



Industry Report

Aerospace & Defense
Manufacturing & Distribution

Industry Update | Manufacturing & Distribution Practice
Q2 2024

OBJECTIVE

Investment Banking & Valuation

Aerospace & Defense Update

Key Takeaways

Additional global spending continues to support M&A market

- M&A deal volume in the Aerospace & Defense (“A&D”) sector was marginally up by 1.8% in Q2 2024 when compared to the previous four-quarter average. The YTD 2024 volumes are on par with the M&A volume levels of YTD 2023 and 2022. As global military spending increases, we see it start to support the A&D sector more than the broader M&A market which has seen a consistent pullback year over year in deal activity since 2021.
- Valuation multiples in the A&D sector declined 17.8% in Q2 2024, averaging 11.8x EBITDA during the period (see chart I, page 2). We will see if this trend continues throughout the year as new investments continue to enter the sector or if an increase in M&A volume will increase the average valuation multiple.
- Publicly-traded A&D company performance continues to be mixed with certain sub-sectors performing better than others. Aftermarket & MRO companies have seen a strong increase in valuations over the past quarter while Government IT & Services companies have declined. The overall A&D sector has traded inline with the overall market as compared with the S&P 500 (see chart III, page 3).
- We continue to see the rearmament of many nations around the world with more meaningful investments in new weapons focused on dealing with Ukraine’s war with Russia and the growing conflict between Taiwan and China. This increased investment in the sector, along with other new money flowing into such areas as the commercialization of space and commercial air travel, has helped to support the A&D M&A market.

Objective Investment Banking & Valuation is a leading investment banking and valuation firm, advising middle-market companies through the following services:

M&A Advisory:

- Sell-Side

Valuation Advisory:

- Tax Compliance
- Transaction Opinions
- Financial Reporting
- Strategic Advisory

Industry Practice Groups:

- Manufacturing & Distribution
- Business Services
- Consumer
- Healthcare Tech & Services
- Life Sciences Services & Tech
- Technology

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Market Overview

Deal Volume

Reported Q2 2024 M&A deal volume in the A&D sector was marginally up when compared with the prior four-quarter average by approximately 1.8% (see chart I). We continue to see a consistent level of M&A deal activity since the peak volume levels of 2021. On YTD basis, 2024 is inline with the deal activity of 2022 and 2023, and more active than the broader M&A market on a relative basis.

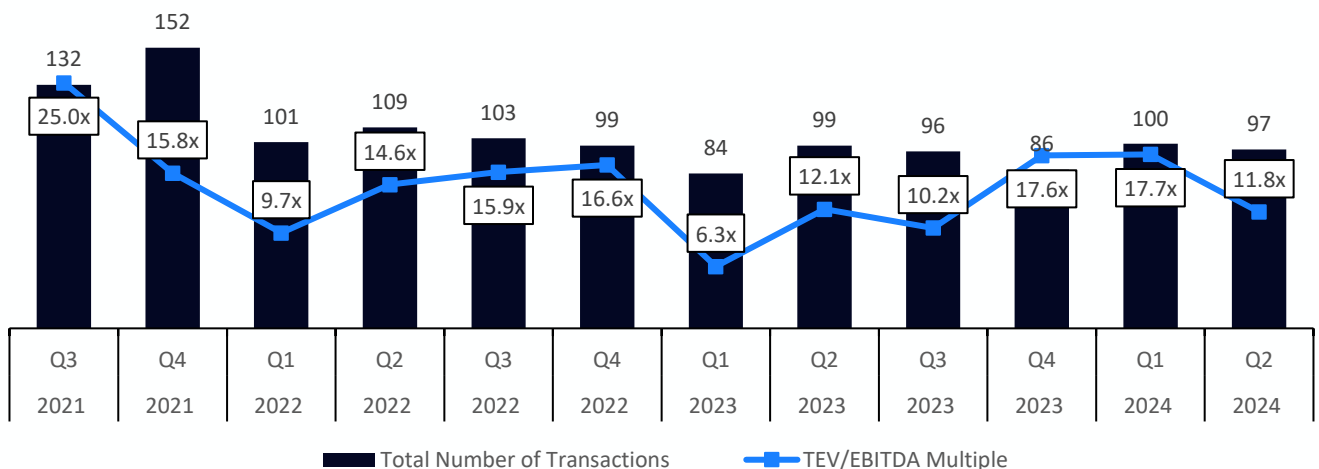
We believe this consistent level of activity is supported by a few themes, mainly the increase in military spending around the world. Since the war in Ukraine broke out in 2022, things have only intensified with other regional conflicts heating up such as the Israel and Hamas war, and Taiwan/China tension. Global military spending hit a record high of \$2.4 trillion in 2023, increasing by 6.8% over the previous year, a report by the Stockholm International Peace Research Institute finds. This extra spending will continue to materialize into M&A deal activity as capital becomes committed.

