



PCE Industry Report

Aerospace & Defense



Middle Market M&A Summary

Aerospace & Defense

4th Quarter 2016

Key Highlights

- The public company industry median TEV/EBIT multiple is 14.85x.
- The public company industry median TEV/EBITDA multiple is 11.6x.

Key Trends

- Current aerospace and defense valuations are well above their historical average as stocks in this sector received a large boost immediately after the US presidential election and have been on the uptrend since. The jump in their share prices has pushed the valuations of some companies to record highs that were only exceeded after the September 11th attacks and during the height of the Cold War.¹
- Despite the recent increases in value of the stocks within the Aerospace & Defense industry, transaction activity continues to drop to a low not seen in years. The subdued market in the Aerospace & Defense industry is not expected to continue much longer. The new US Administration has highlighted its focus on strengthening the military's forces which should spur the activity in this sector.
- During the four weeks following the election, the Powershares Aerospace & Defense Portfolio increased 10%, the iShares US Aerospace & Defense ETF grew 11%, and the SPDR S&P Aerospace & Defense ETF went up 12%. On December 5, these three ETFs hit their highest since inception, though they have scaled back a bit in the past month.¹ Currently, the Dow average is up 8% since Trump's election.²
- In December, the House of Representatives passed an annual defense spending bill to increase military spending to \$619 billion in 2017.³

Source: IBIS World, S&P Capital IQ, and PCE Proprietary Data

¹ "Defense and Aerospace Stocks Get the Trump Bump", The Wall Street Journal, December 6, 2016.

² "No Expiration Date on S&P 500 Bull Run Hurling into Ninth Year", Bloomberg, December 29, 2016.

³ "House Approves 2017 Defense Policy Bill", The Wall Street Journal, December 3, 2016.

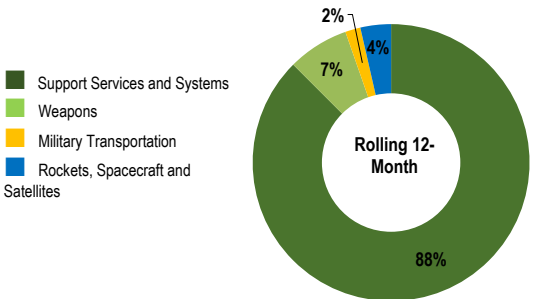
Industry Trends During Quarter

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

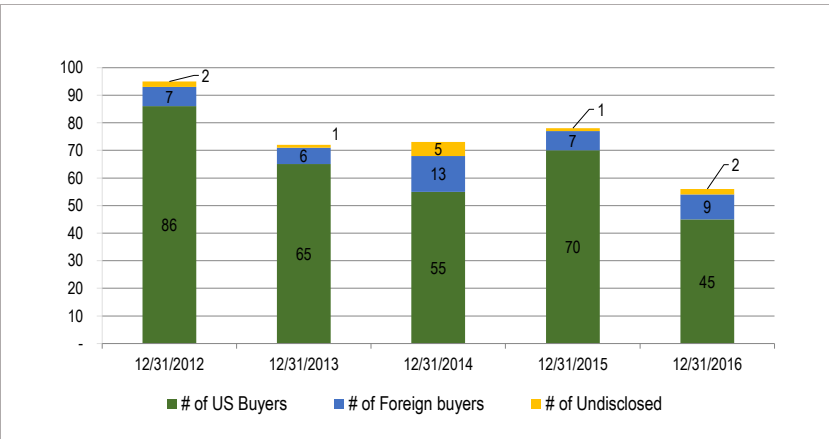
* Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data

Transaction Volume as % of Industry

Market Data Not Available



Rolling 12-Month Transaction Volume Trends by Buyer Origin



Largest Transactions Closed During Quarter by Transaction Value (\$ in millions)

