

# Aerospace, Defense, Government M&A 2014 Annual Review



Aerospace | Defense | Government Services M&A



The US economy grew modestly in 2014 with the S&P up 11.4% for the year. The Defense and Government service sector's performance was in line with the rest of the market. Meanwhile the Aerospace sector underperformed due to concerns that the current aerospace cycle may be reaching its peak despite another record setting year for Airbus and Boeing in both backlog and deliveries.

Defense and Government Services' 2014 transaction volume was stable but showed promising signs of growth with the notable increase in public buyer activity. The share of total transactions by public buyers in the space grew from 29% in 2013 to 48% in 2014. Public company investment increases coincided with definitive actions by Congress which included passing a \$1.1 trillion budget funding the federal government through the current fiscal year and a defense authorization bill setting clear defense spending priorities. Industry players are confident the full consequences of sequestration have been realized and investor confidence is returning in part due to increasingly stable funding and strategy. Additionally, in 2014 the rapid expansion of ISIS from Syria into Iraq and escalating Russian aggression in Eastern Ukraine as well as the largest Ebola outbreak to-date, presented new challenges for the US government. The ongoing light footprint response is creating new opportunities for companies able to contribute to a more agile, responsive and technologically superior military force capable of quickly reacting to world events.

Aerospace transaction activity increased 22% during 2014 as suppliers continue to consolidate to meet OEMs' record level production plans. Driven by rapidly growing commercial demand in Asia Pacific, this aerospace cycle continues to differentiate itself from previous cycles helping to sustain growth and high transaction multiples. Supplier consolidation is not only being driven by large strategic suppliers, but Private Equity as well. Supported by low interest rates and strong OEM aircraft backlogs, PE presence continued to increase in 2014, acquiring companies in niche capability sectors and comprising nearly a third the total Aerospace 2014 M&A activity.

## Notable 2014 M&A Activity

- Orbital Sciences and ATK Aerospace & Defense announced a \$5.0 billion merger
- AECOM acquired URS Corp for \$6.0 billion
- Google acquired Skybox Imaging for \$500.0 million
- Warburg Pincus acquired Wencor Group from Odyssey Investment Partners
- Engility will acquire TASC from KKR and General Atlantic for \$1.1 billion
- Alcoa acquired Firth Rixson for \$2.9 billion
- Raytheon acquired Blackbird Technologies for \$420.0 million

## Capital Markets

	% Change		
	First Half 2014	Second Half 2014	CY2014
Defense Prime Index	2.5%	12.7%	15.5%
Defense Systems Index	7.4%	(0.9%)	6.5%
Diversified Government Services Index	1.3%	16.5%	18.0%
Middle Market Government Services Index	6.6%	7.2%	14.2%
Large Cap Aerospace Index	(0.0%)	(2.0%)	(2.1%)
Mid Cap Aerospace Index	7.7%	(4.7%)	2.7%
Small Cap Aerospace Index	(8.6%)	(0.2%)	(8.8%)
International Aerospace Index	(16.6%)	(9.1%)	(24.2%)
S&P 500	5.0%	6.1%	11.4%

## 2014 ADG M&A Overview

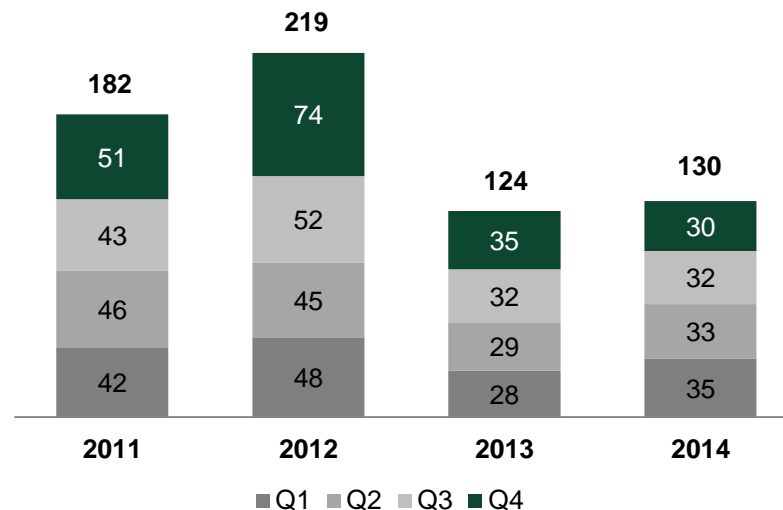
TMG recorded 30 announced Defense and Government Services transactions and 35 announced Aerospace transactions during Q4.

During 2014, TMG recorded 130 transactions in the Defense and Government Services sectors, a modest increase from 2013. However, the return of public company buyers has improved the overall M&A market, driving competition and improving valuations. In 2014, large transactions – those greater than \$200 million – accounted for a far greater number of transactions than in 2013. The SI Org, now rebranded as Vencore, acquired QinetiQ N.A.'s services division; Raytheon acquired Blackbird Technologies, and BAE Systems acquired SilverSky to name a few. In the greater than \$1.0 billion category, AECOM acquired URS, Cobham acquired Aeroflex, and Engility will acquire TASC. Q4 2014 activity was down compared to prior years, which could indicate that Q1 2015 may see increased activity as a result of spillover from deals that were not completed prior to year-end.

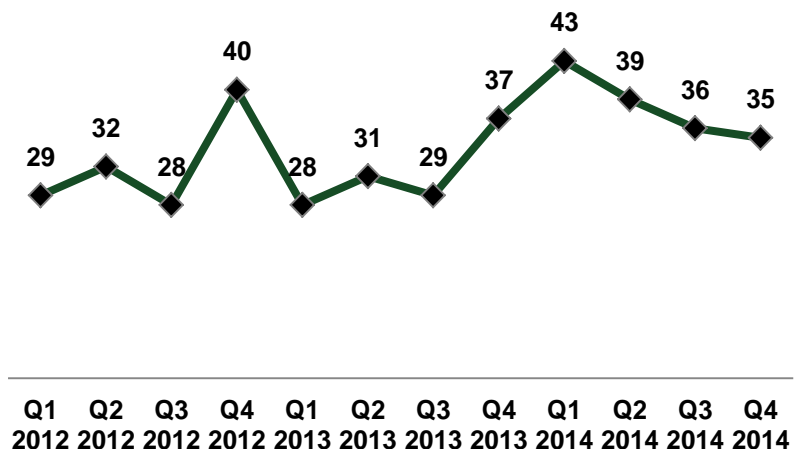
North American based aerospace acquisition activity increased by 22% from 125 announced transactions in 2013 to 153 in 2014. Growth was fueled by PE backed purchases which expanded nearly 50%, and represented 31% of all transaction activity, up from 26% in 2013. Acquisitions by public companies grew by 24% while private buyer activity remained at 2013 levels. Reported multiples in 2014 remained steady with average reported EV/EBITDA and EV/Revenue multiples of 10.0x and 2.2x, respectively. Of the transactions with reported enterprise valuations, 17 were in excess of \$100.0 million, three of which were in excess of \$1.0 billion. Valance Surface Technologies (Trive Capital) was the most active buyer with five acquisitions, while AMETEK, Lockheed Martin, Precision Castparts, and Zodiac Aerospace each made three acquisitions. TMG tracked 32 announced divestitures in 2014, or 21% of all transactions, which was consistent with 2013 levels.

## 2014 Year in Review

### Defense and Government Services Transaction Activity



### Quarterly Aerospace Transaction Activity



# 2014 Defense and Government Services M&A Trends

## Buyer Composition and Heightened Activity by Private Equity PortCos

One of the most impactful trends on Defense and Government Services M&A is the shifting buyer composition. From 2010 to 2013, activity among public buyers declined each year while private equity and privately held strategics filled the void. In 2014 public company activity returned to 2011 levels, representing 48% of completed transactions, and private strategics kept pace with the prior year. Financial sponsor activity receded dramatically in 2014, although there certainly were many notable transactions by private equity firms and their portfolio companies in 2014. CM Equity backed Preferred System Solutions acquired three companies in 2014. In just one day in December, Vistrionix, backed by Enlightenment Capital, acquired three companies and throughout the second half of 2014 Novetta Solutions and Arlington Capital completed four acquisitions.

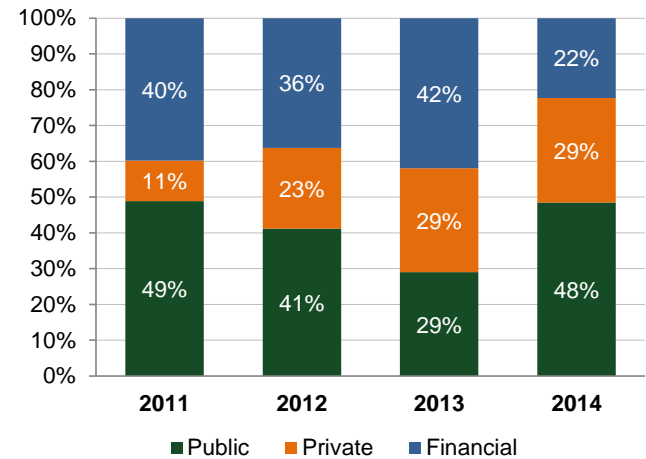
 <p><b>VISTRIONIX</b> INTELLIGENCE &amp; TECHNOLOGY SOLUTIONS</p> <p>acquired</p>	 <p><b>NOVETTA</b> SOLUTIONS</p> <p>acquired</p>	 <p><b>PSS</b> PREFERRED SYSTEMS SOLUTIONS</p> <p>acquired</p>
 <p><b>ACG ExaTech</b></p> <p>Objective SOLUTIONS, INC.</p>	 <p><b>SigInt DRG</b></p> <p><b>Sentinel GNI</b></p>	 <p><b>gcs GSS</b> Experts Engaged in Your Success</p> <p><b>Envision Technical Services</b> Evolving Technology</p>

