

SHIPBUILDING AND NEW BUYERS NURTURE AIR, LAND, SEA, & SPACE SYSTEMS MARKET

AIR, LAND, SEA, & SPACE SYSTEMS | JUNE 2024



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Air, Land, Sea, & Space Systems

Shipbuilding and New Buyers Nurture Air, Land, Sea, & Space Systems Market

KEY SECTOR TAKEAWAYS

Capstone Partners' Aerospace, Defense, Government, & Security (ADGS) Group is pleased to share its Air, Land, Sea, & Space (ALSS) Systems report. Following a record year for merger and acquisition (M&A) activity in 2023, deal volume through year-to-date (YTD) 2024 has moderated. Although overall U.S. defense spending has been capped by the Fiscal Responsibility Act (FRA) of 2023, robust investment in the Sea Systems sector and increased acquisition appetite among Native American buyers have kept the sector's M&A environment healthy. Several key takeaways are outlined below.

1. Deal volume YTD has declined compared to YTD 2023, which represented the sector's highest level of M&A activity over the previous three years.
2. The U.S. Department of Defense's (DOD) budget request for fiscal year (FY) 2025 has risen by 0.9% year-over-year (YOY), mandated by the Fiscal Responsibility Act of 2023.
3. An emphasis on shipbuilding demand and strengthening maritime security partnerships has the potential to benefit Sea Systems segment players.
4. Government contracting incentives for Native American-owned companies have sparked their acquisition appetite for sector participants.
5. Supply chain stabilization for production on the new Columbia-class nuclear submarine has helped to shore up margins for prime contractors in the Sea Systems segment.
6. Congress continues to support robust defense spending with the Senate Armed Services Committee approving on June 14 a \$911.8 billion topline for the National Defense Authorization Act, a move that would exceed spending limits imposed by last year's debt ceiling deal.

Capstone Partners has developed a full suite of corporate finance solutions, including, financial advisory services, merger and acquisition advisory, debt advisory, and equity capital financing to help privately owned businesses and private equity firms navigate through each stage of a company's lifecycle.

To learn more about Capstone's wide range of advisory services and Air, Land, Sea, & Space Systems sector knowledge, please [contact us](#).

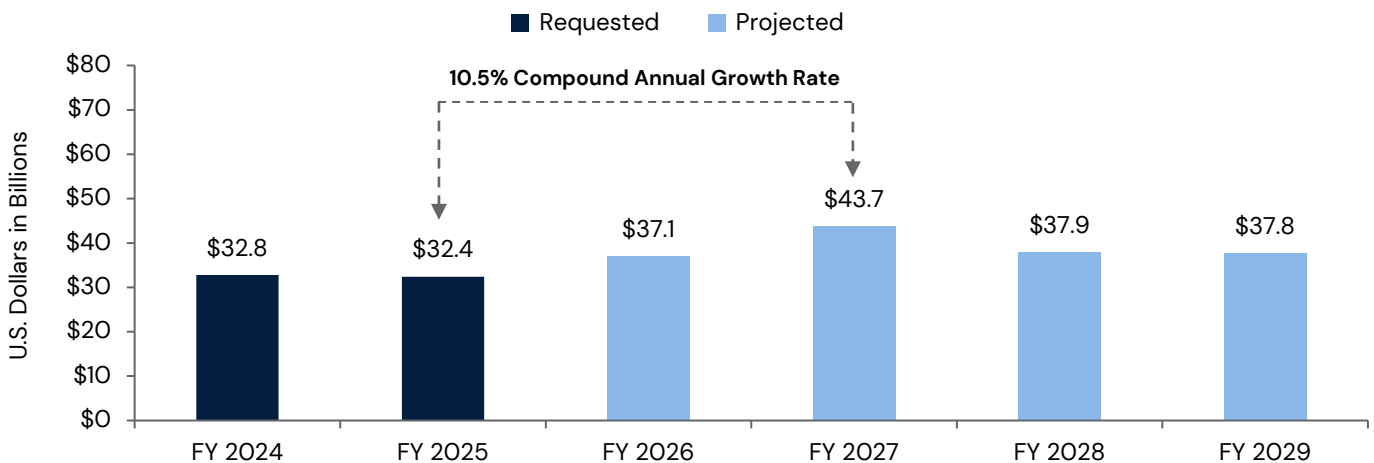
SHIPBUILDING AND SECURITY PARTNERSHIPS HEADLINE GROWTH

Shifting priorities in U.S. defense spending are likely to offer increased contracting and subcontracting opportunities for well-positioned Sea Systems market participants. It has been clear, since the U.S.' 2021 withdrawal from Afghanistan and the 2022 release of the National Defense Strategy, that the DOD's funding priorities have been shifting towards the Sea domain. The DOD's FY 2025 budget request earmarked \$257.6 billion total for the Department of the Navy (DON), a 0.7% increase YOY, according to the Office of the Under Secretary of Defense.¹ Although a marginal increase compared to the prior year period, this uptick has made the FY 2025 budget request the DON's largest ever, and 4.5% higher than FY 2023's enacted budget of \$246.6 billion.



Shipbuilding and the trilateral Indo-Pacific security partnership with the U.K. and Australia, known as AUKUS, were two of the main strategic priorities in the DON's FY 2025 budget request. The integration of the U.S. and U.K.'s defense industrial base with AUKUS has become a key by-product of strengthening the partnership. This has allowed sector players to both expand their customer base and build new recurring revenue streams. BAE Systems (LSE:BA.), which typically contracts with U.S. and U.K. defense agencies, was selected by the Australian government to build its new fleet of nuclear-powered attack submarines (SSNs), with the first SSN delivery expected in the early 2040s, according to a press release.² Additionally, the security partnership has enabled Australian-based players to establish U.S. subsidiaries and compete in the U.S. M&A market. Funding for Shipbuilding Procurement greatly outnumbered all other DON procurement funding in the FY 2025 budget request, with an outlined plan for continued growth in this area. The budget request included \$32.4 billion for Shipbuilding Procurement in FY 2025, with a plan for future procurement to reach a high of \$43.7 billion in FY 2027, according to the Navy Office of Budget.³ This represents a 46% increase between FY 2025 and 2027, the second highest increase in the DON's procurement plans during this time frame, only behind Weapons Systems Procurement (56.1% increase). The robust commitment from the DON to grow Shipbuilding Procurement will likely trickle down to segment players who can provide essential maritime construction services through both prime contracts and subcontracts. This has enabled increased revenue visibility for acquisition targets and a strong impetus for increased M&A in the Sea Systems segment.