Sector	Target	Buyer	Transaction Value

Source: S&P Capital IQ as of 1/19/2017 and PCE Proprietary Data

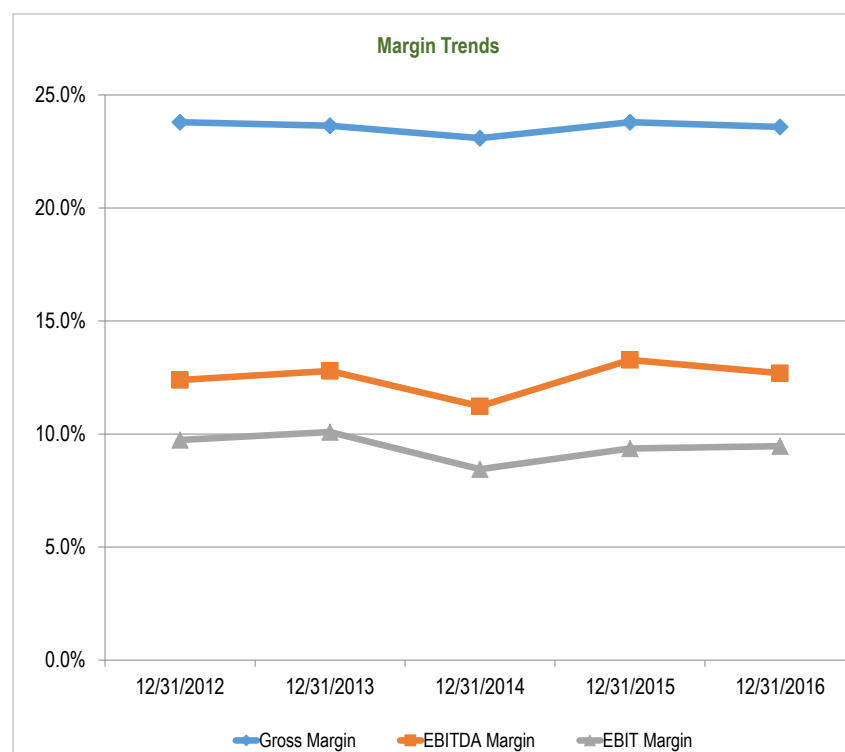
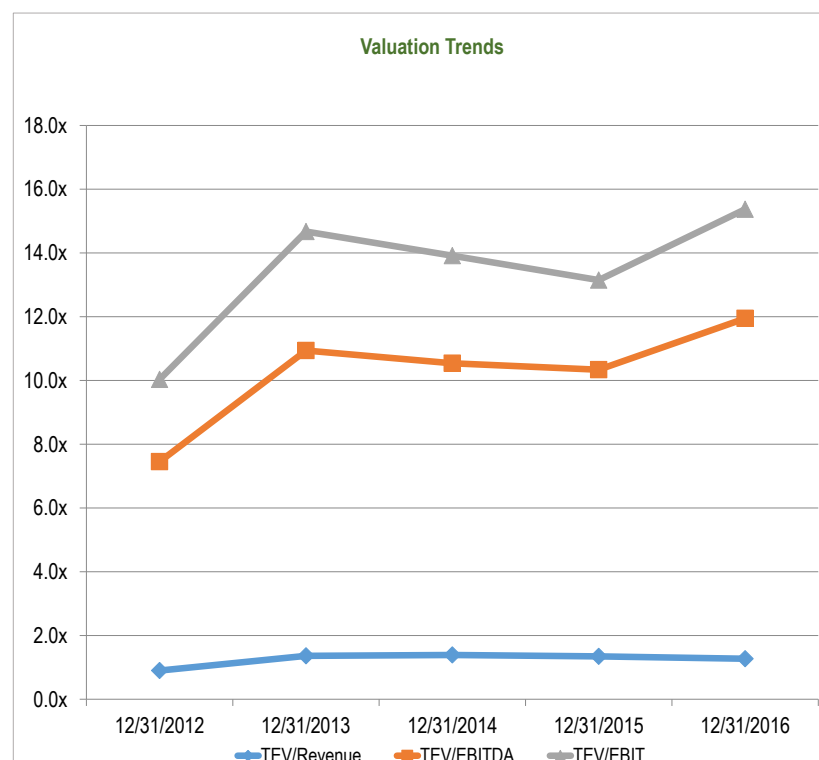
Support Services and Systems

