

# Salem Partners – Aerospace & Defense

## Year-End Review

### Introduction

Year-End Review 2015

Dear Friends,

Happy (belated) New Year!

We hope everyone had a fantastic holiday with friends and family. To us, the sense of relaxation has quickly become a fading memory as 2016 is off to a very busy start with multiple clients looking for liquidity events and more than a few prospects considering jumping into the market.

Our practice set new records last year for both deal volume and value, as we successfully represented five A&D businesses in liquidity events; the first few pages of the review provide detail on a few of our most recent closes. Each of these opportunities served as part of our continuing (with no end in sight) education into the ever-evolving A&D supply-chain and the resultant M&A activity. Our clients encompassed a range of sub-verticals that included a world-class tube & duct manufacturer as well as another transaction in the now familiar world of metal processing.

While we were (and are) privileged to represent a number of high-quality companies, an important underpinning of our success has been the continued strength of the broader M&A market as well as steady growth in both the commercial and defense sub-sectors. Our outlook for 2016 is generally positive. We see no near-term negative catalyst or trend that points to a more challenging M&A environment in 2016. That said, the fact that equity market returns for commercial aerospace-focused names were negative in 2016 is a disconcerting data point at this stage of the now 7-year old bull market. At Salem, we need to look no further than the struggling oil & gas industry and the corresponding dramatic decline in M&A valuations to remind ourselves to capitalize on this current, supportive environment. We look forward to 2016 and wish everyone good luck in the new year.

We always welcome your thoughts or questions, and would be happy to reach out to discuss these topics or any others that may interest you.

Sincerely,



Trevor Bohn

Managing Director



Ryan Murphy

Vice President

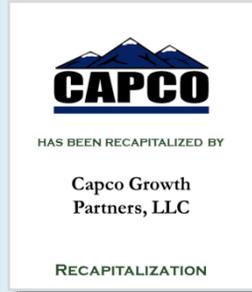


## HIGHLIGHTS

- ❖ *Vertically integrated mechanical assemblies and energetics manufacturer partners with local private equity group*
- ❖ *Southern California-based metal finishing services provider partners with family office to pursue growth opportunities*
- ❖ *Private equity-backed aerostructures platform strategically divests certain assets and recapitalizes with private equity partner*

## Deal Highlights

### Select Salem Partners Aerospace & Defense Transactions in Q4 2015



#### Capco Recapitalized by Capco Growth Partners LLC

Based in Grand Junction, Colorado, Capco is an industry-leading designer, developer, and manufacturer of highly-engineered mechanical assemblies and energetic devices. Capco serves as a prime contractor for key procurement offices from each of the U.S. Department of Defense's service branches, while also serving a commercial customer base of aerospace & defense OEMs and Tier I suppliers. The recapitalization of Capco by Capco Growth Partners will allow the company to pursue the broad scope of addressable opportunities enabled by the Capco's unique combination of engineering and manufacturing capability and expertise, while continuing to deliver superior quality and a unique value proposition to its customers.



#### All Metals Recapitalized by Watson Family Investments

Based in Stanton, California, All Metals Processing provides high-quality metal finishing services to a diverse customer base of commercial and defense aerospace manufacturers. All Metals provides a unique combination of metal processing services including plating, anodizing, and coatings, as well as complementary services including non-destructive testing and inspection. The combination of All Metals and Watson Family Investments will allow AMP to continue to provide industry-leading quality and rapid turn times to its customers while growing to meet strong demand from both the commercial and defense aerospace end markets.



#### PCA Aerospace Partial Divestiture and Recapitalization

Southern California-based PCA Aerospace is a diversified aerostructures manufacturing platform with unique capabilities in the machining and forming of large, complex components and subassemblies for a variety of commercial and military applications. Private equity backer Vintage Fund Management strategically divested certain non-core assets of the platform and recapitalized the business to provide greater operating efficiency with the flexibility to pursue multiple attractive growth opportunities.

HIGHLIGHTS

❖ Senior acquires premium aerospace tubing & ducting asset Steico Industries

# Deal Spotlight

## Select Salem Partners Advises Steico Industries Inc. in Sale to Senior plc



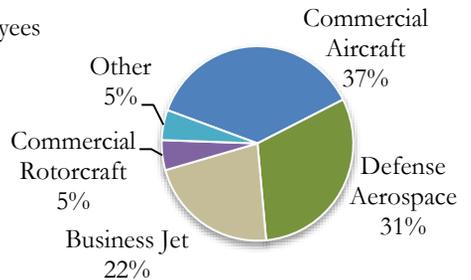
Oceanside, CA-based Steico Industries was acquired by UK-based Senior plc in December for \$90 million. The acquisition of Steico will add meaningful scale and capability to Senior's established presence in the tube and duct space, and solidifies Senior's position as the premier provider of aerospace tube and duct components and assemblies for both commercial and defense platforms.

Salem Partners acted as the exclusive investment banking advisor to Steico Industries Inc. in its sale to Senior plc.