The Department of the Navy Sets Future Funding Growth for Shipbuilding Procurement



Source: Navy Office of Budget and Capstone Partners

CONTRACTING INCENTIVES DRAW NATIVE ENTITIES TO INCREASE M&A

Alaska Native Corporations (ANCs), Native Hawaiian Organizations (NHOs), and federally recognized American Indian and Alaska Native Tribes, known more broadly as Native Entities, have become active participants in the Federal Contracting marketplace in recent years. This has impacted the M&A environment, where deals involving Native Entities accounted for 4.1% of total 2023 M&A deals in the Federal Contracting space, according to research by *Tribal Business News* and HigherGov.⁴ Due to their 8(a) status under the Small Business Administrations’ (SBA) federal contracting program for experienced small business owners who are socially and economically disadvantaged, Native Entities have been eligible to receive sole-source government contracts regardless of size. This does not apply to non-Native Entities active in the Federal Contracting space. These special rights and 8(a) status extend to subsidiaries of Native Entities, providing incentives for ANCs, NHOs, and tribal businesses to pursue acquisitions of companies with established government contracting success.

The U.S. government has created a strong impetus for Native Entity involvement in ALSS Systems sector M&A. In particular, the DOD’s Indian Incentive Program provides a 5% rebate to prime contractors that subcontract to Native Entities or businesses owned by Native Entities, according to the DOD’s Office of Small Business Programs.⁵

Additionally, individual divisions within the DOD do not have to go through the A-76 process, which determines whether a government function should be privatized due to cost, if the division contracts with a firm that is at least 51% Native American-Owned, according to UIC Government Services.⁶ DOD contracting among Native Entities has not been without historical precedent. In the most recent study, between 2000 and 2021, DOD contracts accounted for 67.6% of total contracting revenue among Native Entities, according to the Federal Reserve Bank of Minneapolis.⁷

These incentives from the DOD have increased Native Entities’ acquisition appetite for the ALSS Systems sector. Notably, 68.6% of targets acquired by Native Entities in 2023 had previously secured contracts with the DOD, according to *Tribal Business News* and HigherGov. Active buyer in the Federal Contracting space, ASRC Federal, a Maryland-based ANC, acquired SAIC’s (Nasdaq:SAIC) Defense Logistics and Supply Chain business in March 2023 for an enterprise value of \$356 million. Native Entities’ exemption from Committee on Foreign Investment in the United States (CIFUS) review has also helped to proliferate deal flow in the highly regulated Federal Contracting space. As Native Entity revenue from government contracting rises, Capstone expects Native Entities to become long-term active buyers in the ALSS Systems sector.

Leading Tribal/ANC Buyers Targeting the ALSS Systems Sector

Capstone has tracked Native Entity buyers that have been highly acquisitive, particularly those that have completed transactions in the ALSS Systems sector. For more information on relevant buyers, please read this [article](#) from Managing Director [Tess Oxenstierna](#) on Tribal 8(a) considerations.



Source: Capstone Partners



CAPSTONE ADVISES SPIN SYSTEMS ON STRATEGIC ACQUISITION

Capstone Partners advised [Spin Systems](#)—a data analytics and Artificial Intelligence (AI)/Machine Learning (ML)-driven intelligence visualization government contractor—on its sale to Diné Development Corporation (DDC), a Navajo Nation-owned company. Terms of the deal were confidential (December 2023).

Spin Systems has amassed success throughout its 25-year history in delivering cloud-based sustainment and modernization solutions for the U.S. government, specifically for the DOD. Aligning with DDC's capabilities, Spin Systems' suite of technical solutions and innovative growth model strengthen DDC's dedication to value-driven efficiency, agility, and scalability. "Data virtualization and predictive modeling are key capabilities that differentiate our company and complement DDC's robust suite of IT solutions," noted Spin Systems CEO, Wael Ali.

Since 2004, DDC has been committed to providing government agencies with high-quality IT, professional and environmental services. Wholly owned by the Navajo Nation, DDC strives to deliver exceptional solutions while generating sustainable economic prosperity for the Navajo Nation and advancing communities across the world. This transaction dovetails the increasing acquisition activity among ANCs, tribal businesses, and other Native Entities in the Government Services space. Capstone expects this acquisition to be representative of future deals between Native Entities and businesses with a track record of success in the Federal Contracting marketplace.



// *The in-depth knowledge of government contracting coupled with the finessed negotiating skill delivered by Capstone every step of the way led to a successful outcome. The deal transformed the lives of our shareholders and has given an enormous opportunity to our SpinSys colleagues to cement the brand, and our legacy, for decades to come.*

//
Shourya Ray
 Chief Operating Officer, Spin Systems



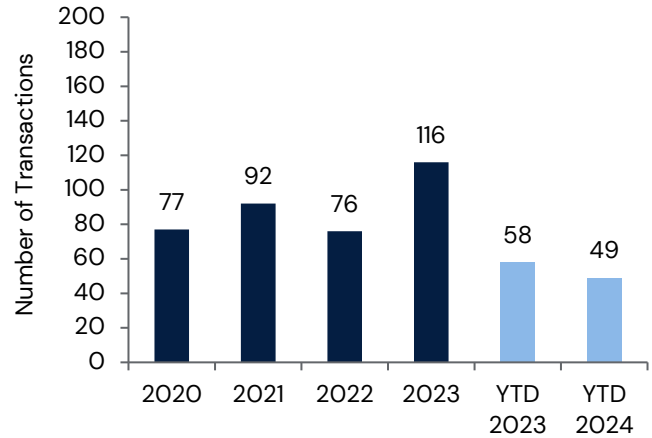
Tess Oxenstierna,
 Managing Director and Head of ADGS

"Our Aerospace, Defense, Government, and Security team was delighted to lead this transaction to a successful close for SpinSys, finding the right buyer that can continue to scale the business."

