

# Q1: Quarterly Industry Update

AS OF March 31, 2020

**cogent** valuation  
FINANCIAL OPINIONS

## Aerospace and Defense

### INDUSTRY SUMMARY

COGENT VALUATION identified 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, 2019, the median 52-week share price return of the Aerospace and Defense industry was 47.6%. Between March 31, 2019 and March 31, 2020, the median EV/EBITDA multiple increased from 11.7 to 14.3. Furthermore, the median price-to-earnings multiple increased from 22.9 to 31.0 over the same period. The median revenue growth and EBITDA margins for the industry for the quarter were 1.9% and 10.4%, respectively

### Public Company Key Statistics

Median 52-Week  
Return

7.5%

Median Year to Date  
Return

7.7%

Median EV/Revenue  
Multiple

1.5x

Median EV/EBITDA  
Multiple

14.3x

Median Price/Earnings  
Multiple

31x

Median EV/Gross CF  
Multiple

31x

## Comparable Public Company Market Price Returns as of March 31, 2020

|  | 2020        | 3 Month     | 1 Year       | 2 Year      | 3 Year      | 2019         | 2018          | 2017        |
|--|-------------|-------------|--------------|-------------|-------------|--------------|---------------|-------------|
| AAR Corp.                                  | 12.3%       | 12.3%       | 31.2%        | 4.4%        | 8.0%        | -5.0%        | 18.9%         | 25.7%       |
| Ability Inc.                               | -25.5%      | -25.5%      | -83.4%       | N/A         | N/A         | -56.8%       | -84.1%        | -72.0%      |
| Aerojet Rocketdyne Holdings, Inc.          | -10.4%      | -10.4%      | 28.9%        | 0.5%        | 2.9%        | 12.9%        | 73.8%         | 14.6%       |
| DigitalGlobe, Inc.                         | -19.0%      | -19.0%      | 62.4%        | 9.5%        | 6.2%        | 21.0%        | 109.3%        | -9.0%       |
| Ducommun Incorporated                      | -8.9%       | -8.9%       | -57.8%       | 10.9%       | 6.5%        | -57.7%       | -46.3%        | -61.3%      |
| Elbit Systems Ltd.                         | -21.4%      | -21.4%      | N/A          | 25.3%       | 26.0%       | -55.3%       | N/A           | N/A         |
| Embraer S.A.                               | -15.4%      | -15.4%      | -12.5%       | -22.5%      | -20.7%      | -38.1%       | 47.0%         | N/A         |
| Engility Holdings, Inc.                    | -14.1%      | -14.1%      | 3.4%         | 6.2%        | -9.5%       | -26.2%       | 1.4%          | 71.6%       |
| Esterline Technologies Corporation         | -10.1%      | -10.1%      | 17.6%        | -0.3%       | -6.3%       | -15.6%       | 22.5%         | -4.4%       |
| Northrop Grumman Corporation               | -20.9%      | -20.9%      | -59.5%       | 27.2%       | 29.0%       | 42.4%        | -55.3%        | -2.0%       |
| Orbital ATK, Inc.                          | 48.3%       | 48.3%       | 72.5%        | 15.8%       | -9.8%       | 65.1%        | 9.3%          | 40.2%       |
| Raytheon Company                           | 8.9%        | 8.9%        | 44.4%        | 29.9%       | 20.5%       | 14.0%        | 28%           | -4.9%       |
| Rockwell Collins, Inc.                     | 8.2%        | 8.2%        | 20.5%        | 6.7%        | 10.4%       | 0.5%         | 9.3%          | 1.5%        |
| SIFCO Industries, Inc.                     | -17.9%      | -17.9%      | 48.0%        | -33.2%      | -40.3%      | -19.5%       | -67.4%        | 13.4%       |
| Sparton Corporation                        | 4.8%        | 4.8%        | 1.0%         | -10.3%      | -7.5%       | 19.3%        | -29.5%        | 1.4%        |
| Spirit AeroSystems Holdings, Inc.          | 0.0%        | 0.0%        | 34.7%        | 2.5%        | 19.8%       | 16.5%        | 16.3%         | 26.3%       |
| TAT Technologies, Ltd.                     | 4.1%        | 4.1%        | 39.9%        | 22.5%       | 11.6%       | 18.2%        | 10.8%         | -16.1%      |
| Teledyne Technologies Incorporated         | 0.9%        | 0.9%        | 28.9%        | 10.0%       | 9.5%        | 38.7%        | -13.7%        | 11.8%       |
| <b>Median of Industry Public Companies</b> | <b>2.5%</b> | <b>2.5%</b> | <b>26.1%</b> | <b>6.7%</b> | <b>6.5%</b> | <b>14.9%</b> | <b>-14.4%</b> | <b>3.8%</b> |

■ Highest Return
 ■ Lowest Return
 ■ Median Return

Multiple year periods are calculated as the average annual return.