- Owner-managed business with 208 employees
- State-of-the-art 112,000 sq. ft. vertically integrated manufacturing facility

2015e Revenue	\$37.7mm
2015e EBITDA	\$7.5mm
Implied EV	\$90mm
EV/EBITDA	12.0x



### Sample Customers



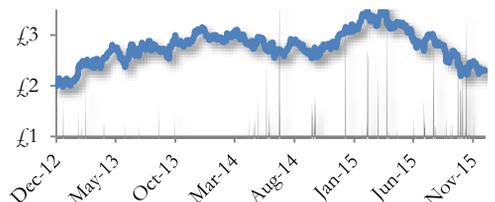
### Sample Platforms



- Senior plc is a publicly-traded UK-based manufacturer of highly-engineered components and systems for the aerospace and defense markets

LTM Revenue	£854.90
LTM EBITDA	£123.80
Market Cap	£963.40
EBITDA Multiple	9.0x

### Historical Stock Performance



## HIGHLIGHTS

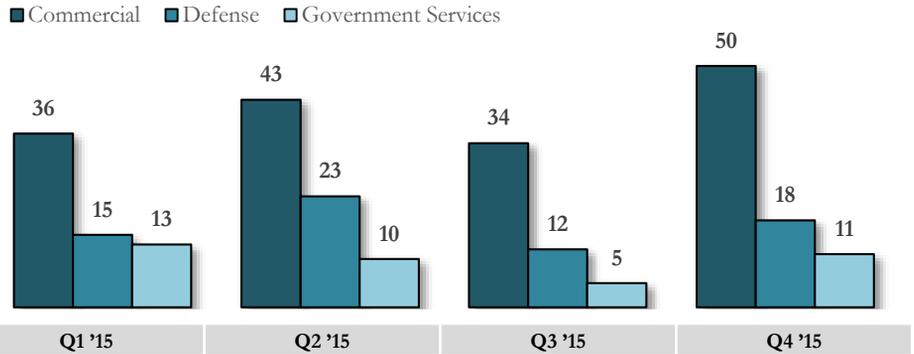
❖ 2015 A&D M&A activity strong with strategic buyers making up 73% of deal volume

❖ Abundant activity in Aerostructures, Defense Electronics, and Cybersecurity segments demonstrate industry trends

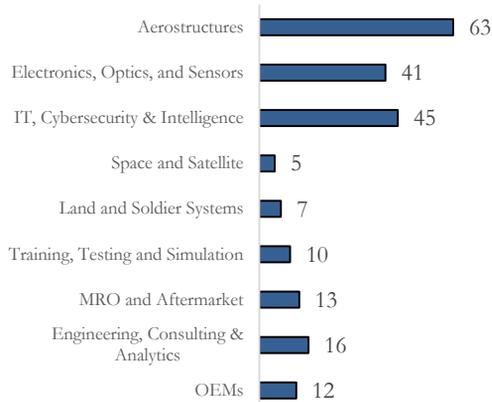
## Market Snapshot

### Select Aerospace & Defense M&A Activity

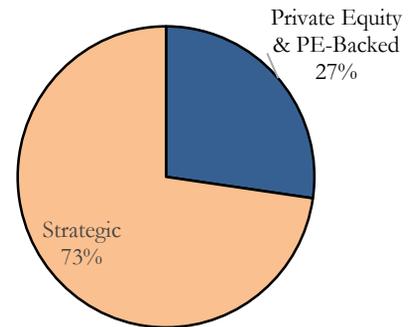
#### 2015 Deal Volume by End-Market



#### 2015 Deal Volume by Product Category



#### 2015 Deal Volume by Buyer Type



#### Notable Deals in Q4 2015

Date	Target	Buyer	EV (\$mm)	EV/Revenue	EV/EBITDA
Dec-2015	L-3 National Security	CACI International	\$550	0.5x	-
Nov-2015	TeleCommunication Systems, Inc.	Comtech Telecommunications Corp.	\$431	1.2x	10.7x
Dec-2015	GATR Technologies	Cubic Corp.	\$233	-	-
Nov-2015	Breeze-Eastern Corp.	TransDigm Group, Inc.	\$206	2.3x	-
Nov-2015	Kaman Corp.	GRW Bearing GmbH	\$143	2.8x	-
Nov-2015	Steico Industries	Senior plc	\$90	2.4x	12.0x
Dec-2015	Capco	Capco Growth Partners	-	-	-
Dec-2015	All Metals Processing	Watson Family Investments	-	-	-
Oct-2015	Pryer Aerospace	Tulsa Capital Partners	-	-	-