SECTOR M&A VOLUME NORMALIZES FOLLOWING RECORD YEAR

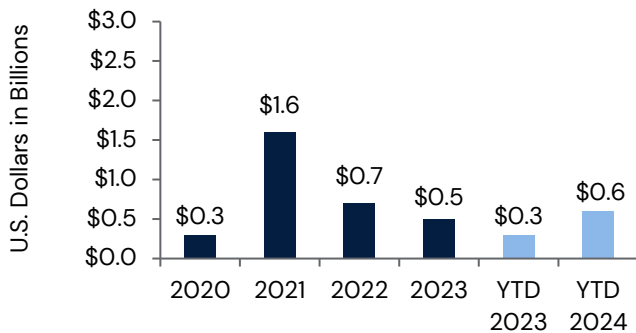
M&A volume in the ALSS Systems sector has moderated through YTD 2024, falling 15.5% YOY to 38 transactions announced or completed. However, acquisition appetite has remained strong to-date, considering the record levels of deal flow in the sector during full-year 2023, which rose 52.6% YOY to 116 transactions. Due to the DOD’s budget capped at a 1% spending increase for the next two years, supplemental national security funding tailwinds are expected to bolster buyer confidence in the sector’s M&A market. The timing of congressional budget procedures has remained the most prominent headwind to M&A by hindering contract deal flow and revenue visibility. Despite this, urgent national security priorities are expected to increase the speed of DOD funding.

ALSS Systems M&A Experiences Downtick

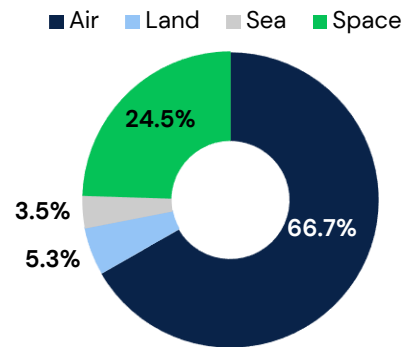


The Air Systems segment has driven the majority of sector M&A activity through YTD, highlighting the demand for aircraft component manufacturing and maintenance, repair, and overhaul (MRO) services. In contrast, the Space Systems segment has shown signs of slowing, with targets in the segment accounting for 24.5% of deals in the sector compared to 38.3% in the prior year period. The moderation in Space Systems M&A activity has likely been influenced by the U.S. Space Force’s budget request for FY 2025, which declined 2% YOY to \$29.4 billion, according to a press release.⁸ Despite a lower budget request, the Space Systems segment is expected to remain an area of high growth in the sector, due to its importance to the 2022 National Defense Strategy of low-earth orbit (LEO) satellite competition with Russia and China.

Average Enterprise Value Rises Year-over-Year



Air Systems Lead 2024 Sector M&A Targets

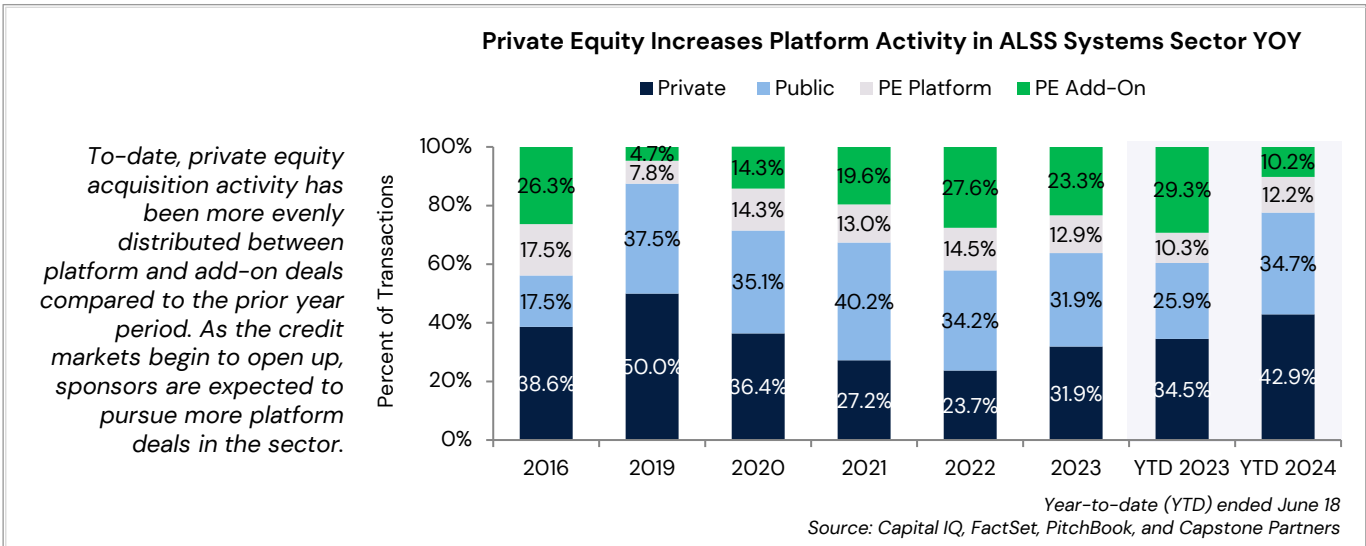
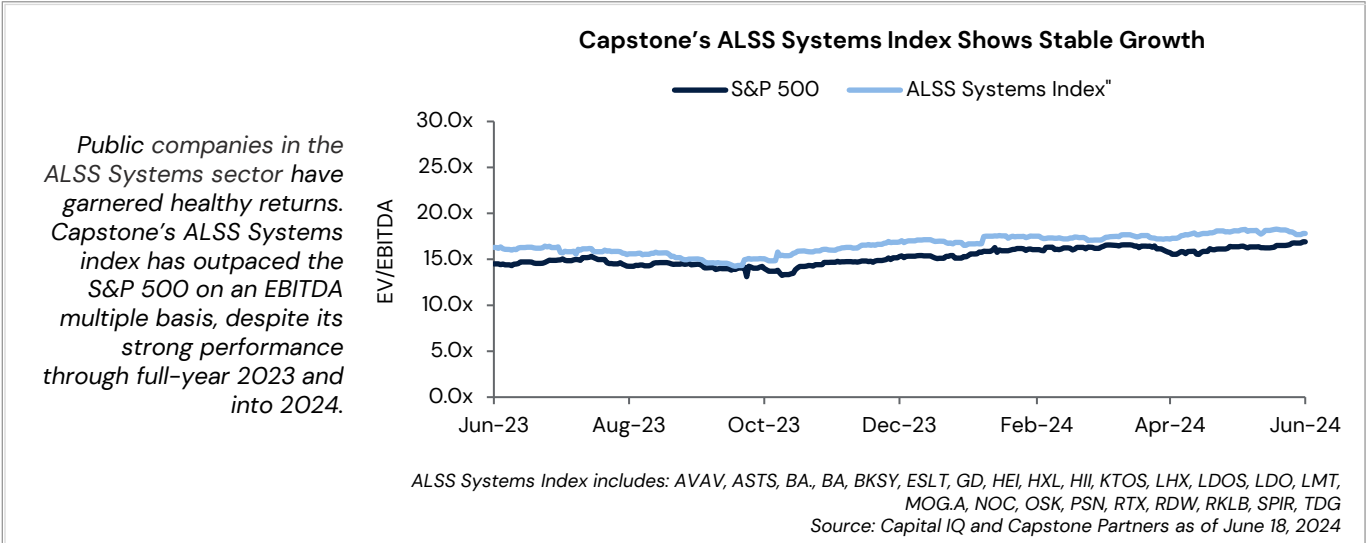