## Public Company Median Multiples by Quarter

|                                     | 3/31/20 | 12/31/19 | 9/30/19 | 6/30/19 | 3/31/19 | 12/31/18 | 9/30/18 | 6/30/18 |
|-------------------------------------|---------|----------|---------|---------|---------|----------|---------|---------|
| <b>EV/Revenues Multiple</b>         | 1.5x    | 1.6x     | 1.5x    | 1.5x    | 1.6x    | 1.3x     | 1.4x    | 1.4x    |
| <b>EV/EBITDA Multiple</b>           | 14.3x   | 13.6x    | 14.3x   | 14.0x   | 13.0x   | 12.3x    | 11.6x   | 12.1x   |
| <b>Price/Earnings Multiple</b>      | 31.0x   | 30.2x    | 29.8x   | 28.1x   | 26.8x   | 25.1x    | 24.3x   | 23.8x   |
| <b>EV/Gross Cash Flows Multiple</b> | 31.0x   | 27.0x    | 28.1x   | 24.8x   | 23.5x   | 24.4x    | 22.8x   | 19.0x   |

■ Highest Multiple   
 ■ Lowest Multiple   
 ■ Median Multiple

## Industry Initial Public Offerings – 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 |
|---------------------------|------------------------------------|-------------|----------------|---------------|---------------|--------------|---------------|--------------|----------------|----------------|
| 2/17/20                   | Velocity Composites plc            | \$1.10      | 16.5           | \$18.7        | \$10.6        | \$2.9        | \$21.8        | \$0.0        | (\$0.3)        | \$0.4          |
| 1/26/20                   | UUV Aquabotix Limited              | \$0.15      | 35.0           | \$5.2         | \$4.7         | \$0.2        | \$0.8         | N/A          | \$0.1          | \$0.2          |
| 11/20/19                  | DroneShield Limited                | \$0.15      | 35.0           | \$5.2         | \$4.7         | N/A          | N/A           | N/A          | N/A            | N/A            |
| 10/7/19                   | GomSpace Group AB (publ)           | \$1.54      | 8.0            | \$12.3        | \$4.0         | \$1.2        | \$4.9         | \$0.6        | \$0.2          | \$0.8          |
| 11/18/17                  | Hizeaero Co., Ltd.                 | \$15.42     | 4.4            | \$67.5        | N/A           | \$30.9       | N/A           | N/A          | \$2.5          | \$7.1          |
| 9/30/15                   | LIG Nex1 Co., Ltd.                 | \$64.19     | 6.9            | \$442.9       | \$1,569       | \$136.2      | \$1,427.5     | \$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                  | Remote Monitored Systems 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        | \$16.7        | \$8.4        | \$6.9          | \$8.7          |
| 6/24/14                   | FACC AG                            | \$12.91     | 20.4           | \$263.3       | \$819.3       | \$292.3      | \$769.3       | \$114.4      | \$39.9         | \$129.6        |
| 12/22/13                  | Figeac Aero Société Anonyme        | \$12.59     | 1.9            | \$24.0        | \$291.5       | \$113.1      | \$180.3       | \$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          |
| <b>Median of all IPOs</b> |                                    | <b>nm</b>   | <b>nm</b>      | <b>\$18.7</b> | <b>\$10.6</b> | <b>\$4.4</b> | <b>\$21.8</b> | <b>\$3.2</b> | <b>\$1.3</b>   | <b>\$3.9</b>   |

## Size of 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 |
|------------------|----------------------------------|--|------------------|----------|--------------|------------|--------------|------------|
| 2/2/20           | Applied Defense Solutions, Inc.  | L3 Technologies, Inc.                                | \$50.0           | 100%     | \$21.3       | \$34.3     | 1.2x         | 12.5x      |
| 12/2/19          | Beaver Aerospace & Defense, Inc. | Héroux-Devtek Inc.                                   | \$23.5           | 100%     | \$7.4        | N/A        | N/A          | N/A        |
| 11/6/19          | Orbital ATK, Inc.                | Northrop Grumman Corp.                               | \$9,429.0        | 100%     | \$6,074.0    | N/A        | 2.2x         | N/A        |
| 4/24/19          | Extant Components Group          | TransDigm Group                                      | \$525.0          | 100%     | N/A          | N/A        | N/A          | N/A        |
| 7/2/18           | Zodiac Aerospace                 | Safran SA  | \$9,763.8        | 100%     | \$30.0       | N/A        | N/A          | N/A        |
| 6/6/18           | Tenax Aerospace, LLC             | NTC Group, Inc.                                      | \$9,429.0        | 100%     | \$4,515.0    | N/A        | N/A          | N/A        |
| 4/24/18          | Extant Components Group          | Zhejiang Science and Technology Investment Co., Ltd. | \$525.0          | 100%     | N/A          | \$606.3    | 2.8x         | 13.3x      |
| 3/2/18           | Zodiac Aerospace                 | Littelfuse, Inc.                                     | \$9,763.8        | 100%     | \$5,773.4    | N/A        | N/A          | N/A        |
| 1/9/18           | Tenax Aerospace, LLC             | Advanced Energy Industries, Inc.                     | \$220.0          | 100%     | N/A          | \$22.4     | 1.3x         | 15.6x      |
| 12/31/17         | Acro Aircraft Seating Ltd.       | Sonaca SA  | \$73.7           | 100%     | \$40.2       | N/A        | N/A          | N/A        |
| 7/10/17          | U.S. Sensor, Corp.               | Liberty Hall Capital                                 | \$24.0           | 86%      | N/A          | N/A        | N/A          | N/A        |
| 7/5/17           | Excelsys Technologies Ltd.       | Rockwell Collins, Inc.                               | \$365.7          | 100%     | \$11.6       | N/A        | N/A          | 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

