



Aerospace | Defense & Government |
Intelligence Community

October 2024 Market Snapshot

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Many expect the Republican victories on November 5th to drive growth in Defense and Government contractors, and while we expect spending will increase and multiples are likely to expand, we feel that that 'take' may miss an important nuance as to what may happen in a new administration. Many are familiar with the array of [high-profile VC and technology professionals backing the Trump campaign](#), none larger than Elon Musk. While the [Biden administration's crackdown on crypto and Trump's embrace of decentralized finance](#) gets a lot of credit for this alliance, we see a broader agenda with critical implications for [VC backed Defense Technology companies](#). It is also easy (and somewhat lazy) to chalk this support up to vain billionaires supporting their investment portfolios.

If one were to dig deeper into who these people are and how they think and invest, there are some interesting parallels to the drive to reverse the consolidation in the defense industry and broaden the cross pollination between commercial and government/defense. We would point out two examples in particular: 1) Elon Musk and SpaceX dramatically lowering the cost per kg for access to space and 2) Mark Andreesen and Ben Horowitz' (of a16z, a significant investor in Defense Technology) [discussion around The Little Tech Agenda](#).

As is probably well known by now, [SpaceX has lowered launch cost per kg](#) from approximately \$25,000 per kg in the Space Shuttle era to less than \$3,000 per kg with the Falcon 9. Elon Musk estimates that with Starship, that cost can be lowered yet another order of magnitude to \$100 - \$200 per kg. This is already disrupting the space industry, driving New Space investment, with further dramatic economic impact forecasted in the future. While SpaceX may no longer be considered Little Tech according to a16z, it is precisely the philosophy articulated in The Little Tech Agenda that will allow the next SpaceX to emerge. Andreesen and Horowitz believe that America led the 20th Century because it was "preeminent in three dimensions": Technology, Economy and Military. They go on to discuss how each of these were dependent on and reinforced the other two. They also explain their view that "bad government policies are the #1 threat to Little Tech" and that "[t]he federal government as a customer in critical sectors like defense and intelligence is more wired than ever to favor big incumbents over innovative startups."

We have been making [related observations](#) as applied to the industry consolidation of the previous three decades. Which brings us back to politics. Like the sentiments outlined in the Little Tech Agenda, there was a pervasive view in the first Trump Administration that [economic security is National Security](#). The Little Tech Agenda actually aligns and correlates directly with previously articulated policy. If the new Trump Administration is driven by these same philosophies, further supported by the tech and industrial community, the Defense Technology trends we have been observing will likely be greatly accelerated, leading to tremendous upheaval in the existing government contracting status quo. While 'change' and 'upheaval' may not be a welcome sentiment to the 'big incumbents', as articulated by a16z: *"The glory of a Second American Century is within our reach."*



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

Strategy & Policy



✓ National Defense Strategy Commission: We Are Not Prepared

"Additionally, China this year announced a 7.2% increase in defense spending. Russia, meanwhile, will devote 29% of its budget on national defense..."

✓ The Dawn of Offensive Supply Chains

"For example, rather than bombing a tanker, the offensive supply chain contaminates the fuel in the tanker, causing damage to the aircraft receiving it."

✓ Strategic Instability

"More importantly, these adversaries are inclined to take more risk for core interests."

Trends in Technology



✓ Is 'Big AI' Beating 'Small AI' - and What Does it Mean for the Military?

"Broadly speaking, the Defense Department is pursuing AI along two tracks: large models that require enormous computational resources, and smaller, on-platform AI that can function disconnected from the internet."

✓ The Starship Revolution in Space

"[SpaceX] Falcon] has driven launch costs down to US\$2720 per kilogram from the US\$25,000 per kg that users paid for NASA Space Shuttle flights... [Estimates for Starship] suggests a launch cost of US\$100 to US\$200 per kg."

✓ Why America's Future Could Hinge on Elon Musk

"Will he save the day or go over to the other side?"