Year-to-date (YTD) ended June 18
 Source: Capital IQ, FactSet, PitchBook, and Capstone Partners

Despite increasing anti-trust scrutiny over large-scale deals in the sector, public strategics have continued to offer premium valuations for accretive businesses. Public company buyers have paid a total of \$5 billion in enterprise value through YTD 2024, demonstrating balance sheet strength amongst public players in the sector. Private equity firms have also paid premium valuations for public companies in the sector despite unfavorable interest rate conditions. Notably, Arcline Investment Management acquired Kaman (NYSE:KAMN) in a take-private deal in January 2024 for an enterprise value of \$1.9 billion, equivalent to 2.4x EV/Revenue and 17.1x EV/EBITDA. Connecticut-based Kaman manufactures components for unmanned aircraft, arming solutions, and composite aerostructures for military customers. Arcline’s acquisition follows multiple large private equity deals in the sector in recent years including KKR’s (NYSE:KKR) acquisition of CIRCOR International (NYSE:CIR) (June 2023, \$1.7 billion, 2.0x EV/Revenue, 12.1x EV/EBITDA) and Advent International’s acquisition of Maxar Technologies (December 2022, \$6.5 billion, 3.7x EV/Revenue, 14.2x EV/EBITDA).



PUBLIC INDEX PERFORMANCE HIGHLIGHTS SECTOR VALUATIONS





ELECTRIC BOAT RECEIVES ROBUST SUBMARINE COMMITMENTS

GENERAL DYNAMICS
Electric Boat



Parent Company: General Dynamics (NYSE:GD)

Headquarters: Groton, Connecticut

Markets: Aerospace and Defense

Number of Employees: 10,500

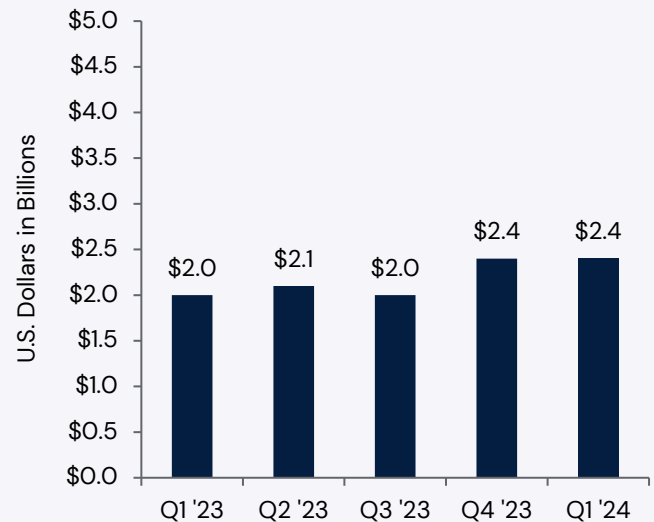
Year Founded: 1899

Company Description

Electric Boat, a subsidiary of General Dynamics (NYSE:GD) and part of its Marine Systems business segment, is the prime contractor for the Department of the Navy's Columbia-class ballistic-missile submarine program. As the primary shipbuilder for the next-generation of U.S. ballistic-missile submarines, Electric Boat has garnered the majority of revenue for the Marine Systems business segment. General Dynamics' Marine Systems segment experienced a 11.3% YOY increase in revenue in Q1 2024, according to the company's most recent earnings release.⁹ Revenue derived from Electric Boat's Columbia-class submarine construction accounted for 72% of Marine Systems' segment revenue, highlighting the DON's demand for submarine construction.

Due to numerous sole-source suppliers in the Columbia-class' component supply chain, the rapid pace of the DON's demand has placed pressure on the program's schedule. Despite this, General Dynamics has made significant financial investments to improve Electric Boat's shipyards, resulting in a 11% increase in productivity in Q1 2024 alone, according to an earnings transcript.¹⁰ Marine Systems' Q1 2024 operating margin remained flat YOY at 7%, highlighting its ability to contain cost pressures. Additionally, the DON has prioritized the stabilization of the submarine industrial base (SIB). The April 2024 National Security Supplemental Funding Bill included \$3.3 billion to support the SIB through funding for supplier development, shipbuilding infrastructure, and workforce development, according to the Chief of Naval Operations.¹¹ Electric Boat's earnings are expected to benefit from the supplemental funding, as supply chain disruptions have impacted the company's production schedule and quality, which in turn have negatively impacted its margins. As the supply chain for the Columbia-class stabilizes, Electric Boat's margins are likely to follow suit.

