



AVIATION · AEROSPACE · DEFENSE

FOURTH QUARTER

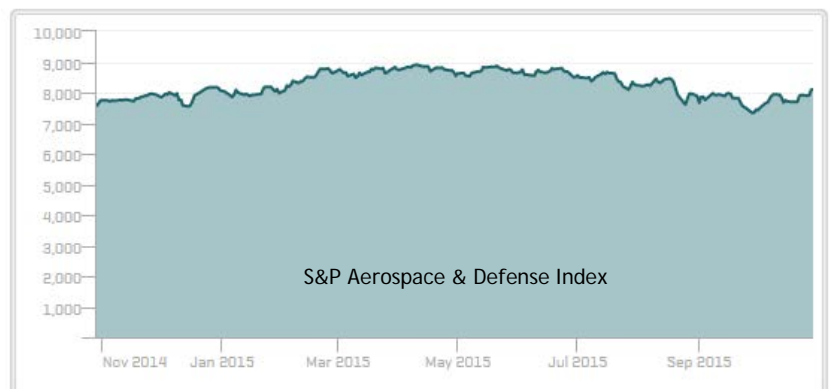
2015

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 and Defense M&A

M&A activity for North American based target companies in the Aerospace and Defense sector for Q3 2015 included 21 closed deals, according to data published by industry data tracker FactSet. The average transaction value was \$65 million. In September British aerospace and defense company Meggitt acquired the composite components division of Connecticut-based EDAC Technologies Corporation. The \$340 million purchase will see Meggitt gain capability in components for jet engine and airframe applications. Meggitt was particularly active in the quarter. In August, Meggitt acquired the advanced composites business of British company Cobham in a deal worth \$200 million.

The S&P's Aerospace and Defense Index has been spotty over the last 12 months, seeing an uptick in September as oil prices continue to flounder. This trend is expected to continue into the fourth quarter.



Transactional Overview

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

July 2015 - TransDigm Group Inc. acquired PneuDraulics Inc. for US\$325 million in cash. The purchase price includes approximately US\$107 million of tax benefits to be realized by TransDigm Group Inc. over a 15 year period beginning in 2015. TransDigm Group, Inc. designs, produces and supplies engineered aircraft components used in aerospace and defense applications through its wholly-owned subsidiaries. PneuDraulics, Inc. has been supplying the aerospace industry with high quality hydraulic system components for over 50 years.

July 2015 - Exchange Income Corp acquired Ben Machine Products Co Inc. for CAD45.9 million (US\$36.6 million) in cash and stock, subject to customary post-closing adjustments. 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. Ben Machine Products manufactures complex precision machined components and assemblies for the aerospace and defense industry.



MERGERS, ACQUISITIONS, AND
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July 2015 - H-D Advanced Manufacturing Co, a portfolio company of Hicks Equity Partners LLC, Weinberg Capital Group Inc., Riverside Partners LLC, Babson Capital Management LLC and Bratenahl Capital Partners Ltd acquired Firstmark Corp for US\$51.6 million in cash. H-D Advanced Manufacturing Co. manufactures heavy-duty and precision-engineered industrial components. Firstmark Corp. is a holding company which engages in the manufacture of components and sub-assemblies for aerospace and defense applications.

Selected Q3 Closed Transactions	
Target/Issuer	Buyers/Investors
Aerospace & Commercial Tech	HEICO Corp.
Boreas Holdings, Inc.	Inland Technologies Canada, Inc.
Accessory Overhaul Group LLC	Weinberg & Bell Group, Inc.
PneuDraulics, Inc.	TransDigm Group, Inc.
Ben Machine Products Co., Inc.	Exchange Income Corp.
Aero Mechanical Industries, Inc.	Leonard Green & Partners LP
Firstmark Corp.	Babson Capital Management LLC

M&A Trends

August was a busy month for M&A activity in the aerospace and defense sector as Heico acquired Astroseal Products Manufacturing Corp., a manufacturer of nonwoven metallic mesh used for lightning and shielding protection of composite aircraft and other structures, and Aerospace & Commercial Technologies, Inc., a manufacturer of aircraft structural parts. The headline deal of the quarter was Berkshire Hathaway's \$36 billion offer to acquire Precision Castparts.

Industry Update

A bid by Airbus to increase its US presence will fuel competition between the Netherlands-based company and its archrival Boeing. Airbus opened its first US commercial aircraft manufacturing plant in Mobile, Alabama, in September 2015. The facility is slated to deliver its first commercial aircraft in the spring 2016 and produce between 40 and 50 single-aisle aircraft per year by 2018. Having a US plant should help Airbus win more contracts with airlines based in North America, where the company expects most jets built at the plant will be delivered. Airbus, which already employs 1,400 workers in the US for other activities such as helicopter manufacturing and flight training, could also increase its capacity to build military aircraft, according to The Wall Street Journal. Among the factors that attracted Airbus to Mobile were the city's easy port access and nonunion labor force.

Airbus's establishment of a major manufacturing plant in Alabama increases competition in the North American market and further shifts the US airliner manufacturing industry to southern states. Boeing, which is responsible for Washington state's traditional pre-eminence in the market, has increased production at its Charleston, South Carolina-based plant in recent years.

- US durable goods manufacturers' shipments of military aircraft and parts, an indicator of demand for aerospace products and parts for military use, rose 0.4 percent year-to-date in August 2015 compared to the same period in 2014.
- US durable goods manufacturers' shipments of nondefense aircraft and parts, an indicator of demand for aerospace products and parts, rose 15.5 percent year-to-date in August 2015 compared to the same period in 2014.

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.

