

Q1: Quarterly Industry Update

AS OF March 31, 2018

Aerospace and Defense

INDUSTRY SUMMARY

COGENT VALUATION Aerospace and Defense publicly traded companies, IPOs, and recent M&A transactions within the Aerospace and Defense industry, which provides a basis for market and transaction pricing that can be used by your firm in estimating market sentiment and its impact on your firm's value. Over the last year since March 31, 2017, the median 52-week share price return of the Aerospace and Defense industry was 16.7%. Between March 31, 2016 and March 31, 2018, the median EV/EBITDA multiple increased from 10.4 to 14.3. Furthermore, the median price-to-earnings multiple increased from 20.8 to 29.8 over the same period. The median revenue growth and EBITDA margins for the industry for the quarter were 2.4% and 9.4%, respectively.

Public Company Key Statistics

Median 52-Week
Return

21.4%

Median Year to Date
Return

0.8%

Median EV/Revenue
Multiple

1.6x

Median EV/EBITDA
Multiple

14.3x

Median Price/Earnings
Multiple

29.8x

Median EV/Gross CF
Multiple

28.6x

Comparable Public Company Market Price Returns as of March 31, 2018

	YTD	3 Month	1 Year	2 Year	3 Year	2016	2015	2014
AAR Corp.	12.3%	12.3%	31.2%	4.4%	8.0%	25.7%	-5.4%	-0.8%
Ability Inc.	-25.5%	-25.5%	-83.4%	N/A	N/A	-72.0%	N/A	N/A
Aerojet Rocketdyne Holdings, Inc.	-10.4%	-10.4%	28.9%	0.5%	2.9%	14.6%	-14.4%	1.6%
DigitalGlobe, Inc.	-19.0%	-19.0%	62.4%	9.5%	6.2%	83.0%	-49.4%	-6.5%
Ducommun Incorporated	-8.9%	-8.9%	-57.8%	10.9%	6.5%	57.6%	-35.8%	17.1%
Elbit Systems Ltd.	-21.4%	-21.4%	N/A	25.3%	26.0%	15.2%	44.0%	N/A
Embraer S.A.	-15.4%	-15.4%	-12.5%	-22.5%	-20.7%	-35.5%	-17.1%	N/A
Engility Holdings, Inc.	-14.1%	-14.1%	3.4%	6.2%	-9.5%	3.8%	-24.1%	-33.5%
Esterline Technologies Corporation	-10.1%	-10.1%	17.6%	-0.3%	-6.3%	10.1%	-26.1%	30.1%
Northrop Grumman Corporation	-20.9%	-20.9%	-59.5%	27.2%	29.0%	23.2%	28.1%	-14.1%
Orbital ATK, Inc.	48.3%	48.3%	72.5%	15.8%	-9.8%	-1.8%	-23.1%	66.8%
Raytheon Company	8.9%	8.9%	44.4%	29.9%	20.5%	14.0%	15.1%	-32.1%
Rockwell Collins, Inc.	7.9%	8.2%	20.5%	6.7%	10.4%	0.5%	9.3%	0.0%
SIFCO Industries, Inc.	-13.1%	-17.9%	48.0%	-33.2%	-40.3%	-19.5%	-67.4%	13.4%
Sparton Corporation	-7.8%	4.8%	1.0%	-10.3%	-7.5%	19.3%	-29.5%	1.4%
Spirit AeroSystems Holdings, Inc.	-0.7%	0.0%	34.7%	2.5%	19.8%	16.5%	16.3%	26.3%
TAT Technologies, Ltd.	16.6%	4.1%	39.9%	22.5%	11.6%	18.2%	10.8%	-16.1%
Teledyne Technologies Incorporated	3.8%	0.9%	28.9%	10.0%	9.5%	38.7%	-13.7%	11.8%
Median of Industry Public Companies	8.4%	2.5%	26.1%	6.7%	6.5%	14.9%	-14.4%	3.8%

■ Highest Return
 ■ Lowest Return
 ■ Median Return

Public Company Median Multiples by Quarter

	3/31/18	12/31/17	9/30/17	12/31/16	9/30/16	6/30/16	9/30/16	12/31/16
EV/Revenues Multiple	1.6x	1.6x	1.6x	1.4x	1.3x	1.3x	1.1x	1.3x
EV/EBITDA Multiple	14.3x	14.0x	13.3x	12.1x	11.7x	10.9x	10.4x	10.6x
Price/Earnings Multiple	29.8x	28.1x	27.4x	23.9x	22.7x	23.2x	20.8x	20.7x
EV/Gross Cash Flows Multiple	28.6x	26.8x	25.7x	19.0x	19.9x	25.6x	20.1x	16.8x

■ Highest Multiple
 ■ Lowest Multiple
 ■ Median Multiple

Industry Initial Public Offerings—Industry: Aerospace and Defense (dollars in millions, except share prices)

