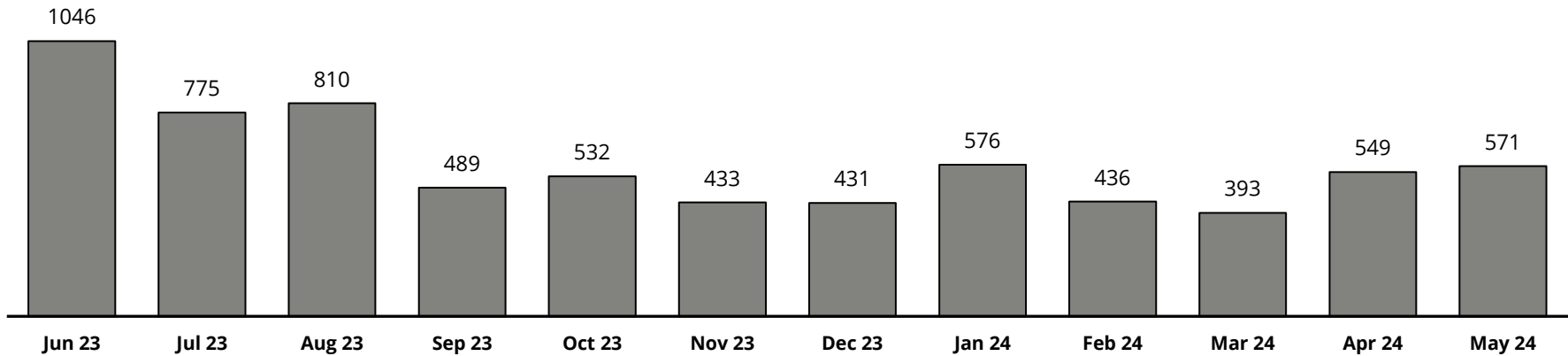


Commercial Aerospace*

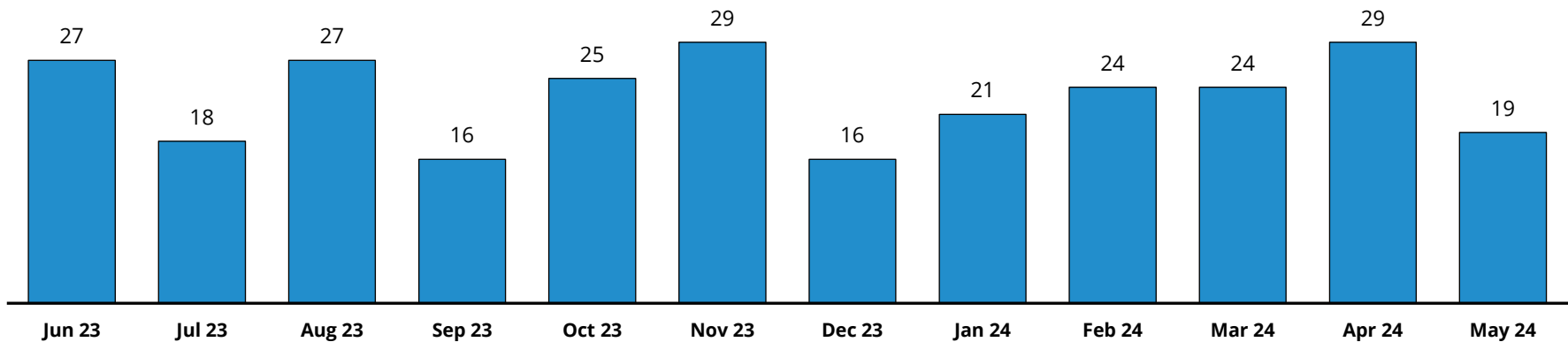
■ LTM ■ 2024CY □ 2025CY



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) |
|------------|-----------|---|-------------------------------------|------------------------------|---------------------------|
| 05/02/2024 | Announced | Bren-Tronics, Inc. | EnerSys Advanced Systems Inc. | \$208.00 | 8.7x |
| 05/06/2024 | Announced | Dedrone Holdings, Inc. | Axon Enterprise, Inc. | \$400.00 | n.d. |
| 05/13/2024 | Announced | Virginia Facility and its Assets of QinetiQ Group plc | American Computer Development, Inc. | n.d. | n.d. |
| 05/20/2024 | Announced | Venafi, Inc. | CyberArk Software Ltd. | \$1,540.00 | n.d. |
| 05/24/2024 | Announced | Innovative Solutions and Support, Inc. | Christopher Harborne | \$118.58 | 13.4x |
| 05/28/2024 | Announced | Raptor Scientific LLC | TransDigm Group Incorporated | \$655.00 | n.d. |
| 05/30/2024 | Announced | Lockheed Martin Commercial Engine Solutions | FTAI Aviation Ltd. | \$170.00 | n.d. |
| 05/01/2024 | Closed | Research In Flight, LLC | Altair HyperWorks, Inc. | n.d. | n.d. |
| 05/02/2024 | Closed | RCBS Pecisioneered Reloading | Hodgdon Powder Company, Inc. | n.d. | n.d. |
| 05/02/2024 | Closed | 2 Twelve Solutions, LLC | Bcore | n.d. | n.d. |
| 05/02/2024 | Closed | Phoenix Aviation Services, L.L.C. | Salt River Aviation, LLC | n.d. | n.d. |
| 05/03/2024 | Closed | General Dynamics Mission Systems - Italy S.R.L. | Maticmind S.p.A. | n.d. | n.d. |
| 05/07/2024 | Closed | Quintron Systems, Inc. | Special Aerospace Services, LLC | n.d. | n.d. |


| Date | Status | Target | Acquirer/Investor | Transaction Value (US\$ Mil) | Valuation (EV/LTM EBITDA) |
|------------|--------|---|--|------------------------------|---------------------------|
| 05/07/2024 | Closed | Aerovel Corporation | Airbus Helicopters, Inc. | n.d. | n.d. |