4th Quarter 2016

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 12/31/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$13,522	1.7x	14.8x	18.9x	TEV/Revenue	↓
Median	\$2,466	1.3x	11.9x	15.4x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 12/31/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	24.9%	11.8%	8.3%	Gross Margin	↓
Median	23.6%	12.7%	9.5%	EBITDA Margin	↓
				EBIT Margin	↑



Source: S&P Capital IQ as of 1/19/2017 and PCE Proprietary Data

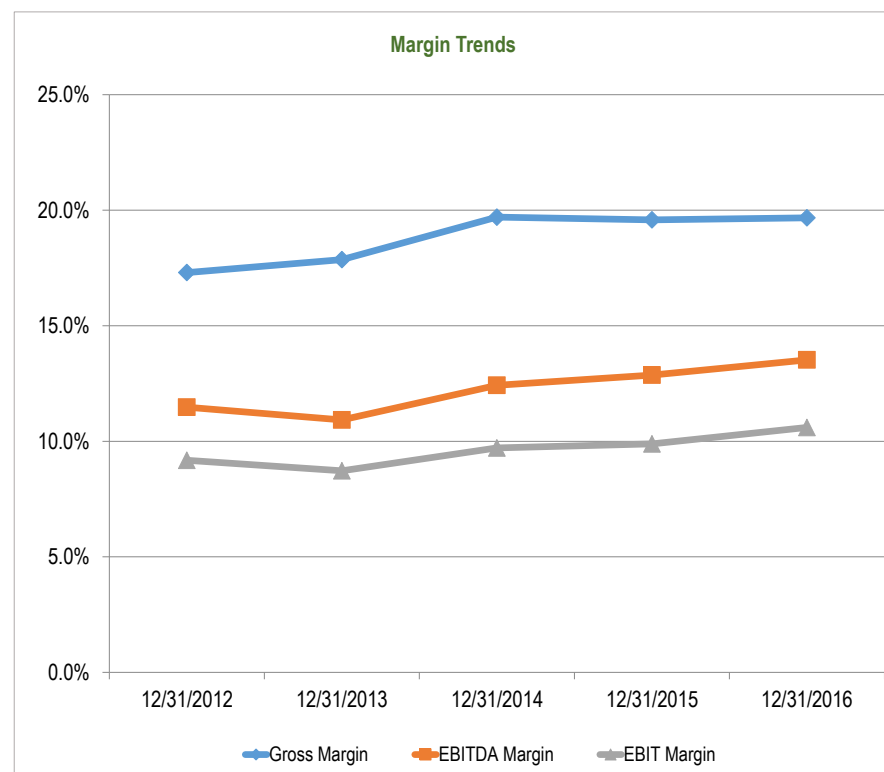
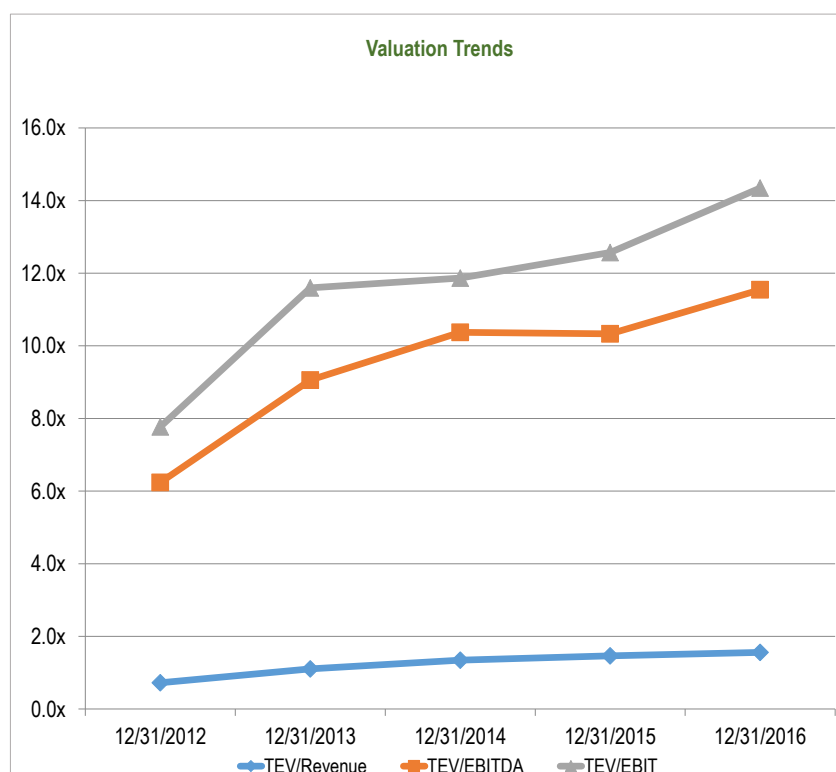
Military Transportation