Deal Valuations

While M&A deal volumes were maintained, Q2 2024 deal valuations in the A&D sector dropped by 17.8% to a 11.8x EBITDA multiple for the quarter when compared to the prior four-quarter average (see chart I). Since the start of 2022, companies in the A&D sector have been acquired at an average 13.4x EBITDA multiple. Deal valuations have hovered around this average and been relatively stable with no quarters drastically different from this average (as measured by two standard deviations from the mean). This relatively stable valuation for transactions shows a new norm for A&D transactions.

Looking forward, we would expect this valuation to continue to maintain given the increased military spending globally, the continued demand for commercial flying, and further recent wins for space commercialization such as Boeing's manned crew mission to ISS. One question is timing: how long until this new capital entering the sector results in an increased M&A market?

Chart I | Deal Volume & TEV/EBITDA Valuation



Source: S&P Capital IQ
Data as of June 30, 2024

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Historical Trading Trends

Select A&D Public Companies

In the last three months, Aftermarket & MRO companies have demonstrated superior performance compared to the broader sector (as measured by the S&P 500 index). Conversely, valuations in Aircraft & Engine OEMs have underperformed compared to other categories and the overall S&P A&D as investors have begun to value sustainable, profitable growth over top line growth at all costs.

Chart II | 1-Year TEV / Revenue

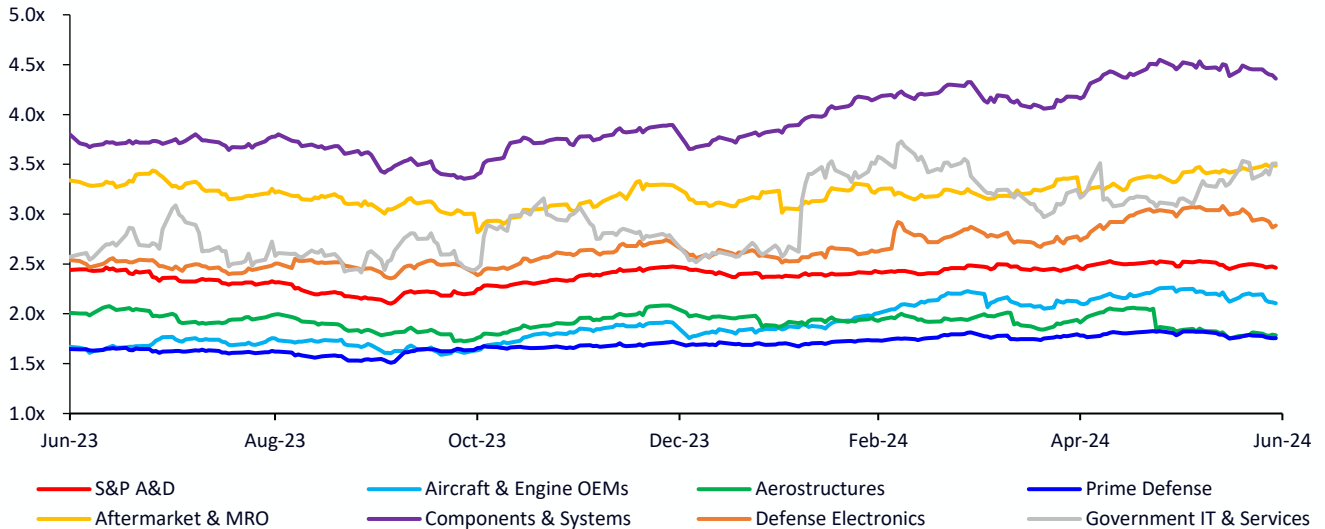
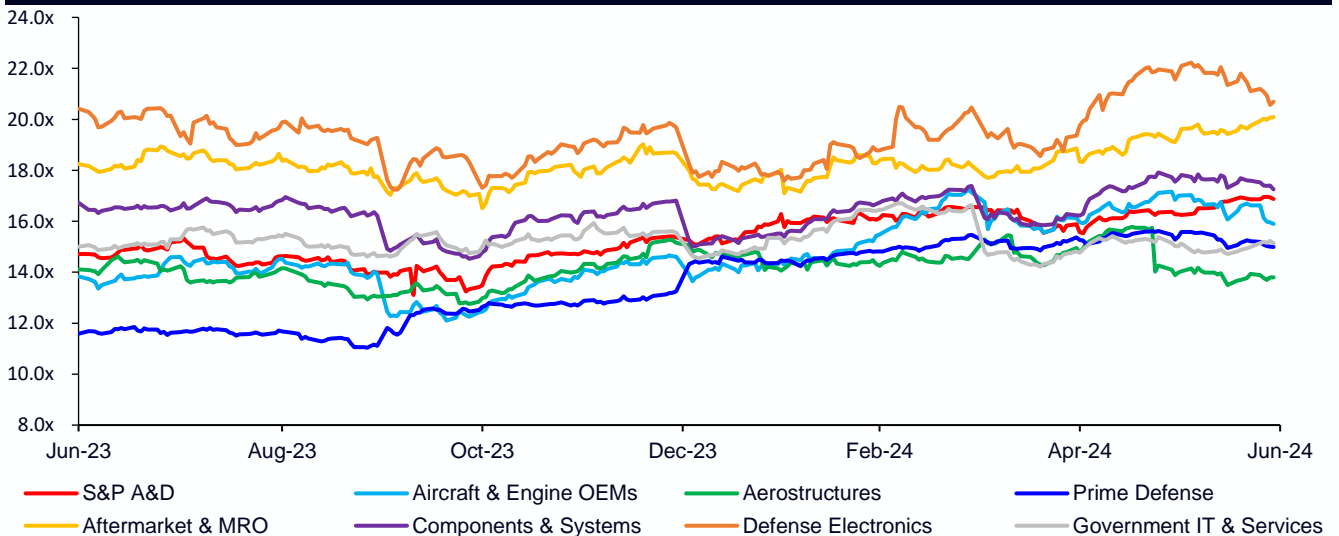


Chart III | 1-Year TEV / EBITDA



Source: S&P Capital IQ
Data as of June 30, 2024

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Public Comparables

Select Developed Nation Listed Companies

Table I | Aircraft & Engine OEMs

(\$ in millions)

Company	TEV	Revenue	EBITDA	Revenue Growth (LTM)	EBITDA Margin (LTM)	TEV / Revenue (LTM)	TEV / EBITDA (LTM)
Airbus SE	\$105,906	\$71,759	\$6,773	13%	9%	1.5x	15.6x
Bombardier Inc.	\$11,616	\$7,874	\$928	11%	12%	1.5x	12.5x
General Electric Company	\$177,407	\$66,045	\$8,483	(12%)	13%	2.7x	20.9x
MTU Aero Engines AG	\$14,509	\$5,900	(\$71)	4%	(1%)	2.5x	na
Rolls-Royce Holdings plc	\$50,980	\$20,999	\$2,955	29%	14%	2.4x	17.3x
Safran SA	\$87,890	\$26,142	\$4,876	25%	19%	3.4x	18.0x
Textron Inc.	\$18,893	\$13,736	\$1,688	7%	12%	1.4x	11.2x
The Boeing Company	\$152,137	\$76,442	\$2,675	8%	3%	2.0x	na
Median	\$50,980	\$20,999	\$2,675	8%	12%	2.0x	15.6x
Mean	\$77,417	\$36,112	\$3,538	11%	10%	2.2x	15.9x

Table II | Prime Defense

(\$ in millions)

