



## Aerospace, Defense, & Government Services

QUARTERLY NEWSLETTER | Q1 2024



# Deal Volumes Hold Steady, All Sector Indices See Solid Gains

## Q1 2024 By the Numbers

**80**  
U.S. Deals Announced in Q1 2024

**+ 25%**  
YoY % Change in Total Deal Count

**~ 0%**  
YoY % Change in PE Deals

**+ 89%**  
YoY % Change in Strategic Deals

**+ 36%**  
YoY % Change in Total Deal Count

**~ 0%**  
YoY % Change in PE Deals

**+ 119%**  
YoY % Change in Strategic Deals

Source: DACIS DM&A

## M&A Updates

U.S. Aerospace, Defense, and Government Services (ADGS) transaction activity in Q1 2024 was broadly in line with last quarter, with 80 U.S. deals announced in Q1 2024 versus 78 in Q4 2023. This quarter saw the continuation of a rebound in activity following the trough in deal volumes from late 2022 through early 2023, with global deal volume holding steady at 94, on par with the 95 transactions announced in each of Q3 and Q4 2023. Q1 2024 deal volume was up sharply YoY, with U.S. and global deals up 25% and 36%, respectively.

A continued resurgence in activity among strategic buyers, first observed in Q3 2023, is driving the rebound – globally, strategic buyers were involved in more than double the number of transactions this quarter relative to Q1 2023, while the number of deals involving PE buyers has remained flat. A similar trend has held in the U.S. All three of the primary sectors that Stout tracks saw YoY gains in deal volume, with Aerospace seeing the largest relative increase globally (up 77% , relative to a 13% gain for Defense and a 38% gain for Government Services). Government Services remains the most active sector overall, accounting for roughly half of the transactions announced, both in the U.S. and globally.

See pages 13 and 14 for more on deal volume trends.

## A Look Ahead at Q2 and Beyond

- **Q2 Welcomes A New Aerospace Pure-Play:** On April 2, General Electric completed the spin-off of its aviation business. **GE Aerospace** joins GE’s legacy energy and healthcare businesses as a third independent, publicly listed company, marking the beginning of a new era for one of America’s two largest aircraft engine manufacturers.
- **Distressed Take-Privates:** Q1 saw several situations involving potential take-privates of distressed space SPACs. Aspiring launch provider **Astra Space** agreed to be taken private by its co-founders, and smallsat manufacturer **Terran Orbital** received an unsolicited offer from early backer Lockheed Martin (the Terran board adopted a poison pill shortly following the company’s receipt of the Lockheed offer, suggesting that a deal, if reached, may ultimately involve a higher premium).
- **Rate Watch – Higher for Longer:** The Fed held rates steady at its January and March meetings. As of April 12, markets had priced in a ~26% probability of a rate cut by June according to CME Group’s FedWatch tool, significantly lower than at the start of the month.



GE Aviation’s LEAP Engine, produced in partnership with Safran, is used in both the Boeing 737 MAX and the Airbus A320neo

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# Global Geopolitical Landscape

## Indo-Pacific Updates

- **U.S. Special Forces in Taiwan:** Taiwanese Defense Minister Chiu Kuo-Cheng confirmed in March that U.S. Army special forces personnel are stationed on Taiwan's outlying islands as part of an exchange meant to help Taiwan's armed forces identify weaknesses and blind spots in the island nation's defense infrastructure. The defense minister's remarks came following speculation by several news outlets regarding the presence of U.S. special forces on Taiwan.
- **Comparing Industrial Firepower:** A [March piece](#) from the Center for Strategic and International Studies (CSIS) characterizes China's industrial base as having shifted to a "wartime footing" and concludes that the U.S. at present "lacks the capacity, responsiveness, flexibility, and surge capability to meet the U.S. military's production needs as China ramps up defense industrial production." The piece observes that analysis of U.S. defense industrial capacity is often conducted in a vacuum and ignores the rapid strides that the PLA has made in recent years, including through its stated strategy of "military-civil fusion" (军民融合) to effectively leverage dual-use technologies.
- **Growing Industrial Ties Around Shipbuilding:** In an effort to counter China's advantages in industrial capacity, particularly in shipbuilding, both U.S. private industry and government have ramped up efforts to work more closely with allies and partners in Asia. In February, Secretary of the Navy Carlos Del Toro visited shipyards in South Korea and Japan, pitching a proposal to revive dormant U.S. shipyards with investment from the two U.S. allies. Korea's HD Hyundai (formerly Hyundai Heavy Industries) and Hanwha Ocean expressed "strong interest" in establishing a U.S. presence, according to a Navy press release. Italy's Fincantieri Marinette Marine and Australia's Austal are currently the only international firms with a shipbuilding presence in the U.S. (in Wisconsin and Alabama, respectively).
- **U.S. and Japan to Strengthen Military Ties:** The U.S. and Japan signaled their intent to sign a new security agreement in April, marking the first time the two nations have restructured their alliance since 1960. Details of the enhanced military partnership will be worked out between Defense Secretary Lloyd Austin and his Japanese counterpart in the coming months. The new defense agreement will outline vision for an integrated air defense network linking Japanese, Australian, and U.S. sensors, and will likely give the three-star commander of the U.S. Forces in Japan increased operational authority. Japan remains one of the largest foreign deployments for the U.S. military, hosting an estimated 54,000 American servicemembers.
- **Project Convergence Capstone 4:** A hypothetical conflict in the Pacific was the focal point of the Army's Project Convergence Capstone 4 (PC-C4) exercises, hosted in February and March. This focus was underscored by the participation of key allies in the region, including Australia, New Zealand, and Japan. For an in-depth discussion of PC-C4, see Stout's [Client Alert](#).