## Highly Valued M&A Market Segments See Increased Activity

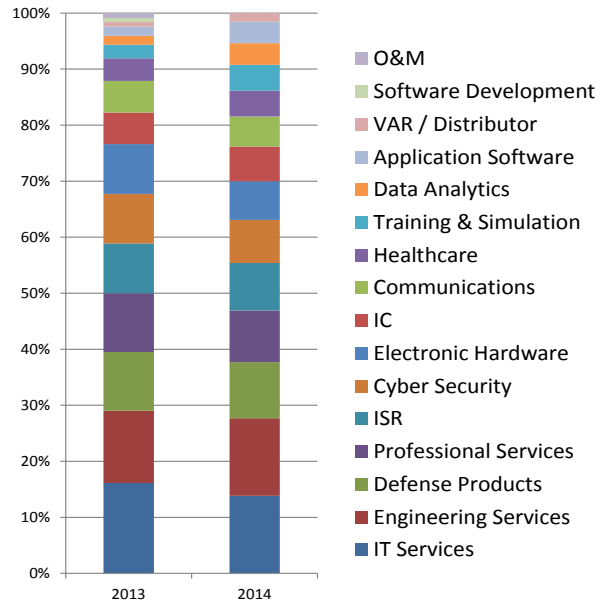
In 2014 buyer appetite returned across a wide range of federal market segments. IT Services and Engineering Services each garnered the most acquisitions in 2014, and Cybersecurity and Healthcare deals represented a larger portion of closed transactions.

# 2014 Year in Review

## Defense and Gov. Services Buyer Composition



## Target Classification





*The McLean Group posed questions to William Van Vleet, CEO of Haystax Technology, a portfolio company of The Edgewater Funds.*

Mr. Van Vleet has more than 30 years of experience in defense and commercial technology markets, most recently as the President and CEO of Applied Signal Technology, a public defense technology company providing advanced intelligence, surveillance and reconnaissance solutions, and Dynamics Technology, a provider of integrated sensor and signal processing services. In both cases, he demonstrated a track record of generating superior growth for company shareholders.

Prior to serving as the CEO of two technology companies, Mr. Van Vleet had a 22-year career with The Boeing Company where he led a division addressing the intelligence community with programs in communications, maritime surveillance and information warfare systems. He also served as President of the Boeing subsidiary ARGOSystems, Inc., consolidating and integrating the acquisition.

Mr. Van Vleet has a degree in electrical engineering from Marquette University, a master's degree in electrical engineering from University of Southern California and is a member of the Armed Forces Communications and Electronics Association, the National Defense Industrial Association and the National Association of Corporate Directors.



How do you foresee M&A priorities in the government contracting space evolving over the next year?

We are beginning to see an inflection point enabling the emergence of a new class of mid-market providers that provide innovation, demonstrate agility and leverage a deep knowledge of customer missions. We believe that this is a flashpoint for businesses of our size and ability to increase market share in a market that has long been dominated by larger, less agile providers. Our focus and priority for the near future is to deliver innovative technology solutions at the intersection of cybersecurity, analytics and mobility that enable us to scale the business to compete at the mid-cap level. For example, our recent acquisition of NetCentrics deepens our product and service capabilities by enhancing cybersecurity and network management offerings.



As an acquirer, what are you specifically looking for in a potential target company?

We look for well-run companies with a strong record of revenue and earnings and a growing business backlog. Typically it also includes management teams/owners that have successfully built a company and are looking for partners to extend their growth and take the company to the next level. This is common for companies that have successfully transitioned from traditional small-business thresholds and seek ways to compete more effectively with other large businesses. We also look for synergies in business opportunities that provide access to a broader set of customers and markets. Of course, all potential acquisitions must fit within our unifying strategy to create a pure-play cyber-analytics company.



Can you tell us more about Haystax' relationship with Edgewater and how they plan to support your M&A strategy?

We partnered with The Edgewater Funds in 2012 to build our company. It is a great combination leveraging our knowledge of technology markets and their access to capital. Edgewater also assists our leadership team in vetting new deals to ensure we are identifying companies and opportunities that support our long-term, accelerated growth plan.

Through Edgewater's support and expertise, we continue to implement our growth strategy, evaluating opportunities for acquisitions, new product line development and geographic expansion.



What are your greatest lessons learned as both a seller and a buyer?

The work merely begins when the papers are signed and the subsequent integration of the two companies starts. The secret to ensuring a successful post-acquisition transition is in developing a strong rapport between leadership teams that includes a mutual respect and open dialogue between all parties. Additionally, from the onset of any deal, it is essential to develop clear short- and long-term plans around the initiatives that are critical to driving growth. Then you must have the discipline to see these objectives through to the end.



Haystax, along with many of its competitors, increasingly serve both government and commercial clients. Can you talk to us about this trending approach and how you envision the challenges and opportunities of serving both the public and private sectors will impact Haystax' profile going forward?

There is a convergence occurring in the marketplace associated with cybersecurity and analytics. We definitely feel that the needs of each market help fuel innovation across a full-service solutions portfolio. The Government is interested in commercial solutions to drive costs down and commercial clients want the safety and security standards created by government customers. While the public sector has a different content focus, the sectors ultimately face similar challenges – mitigating threats to the enterprise.



Congress fully funding Fiscal Year 2015 has distanced us from 2013's government shutdown and ensuing sequestration. How has the tumultuous budget roller coaster of the past two years impacted Haystax?

Fortunately, we've seen a return to more normal acquisition practices over the past year and companies that invested during that downturn are seeing greater growth opportunities for the future. For example, we invested heavily in software product development during the last downturn to position our company to better address the emerging need to mitigate insider threat risks. As a result, this is a major growth opportunity for Haystax in the near future. The approval of the 2015 government budget has reduced much of the marketplace angst and we anticipate renewed growth in government markets for niche technology solutions.



We are trending away from an LPTA environment, but award protests remain very prevalent, perhaps more so now than ever. Can you comment on the current contracting environment?

In the current economic environment, reducing cost will continue to remain a priority for government customers for several years. That said, we are seeing some government customers shift from explicit LPTA back toward best value as they realized that apparent cost reductions are not translating to savings when the lowest bidders were unable to deliver successful solutions at the quoted labor rates. Programs that provide commodity services will probably continue to see LPTA-type contracts. However, customers requiring higher value technologies, specifically state-of-the-art solutions with applicability to commercial markets, are better served by best-value awards with award-fee or incentive-fee structures.



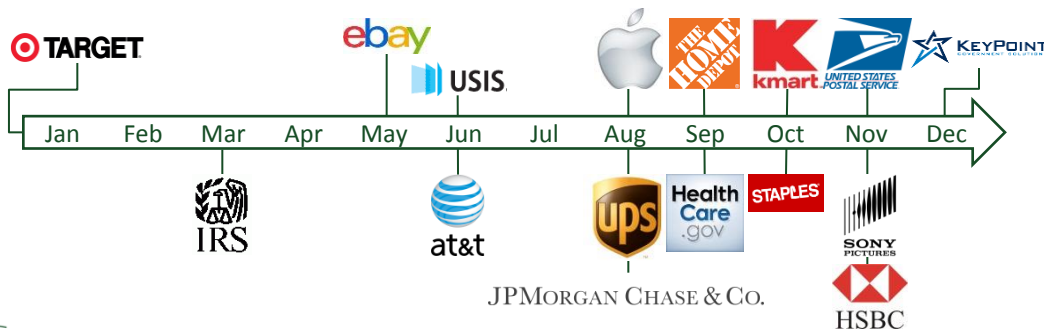
Being the incumbent contractor does not possess the same competitive advantage as in prior years. How has Haystax addressed this in its bid and capture strategy?

Actually, we believe incumbency provides significant competitive advantage through greater customer access and knowledge of their missions. This is essential in generating exceptional value in government markets. Access to multiple prime contract vehicles is also critical to companies in the federal marketplace. In 2015, government acquisition organizations will be under significant pressure to release and award a large number of planned solicitations, which can be mitigated through increased use of IDIQ and GWAC contracts.

Cyber Security and the increasing number of cyber attacks/hacks into the federal government, government contractors, and commercial corporations led news headlines throughout all of 2014. This year we witnessed a series of high-profile security breaches, from the aftermath of the Target and Home Depot fiascos, to the Apple iCloud data breaches, to a number of attacks on national retailers and their point of sales systems, including Michaels, Staples and Neiman Marcus. Then there was the massive data breach at JP Morgan Chase, which compromised personal information of more than 83 million households and businesses, and finally more than 100 terabytes of internal files and films were stolen from Sony Pictures, allegedly by North Korea.

Federal Government agencies and programs were targeted as well. The United States Postal Service was hacked in November, and as a result was unable to produce an annual financial statement due to the damage. The IRS and Healthcare.gov/Obamacare were not immune to cyber hacks, nor was OPM's background investigations contractor USIS. Cyber security will continue to remain a priority in our nation's defense especially as threats to our nation's infrastructure have increased over the last year. In December, a bill was introduced in the Senate to increase information-sharing about cyber attacks between private companies and the US government to detect crimes faster and thwart hackers. Additionally, the Department of Justice created a new Cybersecurity Office to assist in worldwide investigations of cyber crimes.

### Timeline of 2014 Notable Data Breaches



### Cyber Security M&A



## Downstream Roll-up / Consolidation of Niche Capabilities

Both Strategic and Financial buyers invested in significant consolidation opportunities throughout 2014, most notably marked by a downstream focus. Trive Capital was the most active, rolling up six aerospace metal finishing companies under newly formed Valence Surface Technologies. Riverside Capital's H-D Manufacturing acquired well-known gear specialist, Sungear as well as Crown Precision Machining. Zodiac made three acquisitions, growing capabilities in aircraft interior systems. AMETEK also made three acquisitions, advancing positions in precision testing equipment. Precision Castparts' appetite for acquisitions carried through into 2014 with three acquisitions in machining, metal products distribution and metal waste treatment. Finally light-weight metal giant, Alcoa acquired Furth Rixson in a \$2.9 billion transaction that positions Alcoa as the global leader in seamless rolled jet engine rings.

