



PCE Industry Report

Aerospace & Defense



Middle Market M&A Summary

Aerospace & Defense

2nd Quarter 2017

Key Highlights

- The public company industry median TEV/EBIT multiple is 15.4x.
- The public company industry median TEV/EBITDA multiple is 12.8x.

Key Trends

- The President signed a nearly \$1.2 trillion omnibus spending bill in May, which keeps the federal government funded through September 30th. The bipartisan deal appropriates an additional \$15 billion for military spending, bolstering military resources and increases spending on border security by \$1.5 billion.¹
- Following President Trump's visit to Saudi Arabia in late May, the White House announced that Saudi Arabia committed to spend \$110 billion in defense contract purchases. Shortly after the visit, Lockheed Martin announced a \$28 billion contract with the Saudi Arabian government to sell missiles, radar defense systems, and helicopters. The industry expectations for continued growth are bullish as it anticipates increases in US domestic defense spending.²
- Commercial space flight continues to advance in the second quarter, as the Pentagon selected Boeing to develop an experimental space plane designed to quickly launch satellites. While startup commercial operators, such as Rocket Lab, continue the quest to successfully launch rockets with payload to space.³
- The demand for consumer drones has been growing rapidly, as sales in the US have more than doubled year over year for the 12-month period ending in April. According to estimates from industry experts, consumer drones generated \$1.7 billion in global sales last year, with sales projected to hit \$4.6 billion by 2020.⁴

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

¹ "Trump signs spending bill to avert government shutdown", CNBC, May 5, 2017.

² "Defense stocks at record highs on Trump-Saudi deal", CNN, May 22, 2017.

³ "Startup's Rocket Reaches Space, but Falls Short of Orbit", WSJ.com, May 25, 2017.

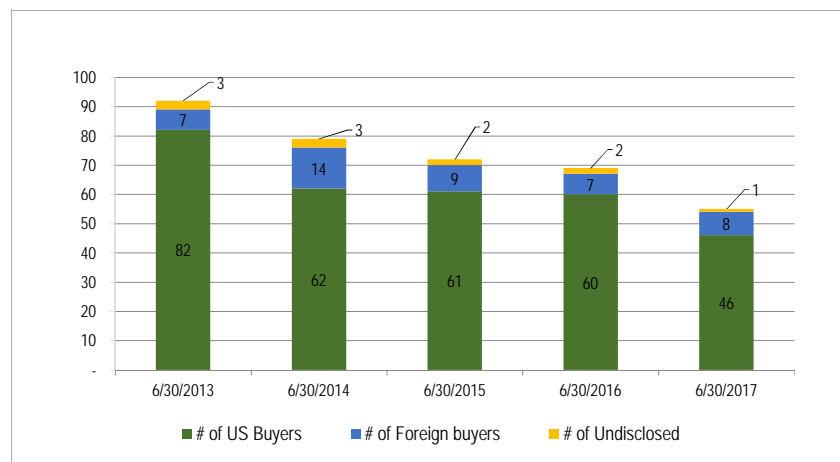
⁴ "Drone Wars Shoot Down Profits", WSJ.com, May 24, 2017.

Industry Trends During Quarter

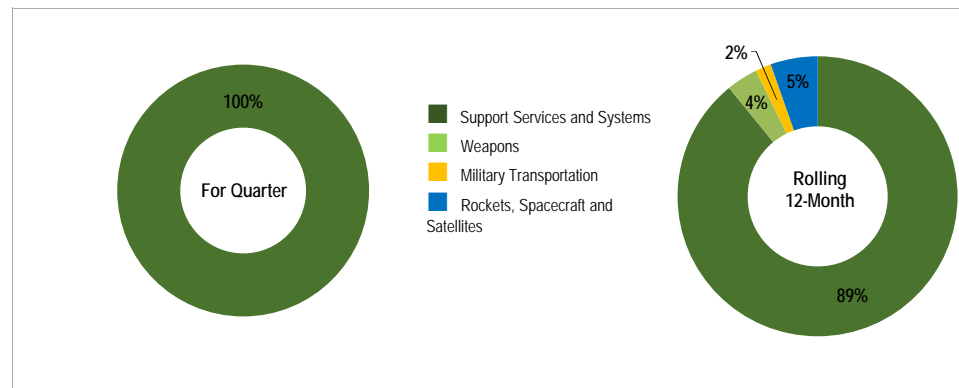
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Support Services and Systems	↑	↑	↑
Weapons	→	↑	↑
Military Transportation	→	↑	↑
Rockets, Spacecraft and Satellites	↑	↑	↑

