



Aerospace, Defense and Government Services
Quarterly Industry Update
1st Quarter 2015

Industry News Quarterly Summary

- The President, the Senate Armed Services Committee, and the House Armed Services Committee (HASC) proposed three differing dollar amounts for the 2016 Defense Budget, but all in excess of the sequestration caps mandated by the 2011 Budget Control Act. The HASC passed a policy bill which authorizes \$585.1 billion in spending; \$495.9 billion in discretionary funding and \$89.2 billion in the overseas contingency operations (OCO) account. This bill will next head to the floor of the full House of Representatives for a vote in May. The President's budget proposal was \$585.3 billion; \$534.4 billion in discretionary spending and \$50.9 billion in OCO funding.
- The FAA proposed a framework of regulations allowing routine use of certain small unmanned aircraft systems (UAS) in the current aviation system. The proposal offers safety rules for small UAS (under 55 pounds) conducting non-recreational operations. The rule would limit flights to daylight and visual-line-of-sight operations. It also includes extensive discussion of the possibility of an additional, more flexible framework for "micro" UAS under 4.4 pounds. The FAA is also exploring how to further leverage the UAS test site program and an upcoming UAS Center of Excellence to further spur innovation at "innovation zones."
- President Obama agreed to slow US troop drawdown in Afghanistan and to keep a majority of the 9,800 troops currently stationed there beyond 2015.
- Ashton Carter was sworn in as the new Secretary of Defense on February 17, replacing Chuck Hagel.
- Orbital Sciences and ATK completed their merger on February 9, creating a \$5.0 billion, 16,000-person space, defense and aviation systems developer and manufacturer.
- Engility completed its \$1.3 billion acquisition of TASC; the combined company totals 11,000 employees and \$2.5 billion in revenue.

Notable Quarterly M&A Activity

- Harris Corporation will acquire Exelis for \$4.8B
- SAIC acquired Scitor from Leonard Green & Partners for \$790M
- Alcoa will acquire RTI International Metals for \$1.5B
- TransDigm acquired Telair Cargo Group from AAR Corp for \$725M
- RBC Bearings will acquire Sargent Aerospace & Defense from Dover Corp for \$500M
- Maximus acquired Acentia from Snow Phipps for \$300M
- Accenture Federal Services acquired Agilex Technologies
- KeyW acquired Ponte Technologies and Milestone Intelligence Group

Capital Markets

	% Change		
	Four Weeks	Q1 2015	52 Weeks
Defense Prime Index	(1.3%)	7.6%	20.1%
Defense Systems Index	1.2%	7.8%	6.6%
Diversified Government Services Index	(5.6%)	1.6%	19.3%
Middle Market Government Services Index	(6.2%)	0.6%	(15.9%)
Large Cap Aerospace Index	(2.5%)	5.8%	5.7%
Mid Cap Aerospace Index	2.5%	7.2%	(2.6%)
Small Cap Aerospace Index	2.2%	5.8%	(4.7%)
International Aerospace Index	0.2%	11.0%	(12.2%)
S&P 500	(1.9%)	0.4%	9.7%

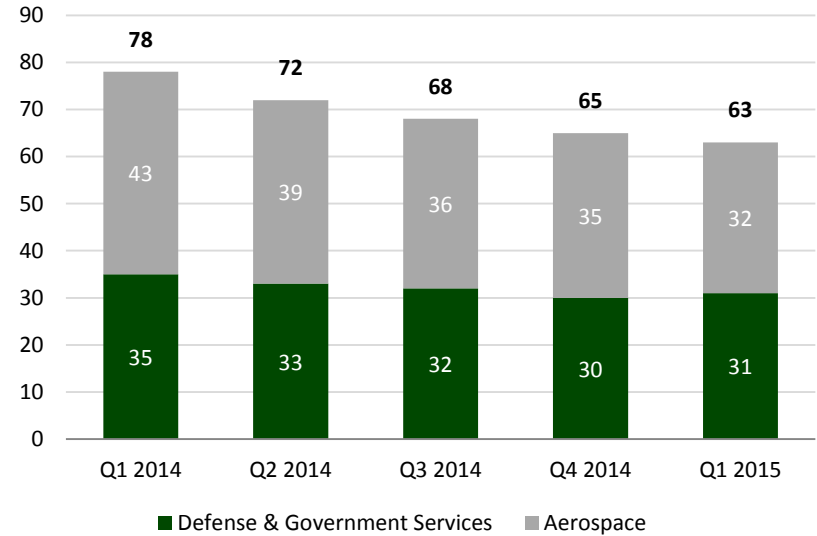
M&A Analysis

First Quarter 2015

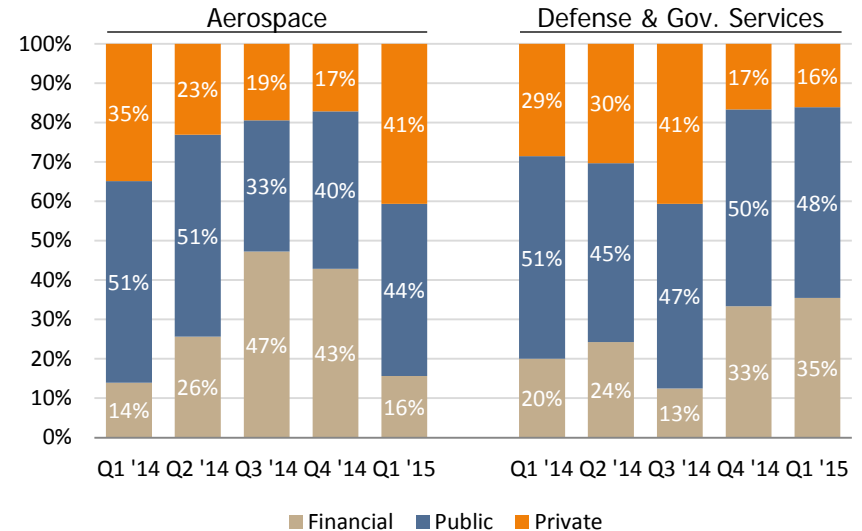
The McLean Group tracked 31 announced Defense and Government Services sector transactions during Q1 2015. This is up from Q4 2014 but slightly down from Q1 2014 which tracked 35 announced transactions. The trend of increased public buyer activity has continued throughout Q1 with public companies representing the most active buyer, accounting for 48% of acquisitions YTD. Private companies receded as buyers, accounting for only 16% of the acquisitions whereas private equity has significantly increased activity, accounting for 35% of acquisitions up from 22% over the previous year. Notable transactions in Q1 2015 include: Harris' announced acquisition of Aerospace & Defense systems provider Exelis for \$4.8 billion; SAIC's announced purchase of Intelligence Community solutions provider Scitor from Leonard Green Partners for \$790.0 million; and MAXIMUS' acquisition of Healthcare IT solutions provider Acentia from Snow Phipps Group for \$300.8 million.

Announced North American Aerospace M&A activity in Q1 continued a gradual decline from the three year quarterly high in Q1 2014, but was consistent with the three year quarterly average. Public buyers remained the most active acquirers, representing nearly half of Q1 buyers. Alcoa continued its acquisition streak, following its 2014 purchases of Firth Rixon and TITAL GmbH with the \$1.8 billion acquisition of RTI International Metals. HEICO made dual purchases in Q1, acquiring Aeroworks International Holdings and Harter Industries. TransDigm, RBC Bearings and Onex Corp all made significant acquisitions valued at \$500 million or larger. PE backed acquisitions shrank to just 16% of quarterly activity, down from 31% in 2014. Meanwhile private buyers increased their presence from 24% of buyers in 2014 to 41% in Q1 2015. Notable private buyers in Q1 included Sierra Nevada Corp., STS Aviation Group and StandardAero. Divestiture activity increased, comprising 38% of Q1 transactions, up from 22% and 21% in 2013 and 2014 respectively. Bombardier, GE Aerospace, AAR Corp, UTC, Curtis-Wright, Rockwell Collins and L-3 all had meaningful aerospace divestitures.