Offer Date	Company Name	Offer Price	Shares Offered	Amount Raised	Total Assets	Debt	LTM Revenues	LTM EBITDA	LTM Net Income	LTM Cash Flows
5/17/17	Velocity Composites plc	\$1.10	16.5	\$18.7	\$10.6	\$2.9	\$21.8	\$0.0	(\$0.3)	\$0.4
4/26/17	Aquabotix Technology Corporation	\$0.15	35.0	\$5.2	\$4.7	\$0.2	\$0.8	\$0.2	\$0.1	\$0.2
6/20/16	DroneShield Limited	\$0.15	35.0	\$5.2	\$4.7	N/A	N/A	N/A	N/A	N/A
6/7/16	GomSpace Group AB (publ)	\$1.54	8.0	\$12.3	\$4.0	\$1.2	\$4.9	\$0.6	\$0.2	\$0.8
11/18/15	Hizeaero Co., Ltd.	\$15.42	4.4	\$67.5	N/A	\$30.9	N/A	\$5.8	\$2.5	\$7.1
9/30/15	LIG Nex1 Co., Ltd.	\$64.19	6.9	\$442.9	\$1,569	\$136.2	\$1,475.5	\$126.3	\$58.8	\$153.2
2/23/15	Martin Aircraft Company Limited	\$0.30	67.5	\$20.3	\$1.1	\$0.0	\$0.0	(\$3.2)	(\$3.2)	(\$3.1)
12/22/14	Aerospace Technology Of Korea, Inc.	\$8.66	2.9	\$24.7	N/A	N/A	N/A	N/A	N/A	N/A
11/16/14	Strat Aero Plc	\$0.13	8.1	\$1.0	N/A	N/A	N/A	N/A	N/A	N/A
7/9/14	Starburst Holdings Limited	\$0.25	50.0	\$12.5	\$35.8	\$6.0	\$29.9	\$8.4	\$6.9	\$8.7
6/24/14	FACC AG	\$12.91	20.4	\$263.3	\$819.3	\$292.3	\$771.4	\$114.4	\$39.9	\$129.6
12/22/13	Figeac Aero Société Anonyme	\$12.59	1.9	\$24.0	\$291.5	\$113.1	\$205.1	\$39.3	\$15.3	\$50.5
6/27/13	Delta Drone SA	\$6.37	0.6	\$3.8	\$6.7	\$1.8	\$2.7	(\$0.8)	(\$0.6)	(\$0.7)
4/10/12	Erickson Incorporated	\$8.00	3.8	\$38.4	\$245.5	\$131.9	\$160.0	\$25.0	\$15.9	\$32.3
11/28/11	AVTECH Sweden AB (publ)	\$0.86	2.5	\$2.2	N/A	\$1.1	\$0.0	\$0.1	\$0.0	\$0.2
Median of all IPOs		nm	nm	\$18.7	\$10.6	\$4.4	\$21.8	\$3.2	\$1.3	\$3.9

Multiple year periods are calculated as the average annual return.

■ Highest Return ■ Lowest Return ■ Median Return

Recent Merger and Acquisition Transactions for a Majority Stake (dollars in millions)

Transaction Date	Target	Acquirer	Transaction Size	% Bought	LTM Revenues	LTM EBITDA	EV/ Revenues	EV/ EBITDA
3/2/18	Zodiac Aerospace	Safran SA	\$73.7	100%	\$346.2	\$34.3	1.2x	12.5x
1/9/18	Tenax Aerospace, LLC	NTC Group, Inc.	\$24.0	100%	N/A	N/A	N/A	N/A
12/31/17	Acro Aircraft Seating Ltd.	Zhejiang Science and Technology Investment Co., Ltd.	\$17.6	100%	\$186.6	N/A	2.2x	N/A
7/10/17	U.S. Sensor, Corp.	Littelfuse, Inc.	\$432.3	100%	N/A	N/A	N/A	N/A
7/5/17	Excelsys Technologies Ltd.	Advanced Energy Industries, Inc.	\$135.0	100%	N/A	N/A	N/A	N/A
6/27/17	LMI Aerospace, Inc.	Sonaca SA	\$405.6	100%	N/A	N/A	N/A	N/A
6/15/17	Dunlop Aircraft Tyres Ltd.	Liberty Hall Capital	\$14.8	100%	\$2,861.7	\$606.3	2.8x	13.3x
6/12/17	Gardner Group Limited	Chengdu Aerospace	\$16.1	100%	N/A	N/A	N/A	N/A
5/31/17	Cassidian SAS	Airbus Defence	\$10.5	100%	\$263.5	\$22.4	1.3x	15.6x
5/2/17	Aerospace Holdings, Inc.	Harlow Aerostructures	\$8,187.6	100%	N/A	N/A	N/A	N/A
4/28/17	Aero-Missile Components	Apollo Aerospace Components	\$8.0	86%	N/A	N/A	N/A	N/A
4/13/17	B/E Aerospace, Inc.	Rockwell Collins, Inc.	\$365.7	100%	N/A	N/A	N/A	N/A
1/9/17	Jiffy Air Tool, Inc.	Florida Pneumatic Mfg.	\$27.5	100%	\$5.2	N/A	5.3x	N/A
1/4/17	Teletronics Technology Corp.	The KEYW Corporation	\$233.0	100%	N/A	N/A	N/A	N/A
12/22/16	Pacific Safety Products Inc.	Astronics Custom Control	\$11.9	100%	\$15.0	\$0.4	0.8x	26.5x
12/21/16	LATECOERE Services SAS	Groupe ADF SAS	\$67.4	100%	\$113.5	N/A	0.6x	N/A
12/9/16	IPI Solutions Ltd.	Ideagen PLC	\$8.9	100%	\$2.1	\$0.4	3.3x	16.5x
12/1/16	Camber Corporation	Huntington Ingalls	\$380.0	100%	\$364.0	N/A	1.0x	N/A
11/16/16	The Radiant Group, Inc.	DigitalGlobe, Inc.	\$140.0	100%	N/A	N/A	N/A	N/A