HD Hyundai Vice Chairman Chung Ki-sun, center-left, leads U.S. Navy Secretary Carlos Del Toro on a tour of the world's largest shipbuilding yard in Ulsan, South Korea

# Global Geopolitical Landscape (cont'd)

## Headline Roundup

- **Ukraine War Latest:** Russia retains the operational initiative following Ukraine's stalled 2023 counteroffensive. While the EU approved a long-awaited €50B aid package in February following the lift of Hungary's veto, political gridlock has continued to slow aid from the U.S. In February, Ukrainian forces withdrew from the city of Avdiivka, which they had defended from the outset of Russia's invasion and which had been the focus of some of the war's most intense fighting. February also saw the dismissal of Ukraine's top general, Valery Zaluzhny, following an increasingly strained relationship between the general and Ukrainian President Volodymyr Zelensky.



■ Areas of assessed Russian control Source: BBC as of February 21, 2024

Russia's capture of Avdiivka in February 2024 marks Putin's most significant military gain since the fall of Bakhmut in May 2023.

- **Attack on Moscow Concert Hall:** On March 22, an attack by gunmen on Crocus City Hall in suburban Moscow left 139 dead and 180 wounded. An Afghan affiliate of the Islamic State claimed responsibility for the attack. Russian President Vladimir Putin has acknowledged that the attack was carried out by "radical Islamists" but has repeatedly suggested that Ukraine played a role, a claim which Kyiv has resoundingly rejected. The Kremlin appears to have largely dismissed U.S. warnings regarding the potential for an extremist attack in the weeks leading up to March 22. The event prompts questions as to whether Russia possesses the capability and appetite to mount a response to the Islamic State abroad.
- **Russian Anti-Satellite Capability:** In February, the White House confirmed that it had intelligence regarding Russia's development of a space-based weapon designed to target American satellites. News outlets reported extensively on the issue, with some coverage characterizing the threat as a "nuclear weapon in space." While details of the Russian capability have not been made public, analysts consider this scenario unlikely (with the more likely scenario being a *nuclear-powered* satellite carrying a non-nuclear anti-satellite weapon).
- **U.S. Casualties in Jordan:** In January, three U.S. soldiers were killed and more than 40 injured following an attack by one-way drones on a base in Jordan, near the Syrian border. The service members were in Jordan to support Operation Inherent Resolve, the U.S. and coalition mission to defeat the Islamic State. The attack was launched by Iran-back militants and marked the first time American service members have been killed in the Middle East since the beginning of the war in Gaza.
- **Updates from Gaza:** Israeli Prime Minister Benjamin Netanyahu faces mounting pressure to reconsider the planned invasion of the southern city of Rafah, where an estimated 5,000 – 8,000 Hamas fighters remain, dug in alongside more than 1 million Palestinian civilians. During a 30-minute phone call on April 4, President Biden urged Prime Minister Netanyahu to prioritize a cease-fire in exchange for the estimated 100 hostages that are still being held in Gaza and stated that U.S. support for Israel's war effort would depend on the swift implementation of new steps to protect civilians and aid workers. Biden's remarks constitute a shift from his administration's steadfast support for Israel's war effort to date.