Recent Transaction Activity by Quarter



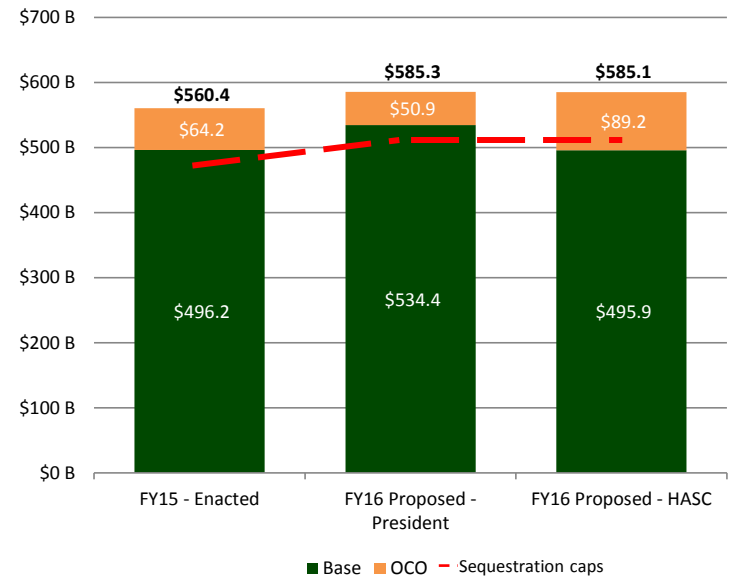
Quarterly Transactions by Buyer Type



DoD Budget Update

On April 30, the House Armed Services Committee (HASC) passed the National Defense Authorization Act (NDAA) policy bill which authorizes \$585.1 billion in defense spending for 2016. The NDAA allows for \$495.9 billion in discretionary funding and \$89.2 billion in the overseas contingency operations (OCO) account. In February the President released a budget proposal for \$534.4 billion in discretionary spending and \$50.9 billion in OCO funding, for a total of \$585.3 billion. Notably, the House Committee's version does not lift the sequestration caps for this year, a request the President had made in his version, and far exceeds the congressionally mandated budget cap of \$499 billion for 2016. Additionally, the president has previously threatened to veto budget bills that keep the sequestration caps in place, setting the stage for potential further budget negotiations when the bill is brought to the House floor this month. The fact that any budget conversations are taking place is a good thing, and that we are not headed for another continuing resolution should bring comfort to investors. M&A activity potentially will be impacted by sectors that are seeing an uptick in requested spending, and specific programs that are identified in the budget, such as cybersecurity initiatives.

Enacted and Proposed DoD Budgets



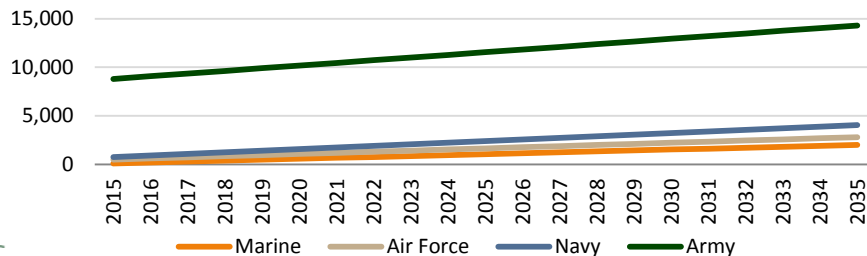
Procurement News - LPTA

In a memo authored by Under Secretary of Defense for Acquisition, Technology and Logistics, Frank Kendall, the DoD is taking a public stance and providing guidance to its contracting officers on a contracting initiative that Industry has long opposed; Lowest Price, Technically Acceptable (LPTA) source selections. In his March 4 memo titled *Appropriate Use of Lowest Priced, Technically Acceptable Source Selection Process and Contract Type*, Mr. Kendall states that LPTA is the appropriate source selection process only when 1) the requirements are well defined; 2) the risk of unsuccessful contract performance is minimal; 3) price is a significant factor in the source selection, and 4) there is neither value, need, nor willingness to pay for higher performance. Industry has long held the belief that technical service and solution bids do not fit these guidelines, and LPTA does not align with the mission at large. When the Government overemphasizes cost in its procurements, contractors can have the tendency to downplay their true costs in an attempt to be the lowest priced bidder. In the long term, this has the opposite of LPTA's intended effect: cost savings are reduced and sometimes eliminated by cost overruns, contract modifications, and in some cases poor performance can lead to contract terminations. With higher budgets for DoD and the Federal Government being proposed by the President and both the House and the Senate, there is the possibility that LPTA procurements will be used less frequently, primarily for commodity and non-technical acquisitions, and that DoD's mentality will revert to identifying contractors that provide the best solutions, not the cheapest.

Unmanned systems utilization by government and commercial entities continues to grow in number and effectiveness as sensor and automation technologies mature. The global defense industry increasingly invests in R&D for Unmanned Aerial Systems (UAS), Autonomous Underwater Vehicles (AUVs), Marine Unmanned Surface Vehicles (USV) and Autonomous Ground Systems which has led to enhanced system endurance, survivability and usability with increased applications for both military and security as well as industrial and commercial. Unmanned systems M&A was steady over the last few years, but is likely to increase as technical maturity continues to drive wider adoption and give birth to new applications.

Growth outlook for UAS systems is particularly strong. According to Department of Transportation (DoT) estimates, UAS operations are expected to surpass manned aircraft operations, for both military and commercial domains, by 2035 with 250,000 vehicles in operation, half of which are expected to be commercial. By 2035, the Department of Defense is projected to add 14,000 unmanned aerial vehicles to its inventory, representing as much as 70% of its entire aerial vehicle fleet. Low-cost Micro and Small UAS dedicated to specific new and emerging tactical market applications are forecasted to undergo rapid commercial market growth. In Q1, the FAA and DoT released a regulations framework that would allow routine use of certain small UAS. As UAS usage evolves and commercial demand becomes more sophisticated, current DoD suppliers are expected to seriously enter the commercial marketplace. This move has the potential to drive business model changes, especially in UAS service demand, as well as introduce more capable unmanned or optionally manned aircraft.

DoD Unmanned Aircraft Vehicle Forecast 2015 -2035¹



Recent Unmanned System M&A²

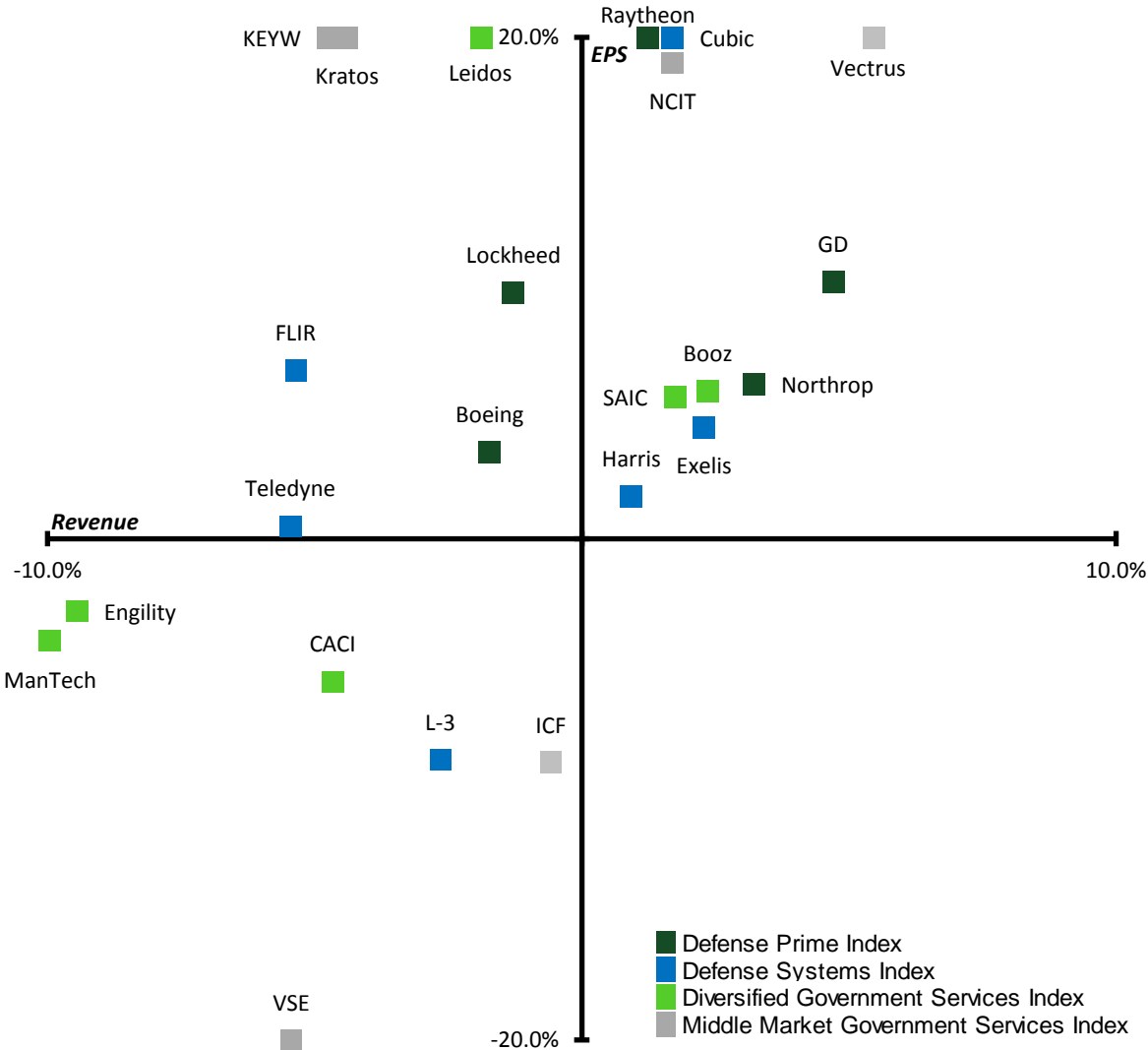
Unmanned Aerial Systems

Buyer	Target	M&A Close Date and Strategic Rationale
OG SYSTEMS General Catalyst Partners	URBAN ROBOTICS	May '15: Airborne military ISR applications able to solve 2D and 3D geospatial problems
QUALCOMM	KMe1 ROBOTICS	Feb '15: UAV hardware design and controls ranging from autopilot to onboard image processing
Raytheon	Sensintel	Jan '15: UAS solutions for intelligence and SOCOM, leader in expendable remote sensing
TRIVE CAPITAL	ISR GROUP	May '14: Unmanned system services for government, civil, and commercial customers
DRONE Aviation Corp	LTAS	May '14: Winch Aerostat Small Platform (WASP) and Blimp in a Box for military and commercial markets
Google	Titan Aerospace	Apr '14: Solar powered UAV designer, advanced HALE technology for low earth orbit satellites
facebook	Acenta Limited	Mar '14: Solar powered UAV designer, advanced HALE technology for low earth orbit satellites
Sensintel	BAE SYSTEMS Unmanned Aircraft Programs Business	Jun '13: UAS design and manufacturing, ground support equipment, sensors, software and services
LOCKHEED MARTIN	ChandlerMay	Nov '12: UAS design, development, integration, manufacturing, and support services