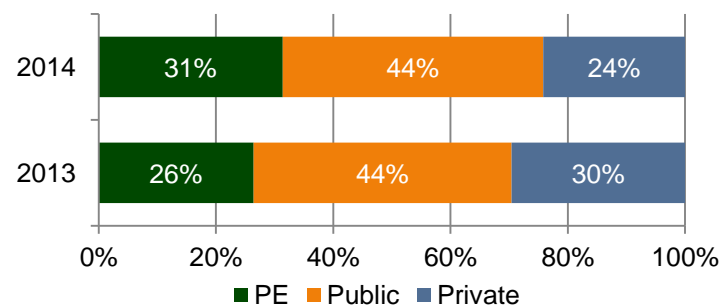
## Spotlight on Continued Growth of Private Equity Presence

PE Groups continued to expand their Aerospace positions in 2014, comprising nearly a third of all acquisitions and representing only 17% of sellers. A strong commercial aircraft backlog, growing global air traffic forecasts as well as expanding demand and advances in the space and satellite sectors continued to attract PE buyers despite high valuation multiples. In addition to the notable 2014 roll-up efforts by Riverside and Trive Capital, several other firms began building or expanding aerospace positions. Arlington Capital's MB Aerospace acquired Norbert Industries in Q2, adding engine expertise to its portfolio. RFE Investment partners acquired PCX Aerostructures from SPX Corp in Q2 and followed it quickly with the acquisition of Cam-Tech Manufacturing in Q4. Additionally, Veritas acquired EMCORE's Space Photovoltaics business and Warburg Pincus acquired Wencor Group from Odyssey Investment Partners.

## Notable Roll-up / Consolidation Activity

Buyer	Target	EV
 	Coast Plating	NA
	Chrome Plus International	NA
	Coastline Metal Finishing	NA
	Dynamic Paint Solutions	NA
	Pride Plating	NA
	Blue Streak Finishers	NA
 	Sungear, Inc.	NA
	Crown Precision Machining	NA
	Furth Rixson	\$2,900.0M
	SOS Metals, Inc.	NA
	Trans World Alloys Company	NA
	Aerospace Dynamics Intl.	\$625.0M
	Teseq Group	\$91.8M
	Amptek	NA
	VTI Instruments	\$74.0M
	Pacific Precision Products	NA
	Greenpoint Technologies	NA
	Enviro Systems	NA

## Acquisition Activity by Buyer Type





# Market Evolution in Space and Satellite

## 2014 Year in Review

2014 was an exciting year for the Space and Satellite sector marked by expanding competition, ambitious investments and headline successes – among the most notable of which was the successful landing of the Rosetta Mission’s Philae Probe on a comet.

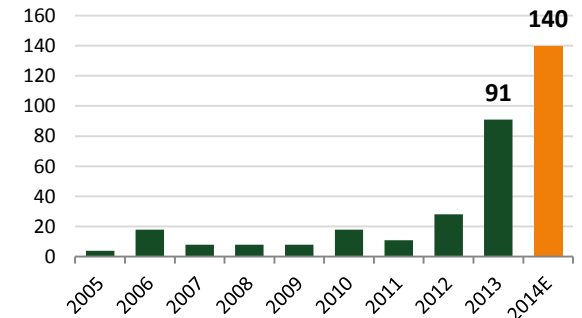
**Launch Sector Competition:** Although the launch sector has experienced few significant technological changes as of late, the federal funding mechanisms are rapidly evolving. Since governments typically sponsor two-thirds or more of annual launches, this is quickly reshaping the competitive landscape. Launch contracts are shifting from traditional government contracting vehicles to less stringent contracts allowing contractors greater discretion in exchange for cost reductions. This shift has made room for commercial players such as SpaceX to grab market share from Boeing and Lockheed’s United Launch Alliance (ULA), the long-dominant industry prime. SpaceX has already completed 14 successful launches, won a \$1.6 billion NASA contract to resupply the International Space Station and captured a \$2.6 billion contract to design the next-generation NASA transport system. Additionally, SpaceX is now protesting the Air Force \$11.0 Billion Evolved Expendable Launch Vehicle award to ULA and most recently received a \$1.0 billion investment from Google. The shifting contracting landscape is part of the strategic rationale behind the planned \$5.0 billion Orbital Sciences and ATK Aerospace and Defense Group merger. The deal has progressed despite an October launch failure as the two companies look to leverage their combined reputations and capabilities to capitalize on the evolving marketplace and opportunities for innovation.

**Satellite Market Disruptors:** Innovations in satellite technology and rapidly growing demand from TV and Internet providers are helping fuel commercial launch demand. However, Google’s foray into the satellite market via its \$500 million purchase of Skybox presents several areas of potential market disruption. Google’s model of adding internet users to drive advertising revenue is an interesting challenge to traditional satellite revenue streams based on fee for service. Additionally, existing fixed cost models are being impacted by satellite size reductions through Cubesat design and other innovations. Skybox satellites are 20x smaller, 10x cheaper than traditional satellites and visual acuity is generated from its software rather than optics. Further, frameworks are increasingly based on open source technologies. These innovations are lowering costs by allowing multiple satellites a single launch vehicle and limiting maintenance and upgrades, creating new opportunities for both consumers and suppliers.

### Notable Space & Satellite Acquisitions



### Cubesat Launches



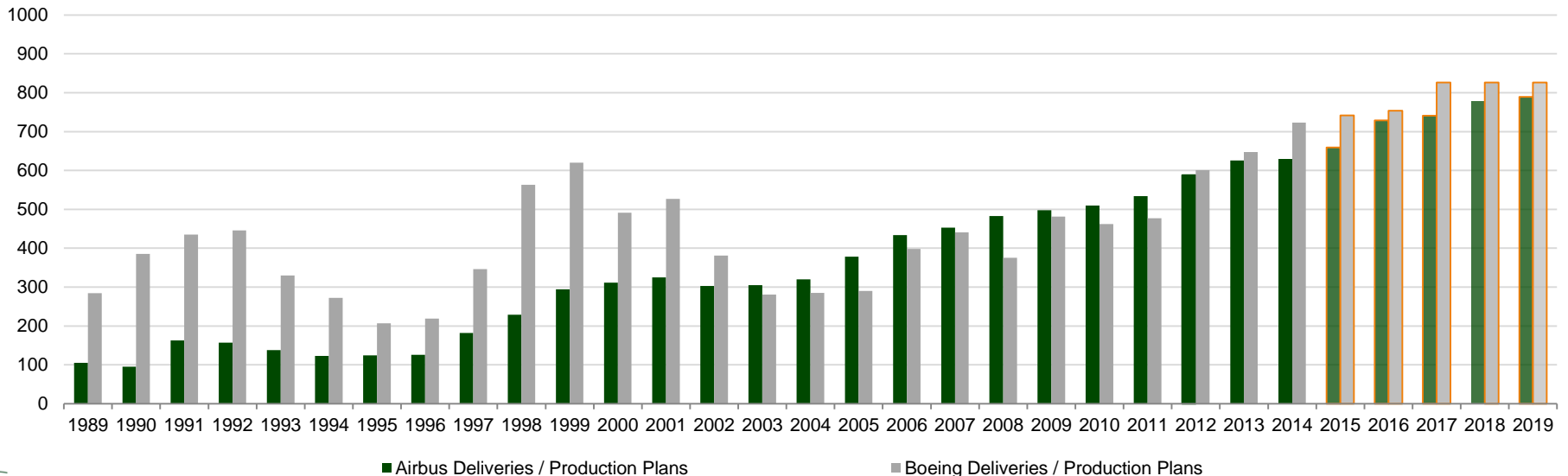
### Cubesat Unit Cost Scale

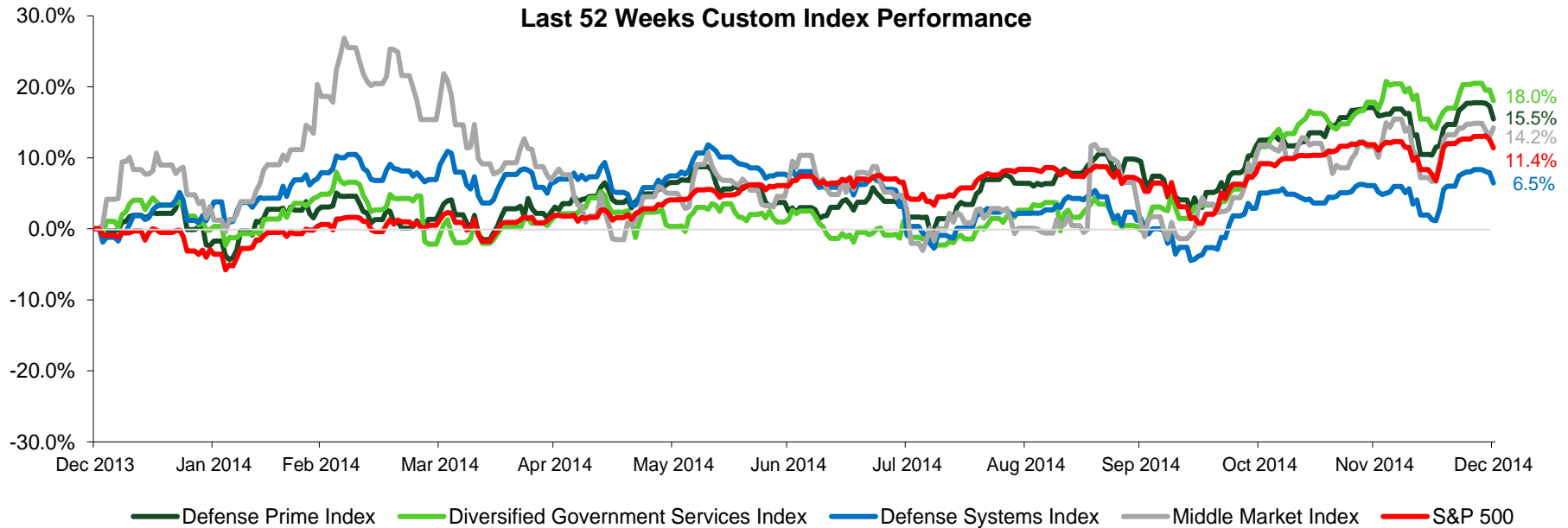
- ✓ **Low Cost:** 1U cubesat bus kits \$13,000, with 6U configurations reaching \$30,000
- ✓ **Moderate Cost:** Boeing-built cubesat platforms for NRO are estimated at \$250,000
- ✓ **Higher Cost:** NASA estimates cubesats used for planetary science missions at \$3-\$10 million

