



# PCE Industry Report

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Aerospace & Defense



### Key Highlights

- The average value of the top ten transactions was \$130.1 mm
- The largest transaction was the acquisition of Pnuedraulics, Inc. by TransDigm Group Incorporated for \$325.0 mm.
- The smallest transaction was the acquisition of Adaptive Flight, Inc. by Drone Aviation Holding Corp. for \$1.4 mm.
- The public company industry median TEV/EBIT multiple is 12.2x.
- The public company industry median TEV/EBITDA multiple is 10.0x.

### Key Trends

- The Military Transport subsector's transaction volume was positively trending. The Weapons and Rockets subsectors were trending neutrally, while the Support Services & Systems subsector was trending negatively.
- The Support Services & Systems subsector's transaction volume was the largest at 82% of the industry over the past quarter.
- Until a new budget can be agreed on by the U.S. congress, the defense industry will be slowing its M&A activity due to uncertainty over the estimated \$40 billion dollars in budget cuts. <sup>1</sup>
- The entire Aerospace & Defense industry will begin consolidating through M&A as smaller firms struggle to compete with large firms that are receiving greater shares of federal funding.

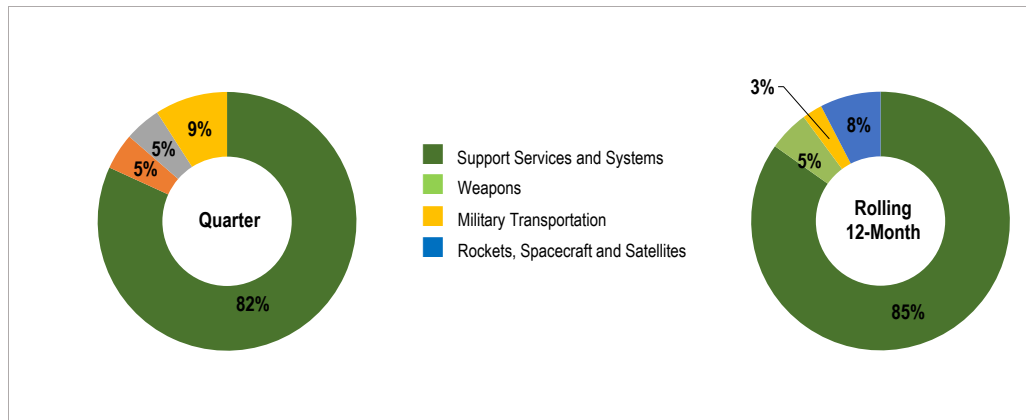
Source: <sup>1</sup> *U.S. Defense industry budget battle* (2015, August), Fortune, Retrieved: October 14, 2015, From:<http://fortune.com/2015/09/29/defense-industry-budget-battle/>

## Industry Trends During Quarter

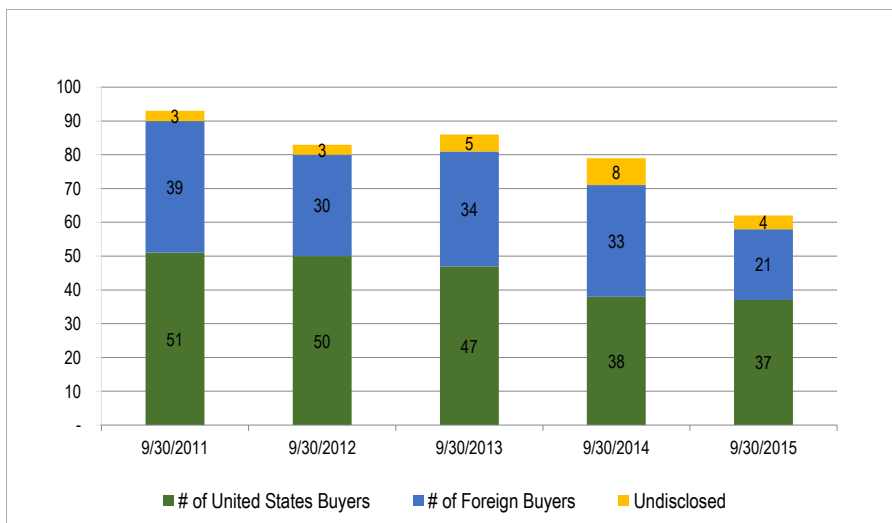
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Support Services and Systems	↓	↑	↑
Weapons	→	↑	↑
Military Transportation	↑	↓	↑
Rockets, Spacecraft and Satellites	→	↑	↑

\* Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data

## Transaction Volume as % of Industry



## Rolling 12-Month Transaction Volume Trends by Buyer Origin



## Representative Transactions Closed During Quarter

Sector	Target	Buyer	Transaction Value
Support Services & Systems	PneuDrualics, Inc.	TransDigm Group Incorporated	\$325.0
Support Services & Systems	International Communications Group, Inc.	Rockwell Collins Inc.	\$64.0
Support Services & Systems	Adaptive Flight, Inc.	Drone Aviation Holding Corp.	\$1.4

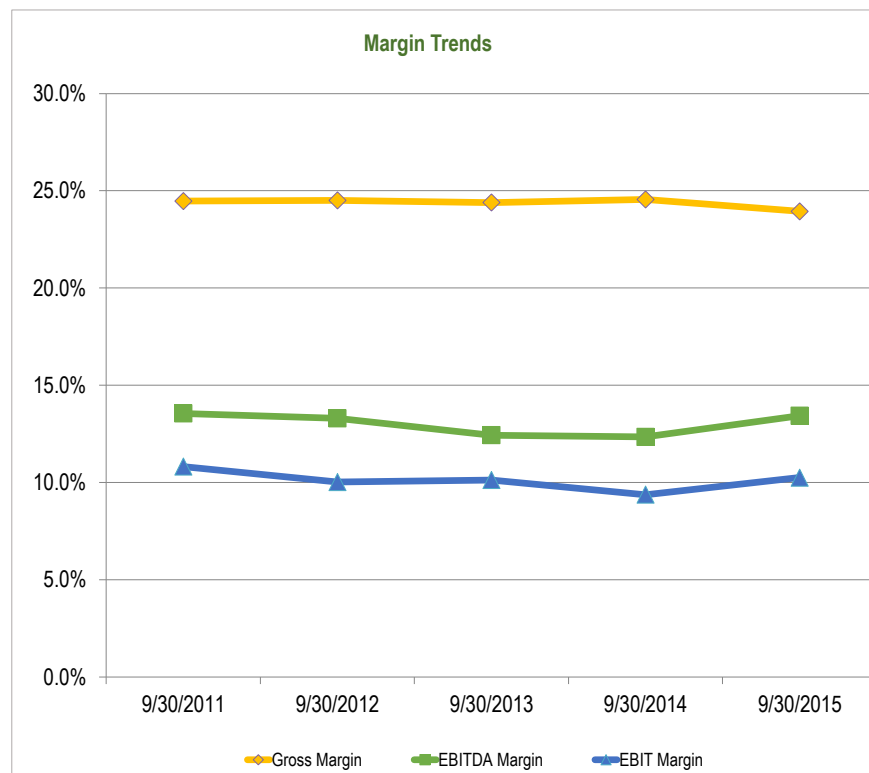
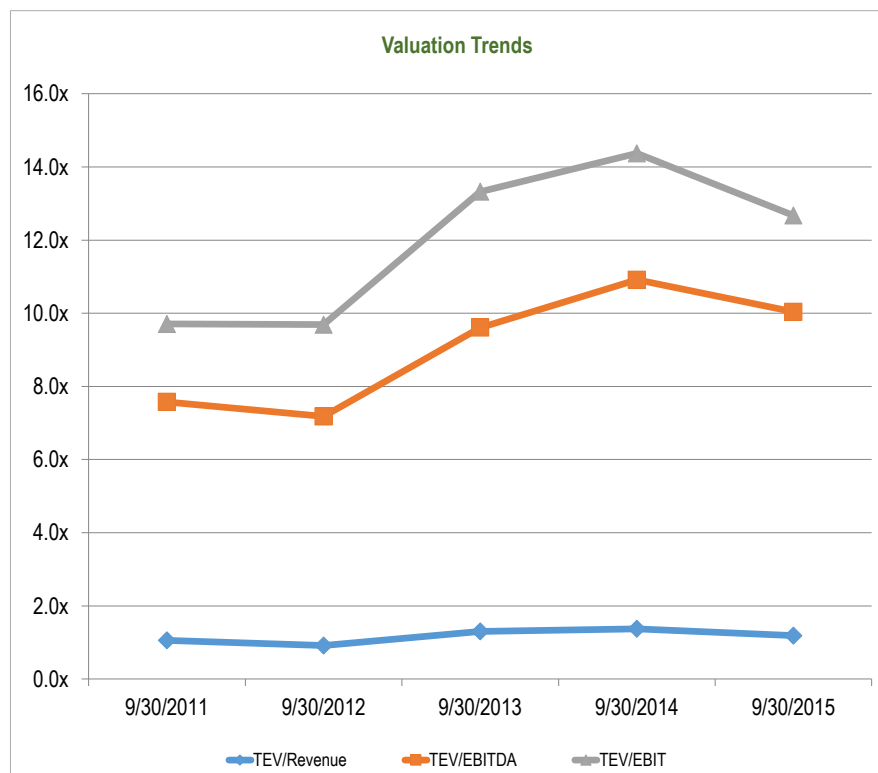
Source: S&P Capital IQ as of 11/3/2015 and PCE Proprietary Data