# U.S. Defense Policy & Spending Updates

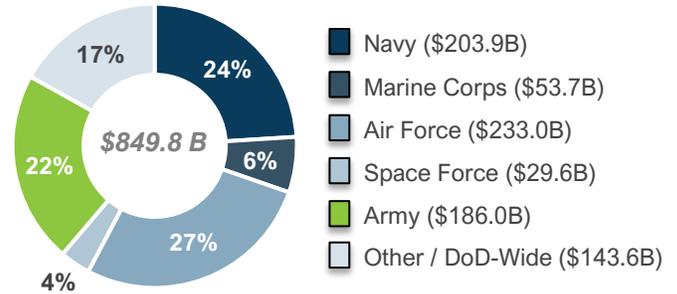
## Defense Spending Updates

### FY25 Budget Highlights and Changes vs. FY24

In March, the DoD released its \$849.8B FY25 Defense Budget Request, up 1% relative to the \$841.4B requested for FY24<sup>(1)</sup> (and down 2% from the FY24 request on an inflation-adjusted basis). Key highlights include:

- A **4.5% increase in pay** for service members, **down from the 5.2%** increase requested in the FY24 budget
- **\$22.2B toward nuclear modernization**, including both the Columbia-class submarine and the B-21 bomber, **up 19%** from the \$18.7B requested in the FY24 budget
- **\$33.7B directed at space capabilities**, including orbital missile warning, satellite communications, and launches, **up 1%** from the \$33.3B requested in the FY24 budget
- **\$28.4B for missile defense capabilities**, **down 5%** from the \$29.8B requested in the FY24 budget
- **\$9.9B for the Pacific Deterrence Initiative**, **up 9%** from the \$9.1B requested in the FY24 budget
- **\$3.9B for the European Deterrence Initiative**, **up 8%** from the \$3.6B requested in the FY24 budget

### FY25 Budget Request By Service Branch

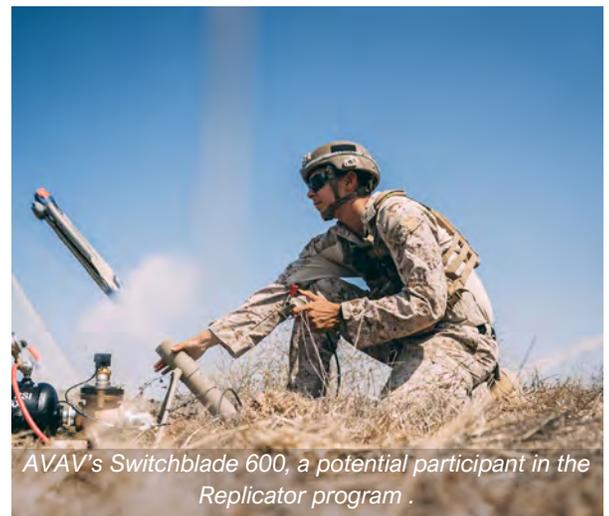


### Foreign Aid for Ukraine, Israel, and Taiwan

In February, a bipartisan Senate passed a \$95B package providing for additional support for Ukraine, Israel, and Taiwan. The bill remains subject to approval by the House. A minority of congressional Republicans have continued to oppose additional aid to Ukraine, and House Speaker Johnson has indicated that Republican support may hinge on additional funding related to U.S. border security. If passed, the package would provide roughly \$60B in funding related to Ukraine, marking the largest single infusion of aid to the country since Russia's invasion in February 2022.

## Headline Roundup

- **CMMC 2.0 Rule – Conclusion of Public Comment Period:** A 60-day comment period for the Pentagon's newly published *Cybersecurity Maturity Model Certification (CMMC) 2.0* framework governing cybersecurity standards for contractors concluded in late February. Roughly 300 comments were submitted. Following the DoD's review and response to these comments, a final rule is expected to go into effect in early 2025.
- **First Replicator Funding** The FY24 Defense Appropriations bill, signed into law by President Biden on March 23, provides \$200M in funding for the Replicator program, the Pentagon's proposal to procure thousands of attritable drones in the next 18 – 24 months. This marks the first time that Congress has provided the DoD with the authority to use appropriated funds on the new initiative. Details of the program remain opaque. The Army has reportedly proposed several systems to participate and receive funding as part of Replicator, including AeroEnvironment's Switchblade 600.
- **NDIS:** In January, the DoD released its first ever National Defense Industrial Strategy (NDIS), marking a shift in the U.S. strategic posture toward industrial policy. For an in-depth summary and analysis of the NDIS, see Stout's [Client Alert](#).



**Note:** (1) Figure excludes supplemental funding requests for Ukraine (\$44.4B), Israel (\$10.6B) and Submarine Industrial Base (\$3.3B). The FY24 Defense Appropriations Act, which included total funding of \$825B, was signed into law by President Biden on March 23, 2024, after the release of the FY25 budget request.

# Commercial Aerospace

## Latest on Boeing: A Challenging Quarter Sparks Significant Upheaval

Boeing has faced challenges from the outset of 2024, finishing the quarter down nearly 30%. Regulatory and investor scrutiny following the in-flight blowout of a 737 Max 9 door plug in January helped spark more widespread concern around aircraft quality and safety, resulting in the FAA's grounding of Max 9s across the country in January and subsequent audits of the company's production facilities. Concerns around safety issues and the resulting regulatory fallout served as catalysts for significant moves by the company this quarter:

- **Proposed Acquisition of Spirit:** In March, Boeing confirmed that it was in discussions to re-acquire Spirit AeroSystems following its sale of the key aerostructures supplier in 2005. Boeing has suggested that the re-integration of Spirit would ensure better visibility over its supply chain. The move would also provide Boeing's defense business with a supplier position on several high-profile programs, including Northrop's B-21 Raider and Bell Textron's V-280 Valor.