**Tailwinds:** 2014 was another record year for both Boeing and Airbus with their combined backlogs growing 14% from 10,639 in 2013 to 12,175 at the close of 2014. Boeing once again retained its status as world's top planemaker, delivering 723 aircraft while Airbus delivered 629. New orders continue to be driven primarily by a growing global middle class, especially in the Asia-Pacific, and new fuel-efficient aircraft options. Air travel demand remained resilient despite the most recent Ebola outbreak, terrorist threats and wars in the Middle East and Ukraine. Boeing forecasts passenger traffic will grow more than 160% by 2033, at a compound annual growth rate (CAGR) of 4.7%. Demand from China is projected to pass the US market by 2030 helping to set this cycle apart from previous cycles that were largely dominated by orders from the US and Europe.

**Headwinds:** One of the major issues is whether or not suppliers can continue to keep pace and make the necessary investments to support this unprecedented upcycle. With more than \$1 trillion in backlog, delivery rates are a key topic for suppliers and a driving factor behind supply chain consolidation. As suppliers are adjusting to meet OEM demand, the high fuel prices that helped boost backlogs over last four years fell by 50% in Q4. This price swing is driving up the value of aircraft in service at a time of rising near-term demand and putting downward pressure on the premium prices demanded by the newest Airbus and Boeing aircraft. If fuel prices remain at current levels for a prolonged period, the current production plans could be disrupted as fuel comprises roughly 30% of airline costs. While investments in new-technology aircraft are unlikely to stop, the pace and rationale will likely be affected.

**Airbus and Boeing Aircraft Deliveries and Production Plans**

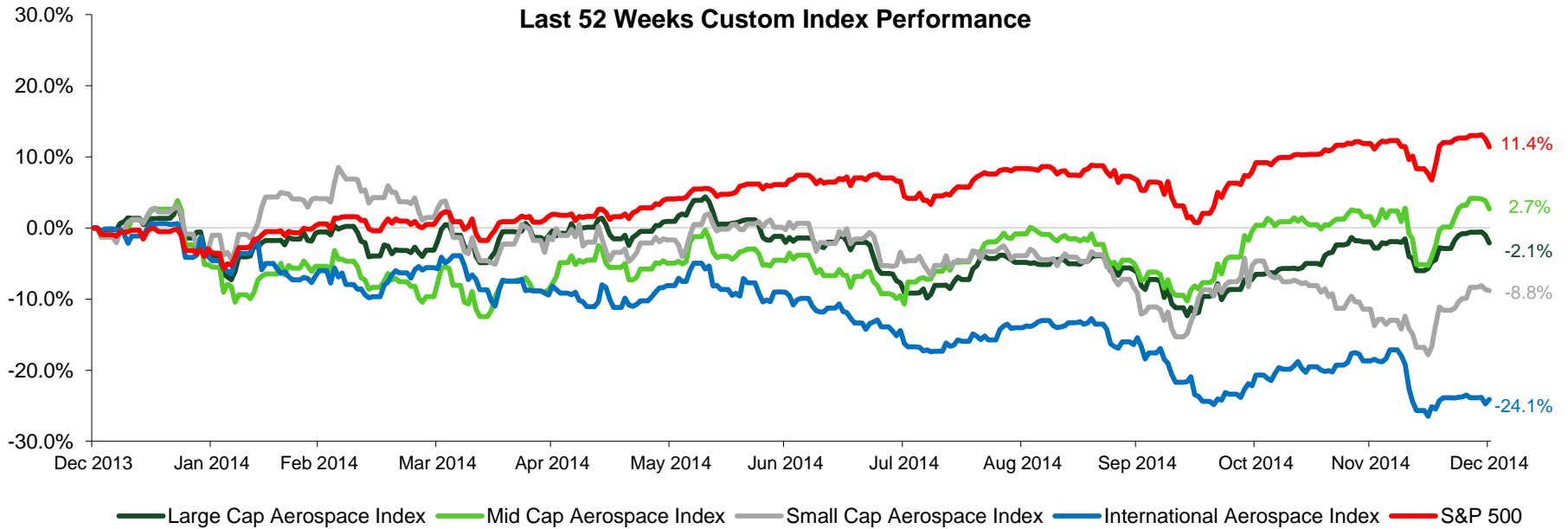




### Index Constituents and Stock Price as a % of 52 Week High

Defense Prime Index							
	90%	94%	97%	96%	97%		
Defense Systems Index							
	74%	94%	82%	86%	91%	98%	94%
Diversified Government Services Index							
	95%	94%	93%	90%	97%	94%	
Middle Market Index							
	92%	45%	55%	78%	85%	88%	

Last 52 Weeks Custom Index Performance

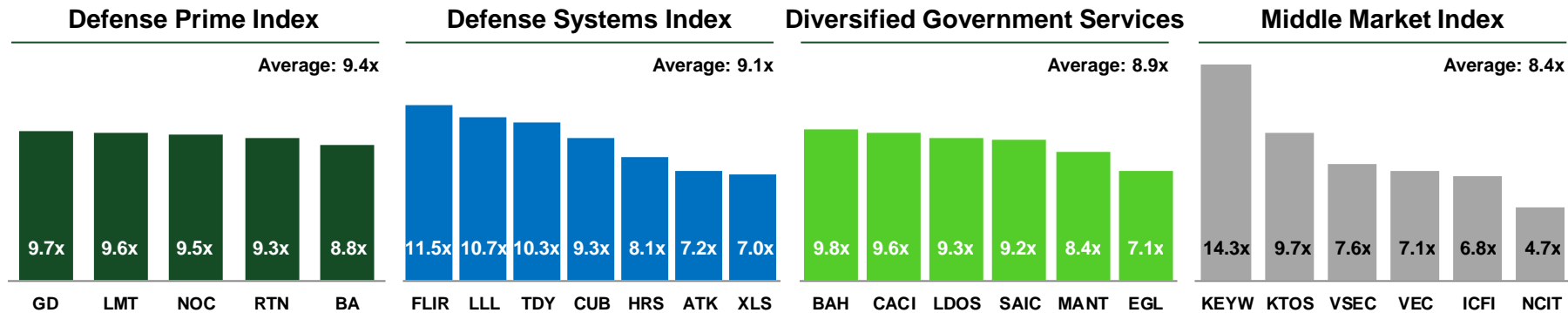


Index Constituents and Stock Price as a % of 52 Week High

<b>Large Cap Aerospace Index</b>	97%	57%	90%	88%	98%	95%	98%	95%
<b>Mid Cap Aerospace Index</b>	96%	72%	90%	93%	89%	93%	95%	84%
<b>Small Cap Aerospace Index</b>	88%	65%	76%	93%	76%	90%	79%	61%
<b>International Aerospace Index</b>	72%	89%	91%	94%	94%	67%	94%	90%