Contracting, Procurement & Budget



✓ A Larger Navy is Not in the Cards

"Accepting reality is the first step in making the best of what you have."

✓ Army Official Wants Tech Contracts in 6 Months; Plans to Scratch Overly-prescriptive Requirements

"Moyer said the Army also plans to focus on more demos and less paperwork."

✓ 'Hard Choices' Afoot if Army Unable to Grow its Annual Budget

"Earlier this year, the service unveiled a massive aviation overhaul that included saying goodbye to Future Attack Reconnaissance Aircraft (FARA) development and phasing out the Shadow and Raven unmanned aerial systems."

Capital Markets



✓ Are Boeing's Problems Beyond Fixable?

"Resolving Boeing's crisis is critical to the future of commercial air travel..."

✓ Palantir Surges After 'Eye-popping Quarter' as Wall Street Praises AI Initiatives

"...shares trading near 30 times 2026 revenue suggests risk/reward may be unbalanced..."

✓ More Than a Dozen Private Funds to Invest \$2.8 Billion in Over 1000 Critical Technology Startups & Small Businesses

"They represent all parts of the capital stack across stages of investment ranging from seed stage venture to later stage buyout and from venture debt to special situations credit."

Aviators & Warfighters



✓ How Tragedy Motivated Jonny Kim to Become a SEAL, A Doctor & an Astronaut

"It took years for me to learn to be human again, to let go of that anger, to sublimate all those experiences and all those raw emotions into good."

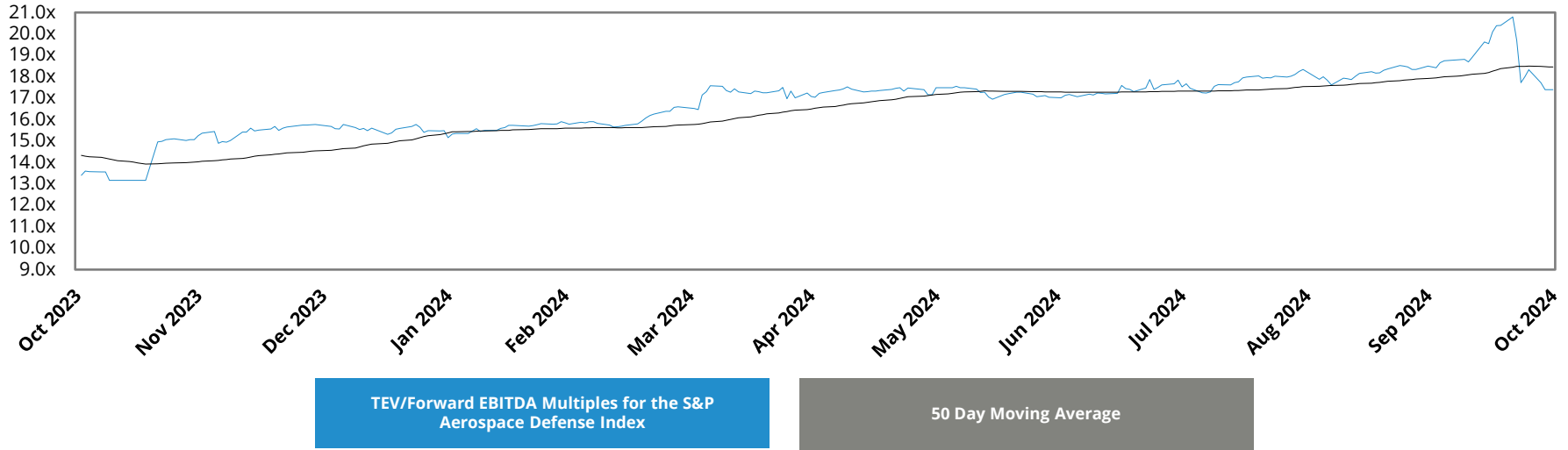
✓ These Exotic Weapons Were Used by the Navy SEALs in Vietnam

"Supposedly, a skilled grenadier could empty the weapon before the first round had hit the target."

