

AVIATION · AEROSPACE · DEFENSE

THIRD QUARTER

2013

This Industry Practice Group was established to draw on the experience of CFA advisors, many of whom as former business owners and CEOs, have first-hand knowledge and have completed many transactions in this industry. Working with your local CFA representative, you can be sure that the collective wealth of knowledge is available to every CFA client.

Industry Overview

According to a study from industry research group First Research, the global aerospace manufacturing industry generates more than \$700 billion annually with North America and Europe generating the bulk of sales. The U.S. aerospace products and parts manufacturing industry includes about 1,300 companies with combined annual revenue of about \$185 billion. More than 400 aerospace products and parts companies operate in Canada and generate annual revenue of about \$20 billion.

As a result of sequestration - cutbacks in military and defense spending - the U.S. defense segment is expected to experience a drop in revenue for the third consecutive year, according to a report published by Deloitte. However, sales in the commercial aviation space, coming off a record year in 2012, are expected to rise again by the end of 2013 based on increased production rates and the introduction of next generation aircraft. Aircraft manufacturer Bombardier projects that the world fleet of small (20- to 149-seat) commercial aircraft will grow from 10,900 units in 2012 to 16,700 in 2032, with annual industry revenue increasing from \$11 billion to \$43 billion. The global business aircraft fleet is expected to more than double over the same period. Among the major drivers of new aircraft demand is global GDP expansion. The industry continues to recover from the global financial crisis of the late 2000s, when industry employment and revenue dropped precipitously. Bombardier expects North America, China and Europe to remain the largest markets for both commercial and business jets, with fast-growing economies in India and China driving much of the growth.



MERGERS, ACQUISITIONS, AND CAPITAL RESOURCES SINCE 1956

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For over 50 years CFA has been advocating on behalf of business owners. Whether you're selling, buying or recapitalizing your company, our business is your business.

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Selected Q2 Transactions	
Target/Issuer	Buyers/Investors
Aviation Technical Svcs, Inc.	Greenpoint Technologies et al
Advanced Interactive Systems, Inc.	Cubic Defense Applications, Inc.
Eagle Support Services Corp.	Argol America, Inc.
Gore Design Completions, Ltd.	Maz Aviation Consulting
Arkwin Industries, Inc.	TransDigm Group Inc. (NYSE:TDG)
Primus Composites	Triumph Group, Inc. (NYSE:TGI)
Reinhold Industries, Inc.	Flight Support Group, Inc.
Turbo Mach, LLC	ST Aerospace San Antonio LP
Hyper Therm High Temp Composites	Rolls-Royce North America, Inc.
Summit Aviation, Inc.	System Studies & Simulation, Inc.
Aerosonic Corp.	TransDigm Group Inc. (NYSE:TDG)
Associated Painters, Inc.	Leading Edge Aviations Svcs., Inc.
Keystone Engineering Company, Inc.	Cornerstone Capital Holdings, LLC
Noranco, Inc.	MidOcean Partners et al
Sterling Machine Company, Inc.	Horst Engineering & Manuf. Co.
Lighter Than Air Systems Corp.	World Surveillance Grp Inc. (OTCPK:WSGI)

Figure 1

M&A Climate

According to information from S&P Capital IQ, M&A activity in the aerospace and defense sector in the first half of 2013 was spurred in particular by deals in the following sectors:

- Components and subsystems
- MRO and logistics
- Cybersecurity, intelligence services and homeland defense

Notable transactions completed or announced include:

July 2013: EDAC Technologies Corporation completed its acquisition of Parkway Products' Parkway Aerospace and Defense business. EDAC Technologies is a portfolio company of Greenbriar Equity Group. The Parkway addition will significantly broaden the manufacturing, engineering, design and development capabilities available to EDAC's client base. Terms of the agreement were not disclosed.

July 2013: Swisport International, owned by PAI Partners and Derichebourg, entered into exclusive talks to buy French-owned Servisair for an undisclosed sum. The purchase of Servisair would add approximately 15,000 employees to Swissport's 40,000. Servisair provides a range of ground services to the aviation industry, handling 645,000 tons of cargo a year. Shares in Derichebourg jumped almost 23 per cent on the announcement.

June 2013: TransDigm Group Incorporated (NYSE:TDG) entered into definitive merger agreement to acquire Aerosonic Corp. (AMEX:AIM) from Electro Technik Industries, Inc. and others for \$31.2 million in cash. Aerosonic Corporation, together with its subsidiaries, engages in the design, manufacture, and sale of aircraft instrumentation and sensor systems worldwide.

January 2013: Triumph Aerospace Systems Group LLC entered into a definitive agreement to acquire Goodrich Pump & Engine Control Systems, Inc. from Goodrich Corp. for approximately \$210 million. Triumph Engine Control Systems designs, develops, manufactures, and sells fuel pumps and controls to the commercial and military helicopter OEM engine manufacturers in the United States.

The aerospace and defense segment is expected to see significant consolidation throughout the remainder of 2013 as defense manufacturers look to diversify. With commercial aircraft backlog reaching record levels - the backlog for aircraft manufacturing has increased by 1,874 aircraft in the last 12 months with more than 1,000 aircraft to be delivered before 2013 is over - demand for acquiring accretive aircraft manufacturers and parts and components suppliers continues to fuel efforts to increase market penetration.

Number of Transactions Trailing 12 Months

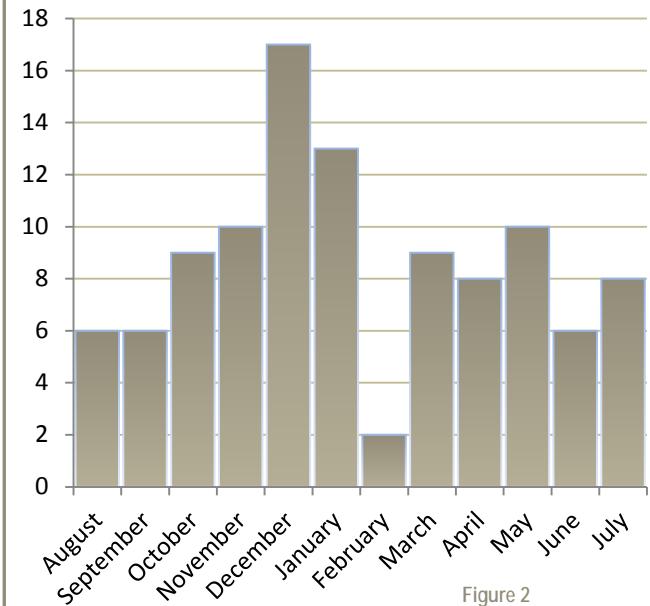


Figure 2

The Transport, Logistics and Supply Chain Practice Group provides M&A advice to public and private companies in all sectors of the transportation, logistics and supply chain industries, including international freight forwarders, warehouse management technology and both domestic and international 3PL operations.