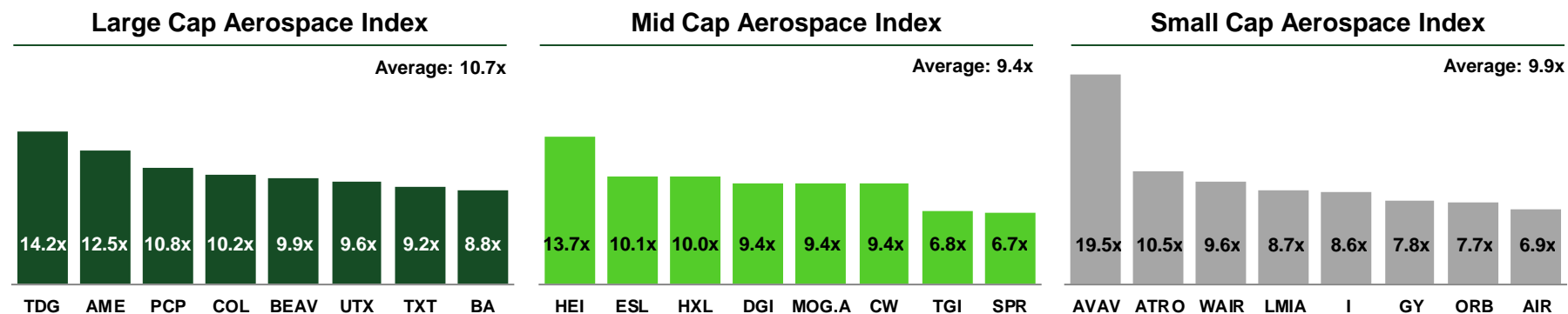
Defense and Government Services

Average: 8.9x  
Median: 9.3x



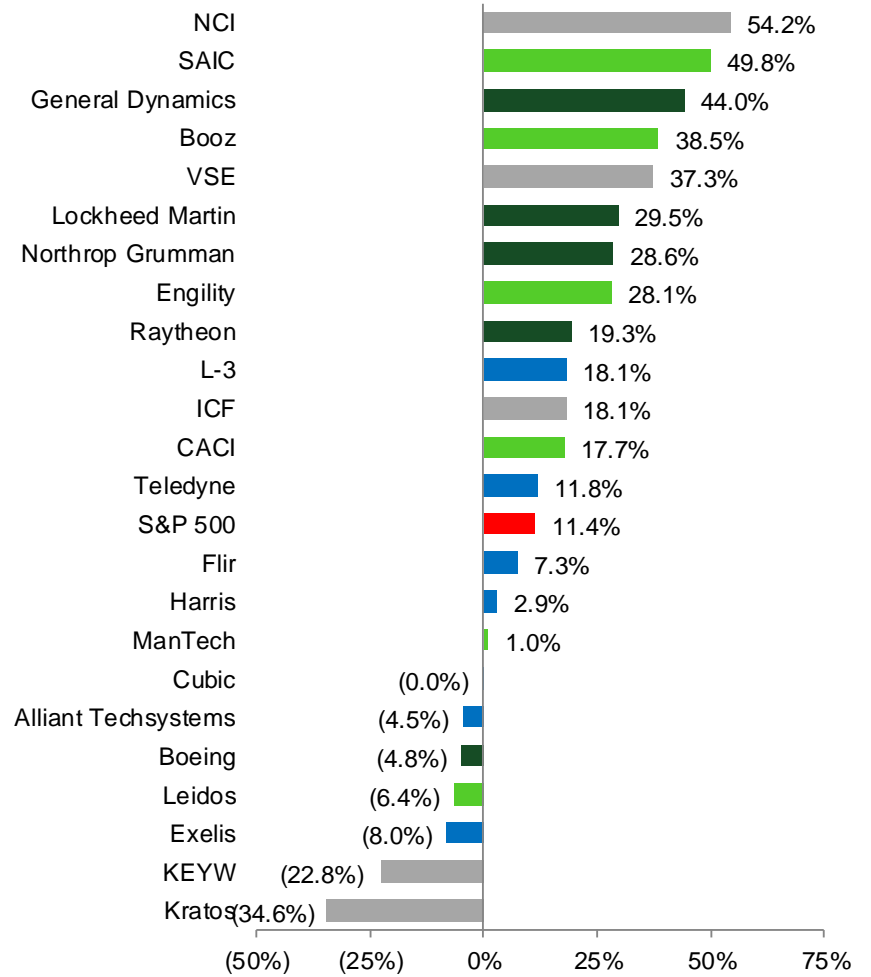
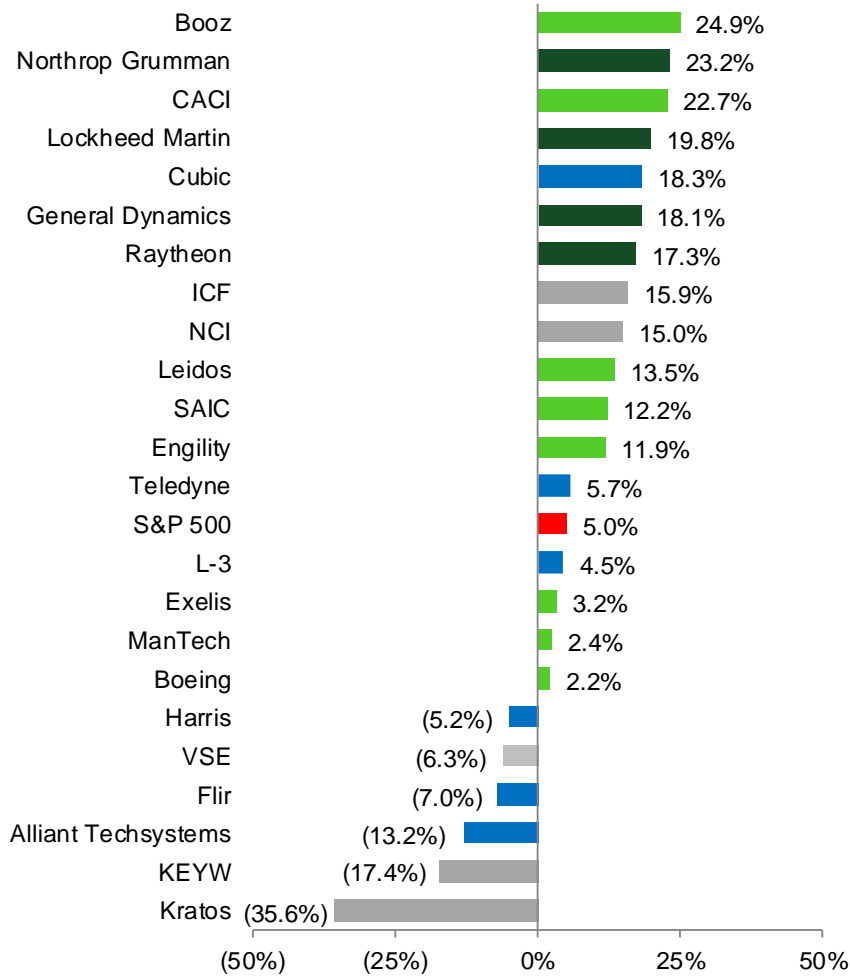
Aerospace