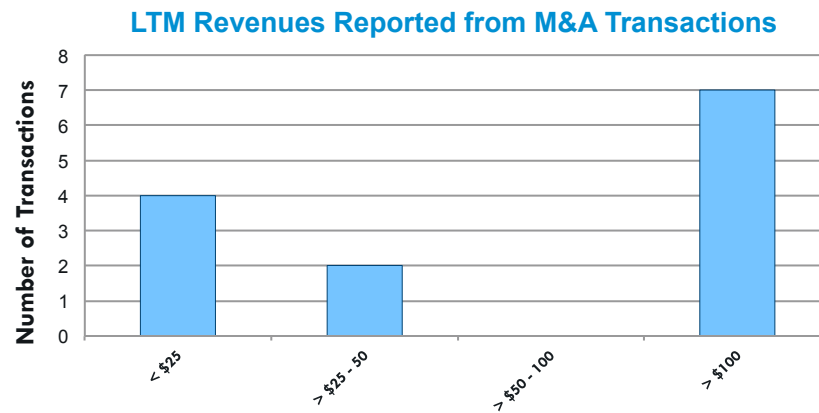
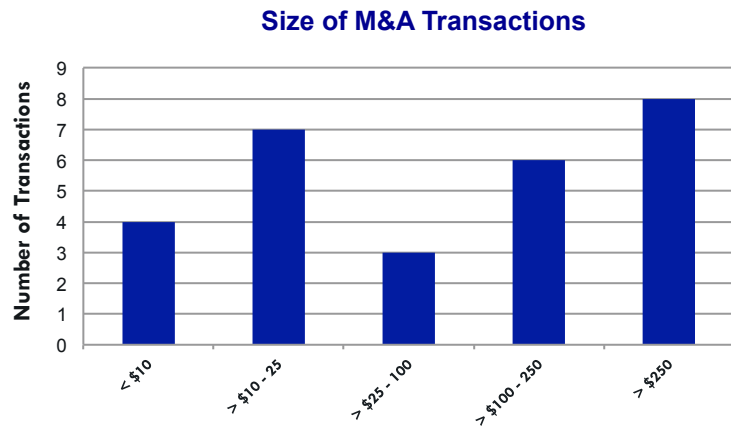
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## Size of Recent Merger and Acquisition Transactions for a Majority Stake (dollars in millions)

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| Transaction Date                         | Target                     | Acquirer               | Transaction Size | % Bought | LTM Revenues | LTM EBITDA | EV/ Revenues | EV/ EBITDA |
|--|----------------------------|------------------------|------------------|----------|--------------|------------|--------------|------------|
| 11/17/19                                 | 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        |
| 1/9/17                                   | American Science           | OSI Systems, Inc.      | \$8.9            | 100%     | N/A          | N/A        | N/A          | N/A        |
| 1/4/17                                   | Crimson Trace Corporation  | Smith & Wesson         | \$380.0          | 100%     | N/A          | N/A        | N/A          | N/A        |
| 12/22/16                                 | Explomo Technical Services | N/A                    | \$140.0          | 100%     | \$103.0      | (\$0.4)    | 1.8x         | N/A        |
| 12/21/16                                 | Kreisler Manufacturing     | United Flexible, Inc.  | \$140.0          | 100%     | \$44.0       | N/A        | 2.2x         | N/A        |
| 12/9/16                                  | Sarl Techno-Meca           | Tecnoquark Trust, S.A. | \$2.2            | 100%     | N/A          | N/A        | N/A          | N/A        |
| 12/1/16                                  | Kent Periscopes Ltd.       | Gooch & Housego plc    | \$34.5           | 100%     | \$34.4       | \$3.7      | 0.8x         | 7.6x       |
| Median of the 24 M&A Transaction Targets |                            |                        | \$2.8            | 100%     | \$3.3        | \$0.7      | 0.8x         | 4.2x       |

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



**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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