Marine AUVs and USVs, Autonomous Ground Systems

Buyer	Target	M&A Close Date and Strategic Rationale
Huntington Ingalls Industries	THE COLUMBIA GROUP Undersea Solutions	Jan '15: Designer and builder of UUVs for US Navy, specialized covert and defense applications
TELEDYNE TECHNOLOGIES	BOIT	Nov '14: Designer and manufacturer of mini ROVs in maritime security, search and rescue, research
TELEDYNE TECHNOLOGIES	OCEANSCIENCE	Oct '14: Designs and manufactures marine sensor platforms and USVs for marine mapping
Google	Boston Dynamics	Dec '13: Design and build mobile and off-road robotics technology
TELEDYNE TECHNOLOGIES	BlueView TECHNOLOGIES	Jul '12: AUV instrumentation for underwater vision, monitoring, survey, detection and navigation

Most Recent Quarterly Earnings Surprise¹



Most Recent Quarterly Earnings Surprise¹

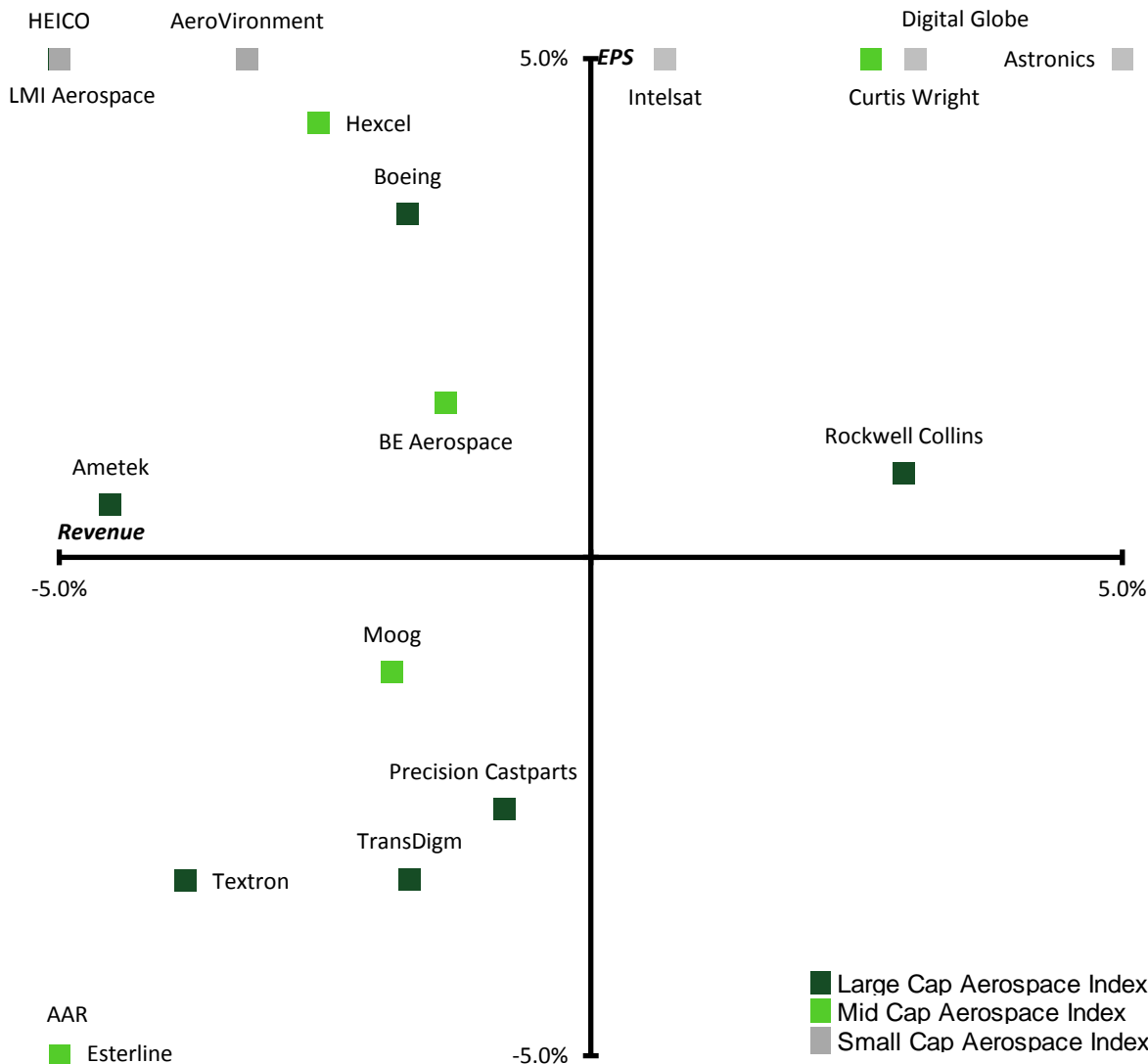
Company	Quarter Ending	Revenue	EPS
BOEING	3/31/15	-1.7%	3.4%
GENERAL DYNAMICS	4/5/15	4.7%	10.2%
LOCKHEED MARTIN	3/29/15	-1.3%	9.8%
NORTHROP GRUMMAN	3/31/15	3.2%	6.2%
Raytheon	3/29/15	1.2%	28.0%
CUBIC	9/30/14	1.5%	29.8%
EXELIS	12/31/14	2.3%	4.4%
FLIR	3/31/15	-5.4%	6.7%
HARRIS	4/3/15	0.9%	1.7%
L3	3/27/15	-2.6%	-8.8%
TELEDYNE TECHNOLOGIES	3/29/15	-5.5%	0.5%
Booz Allen Hamilton	12/31/14	2.4%	5.9%
CACI	3/31/15	-4.7%	-5.7%
ENGILITY	12/31/14	-9.5%	-2.9%
leidos	1/30/15	-1.7%	43.8%
ManTech International Corporation	3/31/15	-10.0%	-4.1%
SAIC	1/30/15	1.7%	5.6%
ICF	12/31/14	-0.6%	-8.9%
KEYW	12/31/14	-4.7%	116.7%
KRATOS DEFENSE & SECURITY SOLUTIONS	12/28/14	-4.4%	57.1%
nci	3/31/15	1.5%	20.0%
VECTRUS	12/31/14	5.5%	26.9%
VSE CORPORATION	12/31/14	-5.4%	-22.6%

¹Earnings Surprise is calculated as the difference of a Company's most recent quarterly financial results from Capital IQ analyst consensus estimates

Most Recent Quarterly Financial Results (US Aerospace)