## Summary of Public Comparables as of Quarter End (\$ in millions)

	Total Enterprise Value				Last Twelve Months 9/30/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$12,877	1.5x	11.8x	21.5x	TEV/Revenue	↓
Median	\$2,197	1.2x	10.0x	12.7x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			9/30/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	25.8%	13.0%	9.6%	Gross Margin	↓
Median	23.9%	13.4%	10.2%	EBITDA Margin	↑
				EBIT Margin	↑

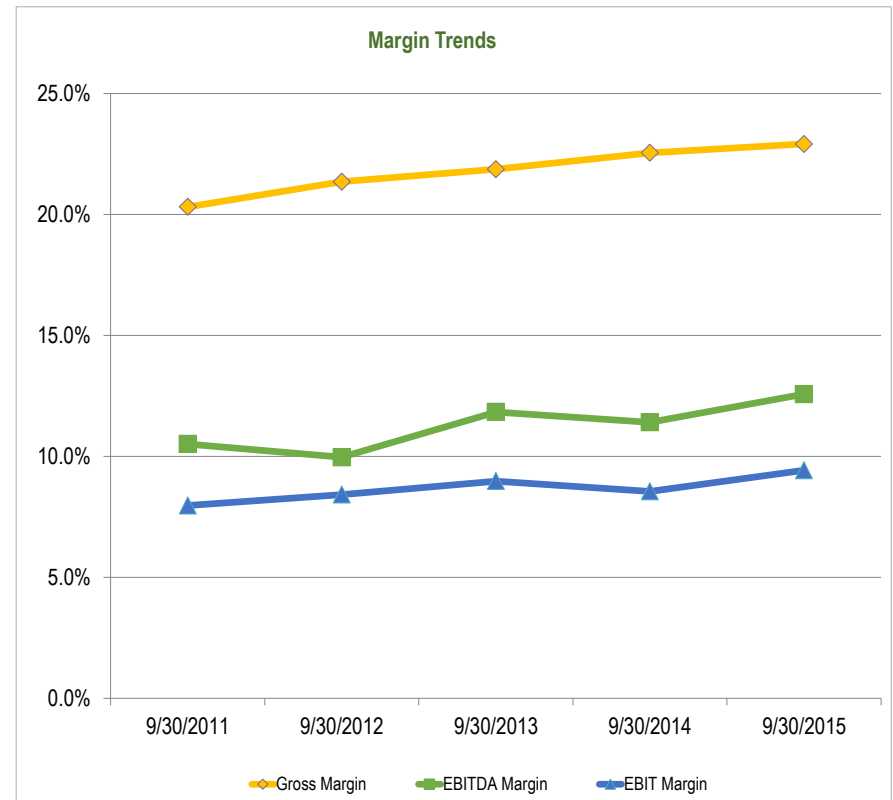
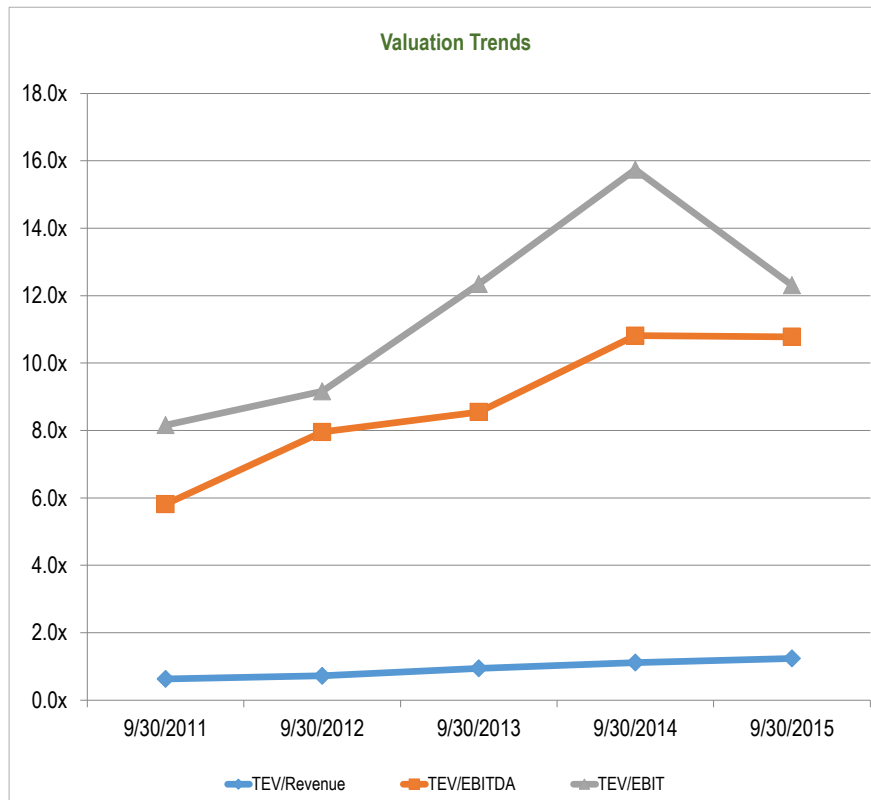