## HIGHLIGHTS

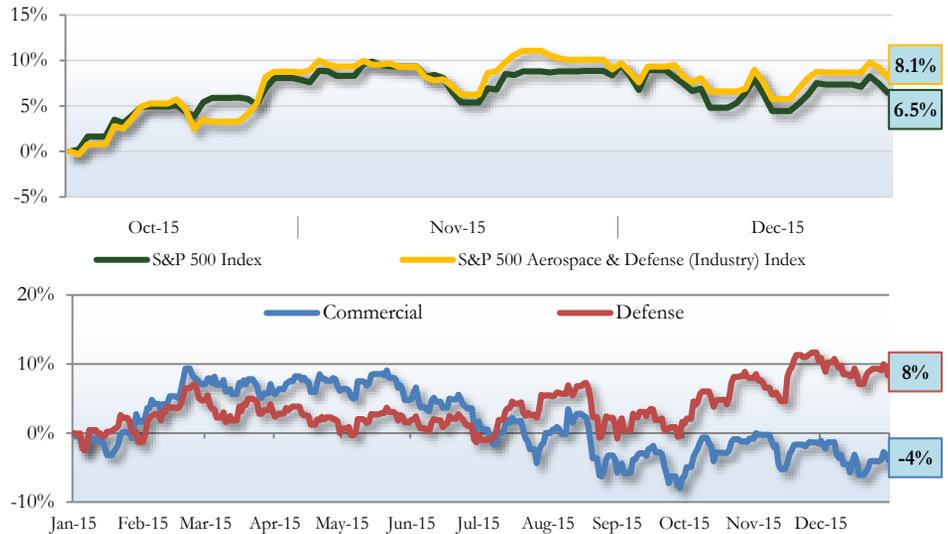
❖ *Aerospace and defense equity outperformed the market in Q4 of 2015*

❖ *Commercial and defense performance based on select industry constituents*

## Market Snapshot

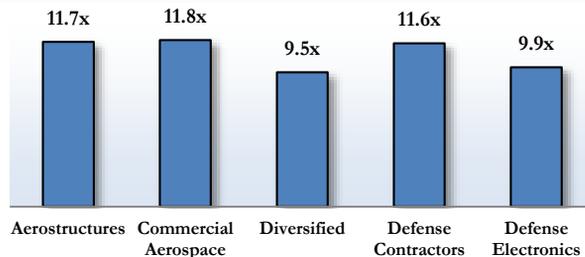
### Select Aerospace & Defense Public Markets Activity

#### Q4 Relative Performance



Source: Capital IQ, analyst estimates, and other publicly available information

#### Enterprise Value/EBITDA by Subsector



Despite concerns over the economic slowdown in China, low oil prices and continued strong air travel and aircraft demand buoyed the commercial aerospace sector in 2015. In the defense sector, protracted conflicts in the Middle East and Eastern Europe, as well as escalating tensions in Asia drove growth in global defense budgets.

In Q4, defense stocks experienced a significant rally after the Paris attacks in November, to end the year up 8%. Raytheon, Northrop Grumman, and L-3 Communications all experienced double-digit positive gains in Q4 due to healthy backlogs and increased international sales.

One of the top performers in Q4 of 2015 was Embraer, as rising sales for its E-Jets (delivered its 1,100 E-Jet in December) to US, European, and Chinese airline carriers offset declining Brazilian defense spending.

#### Q4 Share Price Performance

Boeing	10.4%
Bombardier	-19.8%
Crane	2.6%
Embraer	15.5%
General Dynamics	-0.4%
L-3 Communications	14.3%
Lockheed Martin	4.7%
Moog	12.1%
Northrop Grumman	13.8%
Raytheon	14.0%
Rockwell Collins	12.8%
Spirit Aerosystems	3.6%
Textron	11.6%
Triumph Group	-5.5%
United Technologies	8.0%

## HIGHLIGHTS

- On February 6, 2015, Harris Corporation entered into a definitive agreement to acquire Exelis in a deal valued at \$4.75 billion

## Selected A&D M&A

### Harris Corporation Merges with Exelis

Buyer

**HARRIS**

Target

**EXELIS**

### Transaction Overview

Harris acquired Exelis for \$4.75 billion to create a top-10 defense supplier. This deal is another example of consolidation among mid-tier companies in the defense industry after the merger of Orbital and ATK in 2014.

#### Deal Rationale

The two companies offer highly complementary products; Harris specializes in communication equipment including military radios and air traffic control equipment while Exelis' expertise lies in surveillance through electronic, sensor, and GPS systems.

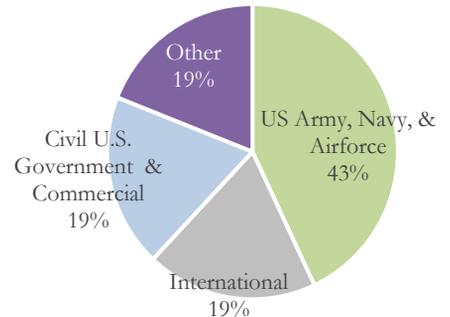
In addition to filling capability offerings on both ends of the table, this acquisition will give the combined entity the scale to more aggressively compete for major defense programs. Exelis will help bolster Harris' standing as an IT integrator able to provide end-to-end IT and C4ISR solutions to its customers, particularly in the federal government, where Exelis has significant experience and exposure.