- **Defense Divestitures:** Following its announcement regarding Spirit, Boeing announced that it was exploring the sale of its Digital Receiver Technology (DRT) and Argon ST business lines, both part of the company's Defense, Space & Security (BDS) reporting segment. Conversations around the potential sale of DRT have been rumored for roughly a year but had not been previously announced by Boeing. Both business lines are small, and their sale would not have a material strategic or financial impact on the aerospace giant – however, coupled with the sale of launch provider ULA, Boeing's 50-50 joint venture with Lockheed Martin, the proposed divestitures could signal a larger strategic shakeup at BDS.



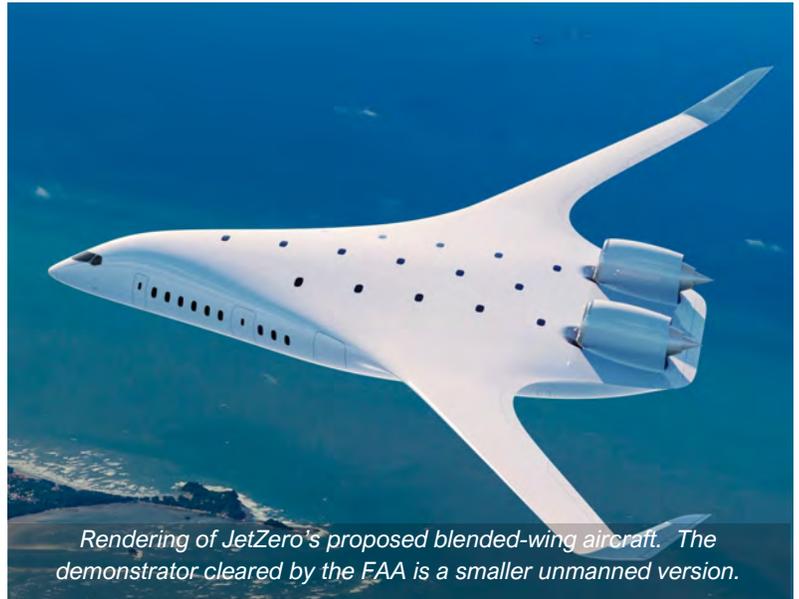
*Spirit AeroSystems manufacturing facility in Wichita, Kansas*

- **Leadership Shakeups:** In late March, Boeing announced that CEO Dave Calhoun would step down by the end of 2024 and that Stan Deal, head of Boeing Commercial, would retire immediately. Mr. Deal will be replaced by Stephanie Pope. Ms. Pope had assumed a newly created COO role in January and was previously seen as a favorite to succeed Mr. Calhoun as CEO. Boeing also said that its chairman, Larry Kellner, would not stand for re-election. Former Qualcomm CEO Steve Mollenkopf was elected as the company's new chairman and will lead the company's search for a new CEO. The prospect of a wholesale shakeup of Boeing's leadership introduces uncertainty regarding the company's other recently announced moves, including its proposed acquisition of Spirit and the repositioning of its defense portfolio.

# Commercial Aerospace (cont'd)

## Headline Roundup

- **FAA Clears JetZero's Pathfinder For Flight:** In March, the FAA granted an Airworthiness Certificate to JetZero's Pathfinder, a subscale demonstrator of JetZero's proposed blended-wing aircraft. Last year, the U.S. Air Force selected JetZero, in partnership with Northrop Grumman, to design and build a full-scale blended-wing aircraft for aerial refueling and logistics missions. In a commercial context, JetZero's blended wing design would offer significantly improved fuel efficiency and lower operating costs relative to traditional commercial aircraft, opening the door to more/longer transcontinental routes and aligning with the industry's growing push for environmental consciousness.



*Rendering of JetZero's proposed blended-wing aircraft. The demonstrator cleared by the FAA is a smaller unmanned version.*

- **Embraer's Performance Stands Out Amidst OEMs:** Brazil's Embraer delivered standout share price performance in Q1 (up 44%, relative to a median a gain of 9% for Stout's Aerospace index overall). Commentators have attributed the strong performance to the company's solid backlog (which stood at \$18.7B as of Q4 '23, the company's highest in the past six years), as well as recently announced E1 orders from American Airlines. On the defense side, optimism surrounding the company has been buoyed by recent C-390 orders from European countries and KC-390 orders from India, Sweden, and Saudi Arabia. Embraer retains a ~90% stake in publicly traded eVTOL manufacturer EVE. With a market cap of roughly \$1.4B as of this publication, EVE's performance has contributed to the dialogue around Embraer's long-term growth opportunities and volatility.
- **Boom's XB-1 Demonstrator Takes Flight:** Boom Supersonic notched a successful first flight of its XB-1 demonstrator on March 22, marking a positive step towards the development of the company's proposed Mach 1.7 Overture airliner. While the single-seat XB-1 (powered by three GE J85 engines) has little in common technologically with Overture (which Boom aims to power with an in-house solution being developed in partnership with Kratos, following the withdrawal of Rolls-Royce in 2022), its first flight serves as a milestone and proof-point for Boom as the company works toward launching the first privately developed supersonic aircraft.