Company	TEV	Revenue	EBITDA	Revenue Growth (LTM)	EBITDA Margin (LTM)	TEV / Revenue (LTM)	TEV / EBITDA (LTM)
BAE Systems plc	\$53,617	\$29,396	\$3,595	15%	12%	1.8x	14.9x
General Dynamics Corporation	\$89,503	\$43,122	\$4,790	8%	11%	2.1x	18.7x
Huntington Ingalls Industries, Inc.	\$12,359	\$11,585	\$1,132	8%	10%	1.1x	10.9x
Leonardo S.p.a.	\$17,840	\$17,177	\$1,784	7%	10%	1.0x	10.0x
Lockheed Martin Corporation	\$128,703	\$69,640	\$10,154	5%	15%	1.8x	12.7x
Northrop Grumman Corporation	\$79,609	\$40,122	\$4,144	8%	10%	2.0x	19.2x
RTX Corporation	\$173,551	\$71,011	\$9,346	4%	13%	2.4x	18.6x
Median	\$66,613	\$34,759	\$3,869	7%	11%	1.8x	13.8x
Mean	\$79,312	\$40,293	\$4,992	8%	12%	1.8x	15.0x

Source: S&P Capital IQ
Data as of June 30, 2024

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Public Comparables

Select Developed Nation Listed Companies (continued)

Table III | Aerostructures

(\$ in millions)

Company	TEV	Revenue	EBITDA	Revenue Growth (LTM)	EBITDA Margin (LTM)	TEV / Revenue (LTM)	TEV / EBITDA (LTM)
Ducommun Incorporated	\$1,110	\$767	\$81	5%	11%	1.4x	13.8x
Hexcel Corporation	\$5,813	\$1,804	\$332	10%	18%	3.2x	17.5x
Senior plc	\$1,085	\$1,227	\$100	20%	8%	0.9x	10.9x
Triumph Group, Inc.	\$1,892	\$1,192	\$145	(14%)	12%	1.6x	13.1x
Median	\$1,110	\$1,192	\$100	5%	11%	1.4x	13.1x
Mean	\$2,475	\$1,247	\$164	5%	12%	1.8x	13.8x

Table IV | Components & Systems

(\$ in millions)

Company	TEV	Revenue	EBITDA	Revenue Growth (LTM)	EBITDA Margin (LTM)	TEV / Revenue (LTM)	TEV / EBITDA (LTM)
AMETEK, Inc.	\$41,382	\$6,736	\$2,074	7%	31%	6.1x	20.0x
Astronics Corporation	\$884	\$718	\$20	25%	3%	1.2x	43.4x
Curtiss-Wright Corporation	\$11,202	\$2,928	\$649	11%	22%	3.8x	17.3x
Héroux-Devtek Inc.	\$766	\$465	\$62	16%	13%	1.6x	12.5x
Howmet Aerospace Inc.	\$35,048	\$6,861	\$1,534	15%	22%	5.1x	22.8x
Magellan Aerospace Corporation	\$389	\$658	\$55	11%	8%	0.6x	7.1x
Moog Inc.	\$6,402	\$3,509	\$460	12%	13%	1.8x	13.9x
TransDigm Group Incorporated	\$89,605	\$7,304	\$3,604	24%	49%	12.3x	24.9x
Woodward, Inc.	\$11,126	\$3,200	\$565	23%	18%	3.5x	19.7x
Median	\$8,764	\$3,064	\$513	14%	15%	2.7x	18.5x
Mean	\$21,867	\$3,598	\$1,003	16%	20%	4.0x	20.2x

Source: S&P Capital IQ
Data as of June 30, 2024

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Public Comparables

Select Developed Nation Listed Companies (continued)

Table V | Government IT & Services

(\$ in millions)