### Exelis Overview

#### Deals Terms

Transaction Value	\$4.75 Billion
Revenue Multiple	1.5x
EBITDA Multiple	9.3x
Revenue	\$3.25 billion
EBITDA	\$510 million
Headquarters	McLean, VA
Employees	10,000

#### 2014 Revenue by Customer



#### Products

67% C4ISR Electronics & Systems		33% Information and Technical Services
Electronic Warfare Systems	Communication Solutions	Advanced Information Solutions
Radar and Reconnaissance Systems	Electronic Attack and Release Systems	Civil and Aerospace Systems
Night Vision Systems	GPS Systems	Command, Control, and Comm. Systems

#### Customers



## HIGHLIGHTS

- On July 20, 2015, Lockheed Martin entered into a definitive agreement to acquire Sikorsky Aircraft, one of the world's largest helicopter companies, in a deal valued at for \$9.0 billion

## Selected A&D M&A

### Lockheed Martin Acquires Sikorsky Aircraft from United Technologies

Buyer



Target



### Transaction Overview

Lockheed Martin acquired Sikorsky Aircraft Corporation for \$9.0 billion from United Technologies. The deal will enable Lockheed Martin to expand its platform offerings by adding a helicopter unit in-house to complement their existing fixed-wing platforms.

#### Deal Rationale

The rationale behind UTC's divestiture of Sikorsky stems from the company's strategic shift towards commercial-oriented system providers with higher growth prospects. Sikorsky was unique among UTC's other business units as it is a platform provider that requires significantly more R&D investment compared to UTC's other units, which are system providers.

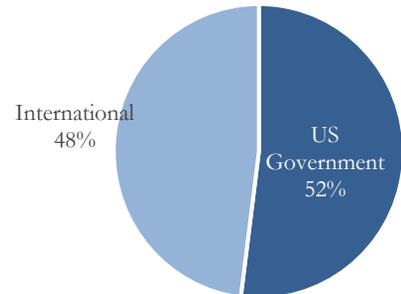
Lockheed gains a military technology leader with significant upside to which it could add value through its expertise in platform integration and government military procurement. In addition to an estimated \$150 million in annual revenue synergies, Sikorsky will enable Lockheed to reduce its exposure to the F-35 program, which currently makes up about 20% of revenue.

### Sikorsky Aircraft Overview

#### Deals Terms

Transaction Value	\$9.0 Billion
Revenue Multiple	1.2x
EBITDA Multiple	13.0x
Revenue	\$7.45 billion
EBITDA	\$692 million
Headquarters	Stratford, CT
Employees	18,000

#### 2014 Revenue International vs. US



#### Sample Platforms



#### Customers



## HIGHLIGHTS

- On August 10, 2015, Berkshire Hathaway entered into a definitive agreement to acquire Precision Castparts in a deal valued at \$37.2 billion, the largest deal in the A&D history

## Selected A&D M&A

### Lockheed Martin Acquires Sikorsky Aircraft from United Technologies

Buyer

Target

BERKSHIRE HATHAWAY INC.



### Transaction Overview

Berkshire Hathaway acquired Precision Castparts for \$37.2 billion in what was Warren Buffet's biggest deal ever. Precision Castparts has played a central role in A&D M&A over the last few years.

#### Deal Rationale

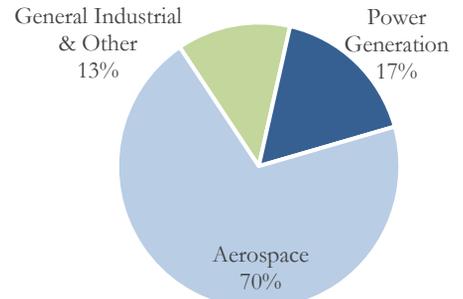
While this was the biggest deal Berkshire has ever executed at what Warren Buffet called, "a very high multiple," Buffet bought the company at a 20% discount of its stock price at the start of 2015. PCC stock price had been suppressed in 2015 due to the decline in energy prices that has affected its oil and gas business. However, the company's power generation business only makes up 17% of its total revenue while its lucrative aerospace business, which makes up about 70% of revenue is expected to experience significant growth in the next few years with the ramp up of production for the 737 MAX and A320neo. Buffet was certainly persuaded by PCC's significant competitive advantage in the aerospace industry and strong leadership team headed by Mark Donegan, who has been serving as CEO since 2002, and has built the Company into the A&D juggernaut it is today.