*Boom's XB-1 demonstrator completed its first flight on March 22*

# Defense & Space

## Select Program Updates

- **Palantir Wins TITAN Contract:** The U.S. Army announced in March that it planned to move forward with Palantir as the prime contractor for its Tactical Intelligence Targeting Access Node (TITAN) program, a vehicle-mounted ground station that integrates information from space, aerial, and terrestrial sensors to provide actionable targeting information. Palantir describes TITAN as “the Army’s first AI-defined vehicle.” Palantir’s win over an RTX-led team highlights the Army’s software-centric approach to the program and marks a significant milestone for Palantir, as the first time that the company – known primarily for its Gotham, Foundry, Apollo, and AIP software platforms – will take the lead role on a program with a significant hardware component.
- **High-Profile Program Cuts – FARA and ERCA:** The Army announced in February that it planned to cancel its Future Attack Reconnaissance Aircraft (FARA) program, taking a potential multi-billion dollar contract off the table for Textron’s Bell or Lockheed’s Sikorsky. The Army cited observations from Ukraine and Gaza as part of the impetus for cancelling the program and indicated that funds would likely be reallocated towards unmanned systems. The FY25 budget also revealed the Army’s plans to halt work on its Extended Range Cannon Artillery (ERCA) program, a plan for integrating an additional 58-caliber tube on existing BAE M-109A7 howitzers.



*Palantir’s Planned TITAN vehicle. Palantir’s contract covers the development of 10 TITAN prototypes, including five Advanced and five Basic variants.*

## Headline Roundup

- **America Returns to the Moon:** Intuitive Machines’ IM-1 mission landed near the moon’s south pole in February, marking the first U.S. landing on the lunar surface since 1972 and the first ever achieved by the private sector. The mission was undertaken as part of NASA’s Commercial Lunar Payload Services (CLPS) program, designed to deliver hardware to the lunar surface at lower costs than NASA could achieve by building and operating lunar landers itself. CLPS will ultimately pave the way for NASA’s first crewed mission to the moon under the Artemis program.
- **OSC Announces Investment Strategy:** The Office of Strategic Capital (OSC), launched in December 2022 as a means to attract private capital in support of national security, announced its first ever Investment Strategy in March. The Investment Strategy identifies priority technology areas and provides a framework for how OSC will incentivize private investment in those areas. OSC’s approach differs from other DoD initiatives to foster innovation in that it emphasizes financing tools – specifically, loans and loan guarantees – to incentivize the flow of private capital rather than using acquisition-based tools like contracts or grants to increase direct government spending on innovation for capabilities.



*Rendering of Intuitive Machines’ Nova-C lander. The company’s successful February landing marked America’s first return to the moon in over 50 years.*

# Technology & Services

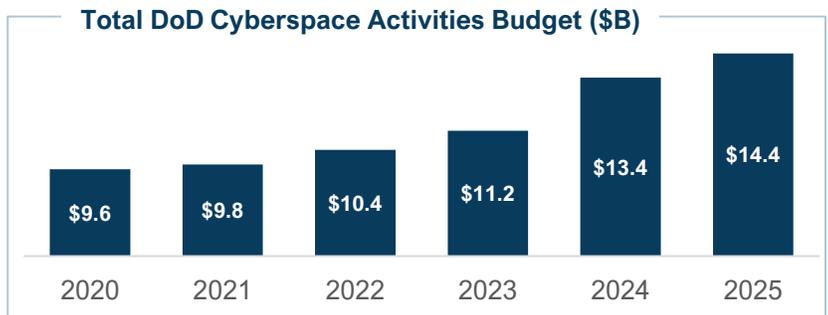
## Scope of Chinese Influence on U.S. Technology and Infrastructure Sparks Growing Concern