4th Quarter 2016

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 12/31/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$37,055	1.5x	11.3x	14.1x	TEV/Revenue	↑
Median	\$27,475	1.6x	11.5x	14.3x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 12/31/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	20.3%	11.3%	8.8%	Gross Margin	↑
Median	19.7%	13.5%	10.6%	EBITDA Margin	↑
				EBIT Margin	↑

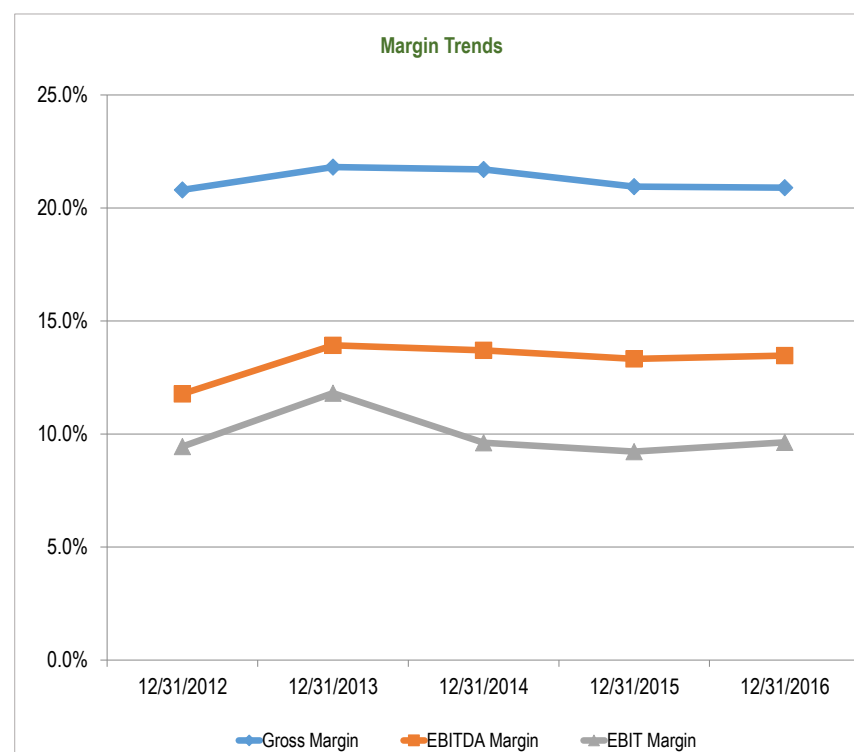
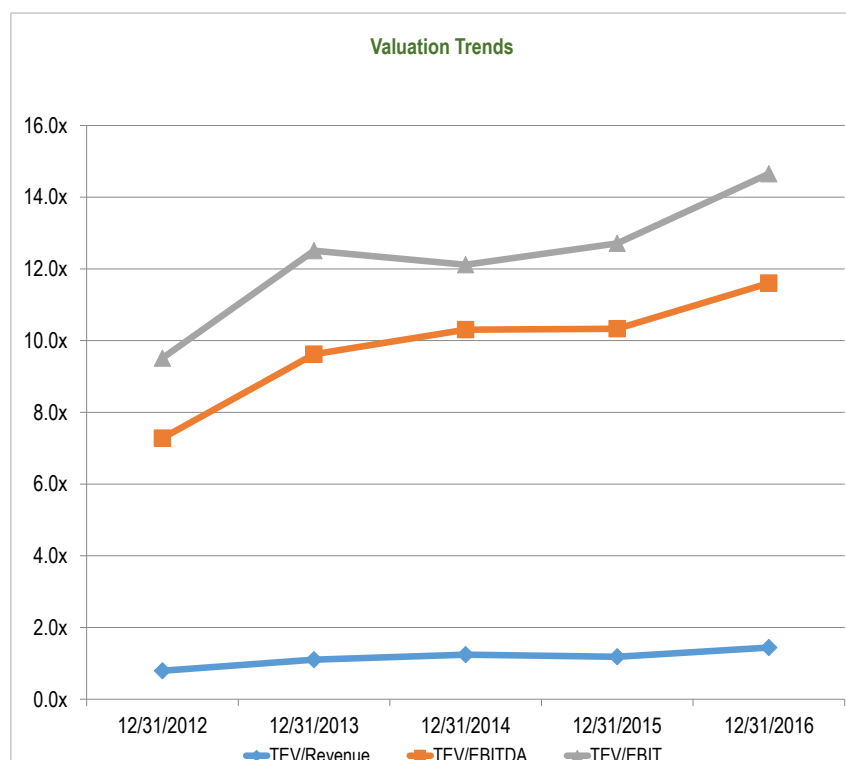