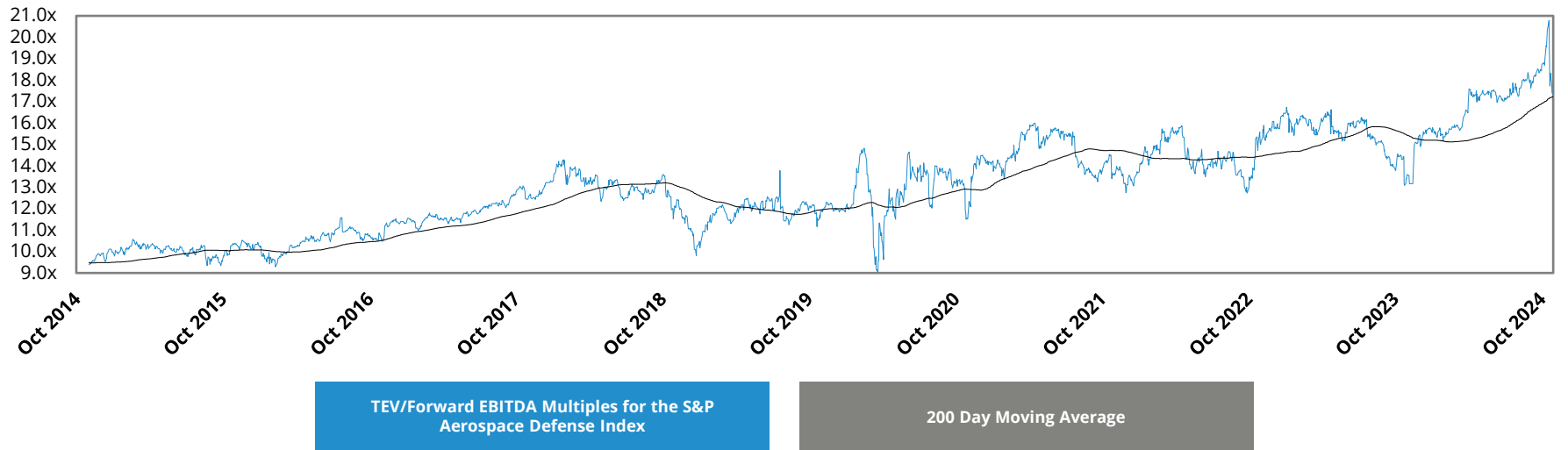
✓ Navajo Code Talker John Kinsel Sr. Passes Away at 107

"Following Kinsel's death, Former Navajo Chairman Peter MacDonald and Thomas H. Begay are the last two living Code Talkers."