- TikTok:** The House voted in March to make TikTok’s continued operation in the U.S. contingent upon a forced sale by its Chinese parent ByteDance. TikTok has faced congressional scrutiny since 2021, with concern driven by a Chinese law that requires Chinese citizens and businesses to cooperate with the Chinese Communist Party (CCP) on intelligence efforts and would thus provide the CCP with an avenue to access data of American users. The bill enjoyed bipartisan support in the House and will go before the Senate in the coming weeks.
- Cybersecurity Alert on Critical Infrastructure:** The Cybersecurity and Infrastructure Security Agency (CISA), NSA, and FBI in February released a joint alert that Chinese state-sponsored cyber actors were seeking to position themselves on IT networks for disruptive or destructive cyberattacks against U.S. critical infrastructure. The alert identified the hackers’ targets as “primarily in [the] Communications, Energy, Transportation Systems, and Waste and Wastewater Systems Sectors.”
- Industrial Infrastructure and Supply Chain Visibility:** A recent investigation by the House Committee on Homeland Security and House Select Committee on China found that some Chinese-made cranes used at U.S. ports contained communications equipment that could be used to conduct surveillance or to disrupt the movement of cargo. The findings raise concerns parallel to those raised by CISA, the NSA, and the FBI in regards to cyber vulnerability and underscore the continued focus around supply chain visibility.



## Spotlight on Cyber Capabilities and Cloud Migration as Key Priorities

- A Growing Budget Priority:** Effective, resilient cyber architecture is front and center among the DoD’s priority capabilities. In a largely flat FY25 defense budget, allocations for cybersecurity increased 35%, and allocations for cyber activities overall were up 7%.
- Pentagon Opens Cyber Policy Office:** In March, the DoD opened its Office of the Assistant Secretary for Cyber Policy, responsible for developing and overseeing implementation of cyber policy and strategy, certifying the cyberspace operations budget, coordinating with Cyber Command, and guiding private-sector engagement. Establishment of the Office had been directed as part of the FY23 NDAA.
- Cloud Migration Efforts:** Cloud migration is another major priority for the DoD, serving as the basis for the \$9B Joint Warfighting Cloud Capability (JWCC) contract awarded in December 2022 to Amazon Web Services, Google, Oracle, and Microsoft. As of March 2024, nearly 50 task orders, valued at approximately \$600M, have been placed under the contract. As the program continues to gain speed, billions of dollars are expected to flow to mid-size government contractors in the form of subcontracts for capabilities ranging from data hosting to systems integration.



**FY24 vs. FY25 Budget Outlook (\$B)**

Program Category	FY 2024 Requested	FY 2025 Requested	% Change
Cybersecurity	\$5.5	\$7.4	+ 35%
Cyberspace Operations	\$7.4	\$6.4	(14%)
Cyber R&D Activities	\$0.5	\$0.6	+ 20%
<b>Total Cyber Budget</b>	<b>\$13.4</b>	<b>\$14.4</b>	<b>+ 7%</b>

# Selected Company Performance: Aerospace

Company	Management Commentary	MRQ Results (USD Millions)	
		Sales	EPS
	<p>“[L]et’s look at Airbus commercial financials for the [fiscal] year 2023. <b>Revenues increased 15% year-on-year</b>, mainly reflecting a <b>higher number of deliveries</b>. The EBIT adjusted increased to EUR 4.8 billion from EUR 4.6 billion in full year 2022, <b>reflecting the increase in deliveries and a more favorable hedge rate</b>, partially offset by investments for preparing the future.”</p> <p>– Guillaume Faury, Chief Executive Officer</p>	Consensus	€ 25,053      2.13
		Actual	€ 25,297      1.96
		Beat / Miss	1.0%      (8.0)%
		<b>Next Report Date (Q1): 04/25/2024</b>	
	<p>“<b>BCA delivered 157 airplanes in the quarter</b>, and revenue was \$10.5 billion. That’s <b>up 13%</b> driven by <b>higher widebody deliveries and favorable mix</b>. Operating margin was positive at 0.4%, driven by returning-to-normal 737 delivery levels, improved mix, and lower abnormal costs associated with getting to 5 / month on the 87 and resuming production on the 777X.”</p> <p>– Brian West, EVP of Finance &amp; Chief Financial Officer</p>	Consensus	\$ 21,078      (0.79)
		Actual	\$ 22,018      (0.47)
		Beat / Miss	4.5%      40.3%
		<b>Next Report Date (Q1): 04/24/2024</b>	
	<p>“I have said publicly that our goal is to grow net income <b>15% to 20% annually compounded</b>. Over the last 30 to 33 years, I think, <b>we have done that, and the actual growth has been somewhere around 18% or 19%</b>. ... I clearly am <b>highly confident</b> that we will attain that 15% to 20% growth in the current year and that <b>without any future acquisitions</b> which we might make.”</p> <p>– Larry Mendelson, Chairman &amp; Chief Executive Officer</p>	Consensus	\$ 892      0.74
		Actual	\$ 896      0.82
		Beat / Miss	0.5%      10.5%
		<b>Next Report Date (Q1): 05/23/2024</b>	
	<p>“Revenues for the quarter were <b>\$1.8 billion, up 37%</b> from the fourth quarter of 2022...due to <b>higher production on our Commercial programs</b>, increased Defense &amp; Space and Aftermarket revenues, as well as the impacts from the previously disclosed Boeing MOA... which included favorable pricing adjustments on the 787 program.”</p> <p>-- Mark Suchinski, SVP &amp; Chief Financial Officer</p>	Consensus	\$ 1,715      0.75
		Actual	\$ 1,813      0.48
		Beat / Miss	5.7%      (36.3)%
		<b>Next Report Date (Q1): 05/03/2024</b>	
	<p>“We increased our midpoint sales and EBITDA by \$85 million and \$45 million, respectively, <b>given the strong quarter and current expectations for the year</b>. Our EPS guidance is now \$30.85 compared to prior guidance of \$31.97. <b>The reduction is due to additional interest expense</b>. Without that, it would be \$32.57.”</p> <p>– Sarah Wynne, Chief Financial Officer</p>	Consensus	\$ 1,680      6.40
		Actual	\$ 1,789      7.16
		Beat / Miss	6.5%      11.9%
		<b>Next Report Date (Q1): 05/07/2024</b>	