Source: S&P Capital IQ as of 1/17/2017 and PCE Proprietary Data

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 12/31/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$25,869	1.7x	13.5x	20.0x	TEV/Revenue	↑
Median	\$5,200	1.4x	11.6x	14.7x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 12/31/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	24.7%	11.3%	8.3%	Gross Margin	↓
Median	20.9%	13.5%	9.6%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 1/17/2017 and PCE Proprietary Data

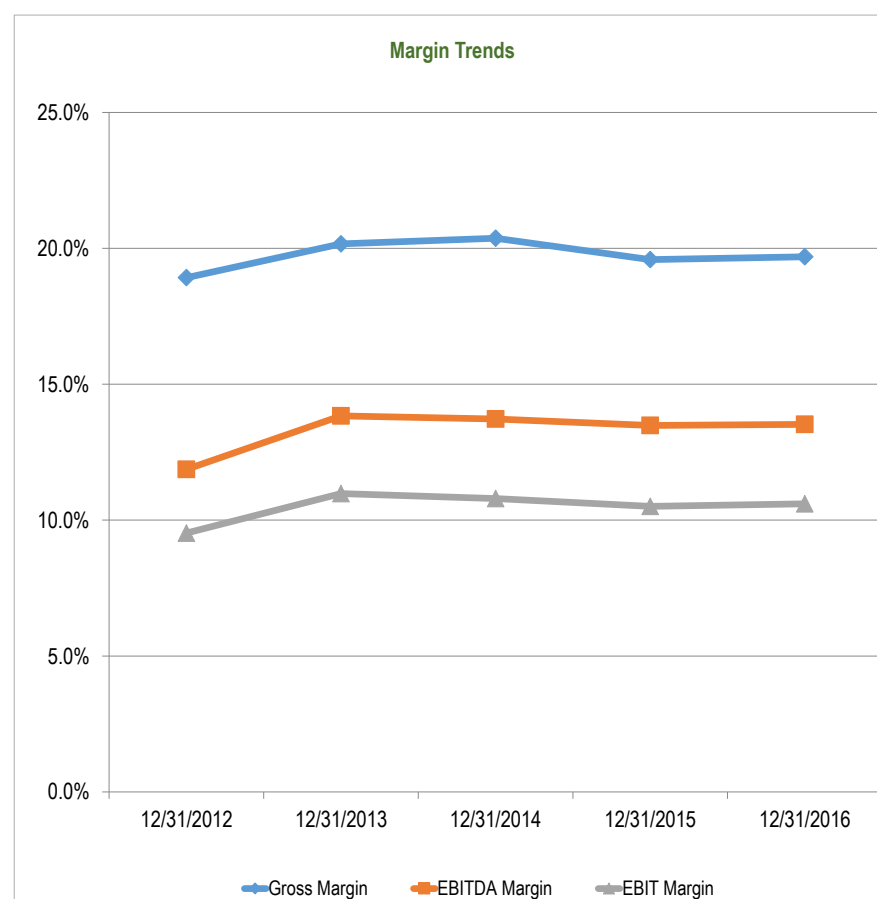
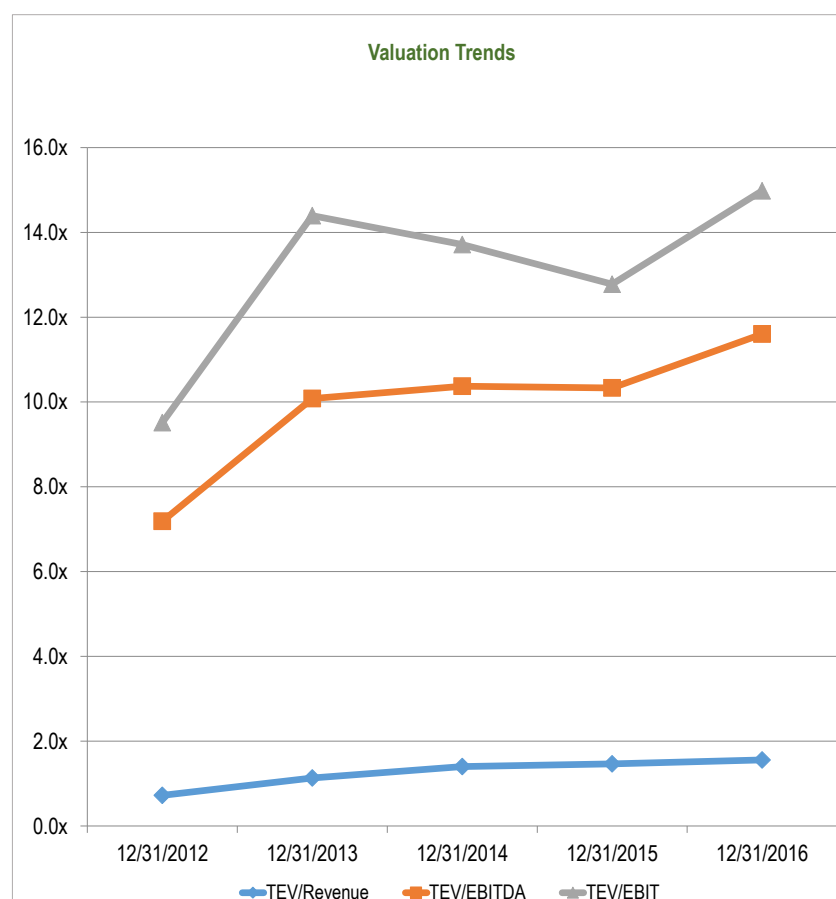
Rockets, Spacecrafts, and Satellites

4th Quarter 2016

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 12/31/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$35,238	1.6x	11.5x	15.1x	TEV/Revenue	↑
Median	\$23,382	1.6x	11.6x	15.0x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 12/31/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	20.0%	13.7%	10.8%	Gross Margin	↑
Median	19.7%	13.5%	10.6%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 1/17/2017 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.

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- 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

PCE Investment Bankers, Inc - member FINRA & SIPC; PCE Valuations, LLC; PCE Advisory, LLC

4th Quarter 2016



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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 dates only.

Glossary

EBIT - Earnings Before Interest and Taxes

EBITDA - Earnings Before Interest, Taxes, Depreciation, Amortization

LTM - Last Twelve Months

TEV - Total Enterprise Value