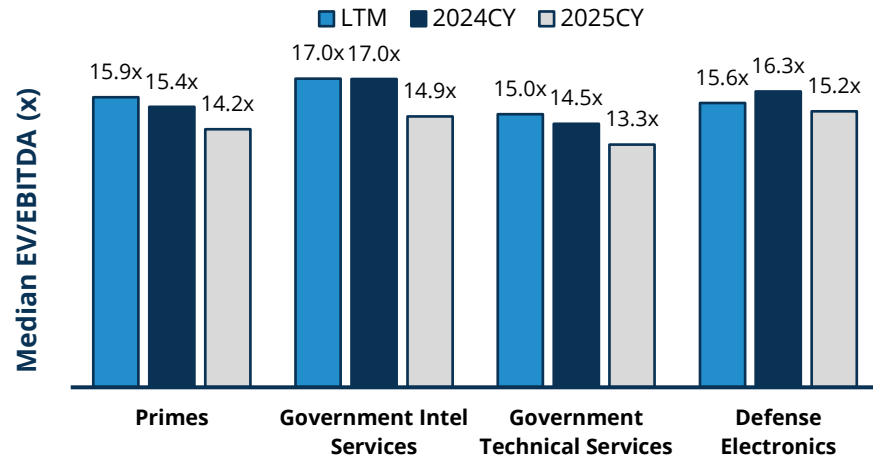
1-Yr Historical EBITDA Multiples*



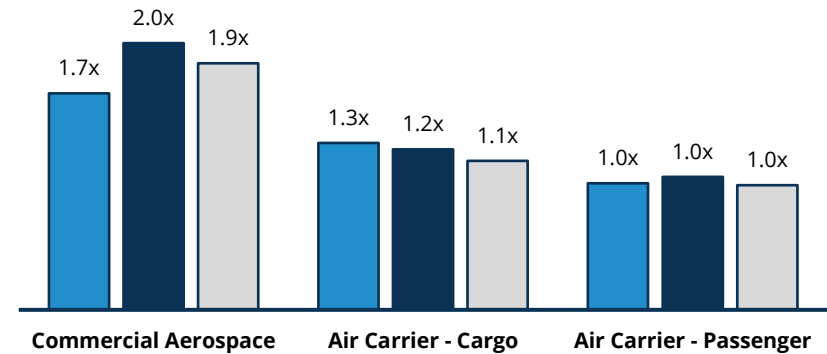
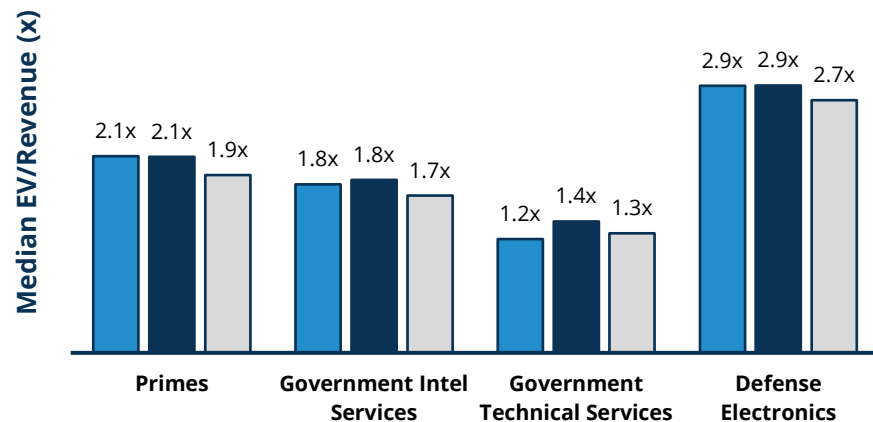
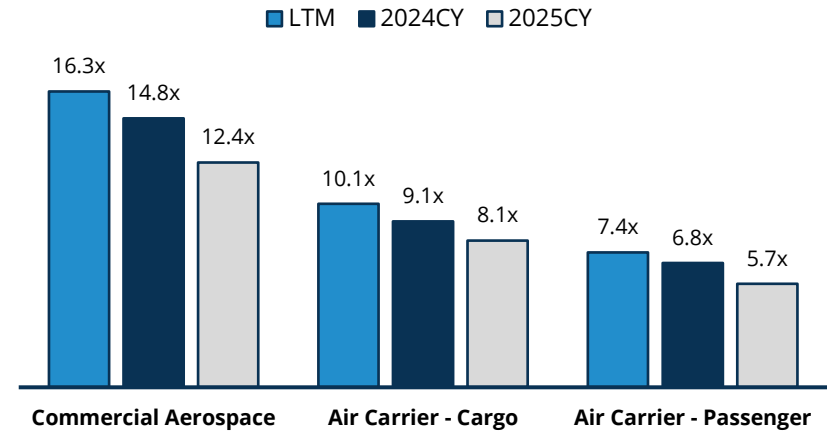
10-Yr Historical EBITDA Multiples*