Electric Boat Nuclear-Powered Submarine Revenue



Columbia-class Ballistic-missile Submarine Program



- 12-boat program
- First scheduled delivery in 2027
- Total program value in excess of \$115 billion
- Received highest possible rating from the Defense Priorities and Allocations System

Source: General Dynamics and Capstone Partners

NOTABLE TRANSACTIONS



Honeywell (Nasdaq:HON) acquired Cobham Advanced Electronic Solutions (CAES) from private equity firm Advent International in June 2024 for an enterprise value of \$1.9 billion. The all-cash acquisition is expected to be completed in the second half of 2024. CAES brings radio frequency technology, engineering talent, and facilities to Honeywell in order to expand its aerospace expertise. “With the integration of CAES’ solutions and capabilities, we will fortify our existing defense offerings,” said Honeywell CEO, Vimal Kapur, in a press release.¹²



Aero Engineering EF Precision (AEFP) Group, a manufacturer of airframe components, acquired Trinity Aerospace in April 2024 for an undisclosed sum. Trinity Aerospace provides fabrication, assembly, and manufacturing services to aircraft and aerospace operators. Trinity’s main customer partnerships include Airbus (ENXTPA:AIR), Bombardier (TSX:BBD.B), and Mitsubishi Heavy Industries (TSE:7011). The integration of Trinity Aerospace into AEFP Group is expected to enhance its market position and strength across the U.S. and Canada.



Boeing (NYSE:BA) acquired GKN Aerospace North America and its entire St. Louis manufacturing facility and workforce in April 2024 for an undisclosed sum. GKN Aerospace produces and sells aerospace components to aircraft and space vehicle manufacturers. Under Boeing’s ownership, the Missouri plant is expected to retain around 550 employees, according to a press release.¹³ The company is also expected to shift the facility’s operations to support Boeing’s F/A-18 and F-15 fighter jet programs. The acquisition is part of Boeing’s \$1.8 billion Project Voyager program.



Robinson Helicopter Company, a provider of civilian rotorcraft, acquired Ascent AeroSystems in April 2024 for an undisclosed sum. Ascent AeroSystems designs and manufactures compact coaxial helicopter drones for public safety and defense applications. The transaction is expected to allow Ascent to grow and scale by constructing its unmanned aerial vehicles at Robinson Helicopter’s cost-effective, vertically integrated manufacturing facility in Torrance, California. The acquisition also expands Robinson’s offerings into the Defense and Public Safety end markets.



Iridium Communications (Nasdaq:IRDM), a provider of global voice and data satellite communications, acquired Satelles in March 2024 for an enterprise value of \$154.7 million. Satelles provides timing and location services to low-earth orbit satellites used for commercial and defense applications. Following the acquisition, Satelles is expected to be renamed to Iridium Satellite Time and Location (STL). Iridium anticipates the Iridium STL business line to generate more than \$100 million in service revenue per year by 2030 with additional revenue from Engineering, according to a press release.¹⁴



AAR (NYSE:AIR), a leading provider of aviation services for MROs and original equipment manufacturers (OEMs), acquired the Triumph Group’s (NYSE:TGI) Product Support business in December 2023 for an enterprise value of \$725 million. Triumph’s Product Support business provides specialized MRO capabilities for aircraft components in the Commercial and Defense markets. The transaction was funded via AAR’s previous debt issuing of \$550 million in notes and borrowings under its amended revolving credit facility, according to a press release.¹⁵



SELECT TRANSACTIONS

Date	Target	Acquirer	Target Business Description	Enterprise Value (mm)	EV/LTM Revenue	EBITDA
05/02/24	Avicraft	Salt River Aviation	Offers extensive aircraft MRO capabilities.	-	-	-
05/01/24	MK Test Systems	Halma (LSE:HLMA)	Provides automatic electrical testing solutions for Aerospace, Defense, and Transportation industries.	\$54.9	3.6x	-
04/30/24	Intelsat	SES (LUX:SEGL)	Operates integrated satellite and terrestrial network providing communications services.	\$3,100.0	-	-
04/30/24	Leading Edge Air Foils	Advanced Powerplant Solutions	Provides engineer accessories and spare parts intended to serve the Aerospace industry.	-	-	-
04/29/24	Trinity Aerospace	Johnson Precision Products	Manufactures aviation and aerospace components intended to serve the Aerospace industry.	-	-	-
04/26/24	GKN Aerospace North America	Boeing (NYSE:BA)	Sells aerospace components to aircraft and space vehicle manufacturers.	-	-	-
04/23/24	Ascent AeroSystems	Robinson Helicopter	Manufactures unmanned aerial vehicle drones.	-	-	-
04/02/24	Satelles	Iridium (Nasdaq:IRDM)	Develops satellite management technology designed to deliver secure time and location signals.	\$154.7	-	-
04/01/24	Alpha Aircraft Services	Ventura Air Services	Provides maintenance services intended for aircraft.	-	-	-
03/25/24	Near Space	Aerostar International	Offers high altitude/near space platforms and flight services for government and commercial customers.	-	-	-
03/20/24	Aerofab	Precision Aerospace Group	Manufactures non-destructive testing tools for the Aerospace and Aviation industry.	-	-	-
03/14/24	Mission Microwave Technologies	J.F. Lehman and Company	Develops solid-state power amplifiers to support ground-based, airborne, and space-based applications.	-	-	-
03/07/24	Mid-Continent Aviation Services	Yingling Aircraft	Offers aircraft MRO services.	-	-	-
03/04/24	Magpie Aviation	Ampaire	Develops technologies for towing connections between two aircraft.	-	-	-
03/01/24	Synectic Research & Analysis	Avion Solutions	Provides test planning, analysis, and software development for space and missile defense programs.	-	-	-
03/01/24	Triumph Airborne Structures	AAR (NYSE:AIR)	Specializes in airframe and engine accessories, servicing both Commercial and Military aftermarkets.	\$725.0	2.7x	-
02/29/24	Turbine Controls	VSE (Nasdaq:VSEC)	Provides aircraft engine MRO services.	\$120.0	-	-
02/22/24	Challenger Aerospace	Resilient Energy (OTCPK:RENI)	Manufactures ground stations and aircraft control systems.	-	-	-
02/21/24	Anillo Industries	Novaria Holdings	Supplies washers, bushings, shims, and stampings to the Aerospace industry.	-	-	-
01/29/24	Oneweb Satellites	Airbus U.S. Space & Defense	Designs and manufactures satellites for the OneWeb satellite constellation.	-	-	-
01/25/24	Merrill Technologies Group	Arlington Management	Provides contract manufacturing services for the Defense, Aerospace, and Energy markets.	-	-	-
01/19/24	Kaman (NYSE:KAMN)	Arcline Investment Management	Operates in the Aerospace, Defense, Medical, and Industrial markets.	\$1874.5	2.4x	17.1x