### Precision Castparts Overview

#### Deals Terms

Transaction Value	\$37.2 Billion
Revenue Multiple	3.7x
EBITDA Multiple	13.9x
Revenue	\$10.0 billion
EBITDA	\$2,676 million
Target Headquarters	Portland, OR
Employees	31,100

#### 2014 Revenue by Industry



#### Products

25% Investment Cast Products	43% Forged Products	32% Airframe Products
Structural Castings	Forged Components	Fasteners
Airfoil Castings	Hi-Performance Alloys	Fastener Systems
IGT Castings	Titanium Alloys	Aerostructures

#### Customers



SALEM PARTNERS

**HIGHLIGHTS**

- ❖ *U.S. dollar places pressure on domestic supply chain labor costs*
  
- ❖ *Supply chain continues to outsource to leverage labor cost advantage*
  
- ❖ *Mexico continues to evolve as an attractive manufacturing option for many U.S. Tier II and Tier III suppliers*

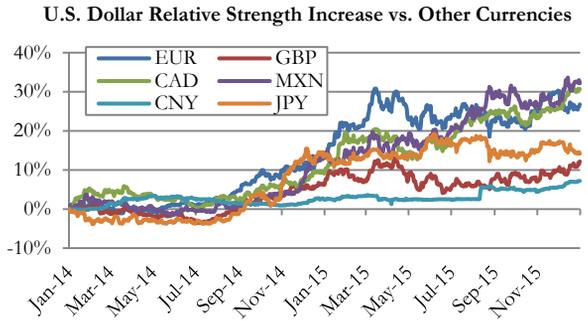
# Strong US Dollar Challenging US Supply Chain

## Strong US Dollar Making Further Outsourcing an Attractive Option

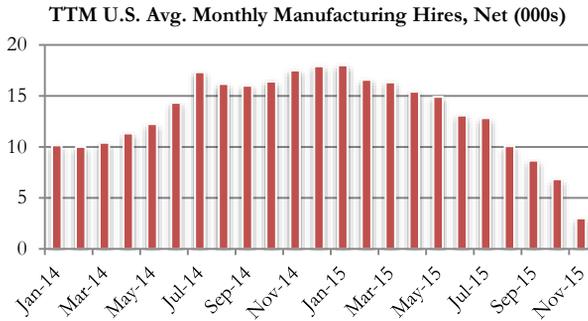
An economy recovered from recessionary lows, an improving trade balance (due largely to current low oil prices), and an improving budget deficit have all driven the U.S. dollar higher vs. other developed currencies. And while a 2.2% yield on the 10-yr U.S. treasury is far from a historical high, comparatively unattractive yields from foreign counterparts (Germany 0.5%, UK 1.8%, Japan 0.25%) have attracted additional investment to further inflate the USD.

And while great for commodities prices, the strong U.S. dollar places additional strain on the U.S. labor market, particularly in the aerospace supply chain. The widening gap in relative labor costs has caused U.S. suppliers to increasingly chose to leverage outsourcing as an alternative.

### Strengthening U.S. Dollar Challenges U.S. Supply Chain



### Relative Wage Discrepancy Driving Outsourcing

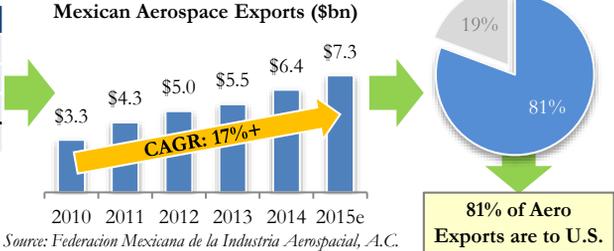


## Where Are The Jobs Going? Example Labor Market Beneficiary: Mexico

	US	Mexico
Labor	\$14.05	\$3.20
Overhead	\$8.56	\$5.03
G&A	\$4.19	\$4.01
Factory Cost/Hr.	\$26.80	\$12.24

**Factory Cost Advantage: ~55%**

Source: Tijuana Economic Development Corporation



With over 300 foreign aerospace & defense companies operating in the country, Mexico is not a new option for outsourcing, but it is an option that has become particularly compelling in the wake of the strengthening U.S. dollar. Since January 2014, the U.S. dollar has appreciated over 30% vs. the Mexican peso, significantly improving the already advantageous relative labor cost for skilled labor, particularly in aerospace supply chain essentials of machining and fabricating. And while Mexican labor costs are favorable vs. their U.S. counterparts in a number of industries, Mexico's commitment to foreign aerospace partners, both in terms of invested capital in infrastructure and labor development, have resulted in outsized representation of aerospace companies in the state; roughly half of all foreign direct investment in Mexico in 2015 came from aerospace partners. Growth in Mexican aerospace exports continued at a blistering pace in 2015, and as the USD strengthened, 80% of all Mexican aerospace exports went to US partners.