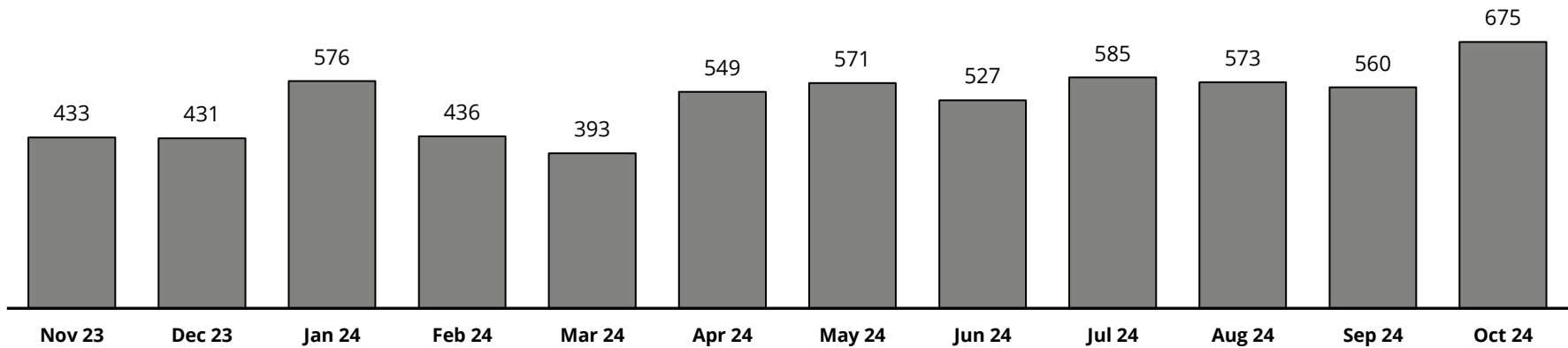
Defense & Government | Intelligence Community*