Source: Capital IQ, PitchBook, FactSet, and Capstone Partners



PUBLIC COMPANY DATA

Company	Price	% 52 Wk	Market	Enterprise	LTM			EV / LTM	
	06/18/24	High	Cap	Value	Revenue	EBITDA	Margin	Revenue	EBITDA
AeroVironment, Inc.	\$215.11	97.7%	\$6,013.6	\$5,975.6	\$705.8	\$139.6	19.8%	8.5x	NM
AST SpaceMobile, Inc.	\$11.75	95.0%	\$1,693.7	\$1,779.1	\$0.5	NM	NA	NM	NM
BAE Systems plc	\$16.96	94.5%	\$51,029.8	\$54,522.9	\$29,395.7	\$4,132.1	14.1%	1.9x	13.2x
BlackSky Technology Inc.	\$0.91	38.3%	\$130.7	\$187.3	\$100.3	NM	NA	1.9x	NM
Elbit Systems Ltd.	\$184.34	79.7%	\$8,198.7	\$9,602.4	\$6,135.2	\$665.6	10.8%	1.6x	14.4x
General Dynamics Corporation	\$293.83	97.2%	\$80,486.8	\$90,513.8	\$43,122.0	\$5,210.8	12.1%	2.1x	17.4x
HEICO Corporation	\$227.96	99.4%	\$27,514.8	\$30,122.0	\$3,511.1	\$920.7	26.2%	8.6x	NM
Hexcel Corporation	\$63.63	80.5%	\$5,288.6	\$5,911.6	\$1,803.6	\$354.7	19.7%	3.3x	16.7x
Huntington Ingalls Industries, Inc.	\$242.03	80.8%	\$9,544.1	\$12,189.1	\$11,585.0	\$1,262.3	10.9%	1.1x	9.7x
Kratos Defense & Security Solutions, Inc.	\$19.75	86.7%	\$2,964.4	\$2,926.6	\$1,082.5	\$88.3	8.2%	2.7x	NM
L3Harris Technologies, Inc.	\$220.69	97.2%	\$41,860.6	\$55,155.6	\$20,159.0	\$3,640.0	18.1%	2.7x	15.2x
Leidos Holdings, Inc.	\$143.86	95.1%	\$19,451.5	\$24,047.5	\$15,714.0	\$1,982.3	12.6%	1.5x	12.1x
Leonardo S.p.a.	\$23.36	88.6%	\$13,441.9	\$17,975.5	\$17,176.6	\$2,054.2	12.0%	1.0x	8.8x
Lockheed Martin Corporation	\$459.01	95.7%	\$110,134.0	\$126,762.0	\$69,640.0	\$10,467.0	15.0%	1.8x	12.1x
Moog Inc.	\$161.82	89.0%	\$5,199.5	\$6,244.3	\$3,509.4	\$490.3	14.0%	1.8x	12.7x
Northrop Grumman Corporation	\$429.78	86.5%	\$63,603.1	\$78,353.1	\$40,122.0	\$4,633.3	11.5%	2.0x	16.9x
Oshkosh Corporation	\$106.18	83.0%	\$6,944.3	\$8,114.3	\$9,933.6	\$1,254.7	12.6%	0.8x	6.5x
Parsons Corporation	\$76.82	89.9%	\$8,161.8	\$9,248.9	\$5,805.0	\$540.6	9.3%	1.6x	17.1x
RTX Corporation	\$104.47	96.2%	\$138,667.7	\$178,966.7	\$71,011.0	\$9,810.5	13.8%	2.5x	18.2x
Redwire Corporation	\$5.90	83.8%	\$386.9	\$557.9	\$274.0	NM	NA	2.0x	NM
Rocket Lab USA, Inc.	\$4.34	53.9%	\$2,138.7	\$2,054.4	\$282.5	NM	NA	7.3x	NM
Spire Global, Inc.	\$10.46	53.9%	\$254.4	\$321.3	\$107.2	NM	NA	3.0x	NM
The Boeing Company	\$178.39	66.7%	\$109,510.8	\$149,914.8	\$76,442.0	\$3,132.0	4.1%	2.0x	NM
TransDigm Group Incorporated	\$1,318.91	96.3%	\$73,804.2	\$91,916.2	\$7,304.0	\$3,625.0	49.6%	NM	25.4x

EV = enterprise value; LTM = last twelve months
 \$ in millions, except per share data
 NM = Not Meaningful

Mean	15.5%	2.8x	14.4x
Median	12.6%	2.0x	14.4x
Harmonic Mean	12.1%	1.9x	14.8x

Source: Capital IQ and Capstone Partners as of June 18, 2024

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Tess is a Managing Director with over 25+ years of experience in the Aerospace & Defense industry, government policy arena and Financial Services sector. Tess has deep domain knowledge and transaction advisory skills, especially in the high-growth markets of Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance (C4ISR), and the Air, Land, Sea, & Space (ALSS) sector.

Prior to Capstone, Tess founded the Aerospace & Defense practice at a middle market boutique investment bank, focusing on private and public corporate clients with diverse products such as command and control software for aerial drones, satellite-based force tracking systems and electronic warfare devices used in Afghanistan and Iraq. She was Global Head of Equities Strategy at Lehman Brothers, responsible for strategy development leveraging competitive intelligence, market analysis and acquisitions across Americas, Europe and Asia. Transactions included investments in stock exchanges, a NYSE specialist market-maker and international broker dealers. Tess was also Director of Corporate Development and Strategy at Raytheon, with deal team transactions valued at over \$3.4 billion in sensor automation/information synthesis, geospatial mission support, network forensics, interoperable communications for homeland security, and commercial aviation/life cycle support. She holds a PhD in War Studies from Kings College London, an MA in Law & Diplomacy from Harvard's Kennedy School of Government, and a BA in International Relations from UCLA. A recognized industry expert, she was honored with deal awards, such as M&A's Most Influential Women 2021, M&A Atlas Awards for Industrials 2019, and M&A Advisor, Corporate / Strategic Deal of the Year 2018. She has also spoken at Thompson Reuters A&D Summit, Int'l AUVSI Conferences, New York Capital Roundtable and on a tv interview on ABC's Government Matters. She serves on the Board of the U.S. Navy League – CT Council.

