

AVIATION · AEROSPACE · DEFENSE

FIRST QUARTER

2015

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.

Aerospace M&A

M&A activity for North American based target companies in Aerospace and Defense sector for Q4 2014 included 40 closed deals according to data published by industry data tracker FactSet, with an average enterprise value of \$104.25 million.

Transactional Overview

December 2014 - VSE Corp acquired Prime Turbines Inc, Prime Turbines GmbH, CT Aerospace LP, Kansas Aviation of Independence LLC and Air Parts & Supply Co from Killick Aerospace LLC, also known as Killick Aerospace USA LLC, a portfolio company of Killick Capital Inc, for US\$234 million in cash and contingent payout, subject to certain post-closing adjustments. Prime Turbines is an aircraft parts supplier specializing in the distribution of aircraft ignition parts, fuel control parts, starter-generators, and starter-generator parts for aircraft turbine engines and industrial gas turbine engines for power generation. VSE Corp. is a broadly diversified company focused on creating, sustaining, and improving the systems, equipment, and processes of government through core competencies in legacy systems sustainment, obsolescence management, prototyping, reverse engineering, technology insertion, supply chain management, foreign military sales, management consulting, and process improvement.

December 2014 - Astronics Corp acquired Planesite Holdings Inc from Robert Abbinante for US\$52 million in cash. Planesite provides technological solutions services for commercial aircraft. Astronics Corp. supplies advanced, high-performance lighting systems, electrical power generation and distribution systems, avionics databus solutions and aircraft safety systems for the global aerospace industry as well as test, training and simulation systems primarily for the military.

November 2014 - Exchange Income Corp acquired Provincial Aerospace Ltd for CAD246 million (US\$216.9 million) in cash and stock. Provincial Aerospace is an international aerospace and defense company that specializes in solutions for maritime surveillance operations from single point of accountability for major government procurements to mission systems integration, aircraft modification, training, integrated logistics support and mission operations. Exchange Income Corp. is a diversified, acquisition-oriented corporation focused on opportunities in the manufacturing and aviation business. It operates its business through two segments: Aviation and Manufacturing.



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 Q4 Closed Transactions	
Target/Issuer	Buyers/Investors
Planesite Holdings, Inc.	Astronics Corp.
Enviro Systems, Inc.	Zodiac Aerospace SA
Advanced Integration Technology	Onex Partners
Provincial Aerospace Ltd.	Exchange Income Corp.
Avionics Interface Technologies LLC	Teradyne, Inc.
Weatherford Aerospace, Inc.	Novaria Group LLC; Satori Capital

Industry Dynamics

Divestitures and spin-offs were strong among aerospace and defense companies in 2014, in part, due to the desire to exit businesses directly impacted by sequestration. There was also strong transaction activity in the fragmented and high-margin maintenance, repair, and overhaul (MRO) business supported by rising passenger traffic and higher utilization rates in growing regions.

According to First Research, an industry research organization, Aircraft makers based in China and Japan are taking on longtime incumbents Embraer and Bombardier in the regional jet market. Mitsubishi Aircraft expects to begin test flights of a 76 to 88-seat regional jet in the second quarter of 2015, with deliveries beginning in 2017. The company has set the goal of attaining 50 percent of the global market for regional jets over the next 20 years, according to The Wall Street Journal. Commercial Aircraft Corporation of China (COMAC) is also readying a new regional jet; the company recently took new orders for a 75- to 90-seat aircraft that is expected to be certified by 2015. COMAC hopes to capture booming demand for regional jets in China, a market that Embraer recently forecast will account for 16 percent of the global market for 70 to 130-seat jets by 2033.



Global shipments of general aviation aircraft, a demand indicator for aircraft parts, increased 4.8 percent in the first half of 2014 compared to the same period in 2013, according to the General Aviation Manufacturers Association (GAMA). Business jets saw the largest jump in demand as shipments rose 12.4 percent; piston engine aircraft shipments grew 4 percent. Shipments of turboprop aircraft fell 1.4 percent. While optimistic about growth potential for the general aviation market, GAMA is urging the federal government to finalize rules for the Small Airplane Revitalization Act of 2013, which rewrites decades-old regulations for certifying small aircraft that will help manufacturers streamline operations and bring safety upgrades to market faster. The Department of Transportation has until the end of 2015 to finalize the new law's rules. General aviation would also benefit reauthorization of the US Export-Import Bank, which is pending before Congress and helps manufacturers secure financing for general aviation export contracts.

The Aviation, Aerospace and Defense Industry Practice Group is a multi-disciplinary group of investment banking advisors within Corporate Finance Associates. Collectively, the Aviation, Aerospace and Defense Practice Group provides M&A advice to public and private companies in all sectors of the aviation, aerospace and defense industries, including charter and management, fabricated components and parts, fuel distribution, airport services, homeland security and military defense systems. For information on mergers, acquisitions, divestitures, recapitalizations, joint ventures or financial resources, contact your local Corporate Finance Associates office.