First Quarter 2015

Most Recent Quarterly Earnings Surprise¹

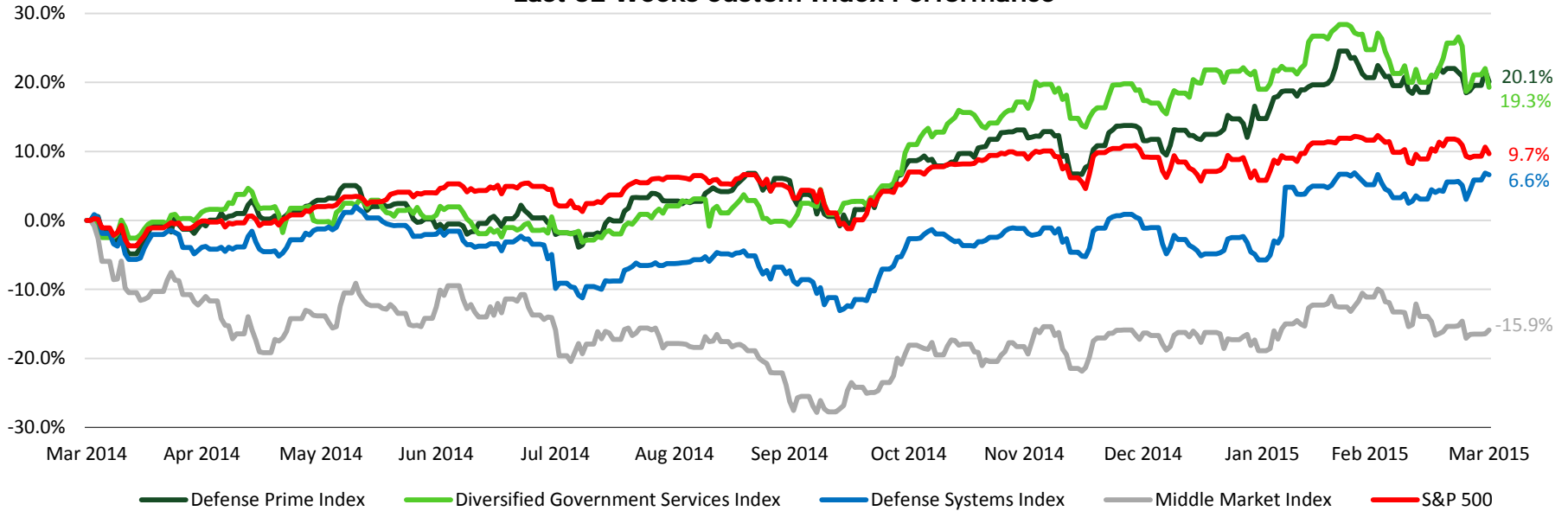


Most Recent Quarterly Earnings Surprise¹

Company	Quarter Ending	Revenue	EPS
AMETEK	3/31/2015	-4.5%	0.5%
BOEING	3/31/2015	-1.7%	3.4%
POC	12/28/2014	-0.8%	-2.5%
Rockwell Collins	3/31/2015	2.9%	0.8%
SPIRIT AEROSYSTEMS	4/2/2015	4.3%	8.2%
TEXTRON	4/4/2015	-3.8%	-3.2%
TRANSDIGM GROUP INC.	12/27/2014	-1.7%	-3.2%
United Technologies	3/31/2015	-2.2%	8.6%
BT	3/31/2015	-1.4%	1.5%
CURTIS WRIGHT	3/31/2015	2.6%	13.0%
Esterline	1/30/2015	-19.5%	-37.2%
HEICO	1/30/2015	-6.4%	-8.9%
HEXCEL	3/31/2015	-2.6%	4.4%
MOOG	3/31/2015	-4.5%	0.5%
Orbital ATK	NA	NA	NA
Triumph Group, Inc.	12/31/2014	-5.7%	-4.1%
AAR	2/28/2015	-21.1%	-327.3%
AV	1/31/2015	-3.2%	63.6%
ASTRONICS	12/31/2014	5.6%	25.0%
DigitalGlobe	12/31/2014	3.1%	133.3%
GENCORP AEROJET ROCKETDYNE HOLDINGS, INC.	2/28/2015	NA	NA
INTELSAT	3/31/2014	0.3%	40.8%
LMI AEROSPACE, INC.	12/31/2014	-11.0%	-4300%
Wesco Aircraft	12/31/2014	-4.4%	-13.8%

¹Earnings Surprise is calculated as the difference of a Company's most recent quarterly financial results from Capital IQ analyst consensus estimates

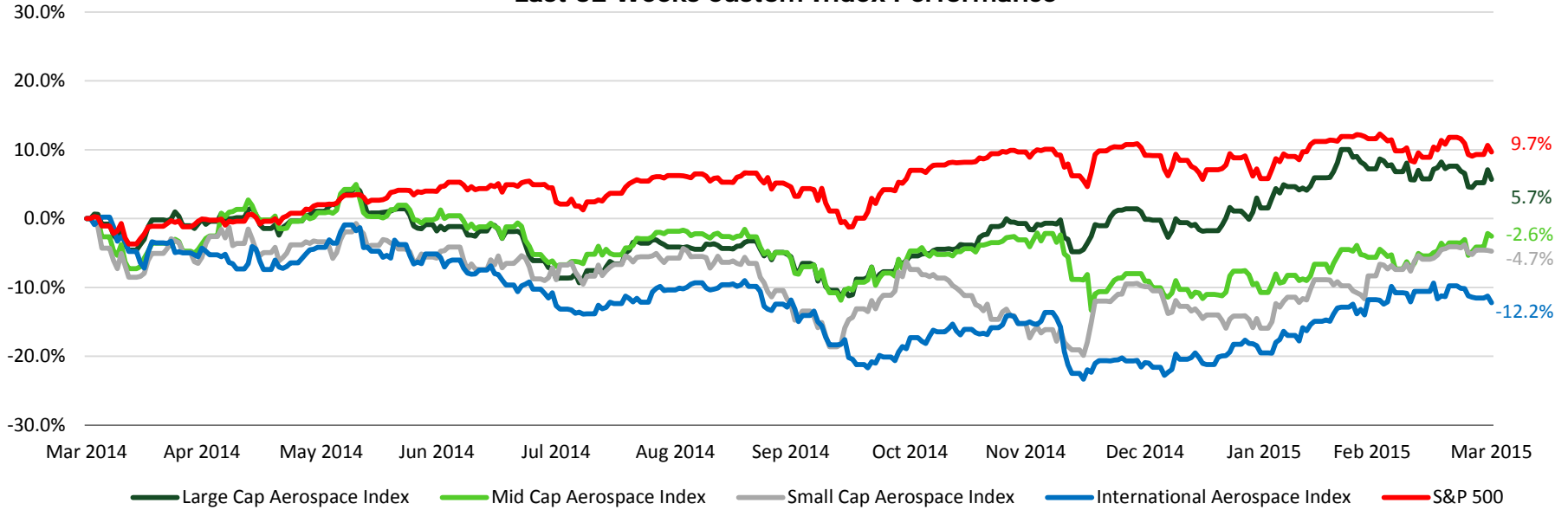
Last 52 Weeks Custom Index Performance



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

Defense Prime Index							
	94%	93%	98%	93%	96%		
Defense Systems Index							
	93%	99%	84%	99%	95%	54%	98%
Diversified Government Services Index							
	92%	98%	61%	89%	96%	92%	
Middle Market Index							
	93%	42%	61%	79%	76%	97%	

Last 52 Weeks Custom Index Performance

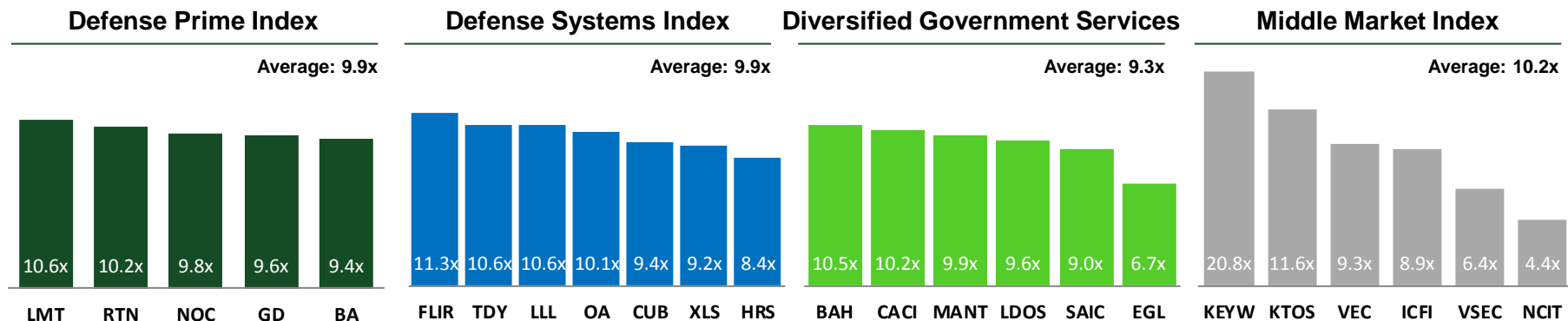


Index Constituents and Stock Price as a % of 52 Week High

Large Cap Aerospace Index	AMETEK	BOEING	PCC	Rockwell Collins	SPIRIT AEROSYSTEMS	TEXTRON	TRANSDIGM GROUP INC.	United Technologies
	96%	94%	76%	99%	99%	97%	97%	94%
Mid Cap Aerospace Index	BE Aerospace	CURTISS WRIGHT	Esterline	HEICO	HEXCEL	MOOG	Orbital ATK	Triumph Group, Inc.
	63%	99%	93%	95%	98%	95%	54%	83%
Small Cap Aerospace Index	AAR	AV aerospace	ASTRONICS CORPORATION	DigitalGlobe	GENCORP AEROJET ROCKETDYNE	INTELSAT	LMI AEROSPACE, INC.	Wesco Aircraft
	90%	64%	97%	95%	99%	60%	79%	67%
International Aerospace Index	AIRBUS GROUP	BOMBARDIER	EMBRAER	FINMECCANICA	MEGGITT	Rolls-Royce	SAFRAN AEROSPACE DEFENCE SECURITY	THALES
	94%	56%	76%	92%	92%	86%	95%	96%