**HIGHLIGHTS**

❖ 2015 marks the first year since 2009 that Boeing has received fewer orders than deliveries for the B737

❖ A320neo now holds 60% of the market share for next-generation single-aisle aircraft

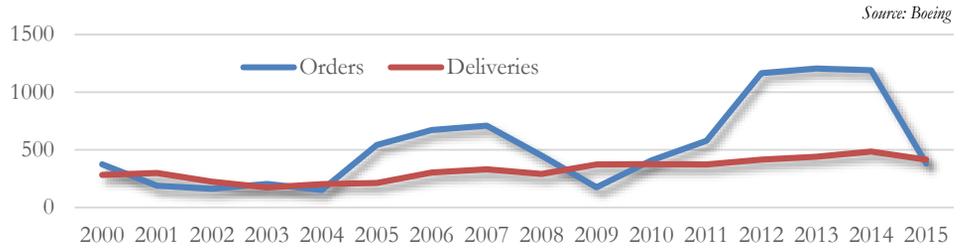
❖ China unveils B737 and A320 competitor

# Boeing Outlook

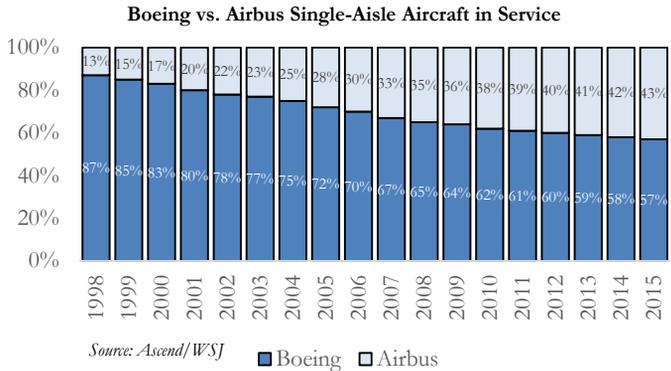
## Boeing's 737 Facing Emerging Markets Pressure and Competition

In 2015, the market dynamics that contributed to the ballooning of Boeing's B737 order book over the last few years might soon be changing. Boeing's supremacy in single-aisle aircraft is threatened by the slowing Chinese economy, rising interest rates, and increased competition from other aircraft manufacturers.

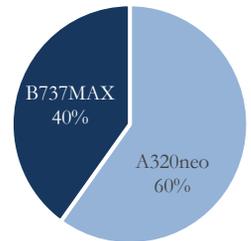
### Boeing 737 Historical Orders vs. Deliveries



### Boeing vs. Airbus Single-Aisle Market Share



### B737MAX vs. A320neo Market share (Cumulative Net Orders Since Introduction)



Boeing has long held an advantage in the single-aisle jet market in terms of the number of single-aisle jets in service. However, Airbus has been steadily chipping away at that advantage and could soon overtake Boeing as the predominant next-generation single-aisle aircraft manufacturer. Since it began taking orders in 2010, Airbus has garnered 60% of the orders for next-generation single-aisle jets, receiving 4,295 firm orders for the A320neo while Boeing has only received 2,869 for the 737MAX.

### Increased Competition from China

China finally unveiled its first locally manufactured jet-liner, the C919, in November 2015. Intended to compete with Airbus' A320 and Boeing's 737, COMAC, the state-backed maker of the C919, expects to deliver the first aircraft in 2018.

Designed by ex-Boeing and Airbus engineers, the C919 is poised to break the single-aisle aircraft duopoly, but it will take several years before it can establish the operational track record and scale to compete with Boeing and Airbus. Boeing has already announced plans to open a 737 assembly facility in China in order to increase its presence in China and maintain a leadership position in a market where 1/3 of all B737 are delivered.



C919 unveiling in Shanghai

**HIGHLIGHTS**

❖ *Northrop Grumman awarded contract to produce new Long Range Strike Bomber*

❖ *The USAF selected Northrop Grumman partly based on their experience producing B-2 Spirit bomber, beating out a joint submission by Boeing and Lockheed Martin*

# Defense: Next-Generation Bomber

## Northrop Awarded \$80 Billion Long Range Strike Bomber Contract

On October 27<sup>th</sup>, the US Air Force awarded Northrop Grumman a contract for the new Long Range Strike Bomber (LRS-B) that could be worth up to \$80 billion. The Airforce plans to procure between 80-100 bombers costing \$550 million each.

The Air Force’s current bomber fleet consists of 76 B-52s, 63 B-1s, and 20 B-2 stealth bombers in service. The average age of the B-1 and B-52 bombers is 51 and 29 years respectively. The B-2 was first introduced in 1997, only for its procurement to be slashed down from 132 bombers to 21 due to budgetary concerns.

With the B-2 expected to remain in service until 2058, the Air Force bomber fleet for the next few decades will be comprised of two Northrop produced aircrafts, the B-2 and the LRS-B. The USAF’s bomber fleet had long been an integral strategic asset both offensively as well as defensively, serving as a primary deterrent against conventional or nuclear aggression since the start of the Cold War, and conducting opening sorties to clear the air in campaigns in Vietnam, Afghanistan, Iraq, and mostly recently Libya and Syria. However, a dwindling and aging bomber fleet, more advanced and capable air defenses, and a changing strategic environment has necessitated the need for a new bomber capable of penetrating enemy airspace across the globe and striking targets regardless of location or defenses.

Northrop Grumman, the developer of the USAF’s latest bomber beat out a joint submission from Boeing and Lockheed for the program. Northrop’s proven track record with the B-2 of producing sophisticated stealth aircraft seems to have given it the upper-hand in the competition. But, unsurprisingly for such a large and important program, Boeing and Lockheed have already protested the award citing the USAF’s decision process was “fundamentally flawed”.