Average: 10.0x  
Median: 9.5x



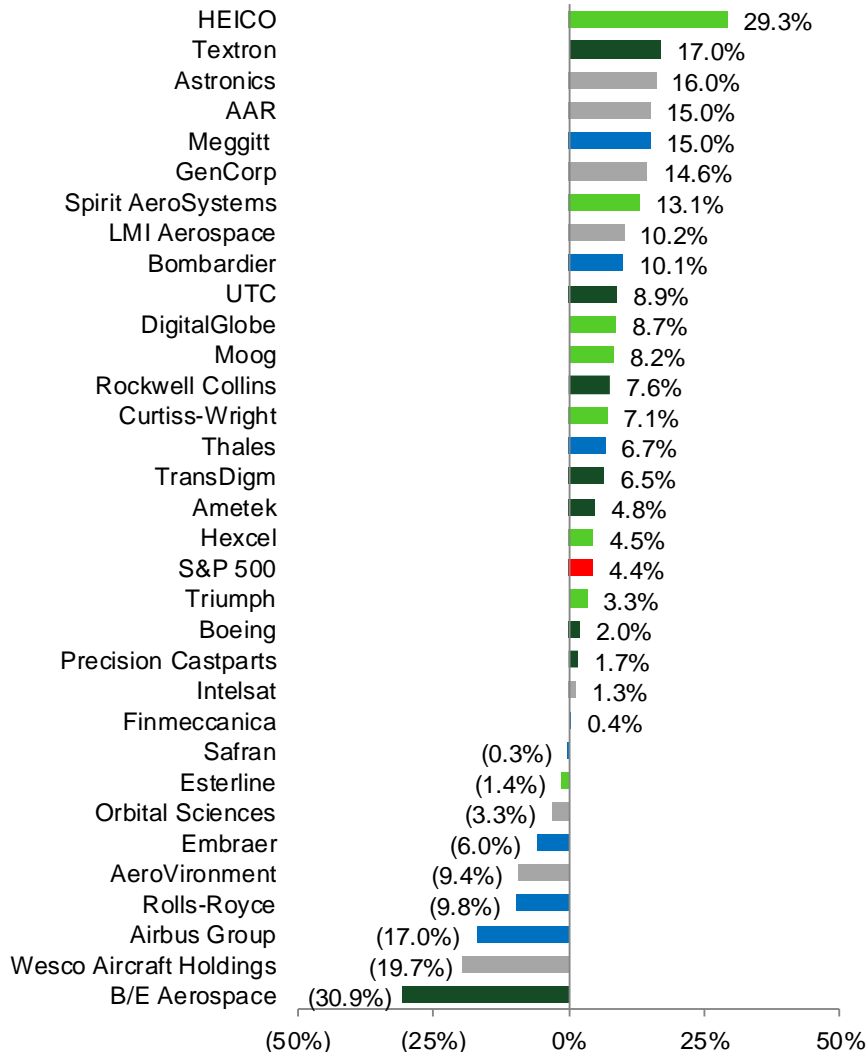
Fourth Quarter 2014

CY 2014

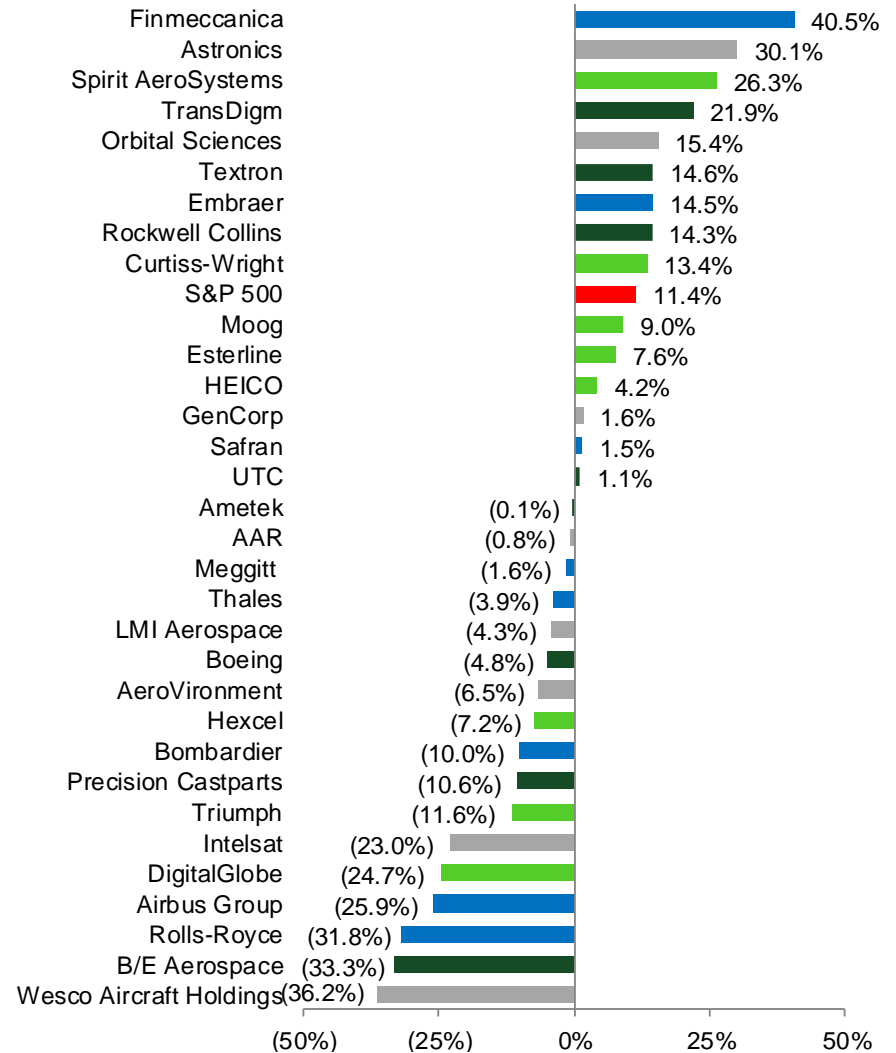


■ Defense Prime Index   
 ■ Defense Systems Index   
 ■ Diversified Government Services Index  
■ Middle Market Government Services Index   
 ■ S&P 500 Index

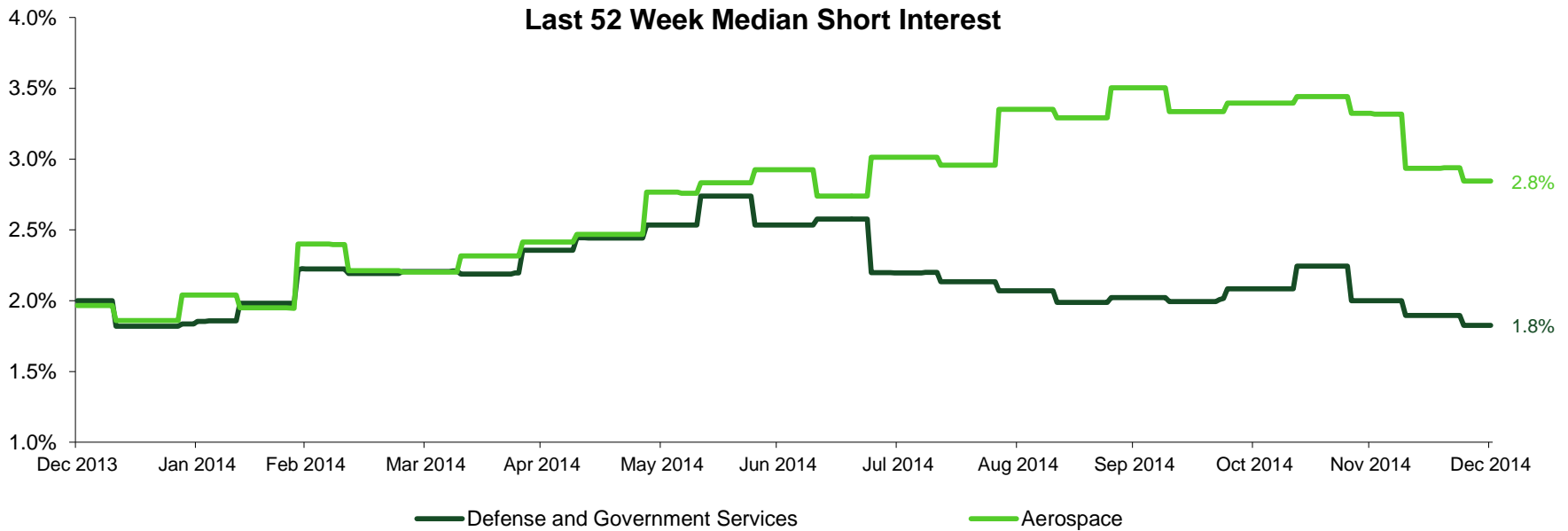
### Fourth Quarter 2014



### CY 2014



■ Large Cap Aerospace 
 ■ Mid Cap Aerospace 
 ■ Small Cap Aerospace 
 ■ International Aerospace 
 ■ S&P 500



Short Interest as of December 31, 2014

Defense and Government Services

<b>BOEING</b> 2.1%	<b>GENERAL DYNAMICS</b> 0.7%	<b>LOCKHEED MARTIN</b> 0.9%	<b>NORTHROP GRUMMAN</b> 1.5%	<b>Raytheon</b> 1.9%	<b>Booz   Allen   Hamilton</b> 0.8%	<b>CACI</b> 3.0%	<b>ENGILITY</b> 2.6%
<b>leidos</b> 1.4%	<b>ManTech</b> 1.9%	<b>SAIC</b> 2.3%	<b>ICF</b> 1.9%	<b>KEYW</b> 33.4%	<b>KROTOS</b> 7.7%	<b>nci</b> 0.1%	<b>VECTRUS</b> 3.6%
<b>VSE CORPORATION</b> 1.8%	<b>ATK</b> 1.7%	<b>CUBIC</b> 1.9%	<b>EXELIS</b> 0.5%	<b>FLIR</b> 2.0%	<b>HARRIS</b> 0.9%	<b>L3</b> 0.7%	<b>TELEDYNE TECHNOLOGIES</b> 1.6%






Aerospace

<b>AMETEK</b> 1.7%	<b>BOEING</b> 2.1%	<b>PCC</b> 1.7%	<b>Rockwell Collins</b> 3.0%	<b>TEXTRON</b> 2.3%	<b>TRANSDIGM GROUP INC.</b> 4.2%	<b>United Technologies</b> 0.9%	
<b>CURTISS WRIGHT</b> 1.5%	<b>DigitalGlobe</b> 10.7%	<b>Esterline</b> 4.9%	<b>HEICO</b> 2.6%	<b>HEXCEL</b> 4.0%	<b>MOOG</b> 1.6%	<b>SPIRIT AEROSYSTEMS</b> 2.2%	<b>Triumph Group, Inc.</b> 1.8%
<b>AAR</b> 2.6%	<b>AIV</b> 5.0%	<b>ASTRONICS CORPORATION</b> 3.4%	<b>GENCORP</b> 21.7%	<b>INTELSAT</b> 1.5%	<b>LMI AEROSPACE, INC.</b> 5.7%	<b>Orbital</b> 9.4%	<b>Wesco Aircraft</b> 4.2%










(\$ millions)







## Defense Prime Index

	 <b>BOEING</b>	 <b>GENERAL DYNAMICS</b>	 <b>LOCKHEED MARTIN</b>	 <b>NORTHROP GRUMMAN</b>	 <b>Raytheon</b>
3x LTM EBITDA	\$24,516.0	\$12,723.0	\$16,026.0	\$10,854.0	\$10,002.0
Less LT Debt	9,635.0	3,908.0	6,152.0	5,930.0	4,734.0
Plus Cash	9,088.0	5,301.0	2,617.0	5,150.0	3,296.0
<b>Dry Powder</b>	<b>\$23,969.0</b>	<b>\$14,116.0</b>	<b>\$12,491.0</b>	<b>\$10,074.0</b>	<b>\$8,564.0</b>







## Middle Market Defense & Government Services Index

	 <b>ATK</b>	 <b>CUBIC</b>	 <b>ITT EXELIS</b>	 <b>FLIR</b>	 <b>HARRIS</b>	 <b>L3</b>	 <b>TELEDYNE TECHNOLOGIES INCORPORATED</b>
3x LTM EBITDA	\$1,989.2	\$357.2	\$2,007.0	\$993.2	\$3,298.5	\$4,365.0	\$994.2
Less LT Debt	2,104.4	122.9	649.0	388.5	1,675.5	3,645.0	552.5
Plus Cash	189.8	121.4	469.0	542.5	334.4	500.0	66.0
<b>Dry Powder</b>	<b>\$74.6</b>	<b>\$355.7</b>	<b>\$1,827.0</b>	<b>\$1,147.1</b>	<b>\$1,957.4</b>	<b>\$1,220.0</b>	<b>\$507.7</b>

## Middle Market Defense & Government Services Index




	 <b>Booz   Allen   Hamilton</b>	 <b>CACI</b>	 <b>ENGILITY</b>	 <b>leidos</b>	 <b>ManTech International Corporation</b>	 <b>SAIC</b>
3x LTM EBITDA	\$1,675.2	\$954.9	\$384.6	\$1,182.0	\$513.8	\$813.0
Less LT Debt	1,674.5	1,452.7	197.5	1,481.0	200.0	505.0
Plus Cash	403.2	98.2	29.0	814.0	269.0	157.0
<b>Dry Powder</b>	<b>\$403.8</b>	<b>-\$399.6</b>	<b>\$216.1</b>	<b>\$515.0</b>	<b>\$582.8</b>	<b>\$465.0</b>

## Middle Market Defense & Government Services Index









	 <b>DYNAMICS RESEARCH CORPORATION</b>	 <b>ICF INTERNATIONAL</b>	 <b>KEYW</b>	 <b>KRATOS DEFENSE &amp; SECURITY SOLUTIONS</b>	 <b>nci</b>	 <b>VSE CORPORATION</b>
3x LTM EBITDA	\$256.2	\$62.5	\$237.0	\$58.6	\$354.0	\$192.4
Less LT Debt	40.0	85.0	644.7	1.0	0.0	115.4
Plus Cash	9.0	2.5	55.7	0.1	10.0	0.2
<b>Dry Powder</b>	<b>\$225.2</b>	<b>(\$20.1)</b>	<b>(\$352.0)</b>	<b>\$57.7</b>	<b>\$364.0</b>	<b>\$77.2</b>