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

Rolling 12-Month Transaction Volume Trends by Buyer Origin



Transaction Volume as % of Industry



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

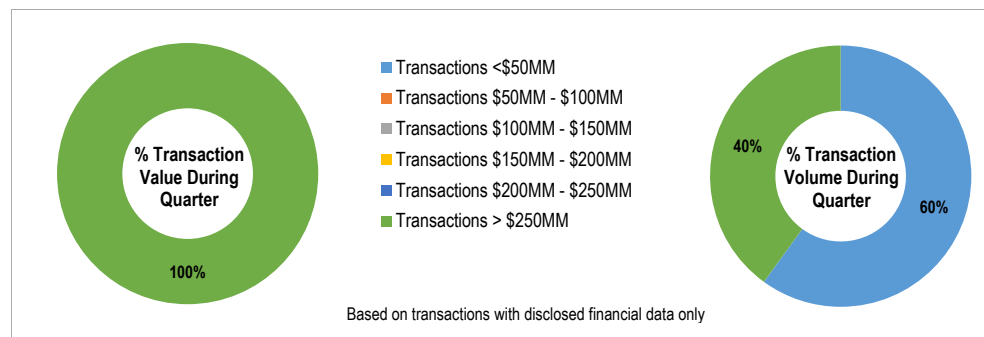
Sector	Target	Buyer	Transaction Value
Support Services and Systems	B/E Aerospace, Inc.	Rockwell Collins, Inc.	\$8,187.6
Support Services and Systems	LMI Aerospace, Inc.	Sonaca SA	\$432.3
Support Services and Systems	Custom Control Concepts, Inc.	Astronics Custom Control Concepts Inc.	\$10.7
Support Services and Systems	PolyAero Inc.	Apollo Aerospace Components Limited	\$10.5
Support Services and Systems	Jiffy Air Tool, Inc.	Florida Pneumatic Manufacturing Corporation	\$8.0

Source: S&P Capital IQ as of 7/20/2017 and PCE Proprietary Data

Summary of Sector Transactions During Quarter (\$ in millions)

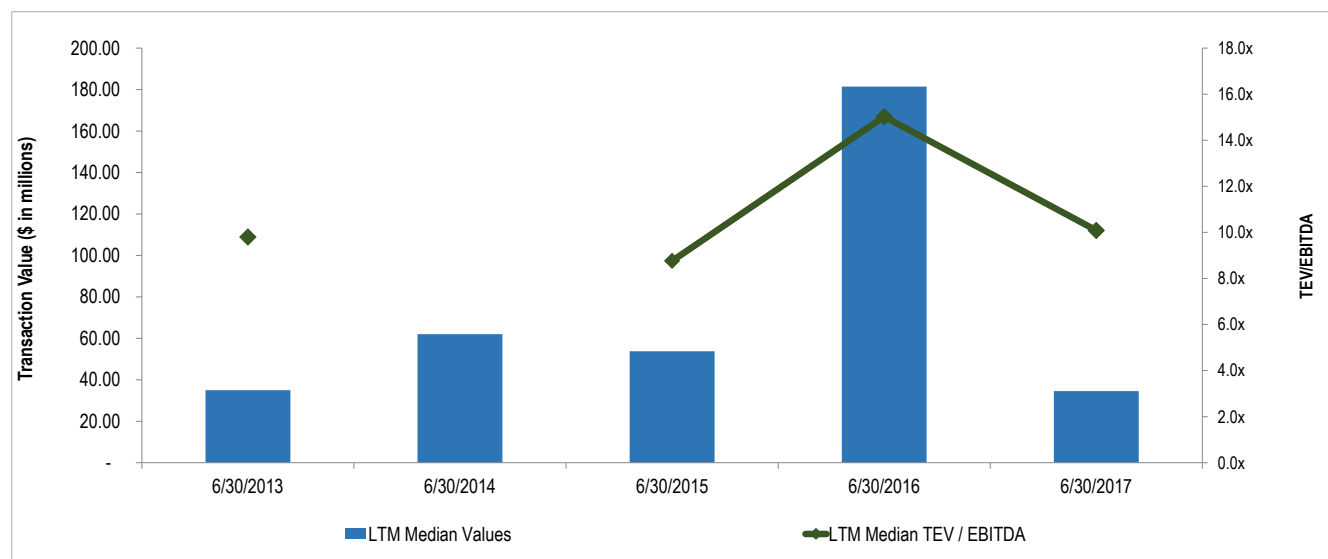
Transaction Volume	18
Number of Transactions with Disclosed Values	5
Transaction Value*	\$8,649.14
Average Transaction Value*	\$1,729.83
Median Transaction Value*	\$10.70
*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.	

Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



Source: S&P Capital IQ as of 7/24/2017 and PCE Proprietary Data



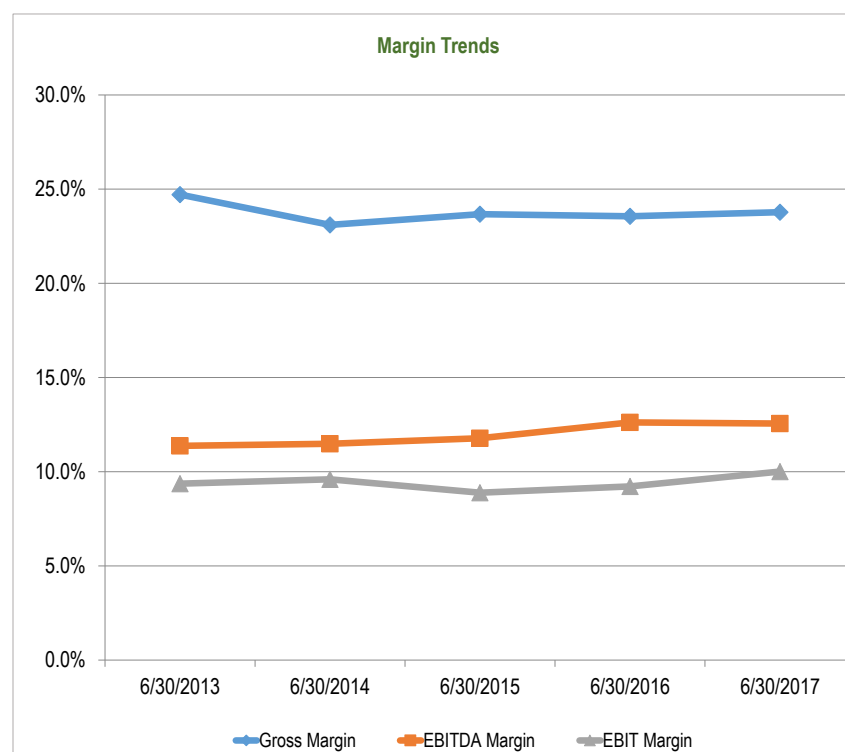
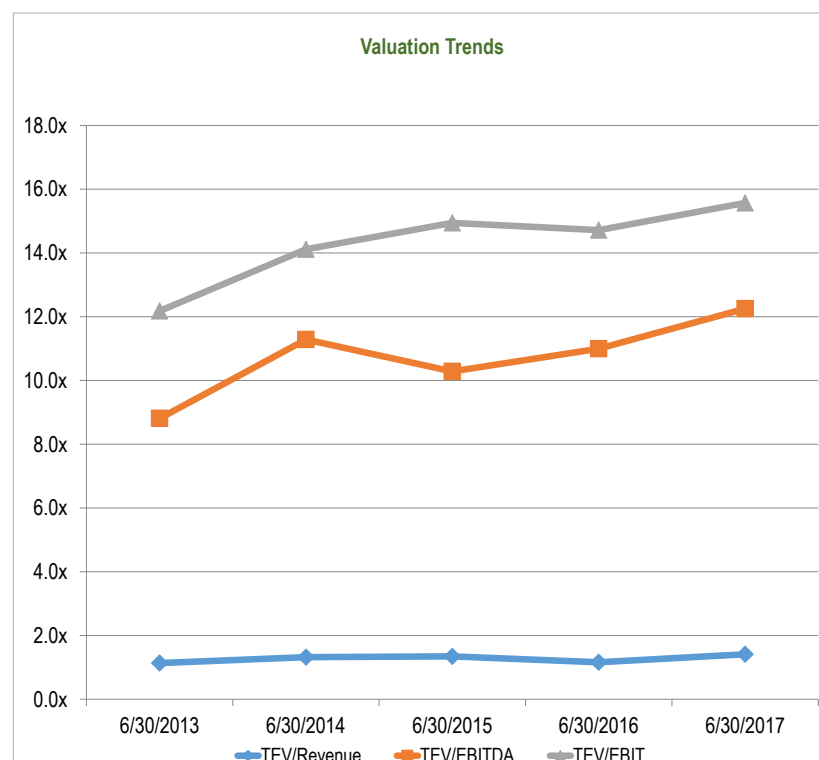
Support Services and Systems