Source: S&P Capital IQ as of 11/3/2015 and PCE Proprietary Data

## Summary of Public Comparables as of Quarter End (\$ in millions)

	Total Enterprise Value				Last Twelve Months 9/30/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$24,283	1.6x	12.4x	14.6x	TEV/Revenue	↑
Median	\$7,834	1.2x	10.8x	12.3x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months 9/30/2015	
	Gross Profit	EBITDA	EBIT		
Average	25.0%	11.5%	8.6%	Gross Margin	↑
Median	22.9%	12.6%	9.4%	EBITDA Margin	↑
				EBIT Margin	↑

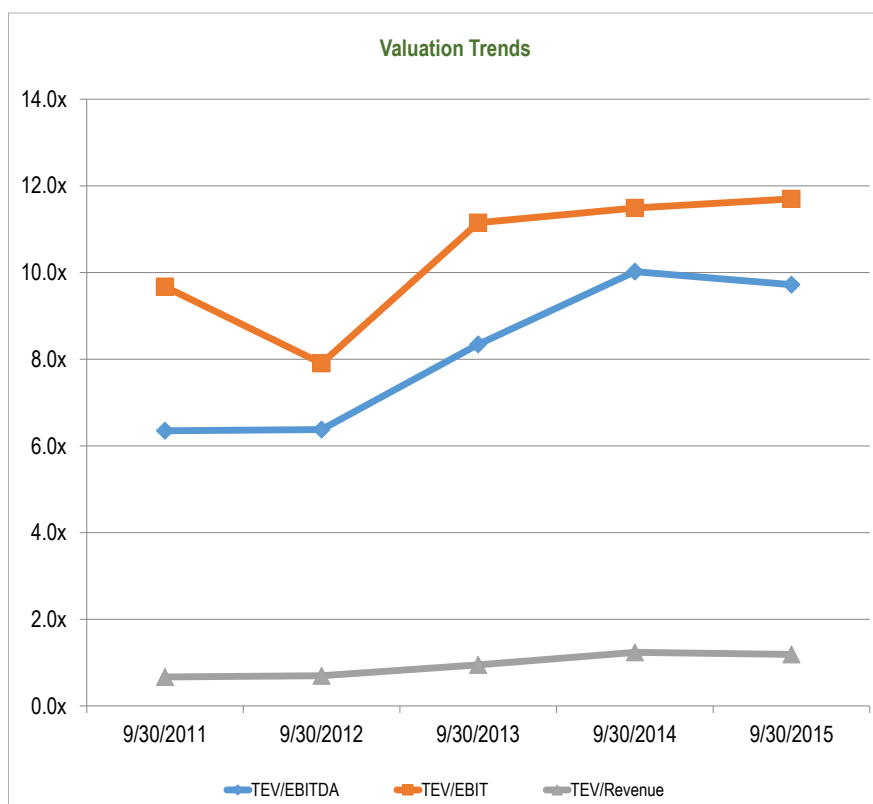