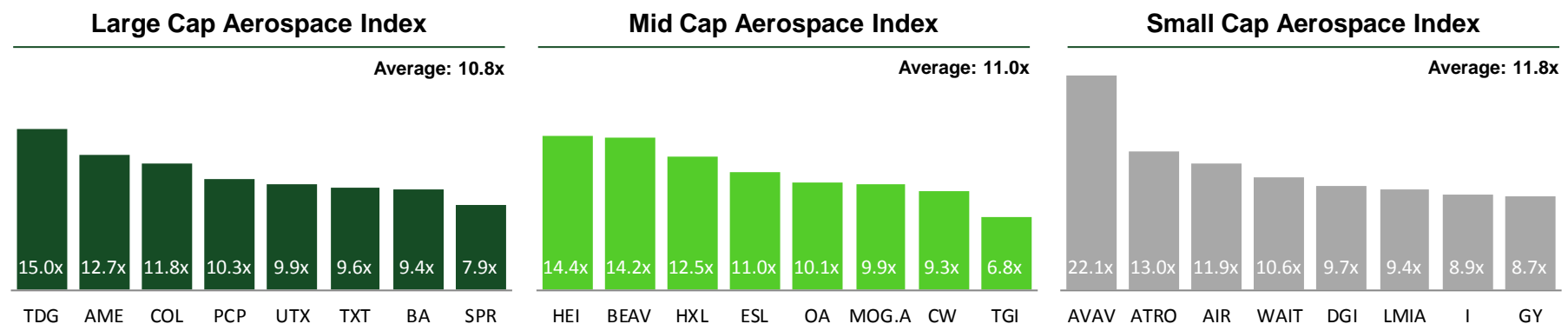
Defense and Government Services

Average: 9.8x
Median: 9.7x

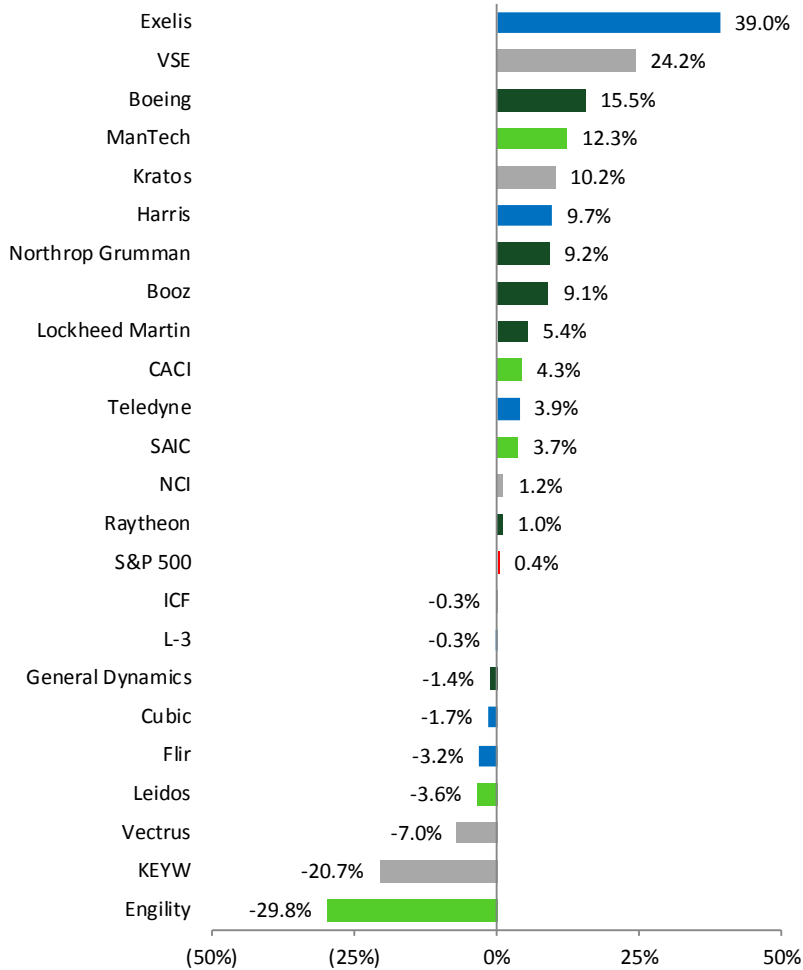


Aerospace

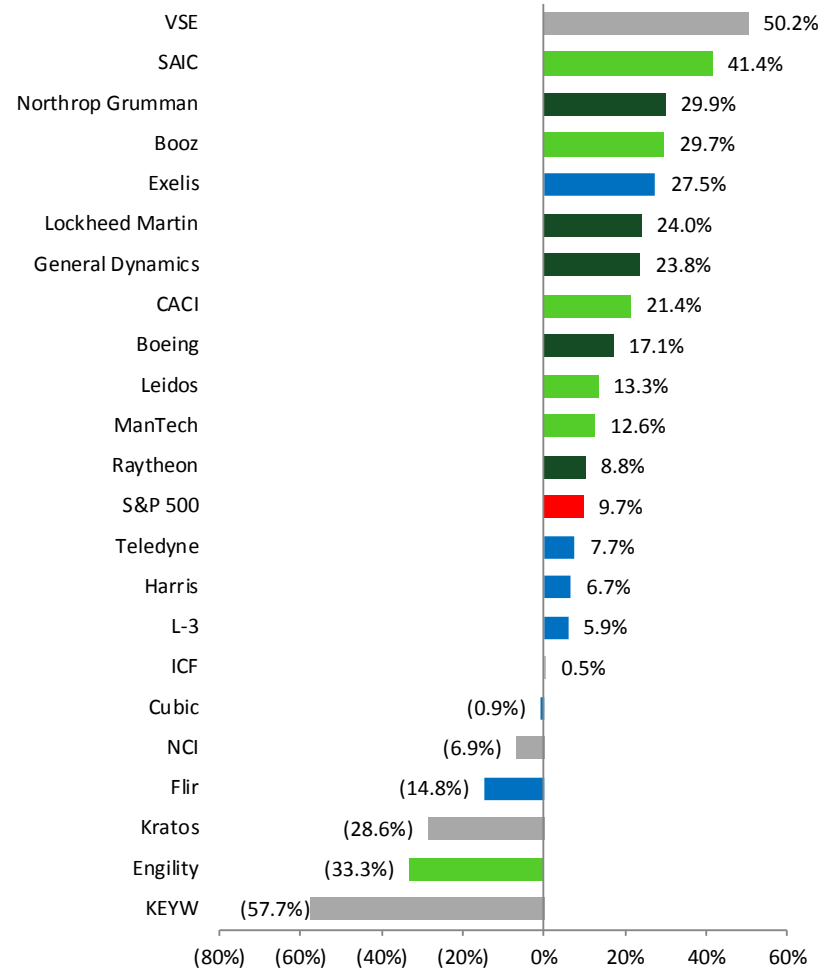
Average: 11.2x
Median: 10.2x



First Quarter 2015

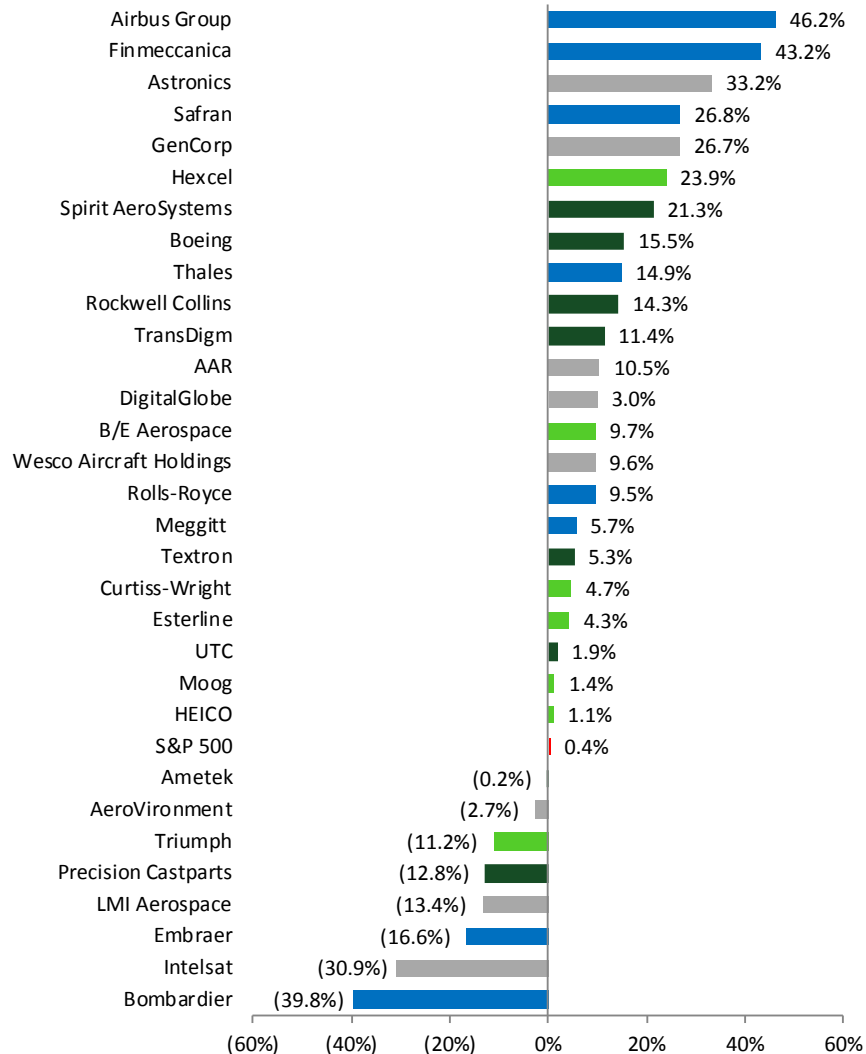


Last 52 Weeks

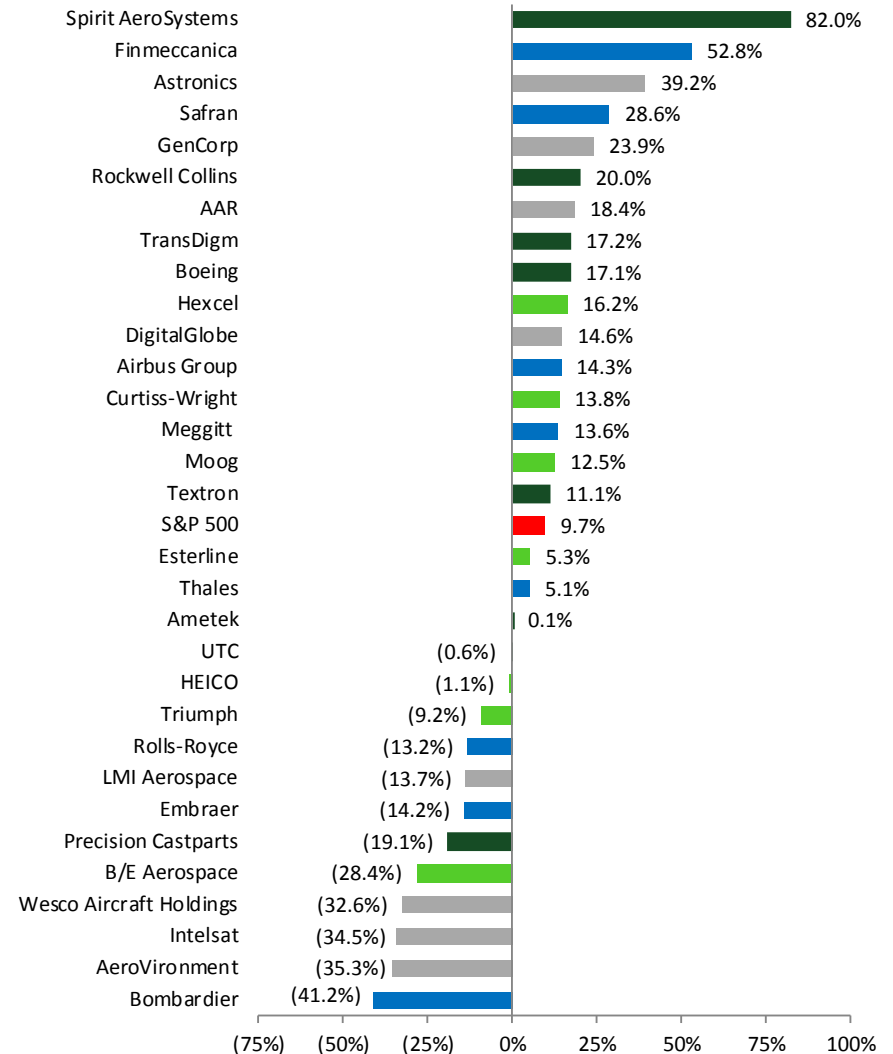


■ Defense Prime Index
 ■ Defense Systems Index
 ■ Diversified Government Services Index
■ Middle Market Government Services Index
 ■ S&P 500 Index

First Quarter 2015

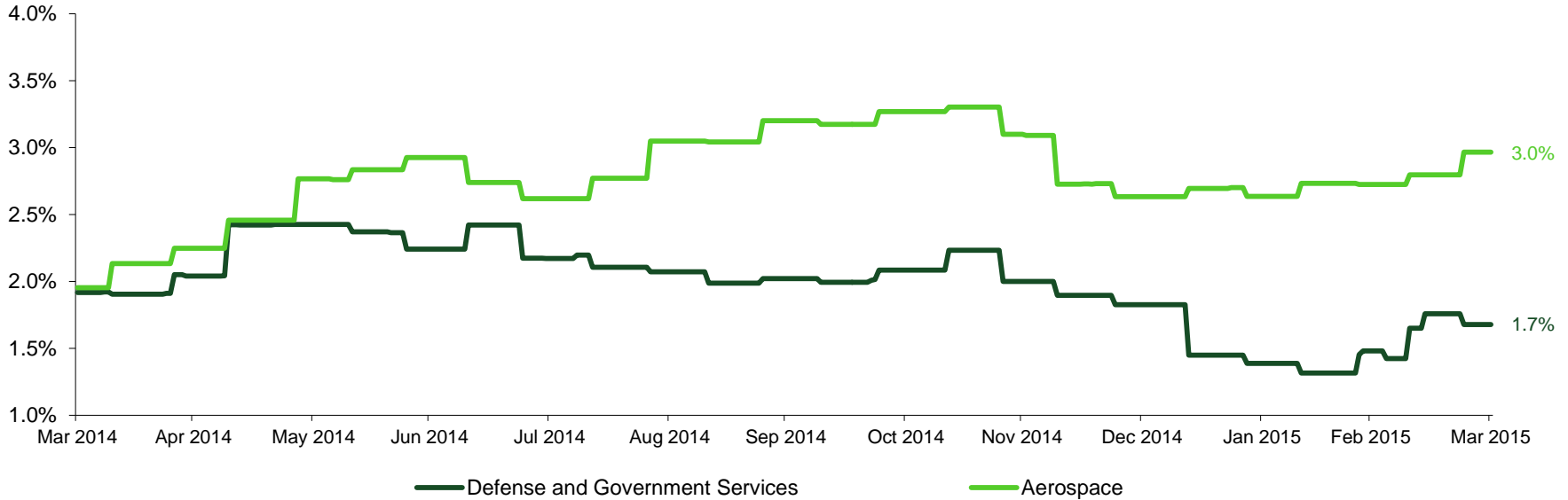


Last 52 Weeks



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

Last 52 Week Median Short Interest



Short Interest as of March 27, 2015

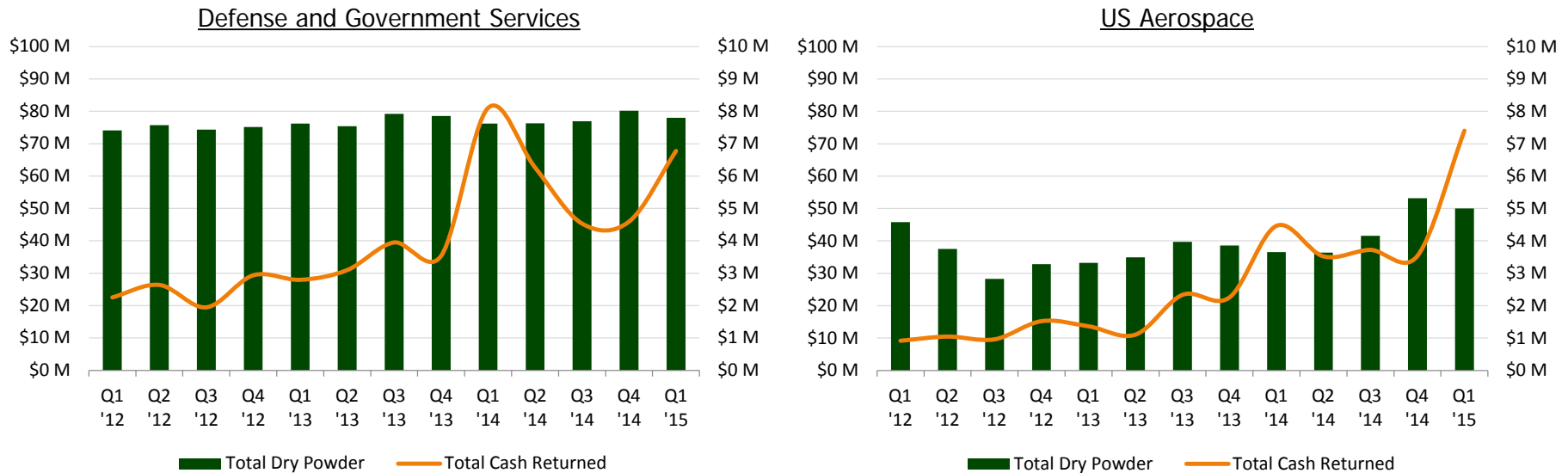
Defense and Government Services

BOEING 2.1%	GENERAL DYNAMICS 0.9%	LOCKHEED MARTIN 1.0%	NORTHROP GRUMMAN 1.6%	Raytheon 1.9%	Booz Allen Hamilton 2.1%	CACI 2.3%	ENGILITY 1.1%
leidos 1.0%	ManTech 1.7%	SAIC 1.4%	ICF 1.4%	KEYW 30.8%	KROTOS 7.4%	nci 0.1%	VECTRUS 2.6%
VSE CORPORATION 1.9%	CUBIC 0.9%	EXELIS 0.6%	FLIR 1.8%	HARRIS 3.7%	L3 0.7%	Orbital ATK 1.5%	TELEDYNE TECHNOLOGIES 1.8%

