

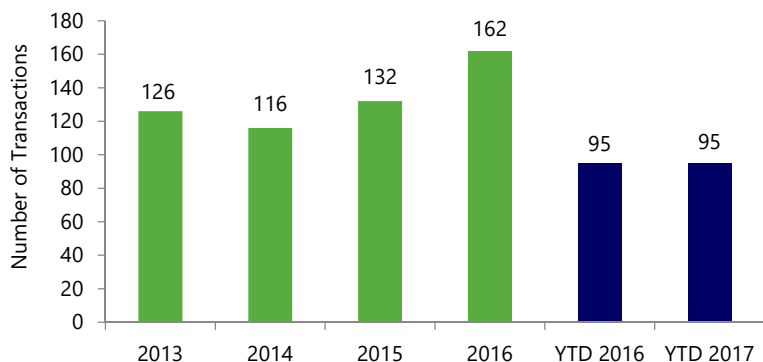


KEY M&A TAKEAWAYS

- ▶ The Aviation Industry continues to attract merger and acquisition (M&A) activity, with several sizeable transactions year-to-date (YTD). Buyers are targeting companies to acquire new technologies, complementary service offerings, experienced management teams, and to generate negotiating leverage with customers as well as cost-saving synergies.
- ▶ The Global Avionics Market is projected to reach \$92.9 billion and to grow at a compound annual growth rate of 6.9% between 2016 and 2022, according *ReportsnReports*. Aircraft deliveries, the rise in military aircraft spending and regulatory compliance are expected to drive this growth.
- ▶ Cockpit technology has evolved from mechanical, to visual, to tactile interfaces, *Aviation Week's* Editor Graham Warwick noted in an August podcast. This continually developing segment will see more innovation, Warwick predicts, as the industry integrates cognitive interfaces. Capstone expects cockpit technology innovations to drive future industry growth as well as M&A activity.

US AEROSPACE & DEFENSE DEAL VOLUME

- ▶ Activity in the Aerospace & Defense Industry is poised to match or exceed the record high deal volume of 2016.
- ▶ While the number of transactions is similar to 2016, companies have received higher valuations in 2017. Average EBITDA multiples have increased from 9.0x in 2016 to 12.0x in 2017.



YTD ended September 10
 Sources: CapIQ and Capstone Partners LLC Research

NOTABLE TRANSACTIONS

- ▶ **United Technologies Corp. to acquire Rockwell Collins (September 2017)** – United Technologies Corp. (UTC) has agreed to acquire Rockwell Collins for \$140.0 per share in a cash, stock blend. The deal is valued to close at \$30.4 billion with an EV/Revenue multiple of 5.0x and an EV/EBITDA multiple of 22.6x. The deal is highly complementary to UTC's existing aerospace systems business and is expected to generate more than \$500.0 million in synergies. The transaction will create the world's largest equipment supplier to the aerospace industry; a business that will touch nearly every facet of building an aircraft.
- ▶ **HEICO to acquire AeroAntenna Technology (August 2017)** – HEICO, through its Electronic Technologies Group, has agreed to acquire leading antenna designer AeroAntenna Technology (ATT) for \$336.5 million. ATT specializes in designing and producing antennas for GPS, aircraft navigation and satellite communications. The target will maintain its management team and staff after the acquisition is completed.

PUBLIC COMPANY VALUATION DATA

Company (9/10/17)	Enterprise	LTM	EV / LTM	
	Value	Margin	Revenue	EBITDA
Boeing	\$141,646.9	11.8%	1.6x	13.2x
Curtiss-Wright	\$4,896.8	19.1%	2.3x	11.8x
HEICO	\$7,150.5	24.6%	4.9x	19.9x
L3 Technologies	\$17,279.3	12.1%	1.6x	13.1x
Lockheed Martin	\$99,147.4	12.7%	2.0x	15.9x
Northrop Grumman	\$52,274.6	15.1%	2.1x	13.7x
Rockwell Collins	\$28,525.5	22.2%	4.7x	21.2x
	Mean	16.8%	2.7x	15.5x
	Median	15.1%	2.1x	13.7x

SELECT TRANSACTIONS

Date	Target	Acquirer	Target Description	EV	EV / LTM	
					R	EBITDA
09/17	Rockwell Collins	UTC	Supports aviation systems worldwide.	\$30,351.7	5.0x	22.6x
08/17	Aeroantenna Technology	Electronic Technologies	Designs marine and airborne antennas.	\$336.5	-	-
07/17	Sparton	Ultra Electronics	Designs aerospace technologies.	\$321.8	0.8x	14.1x
07/17	Vector Aerospace	DAE Aviation	Provides aviation MRO.	-	-	-
06/17	Fore Machine	P4G Capital	Manufactures aircraft components.	-	-	-
06/17	Aero Components	P4G Capital	Manufactures aircraft components.	-	-	-
06/17	Berriehill Research	Applied Research	Develops antennas.	-	-	-