2nd Quarter 2017

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 06/30/2017 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$15,425	1.8x	14.5x	22.0x	TEV/Revenue	↑
Median	\$2,753	1.4x	12.3x	15.6x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 06/30/2017 Trends	
	Gross Profit	EBITDA	EBIT		
Average	25.1%	11.3%	7.9%	Gross Margin	↑
Median	23.8%	12.6%	10.0%	EBITDA Margin	↓
				EBIT Margin	↑

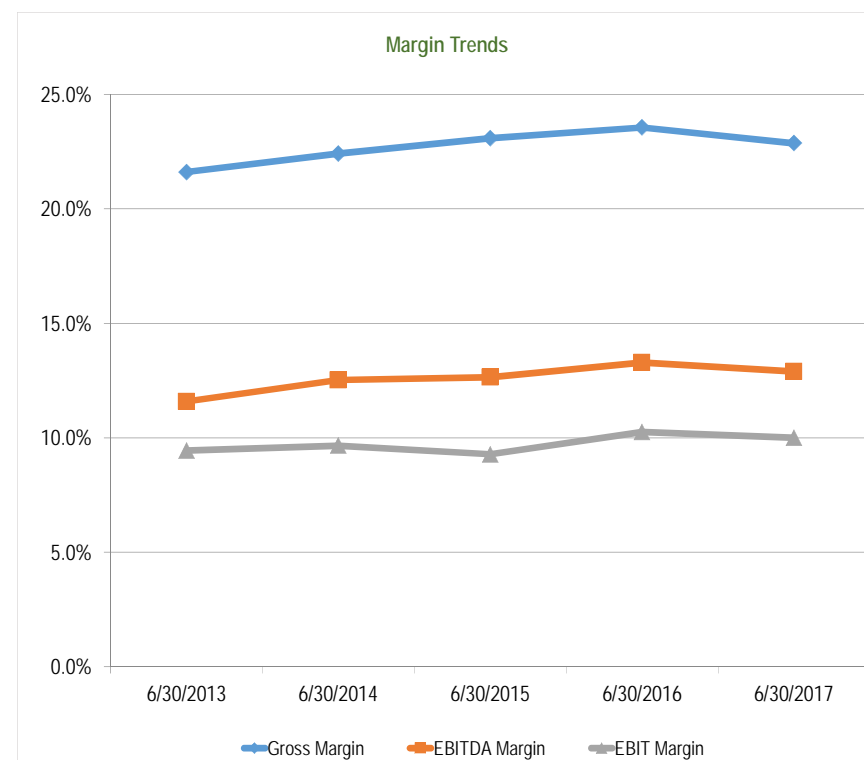
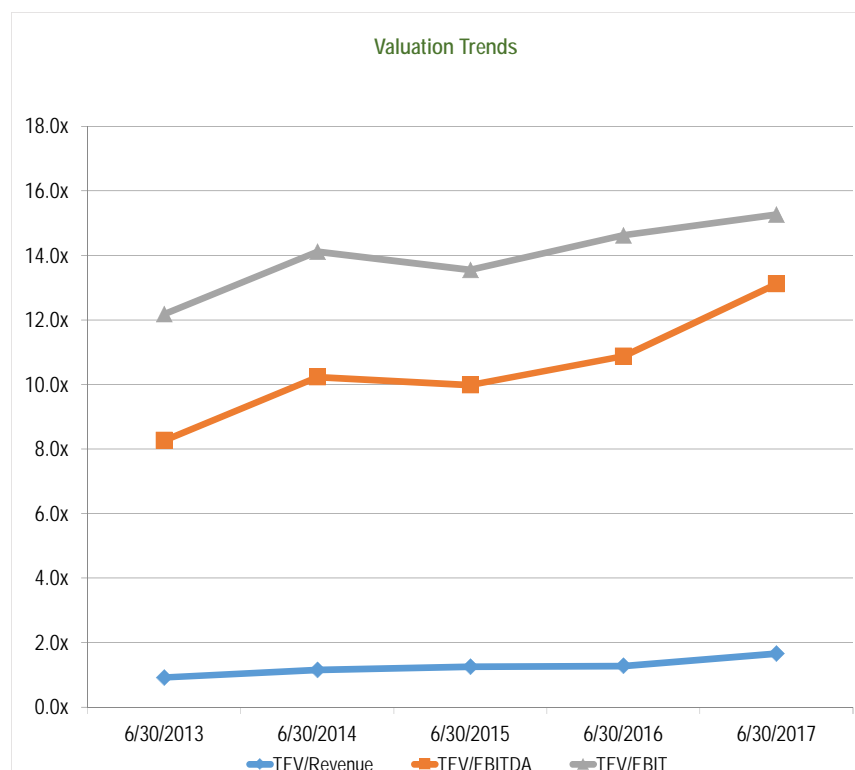