Aerospace

AMETEK 2.2%	BOEING 2.1%	PCC 2.8%	Rockwell Collins 2.7%	SPIRIT AEROSYSTEMS 1.8%	TEXTRON 1.7%	TRANSDIGM GROUP INC. 5.3%	United Technologies 3.0%
AAR 3.9%	CURTIS WRIGHT 1.2%	Esterline 3.9%	HEICO 2.9%	HEXCEL 3.3%	MOOG 1.2%	Orbital ATK 1.5%	Triumph Group, Inc. 4.0%
AIV 5.0%	ASTRONICS 2.4%	DigitalGlobe 12.0%	GENCORP 13.4%	INTELSAT 2.6%	LMI AEROSPACE, INC. 3.3%	Wesco Aircraft 3.2%	

Total Dry Powder vs. Total Cash Returns by Quarter



Defense and Government Services: Companies continued to return cash to shareholders through share repurchases and dividends, and focused on earnings growth and debt reduction to maintain high levels of dry powder. Dry powder was down 3.9% in Q1, but remains 7.8% higher than Q3 2014. The most notable shareholder cash return of late has been by Lockheed Martin with a \$2.0 billion share repurchase program and 12.8% dividend increase. As public Defense and Government Services companies continue to search for ways to increase shareholder value, the recent trends in earnings growth and deleveraging has provided public buyers with adequate dry powder to pursue strategic acquisitions.