(\$ millions)









Large Cap Aerospace Index

								
3x LTM EBITDA	\$3,107.0	\$1,573.2	\$27,306.0	\$9,456.0	\$3,477.0	\$4,725.0	\$3,215.1	\$35,028.0
Less LT Debt	1,714.0	2,429.7	9,070.0	4,320.0	2,501.0	4,116.0	7,515.3	19,794.0
Plus Cash	377.6	292.5	11,733.0	0.0	315.0	731.0	1,011.6	5,235.0
<b>Dry Powder</b>	<b>\$1,770.5</b>	<b>(\$564.0)</b>	<b>\$29,969.0</b>	<b>\$5,136.0</b>	<b>\$1,291.0</b>	<b>\$1,340.0</b>	<b>(\$3,288.6)</b>	<b>\$20,469.0</b>

Mid Cap Aerospace Index

								
3x LTM EBITDA	\$1,198.0	\$915.6	\$1,103.3	\$798.4	\$1,131.0	\$1,062.5	\$1,347.9	\$1,290.2
Less LT Debt	959.0	1,138.9	622.5	329.1	416.3	951.6	1,156.6	1,442.7
Plus Cash	222.5	127.4	238.1	20.2	70.9	240.2	452.8	34.2
<b>Dry Powder</b>	<b>\$461.5</b>	<b>(\$95.9)</b>	<b>\$719.0</b>	<b>\$489.6</b>	<b>\$785.6</b>	<b>\$351.2</b>	<b>\$644.1</b>	<b>(\$118.3)</b>

Small Cap Aerospace Index

								
3x LTM EBITDA	\$610.8	\$46.4	\$378.2	\$424.5	\$5,917.6	\$129.3	\$462.0	\$616.0
Less LT Debt	635.3	0.0	212.6	782.2	15,454.0	272.7	136.9	1,106.8
Plus Cash	92.6	126.3	24.9	265.9	656.0	2.5	427.5	104.8
<b>Dry Powder</b>	<b>\$68.1</b>	<b>\$172.7</b>	<b>\$190.5</b>	<b>(\$91.8)</b>	<b>(\$8,880.4)</b>	<b>(\$140.9)</b>	<b>\$752.7</b>	<b>(\$386.1)</b>



**will acquired**



**Prime Turbines and CT  
Aerospace and Kansas Aviation  
and Air Parts & Supply Co.**

**Announced**

December 31, 2014

**Notes**

VSE Corporation will acquire four business units from Killick Aerospace Group for \$184 million cash with potential post-closing payment of up to \$45 million. The units specialize in MRO services and parts supply for corporate and regional jet aircraft engines and engine accessories. Combined, the four businesses have 185 employees, \$111 million in total 2014 sales, and \$22 million in estimated income before taxes.



**acquired**



**Space Photovoltaics business**

**Closed**

December 10, 2014

**Notes**

Solaero Technologies, an affiliate of Veritas Capital, acquired the Space Photovoltaics business of EMCORE Corp for \$150 million. The business provides products for space power applications including high-efficiency multi-junction solar cells, coverglass interconnected cells and complete satellite solar panels, along with terrestrial applications, including high-efficiency multi-junction solar cells for concentrating photovoltaic power systems.



**acquired**



**Closed**

December 11, 2014

**Notes**

Vistronix, LLC, a portfolio company of Enlightenment Capital, acquired privately held Agency Consulting Group (ACG). ACG is a premier provider of enterprise mission information technology solutions to the Intelligence Community. ACG is a primary architect of the Intelligence Community's migration of applications, software and infrastructure to cloud-based, virtual environments. The McLean Group advised ACG in its sale.



acquired



**Closed**

December 10, 2014

**Notes**

Preferred Systems Solutions, Inc. (PSS), a portfolio company of CM Equity Partners, L.P. (CMEP), acquired privately held Government Contract Solutions, Inc. (GCS). GCS supports high priority programs for customers at the forefront of federal spending initiatives and has an established and growing presence with the Intelligence Community and Department of Homeland Security. The McLean Group advised GCS in its sale.



acquired



**Closed**

December 2, 2014

**Notes**

Lockheed Martin Corp. acquired privately held Systems Made Simple, Inc. (SMSI). SMSI is a provider of health information technology solutions to the US federal government. The company performs significant work with the Department of Veterans Affairs (VA) in areas such as health data analytics, data center operation, health data management and health system interoperability.



acquired



**Closed**

November 19, 2014

**Notes**

Alcoa acquired Firth Rixson, a global aerospace jet components company, from Oak Hill Capital Partners for \$2.9 billion in cash and stock. Firth Rixson specializes in seamless rolled jet engine rings and specialized superalloys for industrial turbines and oil and natural gas equipment. The deal will aid in Alcoa's initiative to increase aerospace revenue by 20% and realize \$100.0 million in cost savings annually by 2019.



acquired



**Closed**

November 5, 2014

**Notes**

Raytheon Co. acquired Blackbird Technologies, Inc. for \$420 million. Blackbird Technologies is a leading provider of persistent surveillance, secure tactical communications and cybersecurity solutions to the Intelligence Community (IC) and special operations market. Blackbird will become part of Raytheon Company's Intelligence, Information and Services (IIS) business. Blackbird expands Raytheon's already-established footprint in the IC.



will acquire



**Announced**

October 28, 2014

**Notes**

Engility Holdings, Inc. entered into a definitive agreement to acquire TASC, Inc., a company controlled by Kohlberg Kravis Roberts & Co. L.P. (KKR) and General Atlantic LLC (GA) for \$1.1 billion. On a pro-forma basis, following the close of the transaction, the combined company is expected to generate approximately \$2.5 billion in revenue and approximately \$210 million in combined adjusted EBITDA in 2014, excluding cost savings.



acquired



**Closed**

October 17, 2014

**Notes**

TriMas Corp. entered into an agreement to acquire privately held Allfast Fastening Systems, Inc. for \$357 million, representing a 6.5x trailing twelve month revenue multiple. Allfast Fastening Systems, Inc. is a manufacturer of solid and blind rivets, blind bolts, temporary fasteners and installation tooling for the aerospace industry, with content on substantially all commercial, defense and general aviation platforms in production and in service.



acquired

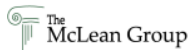


**Closed**

October 17, 2014

**Notes**

AECOM acquired URS Corporation for \$56.31 per share, transaction valued at approximately \$6 billion. URS provides engineering, construction, and technical services for public agencies and private sector companies globally. The combined company will have nearly 100,000 employees in 150 countries with 2013 pro forma revenue of \$19.0 billion and EBITDA of \$1.3 billion. Transaction announced July 13<sup>th</sup>.




acquired



**Closed**

October 3, 2014

**Notes**

Novetta Solutions, LLC, a portfolio company of private equity firm Arlington Capital Partners, acquired privately held Sentinel Applied Analytics, LLC. Sentinel Applied Analytics, LLC is a specialized data analytics firm that extracts value from data using applied statistical techniques to identify patterns, trends and relationships. Sentinel's primary customer is the U.S. Department of Homeland Security. The McLean Group advised Sentinel in its sale.



will acquire



Aerospace & Defense Display Business

**Announced**

September 29, 2014

**Notes**

Esterline will acquire the Aerospace and Defense Display businesses of Barco N.V. for \$200 million. The business designs and manufactures high-technology, harsh-environment displays and visualizations solutions. The acquisition will expand the global display capability and better position Esterline across a wide range of growing end markets.



acquired



**Closed**

September 12, 2014

**Notes**

Cobham acquired Aeroflex for \$1.5 billion, a premium of 28.4% to Aeroflex' volume-weighted average price over the prior 30 trading days. Aeroflex is a global provider of high performance microelectronics components and test and measurement equipment.



acquired



**Closed**

September 2, 2014

**Notes**

XPO Logistics acquired New Breed logistics for \$615 million. New Breed provides technology-oriented supply chain innovations and complex, contract logistics services. New Breed provides logistics support to Boeing for the manufacture and final assembly of the 787 Dreamliner. New Breed had revenue of approximately \$597 million and adjusted EBITDA of approximately \$77 million for the trailing 12 months ended June 30, 2014.



acquired



**Closed**

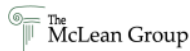
August 18, 2014

**Notes**

Lockheed Martin acquired Zeta Associates. Zeta provides software-based communications signals collection and processing systems to intelligence and defense communities worldwide.

## Notable Transaction Activity

## 2014 Year in Review



acquired

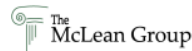


**Closed**

August 11, 2014

**Notes**

Novetta Solutions, an Arlington Capital Portfolio company, acquired SigInt Technologies, a leader in digital signal processing and intelligence analysis solutions for the Intelligence Community. The acquisition of SigInt adds an important new technical capability to the company as Novetta continues its growth toward becoming a dominant provider of advanced analytics for the Intelligence Community. The McLean Group advised SigInt in its sale.



**the edgewater funds**



acquired



**Closed**

August 4, 2014

**Notes**

Haystax acquired NetCentrics, a leader in cybersecurity and network management solutions for defense and federal customers. The acquisition provides immediate scale to create a single company positioning itself as a premier high-tech provider, specializing in big data analytics, cloud computing, real-time threat assessment, and cybersecurity for defense, intelligence and commercial markets. The McLean Group advised NetCentrics in its sale.



acquired



**Hydraulic Actuation Business**

**Closed**

June 30, 2014

**Notes**

Triumph Aerosystems acquired the hydraulic actuation business of GE Aviation for \$70.0 million. The hydraulic actuation business provides complete landing gear actuation systems, door actuation, nose-wheel steering, hydraulic fuses, and flight control actuation for commercial and military aircraft.