Source: S&P Capital IQ as of 7/24/2017 and PCE Proprietary Data

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 06/30/2017 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$27,624	1.8x	17.5x	25.4x	TEV/Revenue	↑
Median	\$4,220	1.7x	13.1x	15.3x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 06/30/2017 Trends	
	Gross Profit	EBITDA	EBIT		
Average	23.8%	9.1%	6.0%	Gross Margin	↓
Median	22.9%	12.9%	10.0%	EBITDA Margin	↓
				EBIT Margin	↓



Source: S&P Capital IQ as of 7/20/2017 and PCE Proprietary Data

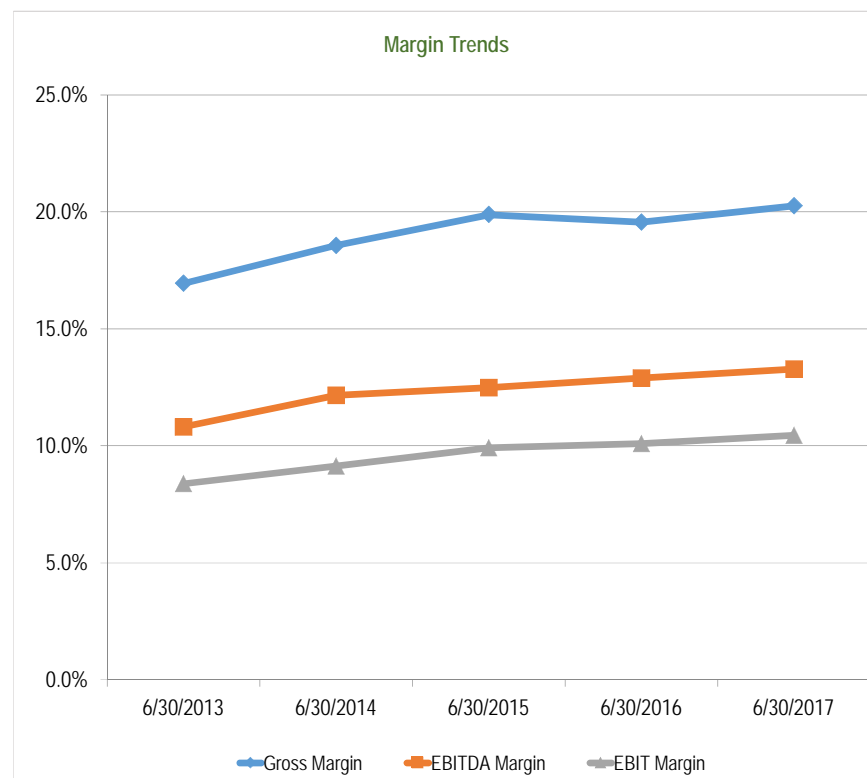
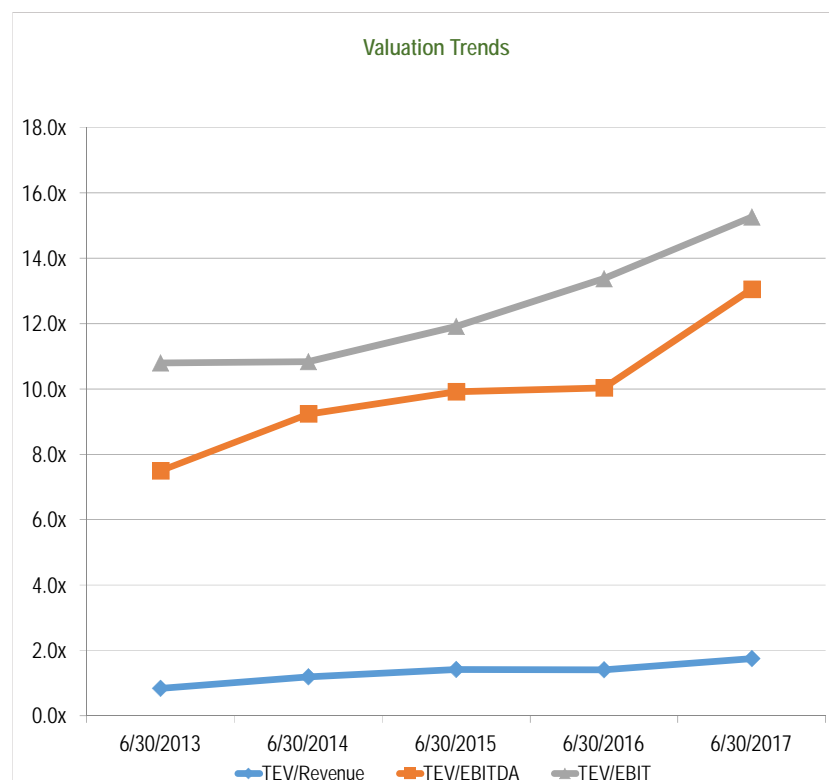
Military Transportation

2nd Quarter 2017

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 06/30/2017 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$42,595	1.7x	14.6x	18.9x	TEV/Revenue	↑
Median	\$29,344	1.7x	13.1x	15.3x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 06/30/2017 Trends	
	Gross Profit	EBITDA	EBIT		
Average	21.1%	12.6%	10.1%	Gross Margin	↑
Median	20.3%	13.3%	10.4%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 7/20/2017 and PCE Proprietary Data