US Aerospace: Companies continued to reward shareholders through increases in share repurchase programs and dividends based upon the continued ability to increase cash flow through successful ventures and perceived undervaluation. In Q1, this trend was highlighted by Boeing’s \$12 billion accelerated repurchase program and 25% dividend increase, spurred largely by steady increases in operating cash flow across project lines and a net reduction of its pension liability. Industry cash returns were further boosted by United Technologies’ \$2.7 billion accelerated repurchase program, spurred largely by Sterne Agee’s recent report that United Technologies was undervalued by approximately \$40 per share. Given the positive trends in operating cash flow among public aerospace companies, industry players are projected to continue their focus on strategic alternatives to unlock shareholder value, including spin-offs and further acquisitions.

Dry Powder Calculations (Defense and Gov. Services)








First Quarter 2015

(\$ millions)







Defense Prime Index

	 BOEING	 GENERAL DYNAMICS	 LOCKHEED MARTIN	 NORTHROP GRUMMAN	 Raytheon
3x LTM EBITDA	\$28,707.0	\$13,524.0	\$18,249.0	\$10,749.0	\$10,230.0
Less LT Debt	9,038.0	3,411.0	8,404.0	6,418.0	5,331.0
Plus Cash	8,655.0	4,412.0	3,486.0	2,646.0	2,906.0
Dry Powder	\$28,324.0	\$14,525.0	\$13,331.0	\$6,977.0	\$7,805.0







Defense Systems Index

	 CUBIC	 EXELIS	 FLIR	 HARRIS	 L3	 Orbital ATK	 TELEDYNE TECHNOLOGIES INCORPORATED
3x LTM EBITDA	\$370.9	\$1,545.0	\$1,035.9	\$3,190.8	\$3,813.0	\$2,408.9	\$1,183.5
Less LT Debt	102.4	649.0	369.4	1,603.1	3,945.0	2,068.5	830.0
Plus Cash	215.8	510.0	547.8	487.7	317.0	112.9	110.2
Dry Powder	\$484.3	\$1,406.0	\$1,214.3	\$2,075.4	\$185.0	\$453.3	\$463.7

Diversified Government Services Index









	 Booz Allen Hamilton	 CACI	 ENGILITY	 leidos	 ManTech International Corporation	 SAIC
3x LTM EBITDA	\$1,562.0	\$919.6	\$317.7	\$1,254.0	\$375.5	\$783.0
Less LT Debt	1,635.9	1,092.0	293.3	1,166.0	0.0	497.0
Plus Cash	197.4	33.6	7.1	443.0	43.6	301.0
Dry Powder	\$123.5	(\$138.9)	\$31.6	\$531.0	\$419.1	\$587.0

Middle Market Index









	 ICF	 KEYW	 KROTOS DEFENSE & SECURITY SOLUTIONS	 nci	 VECTRUS TRUE TO YOUR MISSION	 VSE CORPORATION
3x LTM EBITDA	\$287.9	\$19.1	\$182.7	\$70.1	\$165.2	\$182.8
Less LT Debt	350.1	124.3	664.1	27.0	137.4	268.3
Plus Cash	12.1	39.6	34.7	0.7	42.8	0.5
Dry Powder	(\$50.0)	(\$65.6)	(\$446.7)	\$43.8	\$70.7	(\$85.1)

(\$ millions)









Large Cap Aerospace Index

								
3x LTM EBITDA	\$3,113.7	\$28,707.0	\$9,483.0	\$3,543.0	\$3,087.0	\$4,695.0	\$3,215.1	\$36,021.0
Less LT Debt	1,672.7	9,038.0	4,146.0	2,463.0	1,145.3	3,845.0	7,515.3	21,993.0
Plus Cash	406.6	8,655.0	430.0	284.0	749.5	561.0	1,011.6	5,281.0
Dry Powder	\$1,847.6	\$28,324.0	\$5,767.0	\$1,364.0	\$2,691.2	\$1,411.0	(\$3,288.6)	\$19,309.0

Mid Cap Aerospace Index

								
3x LTM EBITDA	\$1,418.1	\$1,223.6	\$1,057.9	\$804.3	\$1,159.5	\$1,046.0	\$2,408.9	\$1,282.8
Less LT Debt	2,154.7	966.2	794.7	354.9	480.2	1,030.5	2,068.5	1,442.7
Plus Cash	295.4	215.6	128.1	18.4	22.7	261.7	112.9	34.2
Dry Powder	(\$441.2)	\$473.0	\$391.3	\$467.7	\$702.0	\$277.1	\$453.3	(\$125.7)

Small Cap Aerospace Index

								
3x LTM EBITDA	\$546.3	\$46.0	\$387.0	\$888.0	\$381.0	\$5,677.5	\$127.4	\$628.6
Less LT Debt	643.3	0.0	183.0	1,136.4	738.5	14,960.9	279.9	1,091.4
Plus Cash	67.0	126.0	21.2	114.9	215.7	258.7	2.6	99.7
Dry Powder	(\$30.0)	\$172.0	\$225.2	(\$133.5)	(\$141.8)	(\$9,024.7)	(\$149.9)	(\$363.1)



acquired



Closed

April 24, 2015

Notes

RBC Bearings, Inc. acquired the Sargent Aerospace & Defense business of Dover Corp. for cash consideration of \$500.0 million. Sargent manufactures precision-engineered products, solutions and repairs for aircraft airframes and engines, rotorcraft, submarines and land vehicles. Sargeant is based in Tucson, Arizona.
(transaction announced March 26)



acquired



Closed

April 1, 2015

Notes

MAXIMUS, Inc. acquired Acentia, LLC from Snow Phipps Group, LLC for cash consideration of \$300.0 million. Acentia provides systems modernization, software development, program management and other information technology services and solutions to US federal government and civilian agencies. Acentia is based in Falls Church, Virginia.
(transaction announced March 9)



acquired



Closed

March 26, 2015

Notes

TransDigm Group, Inc. acquired Telair Cargo Group from AAR Corp. for a cash consideration of \$725.0 million. Telair manufactures and sells baggage and cargo handling systems for commercial aircraft interiors, as well as some electromechanically aircraft components. Telair has more than 600 employees globally.



acquired



Closed

March 26, 2015

Notes

Accenture Federal Services, a wholly-owned subsidiary of Accenture LLP, acquired Agilex Technologies, Inc. for an undisclosed amount. Agilex is a provider of digital solutions for the Federal government. Agilex is based in Chantilly, Virginia.



acquired



Closed

March 13, 2015

Notes

KEYW Corp. acquired Ponte Technologies, LLC for an undisclosed amount. Ponte Technologies is focused on cybersecurity engineering and research with skills in network, host, and application security, cryptography, security automation, vulnerability assessment, penetration testing, and malware analysis. Ponte Technologies is based in Ellicott City, Maryland.



acquired



Closed

March 12, 2015

Notes

Onex Corporation acquired Survitec Group Ltd, a portfolio company of Warburg Pincus, for cash consideration of \$680.0 million. Survitec Group manufactures a range of safety and survival equipment for military and civil uses. Survitec Group has more than 2,000 employees and is based in Southampton, United Kingdom.



acquired



Closed

March 10, 2015

Notes

Air Industries Group acquired Sterling Engineering Corp. for an undisclosed amount. Sterling manufactures components for aircraft and land-based gas turbines for Pratt & Whitney, General Electric and Siemens, among others. Sterling is based in Barkhamsted, Connecticut.



acquired



Closed

March 10, 2015

Notes

Field Aviation, Inc. acquired ARINC Aerospace Systems Engineering and Support (ASES LLC) from Rockwell Collins, Inc. for an undisclosed amount. ARINC Aerospace provides aircraft modification, integration and maintenance services for Department of Defense, government and commercial customers. ARINC Aerospace is based in Oklahoma City, Oklahoma.