### Evolution of USAF Long Range Bomber

	 <b>BOEING</b>	 <b>Rockwell</b>	 <b>NORTHROP GRUMMAN</b>	 <b>NORTHROP GRUMMAN</b>
				
	<b>B-52</b>	<b>B-1B</b>	<b>B-2A</b>	<b>LRS-B</b>
<b>First Flight</b>	1952	1974	1989	Mid-2020s
<b>Speed</b>	Mach 0.86	Mach 1.2	Mach 0.95	
<b>Operating Altitude</b>	50,000	30,000	50,000	
<b>Armament</b>	<ul style="list-style-type: none"> <li>Approx. 70,000 lbs of mixed ordnance: bombs, smart weapons, mines and missiles</li> <li>Modified to carry air-launched cruise missiles and Miniature Air Launched Decoy</li> </ul>	<ul style="list-style-type: none"> <li>Up to 84 Mark 82 conventional 500-pounds bombs</li> <li>30 CBU-87/89/97, or 24 JDAMS</li> <li>Wide range of nuclear bombs</li> </ul>	<ul style="list-style-type: none"> <li>2 internal bays for ordnance</li> <li>80× 500 lb class bombs</li> <li>36× 750 lb CBU class bombs</li> <li>16× B61 or B83 nuclear bombs</li> </ul>	

## HIGHLIGHTS

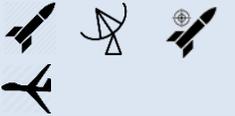
❖ The Defense Security Cooperation Agency has processed a record \$46.6 billion foreign military sales in FY 2015

❖ Conflicts in Eastern Europe, the Middle East, and the Pacific drive the need for US allied countries to replenish their arsenal and upgrade their ground, naval, and aerial armaments

# Defense: Foreign Military Sales Review

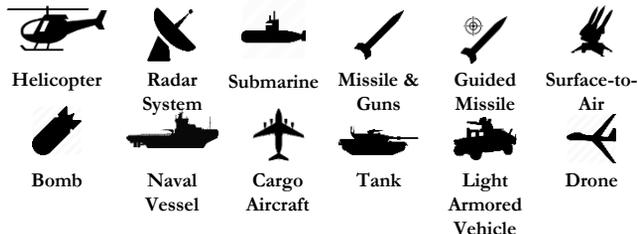
## Escalating Global Tensions in Europe, Middle East, and South China Asia Drive FMS

The recent heightened tensions in the Middle East as a result of ISIS seizing further territory in Iraq and the protracted Syrian civil war have signaled the need for rearmament for US-allied countries in the region. Saudi Arabia, Iraq, UAE, and Turkey have bolstered their aerial, ground, and C4ISR military capabilities in order to defend their territory as well as support the coalition effort to thwart ISIS. Additionally, China's recent territorial claims in the South China Sea have prompted countries in the region to acquire weaponry from US military contractors. Japan, South Korea, and Taiwan have all made significant purchases in 2015.

Country	Amount <sup>(a)</sup>	Primary Contractors	Type
 Saudi Arabia	\$17.2 billion	LOCKHEED MARTIN, Sikorsky (A United Technologies Company), Raytheon	
 Japan	\$7.6 billion	Bell Helicopter (A Textron Company), NORTHROP GRUMMAN, Raytheon, LOCKHEED MARTIN	
 Iraq	\$5.3 billion	American Ordnance (A Lockheed Company), AM General, GENERAL DYNAMICS, LOCKHEED MARTIN	
 UAE	\$4.2 billion	OSHKOSH, NAVISTAR, NORTHROP GRUMMAN, BAE SYSTEMS	
 UK	\$3.1 billion	LOCKHEED MARTIN, GE Aviation, BOEING	
 Taiwan	\$1.8 billion	LOCKHEED MARTIN, Raytheon	
 Korea	\$1.4 billion	Raytheon	

