

AVIATION · AEROSPACE · DEFENSE

SECOND QUARTER

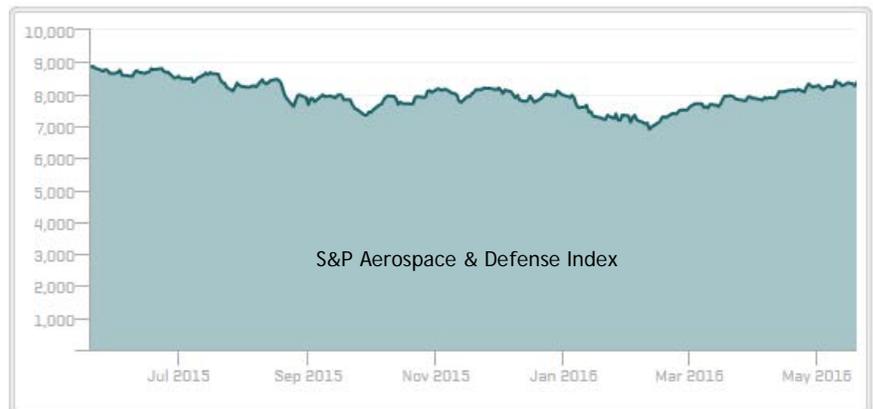
2016

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 and Defense M&A

M&A activity for North American based target companies in the Aerospace and Defense sector for Q1 2016 included 16 closed deals, according to data published by industry data tracker FactSet. The average transaction value was \$59 million.

There is a strong appetite for M&A in the space as evidenced by a new fund Focused on the sector. AE Industrial Partners LLC (AEI) has raised its first fund, AE Industrials Partners Fund I LP. The fund, valued at \$680 million, will focus on the aerospace industry along with related subsectors. AEI has raised \$160 million for co-investments. AEI along with the Carlyle Group LP (Nasdaq: CG) and GSO Capital Partners own a stake in Global Jet Capital.



Following the macro market trends, the aerospace and defense sector started out 2016 with a decline on the public markets but gained steam as the quarter closed.

Transactional Overview

Notable closed middle market transactions for the period in the Aerospace/Defense sector include:

January 2016 - Aero Shade Technologies Inc acquired MSA Aircraft Products Inc, a portfolio company of Cloquet Capital Partners LLC and Carlisle Enterprises LLC, for an undisclosed amount and via bankruptcy. Aero Shade Technologies, Inc. manufactures and designs aircraft cabin interiors. It offers cabin window, manual, motorized, and dual window shades; cockpit sunshades, sun visors, monorails, assist handles and sun shields. MSA Aircraft Products, Inc. manufactures and designs aircraft cabin interiors. Its services include design, technical, research and development, program management and refurbishment services.



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January 2016 - Ascent Aerospace, a subsidiary of AIP/Aerospace Holdings LLC, acquired Gemcor II LLC from Rand Capital and The Niagara Region Ventures, for US\$44 million in cash, subject to a customary working capital adjustment. Ascent Aerospace provides aerospace tooling solutions. Its services include engineering, integration and automation services. Gemcor II LLC manufactures automated fastening, riveting, and workpiece positioning systems.

February 2016 - General Atomics Inc acquired Miltec Corp from Ducommun Inc, for US\$14.6 million in cash, subject to post-closing adjustments. General Atomics, Inc. provides atomic research and development services. The firm engages in diversified research, development and manufacturing in defense, energy, and other advanced technologies. Miltec Corp. provides in-house engineering capabilities in areas related to defense and aerospace systems.

Selected Q1 Closed Transactions	
Target/Issuer	Buyers/Investors
MSA Aircraft Products, Inc.	Aero Shade Technologies, Inc.
Gemcor II LLC	Ascent Aerospace
Pulsedlight, Inc.	Garmin International, Inc.
Southern Air Holdings, Inc.	Atlas Air Worldwide Holdings, Inc.
Pacific Aviation Corporation	Woodlawn Partners
New England Airfoil Products, Inc.	Pietro Rosa TBM SRL
Sun Air Express LLC	Southern Airways Express Ltd.
ACL Airshop	Ranger Aerospace; Argosy P.E.

Industry Update

Illustrating increased competition in a key market segment, Boeing, in March 2016, struck a deal for United Airlines to order 25 737-700 single-aisle jets, beating out smaller rivals Bombardier and Embraer. The agreement followed a similar deal in January, when United agreed to buy 40 737-700s. The airline is working to replace its aging fleet of smaller, 50-seat aircraft. The competition for the United orders was fierce as Bombardier hoped a win would help boost demand for its CSeries narrow-body jets, the company's first product that aims to compete directly with Boeing. Executives at other airlines were said to watch the United decision closely, and are expected to weigh the outcome when considering the Bombardier CSeries as a potential part of their own narrow-body strategies, according to The Wall Street Journal. Single-aisle jets are expected to account for more than 70% of global new aircraft deliveries through 2034, according to a recent Airbus market report.

Global shipments of general aviation aircraft fell more than 6% in the first nine months of 2015 compared to the same period in 2014, according to the General Aviation Manufacturers Association (GAMA). Industry watchers suggest demand for US-made general aviation aircraft may have been harmed when Congressional authorization for the US Export-Import Bank lapsed in July 2015. The Export-Import bank provides financing to US export manufacturers who are unable to secure financing in the private sector. The Export-Import Bank was reauthorized in December 2015. Worldwide shipments of business jets were a bright spot, which increased more than 4%. However, shipments of piston aircraft in the first nine months of 2015 dropped nearly 11% and turboprop aircraft deliveries were off more than 9%. Overall, rotorcraft shipments were down nearly 6%; a 1% rise in piston rotorcraft shipments was more than offset by an 8% fall in turbine rotorcraft deliveries.

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.