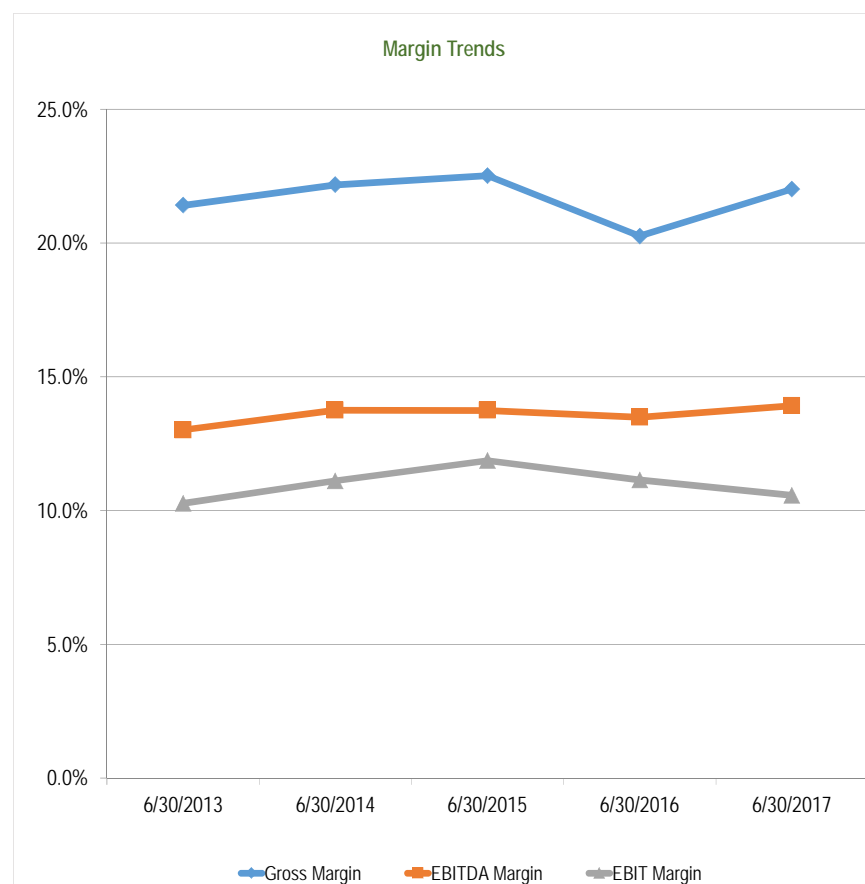
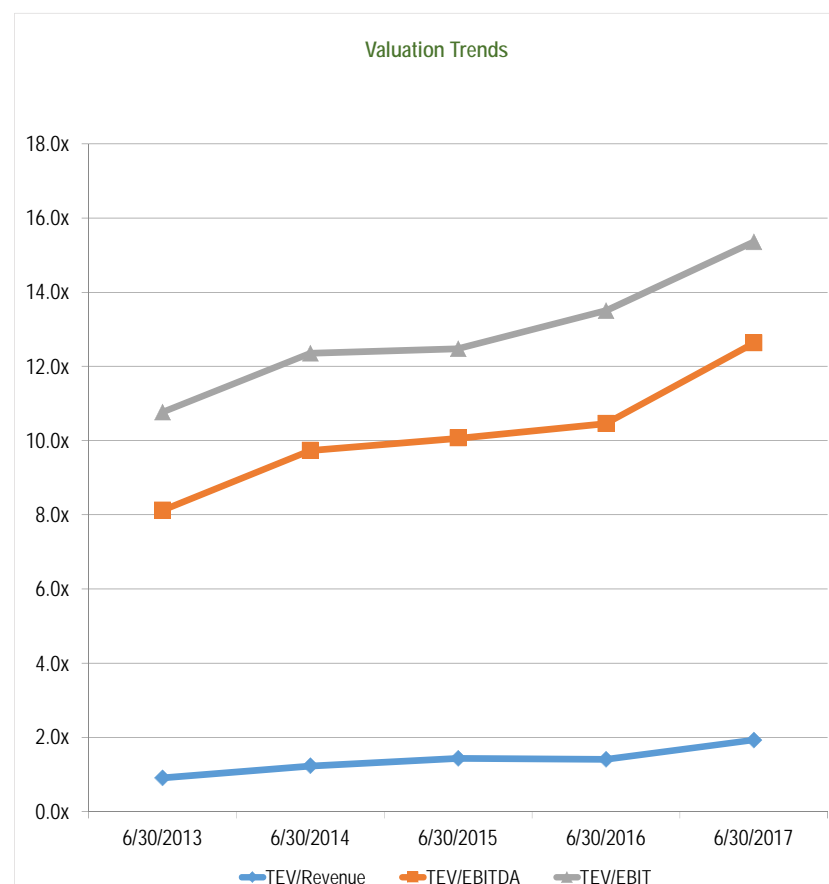
Rockets, Spacecrafts, and Satellites

2nd Quarter 2017

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 06/30/2017 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$46,492	1.8x	12.4x	15.4x	TEV/Revenue	↑
Median	\$45,700	1.9x	12.6x	15.4x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 06/30/2017 Trends	
	Gross Profit	EBITDA	EBIT		
Average	21.4%	14.7%	11.9%	Gross Margin	↑
Median	22.0%	13.9%	10.6%	EBITDA Margin	↑
				EBIT Margin	↓



Source: S&P Capital IQ as of 7/20/2017 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.

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

Experienced in all market sectors, PCE has established several specialty practice areas:

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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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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