a) Foreign Military Sales calculated from October 2014 to December 2015

Source: Defense Security Cooperation Agency



## Public Market A&D Valuations

### Select Company Trading Levels as of December 31, 2015

Company	Market Cap.	Enterprise Value	Revenue	EBITDA	EV/Revenue	EV/EBITDA	Debt/EBITDA
B/E Aerospace Inc.	\$4,429	\$6,297	\$2,708	\$514	2.33x	12.3x	4.7x
BAE Systems plc	\$23,323	\$26,147	\$25,647	\$2,493	1.02x	10.5x	2.0x
Boeing Co.	\$96,873	\$96,116	\$97,009	\$9,914	0.99x	9.7x	1.0x
Bombardier Inc.	\$2,178	\$8,523	\$19,115	\$858	0.45x	9.9x	7.3x
CAE Inc.	\$2,979	\$3,695	\$1,765	\$342	2.09x	10.8x	3.0x
Chemring Group plc	\$540	\$759	\$547	\$54	1.39x	14.0x	2.5x
Cobham plc	\$4,729	\$6,554	\$3,249	\$556	2.02x	11.8x	4.3x
Dassault Systemes SA	\$20,297	\$18,982	\$3,031	\$803	6.26x	23.7x	0.6x
Embraer SA	\$5,613	\$7,033	\$4,423	\$443	1.59x	15.9x	4.4x
Esterline Technologies Corp.	\$2,398	\$3,099	\$1,936	\$280	1.60x	11.1x	3.2x
Finmeccanica SpA	\$8,097	\$14,704	\$16,807	\$1,781	0.87x	8.3x	4.2x
General Dynamics Corp.	\$43,423	\$43,464	\$32,022	\$4,660	1.36x	9.3x	0.9x
GKN plc	\$7,795	\$8,858	\$11,060	\$1,319	0.80x	6.7x	1.1x
Hexcel Corp.	\$4,389	\$4,942	\$1,868	\$398	2.65x	12.4x	1.1x
Honeywell International Inc.	\$79,821	\$80,463	\$38,865	\$7,222	2.07x	11.1x	1.3x
ITT Corporation	\$3,251	\$2,750	\$2,479	\$405	1.11x	6.8x	0.0x
L-3 Communications Holdings Inc.	\$9,368	\$13,069	\$11,531	\$1,216	1.13x	10.7x	2.9x
Lockheed Martin Corporation	\$66,729	\$71,841	\$45,745	\$5,948	1.57x	12.1x	1.0x
Meggitt PLC	\$4,283	\$5,333	\$2,561	\$562	2.08x	9.5x	1.9x
MTU Aero Engines AG	\$5,002	\$5,944	\$4,865	\$584	1.22x	10.2x	1.9x
Northrop Grumman Corporation	\$34,436	\$39,671	\$23,940	\$3,618	1.66x	11.0x	1.6x
Orbital ATK	\$5,256	\$6,739	\$3,981	\$562	1.69x	12.0x	3.9x
Raytheon Co.	\$37,496	\$40,313	\$23,062	\$3,290	1.75x	12.3x	1.5x
Rheinmetall AG	\$2,823	\$3,499	\$5,641	\$442	0.62x	7.9x	3.0x
Rockwell Collins Inc.	\$12,120	\$14,001	\$5,244	\$1,198	2.67x	11.7x	1.8x
Rolls Royce Holdings plc	\$15,591	\$16,677	\$21,791	\$2,647	0.77x	6.3x	1.3x
SAAB AB	\$3,270	\$3,587	\$2,925	\$179	1.23x	20.0x	1.3x
Safran SA	\$28,657	\$30,835	\$18,691	\$3,454	1.65x	8.9x	1.7x
Smiths Group plc	\$5,474	\$6,694	\$4,531	\$774	1.48x	8.6x	2.7x
Spirit AeroSystems Holdings, Inc.	\$6,828	\$6,926	\$6,609	\$1,033	1.05x	6.7x	1.2x
Textron Inc.	\$11,497	\$14,772	\$13,511	\$1,581	1.09x	9.3x	2.6x
Thales SA	\$15,628	\$15,285	\$15,177	\$1,553	1.01x	9.8x	1.2x
TransDigm Group Incorporated	\$12,265	\$20,053	\$2,707	\$1,204	7.41x	16.7x	7.1x
Triumph Group, Inc.	\$1,960	\$3,525	\$3,912	\$351	0.90x	10.0x	3.5x
Ultra Electronics Holdings plc	\$2,039	\$2,260	\$1,108	\$183	2.04x	12.4x	1.5x
United Technologies Corp.	\$85,216	\$104,064	\$63,978	\$11,574	1.63x	9.0x	1.7x
Zodiac Aerospace	\$6,597	\$7,973	\$5,524	\$440	1.44x	18.1x	3.6x
<b>Average</b>					<b>1.75x</b>	<b>11.3x</b>	<b>2.4x</b>
<b>Median</b>					<b>1.48x</b>	<b>10.7x</b>	<b>1.9x</b>

Market data as of December 31st, 2015; financial data per most recent filing available as of December 31st, 2015  
 \$US in mm; conversion rate, if applicable, based on historical exchange rate as of most recent filing date  
 Source: Capital IQ, analyst estimates, and other publicly available information

## SALEM PARTNERS

11111 Santa Monica Blvd., Suite 2250  
 Los Angeles, CA 90025  
[www.salempartners.com](http://www.salempartners.com)  
 P: (310) 806-4200  
 F: (310) 806-4201

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**Trevor Bohn**  
*Managing Director*  
 (310) 806 – 4218

[tbohn@salempartners.com](mailto:tbohn@salempartners.com)



**Ryan Murphy**  
*Vice President*  
 (310) 806 – 4209

[rmurphy@salempartners.com](mailto:rmurphy@salempartners.com)



**Aaron Peltz**  
*Associate*  
 (310) 806 – 4211

[apeltz@salempartners.com](mailto:apeltz@salempartners.com)

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