

AVIATION · AEROSPACE · DEFENSE

FOURTH QUARTER

2018

The Aviation, Aerospace and Defense Industry Practice Group draws on the experience of CFA dealmakers, who as former business owners, CEOs, and industry professionals, have first-hand knowledge and have completed many transactions in sectors throughout the Aviation, Aerospace and Defense category. 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 target companies in the Aerospace and Defense sector Q3 2018 included 11 closed deals, according to Factset Research.

One of the notable middle market transactions was announced in September when Boeing acquired Millennium Space Systems, Inc. for an undisclosed amount. Following the transaction, Millennium Space Systems Inc will be rebranded as Millennium Space Systems, A Boeing Company. The acquisition expands Boeing's satellite and space portfolio, talent and capabilities. Founded in 2001, Millennium Space Systems is located in El Segundo, CA and develops high-performance spacecraft parts. It has approximately 260 employees .

The Boeing Company, an industry bellwether, continues to enjoy a strong backlog with more than 600 new planes ordered this year.

Boeing Net Orders Through October 31, 2018

	737	747	767	777	787	Total
2018 Net Orders	453	14	38	28	109	642

Source: The Boeing Company

Highlighted Transactions

Notable middle market transactions for the quarter in the AD&G sector include:

July 2018 - TransDigm Group, Inc, acquired Skandia, Inc., a portfolio company of Graycliff Partners LP, for \$84 million, including assumption of debt. TransDigm Group engages in the design and supply of engineered aerospace components, systems and subsystems. Skandia provides aircraft interiors. Its services include flammability testing and certification, foam fabrication and special programs. It also offers soundproofing solutions and foam and upholstery supplies. The company was founded in 1983 and is headquartered in Davis Junction, IL.



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July 2018 - L3 Technologies, Inc. acquired Latitude Engineering, LLC for \$15 million in cash. L3 Technologies provides communication and electronic systems used on military, homeland security and commercial platforms. Latitude Engineering manufactures unmanned systems products and services. Its products include hybrid quadrotor technology, ground control systems, antennas, above ground sensors and training. The company was founded in 2006 and is headquartered in Tucson, AZ.

July 2018 - MDA Systems Ltd, a subsidiary of Maxar Technologies Ltd, acquired Neptec Design Group Ltd for CAD \$42 million (USD \$31.9 million) in cash and stock. MDA Systems operates as a communications and information company. Neptec Design Group produces electro-optical and electro-mechanical systems for mission critical space applications. Its products include active sensors and LIDAR, cameras, rendezvous and docking sensors, metrology sensors, optical communications, medical systems and planetary rovers and mobility systems. The company was founded in 1990 and is headquartered in Kanata, Canada.

Selected Q4 Closed Transactions	
Target/Issuer	Buyers/Investors
SW Kenetics, Inc.	AMMO, Inc.
Millennium Space Systems, Inc.	The Boeing Co.
Quantum Technology Sciences, Inc.	Geospace Technologies Corp.
Latitude Engineering LLC	L3 Technologies, Inc.
Addaero Manufacturing LLC	Allegheny Technologies, Inc.
Skandia, Inc.	TransDigm Group, Inc.
Ranger Air Aviation Ltd.	JLL Partners, Inc.; Aviation Technical Services, Inc.
C-Map, Inc.	Altor Equity Partners AB; Navico Holding AS

Industry Update

A new generation of robots promises to speed up aircraft engine maintenance and lower the costs of repairs. Rolls-Royce's IntelligentEngine initiative, a partnership between Harvard University and University of Nottingham researchers, recently showcased several technologies designed to speed up inspection processes, making it unnecessary to remove engines for maintenance work. Designs included "snake robots" flexible enough to be used like an endoscope inside engines, as well as collaborative sets of miniature (10mm diameter) robots capable of crawling through engines to perform inspections. Some of the concepts presented by Rolls-Royce are likely years away from realization, but aerospace manufacturers are already using robotics to perform tasks that are difficult or tedious for human workers. Boeing uses robotic riveting systems to assemble fuselages of its 777s.

Industry Indicators

- US corporate profits, which affect airline traffic and demand for new commercial aircraft, rose 7.7% in the second quarter of 2018 compared to the same period in 2017.
- US steel mill product prices, an indicator of commodity steel costs for aerospace products, rose 18.1% in September 2018 compared to the same month in 2017.

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.