Company	TEV	Revenue	EBITDA	Revenue Growth (LTM)	EBITDA Margin (LTM)	TEV / Revenue (LTM)	TEV / EBITDA (LTM)
Booz Allen Hamilton Holding Corporation	\$22,998	\$10,662	\$1,200	15%	11%	2.2x	19.2x
CACI International Inc	\$11,444	\$7,325	\$742	10%	10%	1.6x	15.4x
ICF International, Inc.	\$3,456	\$1,974	\$209	7%	11%	1.8x	16.6x
KBR, Inc.	\$10,323	\$7,071	\$589	8%	8%	1.5x	17.5x
Leidos Holdings, Inc.	\$24,321	\$15,714	\$1,770	8%	11%	1.5x	13.7x
Palantir Technologies Inc.	\$52,842	\$2,334	\$230	18%	10%	22.6x	na
Parsons Corporation	\$9,779	\$5,805	\$508	31%	9%	1.7x	19.2x
Science Applications International	\$8,192	\$7,263	\$642	(6%)	9%	1.1x	12.8x
Serco Group plc	\$3,128	\$6,208	\$292	14%	5%	0.5x	10.7x
V2X, Inc.	\$2,673	\$4,030	\$238	19%	6%	0.7x	11.2x
Median	\$9,779	\$6,208	\$508	10%	9%	1.5x	14.6x
Mean	\$14,916	\$6,839	\$642	12%	9%	3.5x	15.2x

Table VI | Aftermarket & MRO

(\$ in millions)

Company	TEV	Revenue	EBITDA	Revenue Growth (LTM)	EBITDA Margin (LTM)	TEV / Revenue (LTM)	TEV / EBITDA (LTM)
AAR Corp.	\$2,812	\$2,216	\$193	16%	9%	1.3x	14.6x
HEICO Corporation	\$29,720	\$3,511	\$892	41%	25%	8.5x	33.3x
SIA Engineering Company Limited	\$1,538	\$812	\$23	36%	3%	1.9x	na
Singapore Technologies Engineering Ltd	\$14,619	\$7,653	\$946	14%	12%	1.9x	15.4x
VSE Corporation	\$2,128	\$913	\$124	(6%)	14%	2.3x	17.2x
Median	\$2,470	\$1,565	\$158	15%	11%	1.9x	15.4x
Mean	\$10,163	\$3,021	\$436	20%	13%	3.2x	20.1x

Source: S&P Capital IQ
Data as of June 30, 2024

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Public Comparables

Select Developed Nation Listed Companies (continued)

Table VII | Defense Electronics

(\$ in millions)

Company	TEV	Revenue	EBITDA	Revenue Growth (LTM)	EBITDA Margin (LTM)	TEV / Revenue (LTM)	TEV / EBITDA (LTM)
AeroVironment, Inc.	\$5,075	\$717	\$109	33%	15%	7.1x	46.4x
Chemring Group PLC	\$1,377	\$613	\$113	12%	18%	2.2x	12.2x
Hensoldt AG	\$4,471	\$1,983	\$227	4%	11%	2.3x	19.7x
Kratos Defense & Security Solutions, Inc.	\$2,977	\$1,083	\$73	16%	7%	2.7x	41.0x
L3Harris Technologies, Inc.	\$55,893	\$20,159	\$3,640	16%	18%	2.8x	15.4x
Mercury Systems, Inc.	\$2,160	\$840	(\$35)	(17%)	(4%)	2.6x	na
OSI Systems, Inc.	\$2,761	\$1,470	\$221	22%	15%	1.9x	12.5x
QinetiQ Group plc	\$3,410	\$2,415	\$367	23%	15%	1.4x	9.3x
Teledyne Technologies Incorporated	\$20,738	\$5,602	\$1,350	1%	24%	3.7x	15.4x
Thales S.A.	\$38,057	\$20,370	\$2,638	8%	13%	1.9x	14.4x
Viasat, Inc.	\$7,383	\$4,284	\$357	68%	8%	1.7x	20.7x
Median	\$3,940	\$1,726	\$224	14%	14%	2.2x	15.4x
Mean	\$13,118	\$5,412	\$824	17%	13%	2.8x	20.7x
Total A&D Median	\$11,323	\$5,853	\$616	12%	12%	1.9x	15.4x
Total A&D Mean	\$31,954	\$13,914	\$1,678	13%	13%	2.9x	17.6x