Source: S&P CapIQ

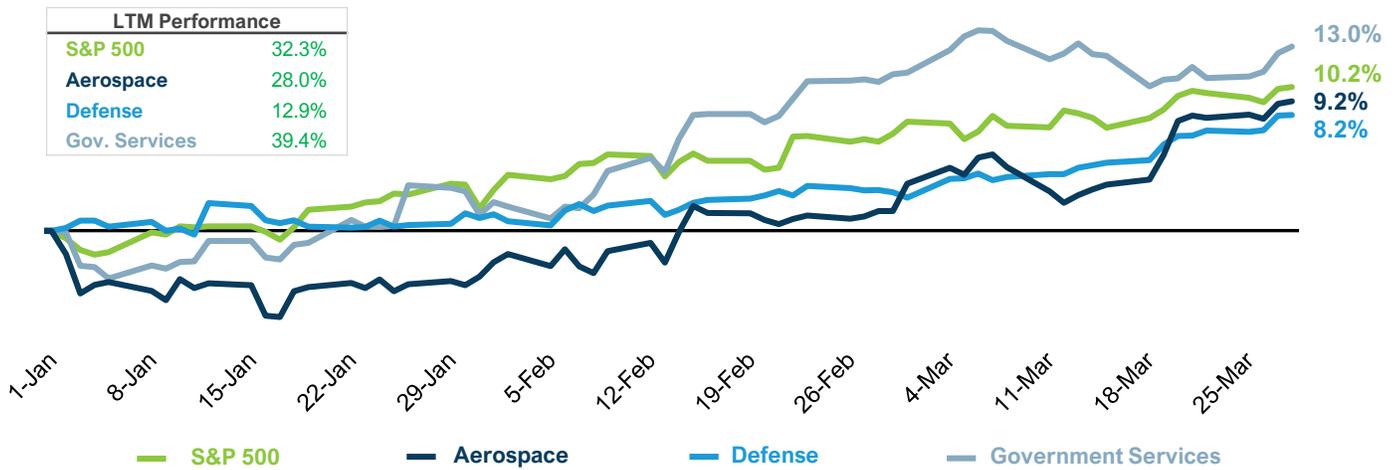
# Selected Company Performance: Defense

Company	Management Commentary	MRQ Results (USD Millions)		
		Sales	EPS	
	<p>“Revenue [for combat systems] in the quarter of <b>\$2.36 billion is up 8.5% from the year ago quarter</b>. Operating earnings of \$351 million are up 5.7% on a 40bps decrease in operating margin, but still a very good 14.8%. The majority of the growth in the quarter was at <b>Ordnance and Tactical Systems and European Land Systems</b>. It was largely driven by higher artillery and propellant volume.”</p> <p>– <i>Phebe Novakovic, Chairperson &amp; Chief Executive Officer</i></p>	Consensus	\$ 11,473	3.67
		Actual	\$ 11,668	3.64
		Beat / Miss	1.7%	(0.9)%
		<b>Next Report Date (Q1): 04/24/2024</b>		
	<p>“In 2024, we are prioritizing our focus on execution, <b>margin expansion and growing free cash flow</b>. Additionally, we will continue to evaluate parts of our portfolio <b>against strategic alternatives for noncore assets</b>.”</p> <p>– <i>Chris Kubasik, Chairman &amp; Chief Executive Officer</i></p>	Consensus	\$ 5,295	3.31
		Actual	\$ 5,340	3.35
		Beat / Miss	0.8%	1.2%
		<b>Next Report Date (Q1): 04/25/2024</b>		
	<p>“Robust demand for our broad portfolio of aircraft, helicopters, satellites, radar systems and other products, services, and advanced digital technologies <b>boosted backlog to a record \$161 billion</b>. Full year sales of \$67.6 billion <b>increased 2% year-over-year</b> and came in <b>stronger than anticipated</b>, as did earnings per share of \$27.55.”</p> <p>– <i>James Taiclet, Chairman &amp; Chief Executive Officer</i></p>	Consensus	\$ 17,947	7.25
		Actual	\$ 18,874	7.90
		Beat / Miss	5.2%	8.9%
		<b>Next Report Date (Q1): 04/19/2024</b>		
	<p>“In the U.S., our franchise programs <b>remain well supported</b> by Congress and the Department of Defense. And this gives us confidence in our outlook <b>even in a constrained U.S. budget environment</b>. We are pleased to have an NDAA in place that provides continued support for defense spending.”</p> <p>– <i>Kathy Warden, Chairperson &amp; Chief Executive Officer</i></p>	Consensus	\$ 10,437	5.80
		Actual	\$ 10,638	6.27
		Beat / Miss	1.9%	8.1%