Source: S&P Capital IQ as of 11/3/2015 and PCE Proprietary Data

## Summary of Public Comparables as of Quarter End (\$ in millions)

	Total Enterprise Value				Last Twelve Months 9/30/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$32,257	1.2x	12.6x	11.4x	TEV/Revenue	↓
Median	\$21,600	1.2x	9.7x	11.7x	TEV/EBITDA	↓
					TEV/EBIT	↑

	Margins			Last Twelve Months 9/30/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	21.8%	12.1%	9.7%	Gross Margin	↑
Median	20.8%	13.6%	11.2%	EBITDA Margin	↑
				EBIT Margin	↑

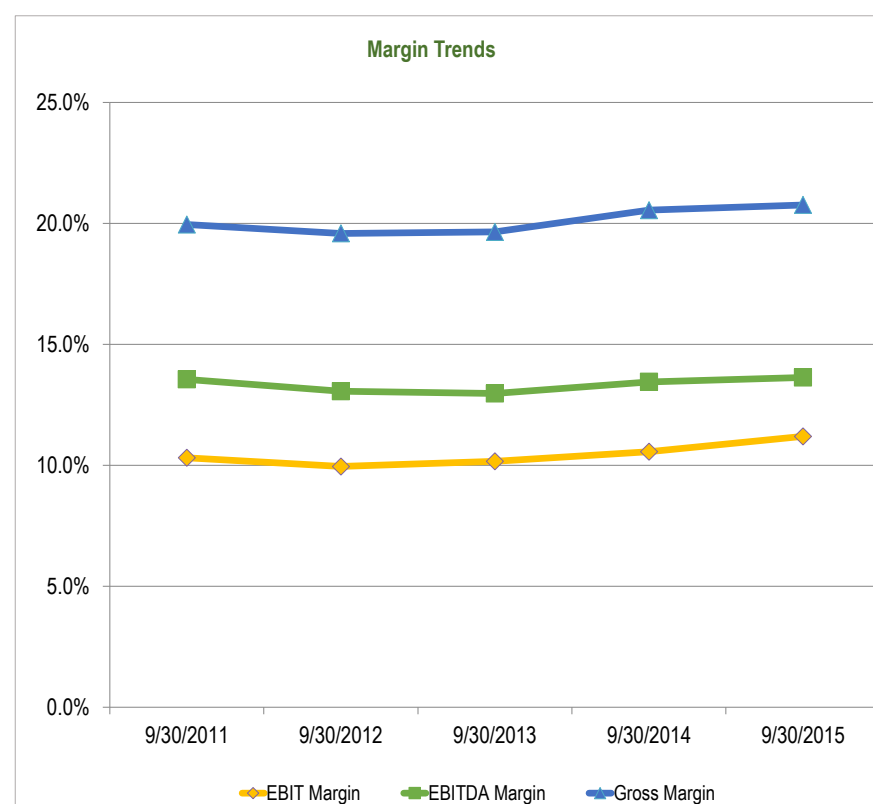
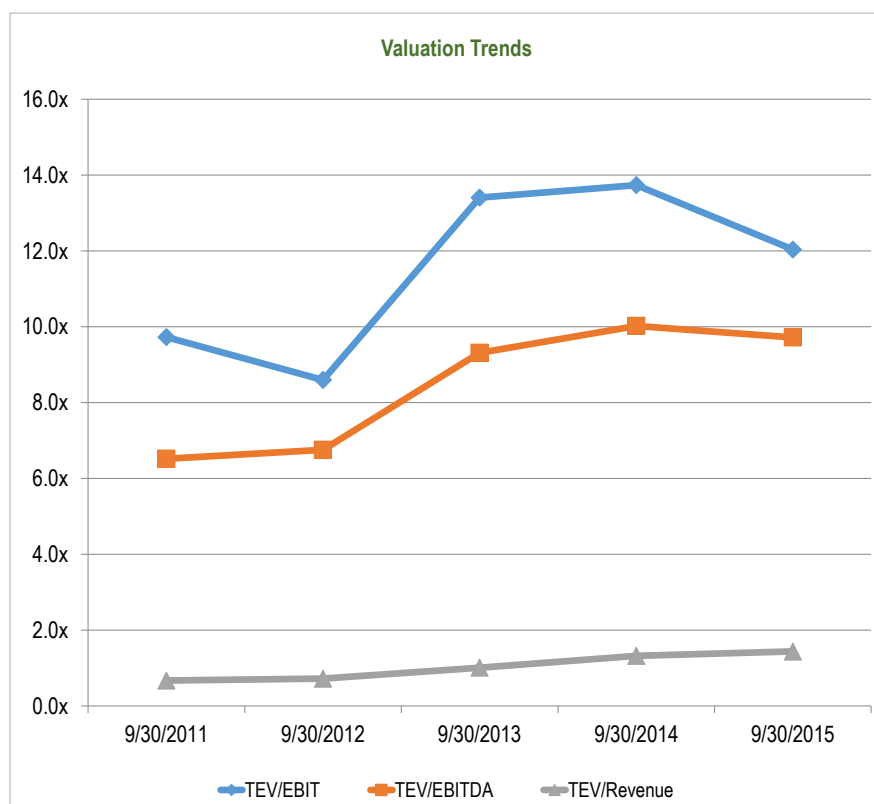