Source: S&P Capital IQ
Data as of June 30, 2024

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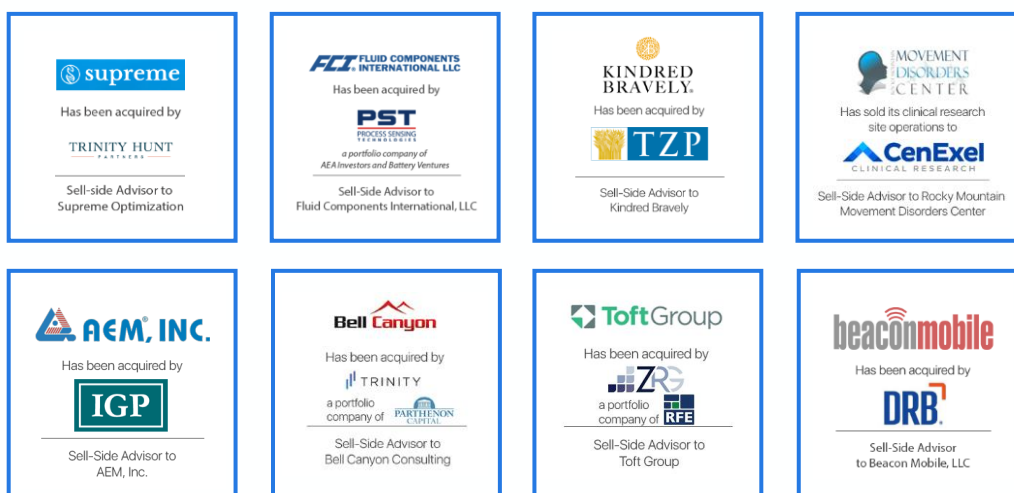
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About Us

Objective, Investment Banking & Valuation is a leading investment banking and valuation firm serving middle-market companies across six industry practice groups in an effort to maximize our clients' M&A and valuation advisory results.

Our team uses a highly engineered, structured process combined with our industry expertise designed to consistently achieve maximum results.

500+ M&A Transactions Completed*



Industries of Focus

- Manufacturing & Distribution
- Business Services
- Consumer
- Healthcare Tech & Services
- Life Sciences Services & Tech
- Technology

Award & Recognition	Forum	Year	Type
Best M&A Investment Banking Firm - California	Acquisition International	2023	Winner
Private Equity Deal of the Year (Between \$75MM - \$100MM)	M&A Advisor 22nd Annual M&A Awards	2023	Finalist
M&A Deal of the Year (Between \$75MM - \$100MM)	M&A Advisor 22nd Annual M&A Awards	2023	Finalist
Industrials Deal of the Year (Between \$50MM - \$100MM)	M&A Advisor 22nd Annual M&A Awards	2022	Finalist
Information Technology Deal of the year (Between \$50MM - \$100MM)	M&A Advisor 22nd Annual M&A Awards	2023	Finalist
Healthcare/Life Sciences Deal of the Year (Between \$50MM - \$100MM)	M&A Advisor 22nd Annual M&A Awards	2023	Finalist

*This figure includes projects completed by Objective principals while at Objective and at previous firms.

At **Objective's Manufacturing & Distribution Practice**, we recognize the unique demands of this industry and provide tailored solutions that optimize manufacturing operations, streamline supply chains, and capitalize on global market opportunities. Our expertise empowers manufacturing and distribution companies to achieve excellence in a rapidly evolving landscape.

The manufacturing and distribution industries complexities necessitate a comprehensive approach when preparing for an M&A transaction. We specialize in guiding these companies through this process, leveraging our expertise to help them achieve their objectives and secure favorable outcomes in their M&A endeavors.

Dedicated Industry Knowledge & Expertise

 <p>Has been acquired by</p>  <p>Sell-Side Advisor to AEM, Inc.</p>	 <p>Has been acquired by</p>  <p>a portfolio company of AEA Investors and Battery Ventures</p> <p>Sell-Side Advisor to Fluid Components International, LLC</p>	 <p>Has been acquired by</p>  <p>Sell-Side Advisor to Avista Technologies*</p>	 <p>Has been acquired by</p>  <p>Sell-Side Advisor to Holdrite*</p>
 <p>Has acquired</p>  <p>Buy-Side Advisor to Amada America, Inc.*</p>	<p>Purcell Technologies</p> <p>Has been acquired by</p>  <p>Sell-Side Advisor to Purcell Technologies*</p>	 <p>Has been acquired by</p>  <p>Sell-Side Advisor to MWS Wire Industries*</p>	 <p>Has been acquired by</p>  <p>Sell-Side Advisor to Reynolds Industry Incorporated*</p>

*Denotes engagements completed by an Objective Principal prior to joining Objective



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