WARBURG PINCUS

acquired



WENCOR GROUP

**Closed**

June 19, 2014

**Notes**

Warburg Pincus LLC acquired Wencor Group from Odyssey Investment Partners for an undisclosed amount. Wencor manufactures and distributes aircraft parts for repair stations and aircraft operators worldwide.



acquired



EMTEQ

*Fischer+Entwicklungen*

**Closed**

June 11, 2014

**Notes**

B/E Aerospace acquired two companies for \$470.0 million. EMTEQ is a Wisconsin-based provider of aircraft lighting systems and aircraft cabin management and power systems. Fischer + Entwicklungen manufactures seating for civilian helicopters.



acquired



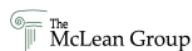
Skybox  
Imaging

**Closed**

June 10, 2014

**Notes**

Google agreed to acquire Skybox Imaging from multiple venture capital firms for \$500.0 million cash. Skybox Imaging provides commercial high resolution satellite imagery, high-definition video, and analytics services. Skybox has built and launched the world's smallest high-resolution imaging satellite to-date.



acquired



**Closed**

June 2, 2014

**Notes**

Noblis, a leading provider of science, technology and strategic advisory services acquired National Security Partners (NSP). NSP is a provider of high-end strategic consulting, technology development and mission execution programs for the US Intelligence Community. [The McLean Group advised Noblis on the transaction.](#)



acquired



*North American Services & Solutions Group*

**Closed**

May 23, 2014

**Notes**

The SI Organization, now Vencor, acquired QinetiQ's North American Services and Solutions Group. QinetiQ North America develops technology solutions for US and international aerospace, defense, intelligence and civilian markets. The transaction forms a \$1.3 billion company focused on the design, development, integration and operation of complex, mission-critical information solutions across the government.



acquired



**Aerospace Power Distribution Management Solutions and the Integrated Cockpit Solutions**

**Closed**

May 9, 2014

**Notes**

Safran acquired the Aerospace Power Distribution Management Solutions and the Integrated Cockpit Solutions business of Eaton. The acquisition of the Aerospace Power Distribution Management Solutions business brings key contactor and circuit breaker technologies to Safran. The business generated revenues of more than \$100.0 million and EBITDA in excess of \$14.0 million in 2013.



Aerospace & Defense

will merge with



**Announced**

April 29, 2014

**Notes**

Alliant Techsystems (ATK) Aerospace & Defense announced it will enter into a merger of equals with Orbital Sciences in deal valued at \$5.0 billion. Both companies have a history of past performance in the space launch industry and have partnered on previous programs. The merger allows the companies to penetrate new markets— Orbital Sciences will provide entry to more satellite work, and ATK will provide access to missile systems and defense electronics.



acquired



**Closed**

March 31, 2014

**Notes**

Precision Castparts Corp (PCC) acquired California based Aerospace Dynamics International (ADI) from The Marvin Group for \$625.0 million. ADI is a top aerospace industry supplier with 625 employees operating a wide range of high-speed machining centers. ADI has special expertise in large complex components, hard metal machining, and critical assemblies with strong positions across growing commercial platforms, including a significant presence on the Airbus A350.



acquired



**Closed**

April 18, 2014

**Notes**

Parsons acquired Secure Mission Solutions, a provider of critical asset protection and cybersecurity services to the national security and defense community. The acquisition will expand Parsons' reach into the cybersecurity market and build upon its capabilities in critical asset delivery, sustainment and protection.



acquired



**Closed**

April 14, 2014

**Notes**

Google acquired New Mexico-based Titan Aerospace. The 20 person start up develops solar powered, jet-sized drones intended to fly nonstop for years, serving as atmospheric satellites operating just outside of commercial airspace. The technology could be used to collect images and offer internet access to remote areas at a cost significantly cheaper than satellites.



acquired



**Closed**

March 18, 2014

**Notes**

Lockheed Martin acquired BEONTRA, a provider of integrated planning and demand forecasting tools for airports around the world. BEONTRA's capabilities expand Lockheed's business in commercial airport information technology solutions. BEONTRA has more than 40 airport operator customers across five continents including some of the world's major airports including Dubai, London Heathrow, Sydney, Copenhagen, Frankfurt, Schiphol and Munich.



acquired



**Closed**

February 19, 2014

**Notes**

Ultra Electronics Holdings has acquired 3Phoenix Inc. in a \$87.0 million deal that provides Ultra sonar, radar, intelligence, surveillance and reconnaissance products and solutions. 3Phoenix has 182 employees, and its main customers are the Navy and the commercial sector. The company will be bolted onto Ultra's Tactical and Sonar Systems Division, and integration will occur throughout 2014. The McLean Group advised 3Phoenix on the deal.

- The McLean Group's Aerospace, Defense & Government (ADG) industry group is one of the largest, most experienced, and most capable investment banking teams focused exclusively on the defense and government services industry.

## Deep Government Market Expertise

Aerospace Hardware & Services

C4ISR

Cyber Security Products & Services

Defense Electronics

Healthcare IT

Intelligence Community

IT, Software & Consulting Services

Logistics & Training

Technical & Professional Services

## Discriminators

- One of the largest ADG teams in the country – 15 bankers that cover the sector
- Leadership team averages more than 10 years of exclusive focus on the sector
- Longstanding relationships with virtually every strategic and financial buyer in the sector
- 48 closed transactions in the government sector since 2010
- As an independent investment bank, we avoid potential conflicts of interest and are able to provide honest advice to best support our clients

Recent  
Representative  
Buyers / Clients



- As a core competency and complement to our M&A practice, The McLean Group provides formal business valuation services for a variety of transaction, financial reporting, litigation, and tax purposes.

### Financial Reporting

- Purchase price allocations (ASC 805)
- Goodwill impairment tests (ASC 350)
- Analysis of long-lived assets (ASC 360)
- Stock option expense (ASC 718)
- Fresh start accounting (ASC 852)

### Equity Incentive Plans & Tax Compliance

- Employee Stock Ownership Plans (ESOPs)
- Private company equity incentive plans
- Section 409A valuations
- S corporation conversions
- Estate and gift tax valuations

### Litigation Support

- Dissenting/oppressed shareholders
- Lost profits and lost asset values
- Wrongful death and personal injury
- Buy/sell agreements and dispute resolution

### Transaction Advisory

- Fairness opinions
- Valuation due diligence
- Business modeling and forecasting
- Exit planning



**ACG**  
AGENCY CONSULTING GROUP

acquired by

**VISTRONIX**  
INTELLIGENCE & TECHNOLOGY SOLUTIONS

Federal Contracting

As M&A Advisors 

**GCS**  
Experts Engaged in Your Success

acquired by

**PSS** PREFERRED SYSTEMS SOLUTIONS

A Portfolio Company of: **CM EQUITY PARTNERS**

Federal Contracting

As M&A Advisors 

**Sentinel**  
Applied Analytics

acquired by

**NOVETTA**

A Portfolio Company of: **Arlington Capital Partners**

Data Analytics

As M&A Advisors 

**SigInt**  
TECHNOLOGIES

acquired by

**NOVETTA**

A Portfolio Company of: **Arlington Capital Partners**

Signals Intelligence & Analysis

As M&A Advisors 

**NetCentrics**

acquired by

**Haystax** Technology

A Portfolio Company of: **the edgewater funds**

Network Management & Security

As M&A Advisors 

**noblis**

has acquired

**National Security Partners**

A Portfolio Company of: **FedCap** **Waud Capital**

Cyber Security & Intelligence

As M&A Advisors 

**3PHOENIX™**

acquired by

**Ultra** ELECTRONICS

Federal Contracting  
Naval Technology Solutions

As M&A Advisors 

**DAI**

has acquired

**HTSPE**

International Development Consultancy

As M&A Advisors 

**UltiSat**

Received Investment From

**LLRpartners**

Federal Contracting  
Satellite-Communications Solutions

As M&A Advisors 

**TWISTEDPAIR**

acquired by

**MOTOROLA SOLUTIONS**

Mobile Interoperability for  
Mission-Critical Communications

As M&A Advisors 

**ACENTIA**

has acquired

**INSYSCO**

Federal Contracting  
Financial IT Services

As M&A Advisors 

**gap solutions**

acquired by

**Tallasi Technology**

Federal Contracting  
IT, Staffing and Professional Services

As M&A Advisors 

**TERRASIM**

has been acquired by

**Bohemia Interactive** SIMULATIONS

Federal Contracting  
Digital Mapping Solutions

As M&A Advisors 

**GLOBALTRAK**

has been acquired by

**ORBCOMM**

Government Services  
Cargo Security Solutions

As M&A Advisors 

**COMPSEC**

acquired by

**DC CAPITAL PARTNERS**

Intelligence Community  
IT Solutions

As M&A Advisors 

**the engle group**

has been acquired by

**TWD**

Federal Contracting  
Training and IT Program Management

As M&A Advisors 

**CORBIN** COMPANY

has been acquired by

**FULCRUM IT**

Federal Contracting  
IT & Professional Services

As M&A Advisors 

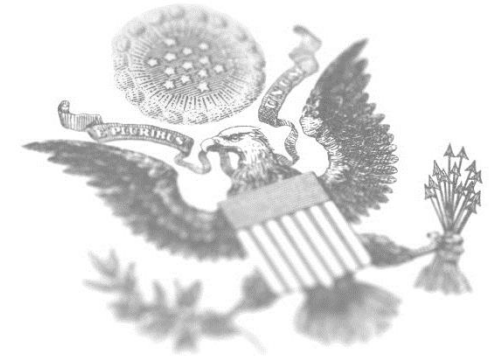
**XPECT®** SOFTWARE

has been acquired by

**ISS**

Federal Contracting  
Intelligence Analysis Solutions

As M&A Advisors 



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