Source: S&P Capital IQ as of 11/3/2015 and PCE Proprietary Data

## Summary of Public Comparables as of Quarter End (\$ in millions)

	Total Enterprise Value				Last Twelve Months 9/30/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$31,123	1.4x	10.0x	12.7x	TEV/Revenue	↑
Median	\$18,339	1.4x	9.7x	12.0x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months 9/30/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	20.4%	14.0%	11.2%	Gross Margin	↑
Median	20.8%	13.6%	11.2%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 11/3/2015 and PCE Proprietary Data

# About PCE

When you're navigating the critical and sometimes challenging phases of the business life cycle, nothing is more important than getting the right advice at the right time. At PCE, that's our specialty. Providing clients with the insightful strategies, creative solutions, and expert guidance they need to address the challenges they face today and achieve the goals they set for tomorrow.

PCE, a leading financial services firm for mid-market companies, offers a full range of services:

- M&A (mergers & acquisitions)
- Growth Capital – Equity & Debt
- Business Valuation
- ESOP (Employee Stock Ownership Plans)
- Financial & Management Consulting
- MBO (management buy outs)
- Bankruptcy
- Restructuring
- Fairness and Solvency Opinion
- Management Consulting
- Succession Planning
- Strategic Analysis
- Litigation Support

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- Banking, Finance & Insurance
- Building Products & Construction
- Business Services
- Consumer & Food
- Diversified Industrials
- Healthcare
- IT & Telecom
- Power & Energy
- Transportation & Logistics

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## PCE Locations

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## Data Assumptions

This report represents transaction activity as mergers & acquisitions, consolidations, restructurings and spin-offs. Targets are defined as U.S. Based companies with either foreign or U.S. based buyers. Transaction information provided is based on closed/disclosed dates only.

## Glossary

EBIT - Earnings Before Interest and Taxes  
EBITDA - Earnings Before Interest, Taxes, Depreciation, Amortization  
LTM - Last Twelve Months  
TEV - Total Enterprise Value