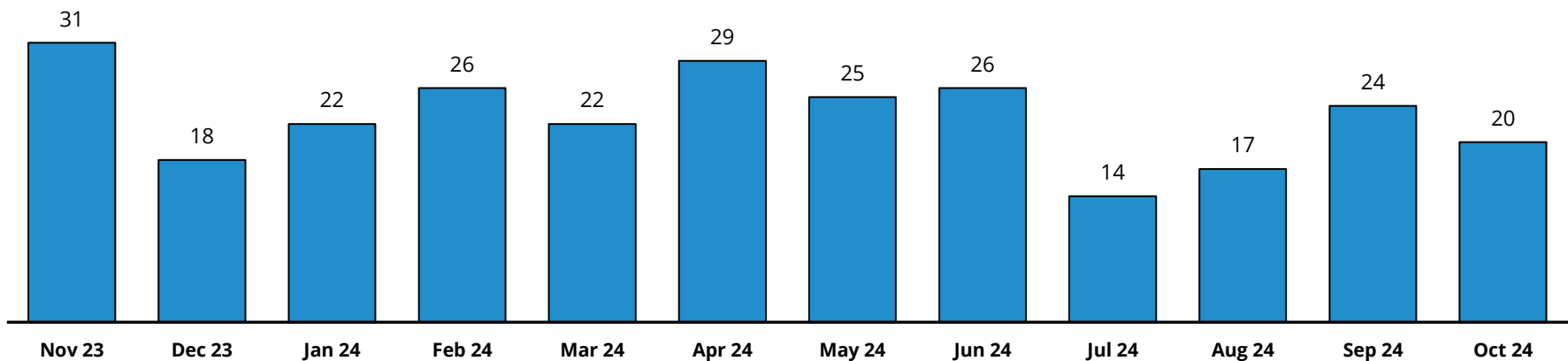
Commercial Aerospace*



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)
10/07/2024	Announced	Barnes Group Inc.	Apollo Global Management, Inc.	\$3,621.42	9.7x
10/07/2024	Announced	Space-based Technologies, Assets, and Business Operations of Quantum Generative Materials, LLC	StarVasa	n.d.	n.d.
10/15/2024	Announced	Kellstrom Aerospace, LLC	VSE Corporation	\$200.00	n.d.
10/18/2024	Announced	23 A320ceo/A321ceo Aircraft	GA Telesis, LLC	\$519.00	n.d.
10/28/2024	Announced	Flight Operations System Business of Collins Aerospace	Portside, Inc.	n.d.	n.d.
10/01/2024	Closed	Champion GSE	Dedienne Aerospace S.A.S	n.d.	n.d.
10/01/2024	Closed	Applied Insight, LLC	CACI International Inc	n.d.	n.d.
10/01/2024	Closed	Venafi, Inc.	CyberArk Software Ltd.	\$1,562.88	n.d.
10/02/2024	Closed	Dedrone Holdings, Inc.	Axon Enterprise, Inc.	\$400.00	n.d.
10/07/2024	Closed	Prescott Precision Die, Inc.	Whitcraft LLC	n.d.	n.d.

Date	Status	Target	Acquirer/Investor	Transaction Value (US\$ Mil)	Valuation (EV/LTM EBITDA)
10/08/2024	Closed	STS Aviation Group, Inc.	H.I.G. Capital, LLC	n.d.	n.d.
10/08/2024	Closed	C Speed, LLC	NewSpring Capital, LLC	n.d.	n.d.
10/15/2024	Closed	Azimuth Corporation	Core4ce LLC	n.d.	n.d.
10/15/2024	Closed	XPECT Solutions, Inc.	NewSpring Capital, LLC; NewSpring Holdings LLC	n.d.	n.d.
10/16/2024	Closed	Folsys Engineering LLC	Titania Solutions Group Inc.	n.d.	n.d.
10/19/2024	Closed	FBO Operating Business of Dominion Aviation Services Inc	Vantage Aviation	n.d.	n.d.
10/20/2024	Closed	Digital Receiver Technology, Inc.	Thales Defense & Security, Inc.	n.d.	n.d.
10/23/2024	Closed	Hoffman Engineering LLC	Branford Castle Partners, L.P.	n.d.	n.d.
10/24/2024	Closed	TurbineAero, Inc.	Snow Peak Capital, LLC	n.d.	n.d.
10/25/2024	Closed	F3 Aerospace	Genesys Industrial Corp.	n.d.	n.d.
10/25/2024	Closed	Dignari, LLC	Ernst & Young LLP	n.d.	n.d.
10/28/2024	Closed	Concordia Technologies Inc.	Special Aerospace Services, LLC	n.d.	n.d.


Date	Status	Target	Acquirer/Investor	Transaction Value (US\$ Mil)	Valuation (EV/LTM EBITDA)
10/29/2024	Closed	Antenna Research Associates, Inc.	OceanSound Partners, LP	n.d.	n.d.
10/30/2024	Closed	Azure Summit Technology, Inc.	CACI, Inc. - Federal	\$1,275.00	n.d.
10/30/2024	Closed	Terran Orbital Corporation	Lockheed Martin Corporation	\$256.65	n.d.

Date	Status	Company	Deal Type	New Investor(s)	Industry Sector*	Investment Size (US\$ Mil)
10/02/2024	Completed	Orbotic Systems	Grant	National Oceanic and Atmospheric Administration	A&D	\$0.83
10/02/2024	Completed	Guardian Agriculture	Later Stage VC	n.a.	A&D	\$10.74
10/07/2024	Announced / In Progress	Orbotic Systems	Equity Crowdfunding	n.a.	A&D	\$0.01
10/07/2024	Completed	New Frontier Aerospace	Seed Round	Pacific Bays Capital	A&D	\$2.50
10/14/2024	Completed	Flyby Robotics	Early Stage VC	Neo (Consulting Services (B2B))	A&D	\$3.50
10/17/2024	Completed	ORB Aerospace	Later Stage VC	n.a.	Air Mobility	\$2.85
10/22/2024	Completed	Bavovna	Seed Round	Allied Venture Partners, Presto Ventures	A&D	\$2.70
10/24/2024	Completed	Lumen Orbit	Early Stage VC	Beyond Earth Technologies	A&D	\$10.00
10/31/2024	Completed	BETA Technologies	Later Stage VC	Qatar Investment Authority, United Therapeutics	Air Mobility	\$318.00

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

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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.