| 05/09/2024 | Closed | M Wave Design LLC | Quantic Electronics, LLC | n.d. | n.d. |
| 05/11/2024 | Closed | The Assets of Dusters & Sprayers Supply, Inc. | AirCorps Depot LP | n.d. | n.d. |
| 05/20/2024 | Closed | Cognosante, LLC | Accenture Federal Services LLC | n.d. | n.d. |
| 05/21/2024 | Closed | Get SAT Ltd | Thales S.A. | n.d. | n.d. |
| 05/21/2024 | Closed | RaGE Systems, Inc. | Mobix Labs, Inc. | \$17.55 | n.d. |
| 05/21/2024 | Closed | Carlisle Interconnect Technologies Inc. | Amphenol Corporation | \$2,025.00 | n.d. |
| 05/22/2024 | Closed | SEI Industries Ltd. | TransDigm Group Incorporated | \$170.00 | n.d. |
| 05/22/2024 | Closed | Fenix Group, Inc. | Nokia Oyj | n.d. | n.d. |
| 05/27/2024 | Closed | Allegient Defense, Inc. | BCS, LLC (nka:BCS Allegient) | \$12.50 | n.d. |
| 05/28/2024 | Closed | M1 Support Services, L.P. | Cerberus Capital Management, L.P. | n.d. | n.d. |
| 05/28/2024 | Closed | Apogee Engineering LLC | Bernhard Capital Partners Management, LP | n.d. | n.d. |
| 05/30/2024 | Closed | Calspan Hypersonic and Defense Test Systems Business Units of TransDigm Group | Cerberus Capital Management, L.P. | n.d. | n.d. |

| Date | Status | Company | Series/Round | New Investor(s) | Industry Sector* | Investment Size (US\$ Mil) |
|------------|-----------|------------------|-----------------------|---|------------------|----------------------------|
| 05/03/2024 | Completed | ORB Aerospace | 2 nd Round | n.d. | Air Mobility | \$1.94 |
| 05/13/2024 | Completed | Skydio | 7 th Round | KDDI | A&D | \$64.00 |
| 05/13/2024 | Completed | Drone Express | 4 th Round | n.d. | A&D | \$0.10 |
| 05/20/2024 | Announced | Doroni | n.d. | n.d. | Air Mobility | \$0.03 |
| 05/24/2024 | Completed | Agile RF Systems | n.d. | Colorado Office of Economic Development & International Trade | A&D | \$0.25 |
| 05/29/2024 | Completed | PteroDynamics | n.d. | n.d. | Air Mobility | \$1.90 |

| 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.