will acquire



Announced

March 9, 2015

Notes

Alcoa, Inc. signed a definitive agreement to acquire RTI International Metals, Inc. in a stock-for-stock transaction with an enterprise value of \$1.5 billion. RTI is a vertically integrated global supplier of titanium and specialty metal products and services for the commercial aerospace, defense, energy and medical device markets. RTI brings proven midstream and downstream capabilities in titanium, the world's fastest-growing aerospace metal.



acquired



Closed

March 5, 2015

Notes

OGSystems, LLC, a portfolio company of venture capital and private equity firm General Catalyst Partners, acquired privately-held Urban Robotics, Inc., a provider of advanced airborne military Intelligence, Surveillance, and Reconnaissance (ISR) solutions. The company provides solutions to create high-resolution 3D models for Special Operations mission planning.



will acquire



Announced

March 1, 2015

Notes

SAIC will acquire Scitor Corp. from Leonard Green & Partners for cash consideration of \$790 million. Scitor provides engineering, management consulting and information services to customers in the Intelligence Community, Department of Defense, other government agencies and commercial industry. Scitor is based in Reston, Virginia. SAIC closed on its purchase of Scitor on May 4, 2015, after finalization of this newsletter.



acquired



Closed

February 27, 2015

Notes

Extant Components Group Holdings, Inc., a portfolio company of Warburg Pincus, acquired the SkyWatch line of Traffic Advisory and Collision Avoidance Systems from L-3 Communications Avionics Systems, Inc. for an undisclosed amount. The SkyWatch system is designed to provide aircraft operators with a range of powerful, reliable and cost effective solutions to monitor surrounding airspace and traffic conditions.



will acquire



Announced

February 6, 2015

Notes

Harris Corp. and Exelis, Inc. announced that they had entered into a definitive agreement under which Harris will acquire Exelis in a cash and stock transaction valued at \$23.75 per share, or an approximately \$4.75 billion enterprise value. The agreement has been unanimously approved by the Boards of Directors of both companies. The transaction is expected to close in June 2015 and is subject to customary closing conditions.



acquired



Closed

February 27, 2015

Notes

Sierra Nevada Corp. acquired 328 Support Services GmbH for an undisclosed amount. 328 Support Services owns the type certificate and IP rights for design, manufacturing, maintenance, and certification of the 200 existing Dornier 328 prop and jet aircraft. 328 Support Services is based in the United Kingdom and Germany.



acquired



Closed

February 2, 2015

Notes

On Feb. 2, 2015 Qualcomm Technologies, Inc. acquired KMeI Robotics, LLC for an undisclosed amount. KMeI specializes in hardware design and high-performance control, developing high-end research platforms that push the limits of experimental robotics. KMeI's UAV hardware design and controls range from autopilot to onboard image processing. KMeI is based in Philadelphia, PA.



acquired



Undersea Solutions Group

Closed

January 30, 2015

Notes

Huntington Ingalls Industries, Inc. acquired the Engineering Solutions division of The Columbia Group, Inc. for an undisclosed amount. The division will operate as Undersea Solutions Group. Undersea Solutions builds and maintains swimmer delivery vehicles (SDVs) for military use. Undersea Solutions is based in Newport News, Virginia.



acquired



Closed

January 30, 2015

Notes

Millstein & Co. acquired DLT Solutions, LLC from TZP Group, LLC for an undisclosed amount. DLT Solutions is a value-added reseller in government information technology software and services, specializing in cloud computing, data center consolidation, geospatial data systems and computer-aided design for transportation, utilities and manufacturing. DLT Solutions is based in Herndon, Virginia.



will acquire



Military Aviation Training Division

Announced

January 26, 2015

Notes

CAE, Inc. announced that it has agreed to acquire the Military Aviation Training (MAT) unit of Bombardier for CAD\$ 19.8 million. Bombardier's MAT unit is a provider of aviation training service to military pilots. The unit is based in Mirabel, Quebec, Canada and includes approximately 200 employees.



acquired



Closed

January 20, 2015

Notes

Raytheon Company acquired Sensintel, Inc. for an undisclosed amount. Sensintel is a provider of unmanned aircraft systems (UAS) solutions to the intelligence and special operations markets and will become part of Raytheon's Missile Systems business. Sensintel has approximately 50 employees and is based in Tucson, Arizona.

Kanders & Company, Inc.



acquired



Closed

January 20, 2015

Notes

The Safariland Group, a Kanders & Company portfolio company, acquired Atlantic Tactical. Based in Pennsylvania, Atlantic Tactical distributes equipment and uniforms for public safety professionals. Atlantic Tactical began doing business with Safariland in 1989 and became an exclusive Safariland armor distributor in 1995.



acquired



Closed

January 20, 2015

Notes

HEICO Corporation acquired 80% of the equity of Aeroworks International Holdings, B.V. for an undisclosed amount. Aeroworks is a manufacturer of composite and metal parts primarily used in aircraft interior applications. Aeroworks International is based in Middenmeer, The Netherlands and has approximately 600 employees globally.



Management Team

acquired



Closed

January 20, 2015

Notes

Sarcos LC, a consortium including Sarcos management, acquired Raytheon Sarcos, a division of Raytheon Co., for an undisclosed amount. Sarcos is a leading developer of robotics and micro-electro-mechanical technologies. Sarcos is based in Salt Lake City, Utah.



acquired



Closed

January 16, 2015

Notes

On March 18, 2015 KEYW announced its acquisition of Milestone Intelligence Group, Inc. on January 16, 2015. Milestone supports national-level Intelligence Community customers with core competencies in cybersecurity, cloud computing, software engineering, and test and evaluation engineering. Milestone is based in Hanover, Maryland.



acquired



Global Security & Solutions Business

Closed

January 16, 2015

Notes

PAE, a portfolio company of Lindsay Goldberg, announced its acquisition of the Global Security and Solutions (GS&S) business unit of US Investigations Services, LLC (USIS) for an undisclosed amount. The GS&S unit of USIS provides mission support services for litigation support, biometric capture and enrollment, construction surveillance and security consulting. The business unit is based in Falls Church, Virginia.



acquired



Closed

January 13, 2015

Notes

Compusearch Software Systems, Inc., a portfolio company of Arlington Capital Partners and JMI Equity, acquired TopVue Defense, Inc. for an undisclosed amount. TopVue Defense provides program management solutions to the federal government and its suppliers. TopVue is based in Clearfield, Utah.



acquired



Closed

January 13, 2015

Notes

Textron, Inc. acquired the Douglas Equipment business of Curtiss-Wright Corp. for an undisclosed amount. Douglas Equipment is a supplier of commercial aviation ground support vehicles, including towbarless and conventional aircraft tractors, and runway friction measuring devices. Douglas Equipment is based in Cheltenham, England.



acquired



Closed

January 16, 2015

Notes

Meggitt plc acquired Precision Engine Controls Corp. (PECC) from United Technologies Corp. for cash consideration of \$44.2 million. PECC is a supplier of actuation systems and fuel metering valves to manufacturers of small-frame gas turbines. PECC has 78 employees and will be integrated into the Meggitt Control Systems division.



acquired



Closed

January 16, 2015

Notes

CENTRA Technology, Inc. acquired TATE, Inc. for an undisclosed amount. TATE is a provider of Personnel Recovery and Survival, Evasion, Resistance and Escape (“SERE”) training solutions. The company has approximately 230 employees and operations in North Carolina, Virginia, and Washington.



acquired



Closed

January 5, 2015

Notes

Arlington Capital Partners acquired United Flexible Group for an undisclosed amount. United Flexible Group designs, develops, manufactures and supports critical flexible engineered solutions for transfer of fluids and gases in extreme environments. United Flexible has more than 330 employees and operations in the United States, Great Britain, The Netherlands, and Sweden.



acquired



Closed

October 15, 2014

Notes

On February 9, 2015 it was announced that General Dynamics Corp. acquired ARMA Global, Inc. for an undisclosed amount. ARMA Global is a provider of professional services in arenas including trainers, IT, logisticians and more. ARMA Global is based in Tampa, Florida and has 750 employees.

- 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
- 50 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



Recent ADG Advisory Experience

First Quarter 2015



ESOP buyout
financed by



Federal Contracting



debt refinancing by



Defense and Government Services



acquired by



Federal Contracting



acquired by



a portfolio company of: **CM EQUITY PARTNERS**

Federal Contracting



acquired by



a portfolio company of: **Arlington Capital Partners**

Data Analytics



acquired by




a portfolio company of: **Arlington Capital Partners**

Signals Intelligence & Analysis



acquired by



a portfolio company of: **the edgewater funds**

Network Management & Security




has acquired




Company Of: **FedCap** Waud Capital


Federal Contracting




acquired by




Federal Contracting
Naval Technology Solutions




acquired by



Mobile Interoperability for
Mission-Critical Communications



has acquired




International Development Consultancy




received investment from



Federal Contracting
Satellite-Communications Solutions




has acquired



Federal Contracting
Financial IT Services



acquired by




Federal Contracting
IT, Staffing and Professional Services




acquired by



Federal Contracting
Digital Mapping Solutions



acquired by



Government Services
Cargo Security Solutions



acquired by



Intelligence Community
IT Solutions



acquired by



Government Services



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