**Hilary Morrison**

Vice President

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Hilary is a Vice President in the Aerospace and Defense group, bringing over 10 years of experience spanning investment banking and equity research. Prior to Capstone Partners, Hilary worked as a Vice President on the Textile Manufacturing team at Lehman Brothers. She has significant public company expertise with a focus on Industrials and Manufacturing M&A and carve-outs. She has also worked on numerous strategic advisory and company valuation assignments. Hilary earned a BBA in International Finance & French from Texas Christian University, M.J. Neeley School of Business. She is a Series 79 Registered Investment Banking Representative.

**Joe Collins**

Market Intelligence Analyst

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Joe is a Market Intelligence Analyst at Capstone Partners primarily focusing on the Aerospace, Defense, Government & Security (ADGS) and Healthcare industries. Prior to joining Capstone's Market Intelligence Team, Joe was an intern at Recount Media Inc., a digital media and political news company. At Recount Media he worked on client outreach, social media strategy, and database management for content produced by the company's slate of news podcasts. Joe has a BA in Politics from Bates College.

FIRM TRACK RECORD

Capstone's [Aerospace, Defense, Government & Security Group](#) maintains an active presence in the Air, Land, Sea, & Space Systems sector with in-depth knowledge of the buyer universe and business characteristics that drive premium valuations in an M&A process. Our frequent conversations with sector participants provide us with increased transparency into market trends and buyer preferences. A sampling of Capstone's closed deals are outlined below.



HAS BEEN ACQUIRED BY



DDC
DINÉ DEVELOPMENT CORPORATION
a Navajo Nation owned company



HAS ACQUIRED



PVP **ADVANCED EO SYSTEMS**



HAS BEEN ACQUIRED BY



KRATOS
DEFENSE & SECURITY SOLUTIONS



A subsidiary of



HAS BEEN ACQUIRED BY



Beckett
CORPORATION



FIRST SWITCHTECH
a U.S. subsidiary of



HAS BEEN ACQUIRED BY



TE
connectivity



HAS BEEN ACQUIRED BY



Bristol Bay
NATIVE CORPORATION

Aeronautics

HAS ACQUIRED



CHASSIS PLANS
Systems Engineered to Perform[®]



HAS BEEN ACQUIRED BY



GENERAL DYNAMICS
Mission Systems



HAS BEEN ACQUIRED BY



POLARIS
— ALPHA —
a portfolio company of



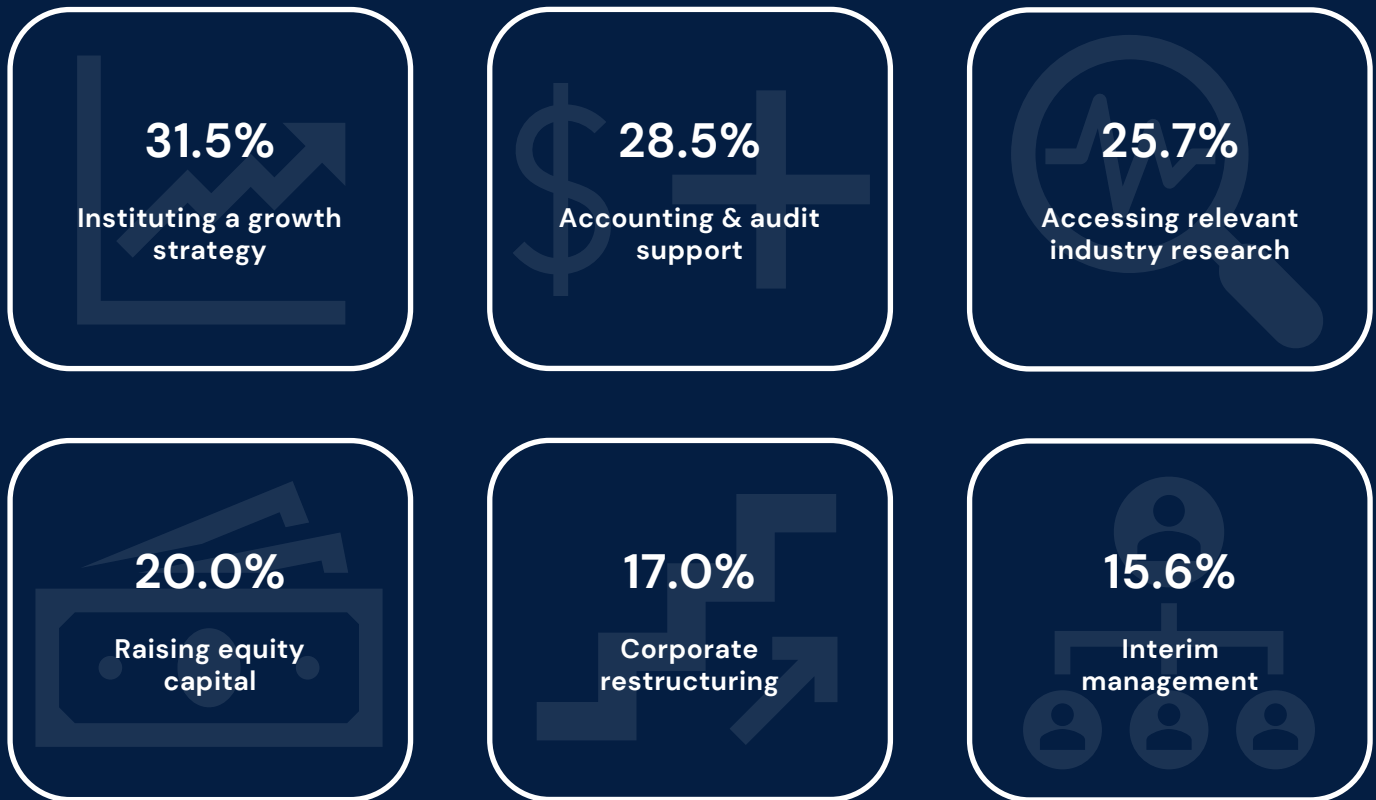
ARLINGTON
CAPITAL ADVISORS

CAPSTONE'S PROPRIETARY RESEARCH REVEALS TOP SERVICES IN DEMAND

The current stage and initiatives of a business often dictates which financial services are in demand. As the majority of CEOs polled in Capstone's 2023 Middle Market Business Owners Survey indicated growth strategies are a priority for 2024, the lion's share (31.5%) of owners anticipate a need for growth strategy support services. Similarly, 28.5% of owners require accounting and audit support to shore-up cash flows and establish financial stability. In addition, more than one-fourth of CEOs demonstrated an interest in accessing relevant industry research to keep up with emerging industry trends, complete competitor analyses, and track capital markets activity in their space.