■ USA
 ■ International
 ■ Highest
 ■ Lowest
 ■ Median

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Recent Merger and Acquisition Transactions for a Majority Stake (dollars in millions)

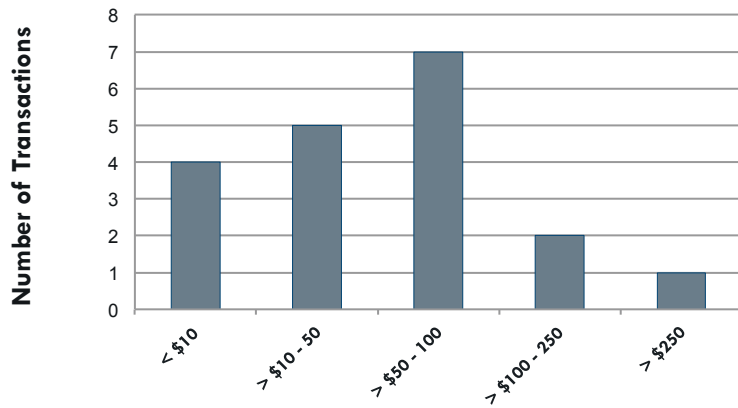
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Transaction Date	Target	Acquirer	Transaction Size	% Bought	LTM Revenues	LTM EBITDA	EV/ Revenues	EV/ EBITDA
10/17/16	NanoSpace AB	GS Sweden AB	\$11.9	100%	\$364.0	N/A	1.0x	N/A
9/16/16	Honeywell Technology	KBR Holdings, LLC	\$67.4	100%	N/A	N/A	N/A	N/A
9/9/16	American Science	OSI Systems, Inc.	\$8.9	100%	N/A	N/A	N/A	N/A
8/26/16	Crimson Trace Corporation	Smith & Wesson	\$380.0	100%	N/A	N/A	N/A	N/A
8/1/16	Explomo Technical Services	N/A	\$140.0	100%	\$103.0	(\$0.4)	1.8x	N/A
7/22/16	Kreisler Manufacturing	United Flexible, Inc.	\$140.0	100%	\$44.0	N/A	2.2x	N/A
7/14/16	Sarl Techno-Meca	Tecnoquark Trust, S.A.	\$2.2	100%	N/A	N/A	N/A	N/A
7/11/16	Kent Periscopes Ltd.	Gooch & Housego plc	\$34.5	100%	\$34.4	\$3.7	0.8x	7.6x
Median of the 28 M&A Transaction Targets			\$2.8	100%	\$3.3	\$0.7	0.8x	4.2x

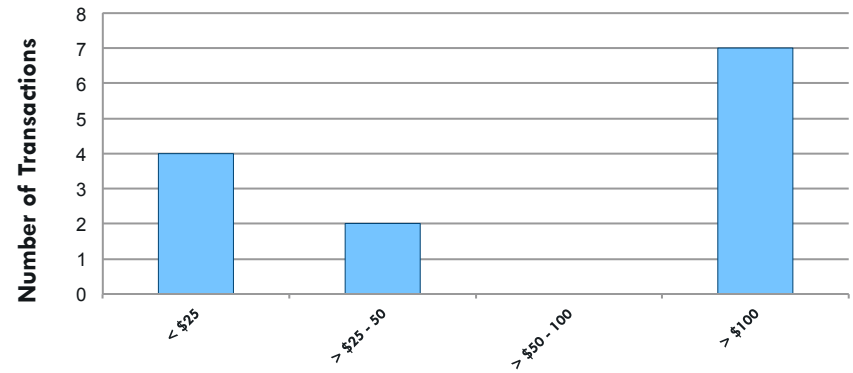
USA
 International
 Highest
 Lowest
 Median

Recent Merger and Acquisition Transactions for a Majority Stake (dollars in millions) as of March 31, 2018

Size of M&A Transactions



LTM Revenues Reported from M&A Transactions



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Definitions of Financial Terms Used in this Quarterly Industry Update:

Enterprise Value (EV): Market Value of Equity + Market Value of Debt —Cash

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA): Profitability metric sometimes also referred to as operating profit or operating earnings.

Gross Cash Flows: Net Income + Depreciation and Amortization Expense Latest Twelve Months (LTM): Financial information is as of the latest twelve months through the date of this Quarterly Industry Update.

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