Capstone has developed a full suite of [corporate finance solutions](#) to help privately owned businesses and private equity firms through each stage of the company's lifecycle, ranging from growth to an ultimate exit transaction. In addition, we developed a specialty consulting practice to provide financial advisory services to companies experiencing distress or performance challenges. All of these capabilities are supported by 16 industry groups, an active sponsor coverage group, and a dedicated market intelligence team.

Top Financial Services Required by Business Owners in 2024



Question: Have you ever had, or do you anticipate having, a need for any of the following services?
Source: Capstone Partners' Middle Market Business Owner Survey, Total Sample Size (N): 435

ENDNOTES

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Disclosure

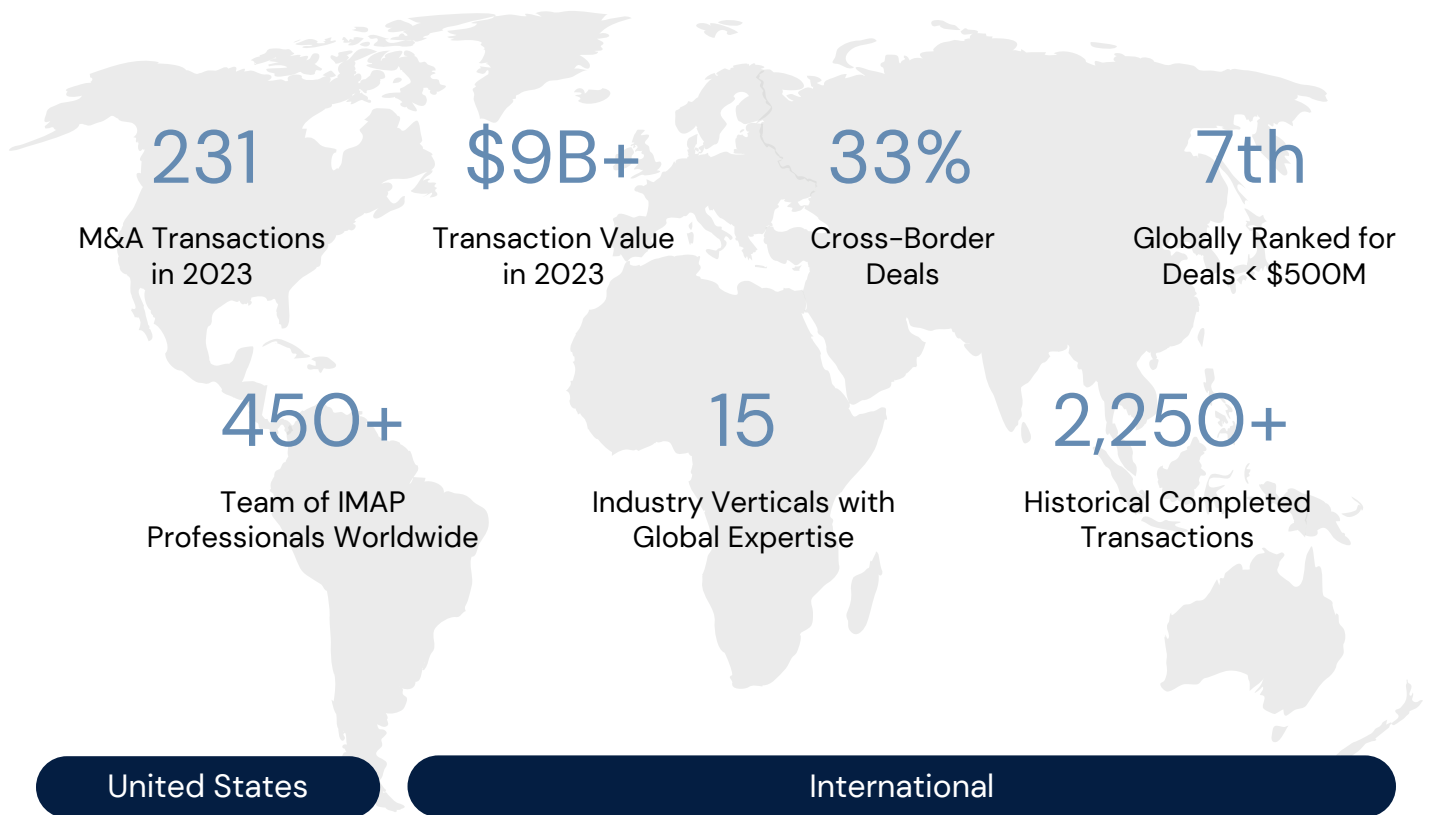
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CAPSTONE PARTNERS

Market Presence

With a long-established U.S. footprint, together with an international partner platform, we provide clients with broad expertise and access to key market relationships on a global basis. Our presence is backed by ~200 professionals in the U.S. with 450+ professionals across 41 countries.



~200 professionals
8 offices

Boston · Denver · Chicago · Dallas
Detroit · Irvine · New York · Tampa

450+ professionals
60+ offices in 41 countries

Asia: China · India · Japan · Thailand
Africa: Congo · Egypt · Ghana · Mauritius · Morocco · Senegal · South Africa
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Europe: Belgium · Bosnia & Herzegovina · Croatia · Czech Republic · Finland · France · Germany
Hungary · Ireland · Italy · Netherlands · Poland · Portugal · Romania · Serbia · Slovakia · Slovenia
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