		<b>Next Report Date (Q1): 04/25/2024</b>		
	<p>“Global defense spending <b>remains elevated</b>, which will continue to support our <b>backlog ahead as our key programs remain well funded</b>. Across RTX, we remain laser-focused on driving operational excellence to deliver cost reduction and <b>further margin expansion</b>.”</p> <p>– <i>Neil Mitchell, EVP &amp; Chief Financial Officer</i></p>	Consensus	\$ 19,670	1.25
		Actual	\$ 19,927	1.29
		Beat / Miss	1.3%	3.5%
		<b>Next Report Date (Q1): 04/23/2024</b>		

Source: S&P CapIQ

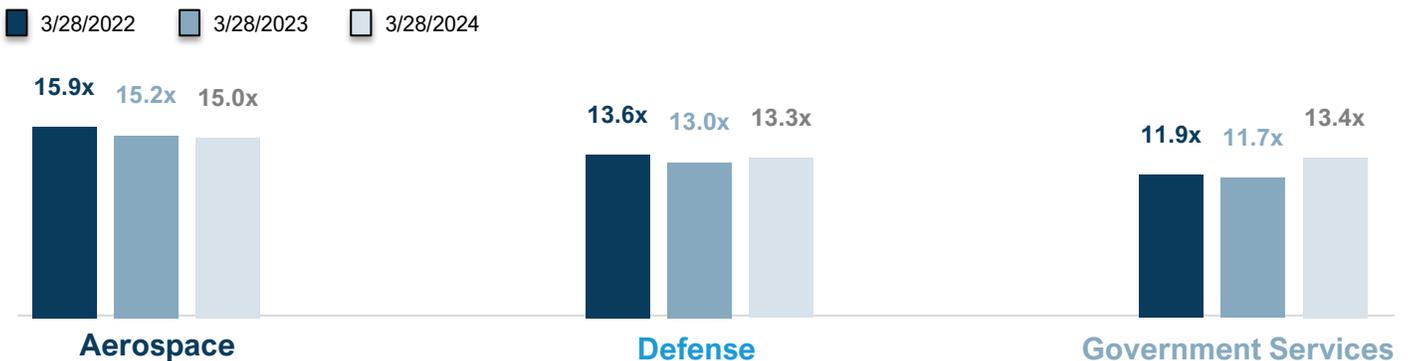
# ADGS Capital Markets Performance

## Q1 2024 Market Performance Across Primary ADGS Sector Indices



- All indices saw gains over the LTM period – Government Services led the way with nearly a 40% return
- Aerospace** returned 9% in Q1, with Boeing’s -26% slide outweighing the positive performance of Embraer, Safran, and TransDigm, which returned 44%, 29%, and 22% respectively
- Defense** index constituents all recorded positive returns in Q1, with the index returning 8% compared to the S&P’s 10% Q1 return. BAE and RTX stood out with quarterly returns of 21% and 16%
- Government Services** names all notched positive returns in Q1, with the sector returning 13% and beating the broader market in Q1 by 3%

## Historical Average EV / NTM EBITDA Multiples



- Aerospace** stocks have benefited from commercial air travel volumes returning to pre-pandemic levels, but expectations of further growth are outweighed by continued supply chain and labor challenges that affect OEMs as well as component suppliers and MROs, with multiples slipping over the past three years
- Defense** stocks historically have reliably traded up relative to other names during election year cycles; this trend has been muted thus far this year, with the sector trading largely in line with historical averages
- Government Services** stocks have benefited from the growing embrace of deficit spending by both political parties and have typically been less affected by the political climate than their Defense counterparts

**Aerospace:** AAR, Airbus, Astronics, Boeing, Bombardier, Embraer, HEICO, Hexcel, Safran, Spirit, TransDigm, Triumph

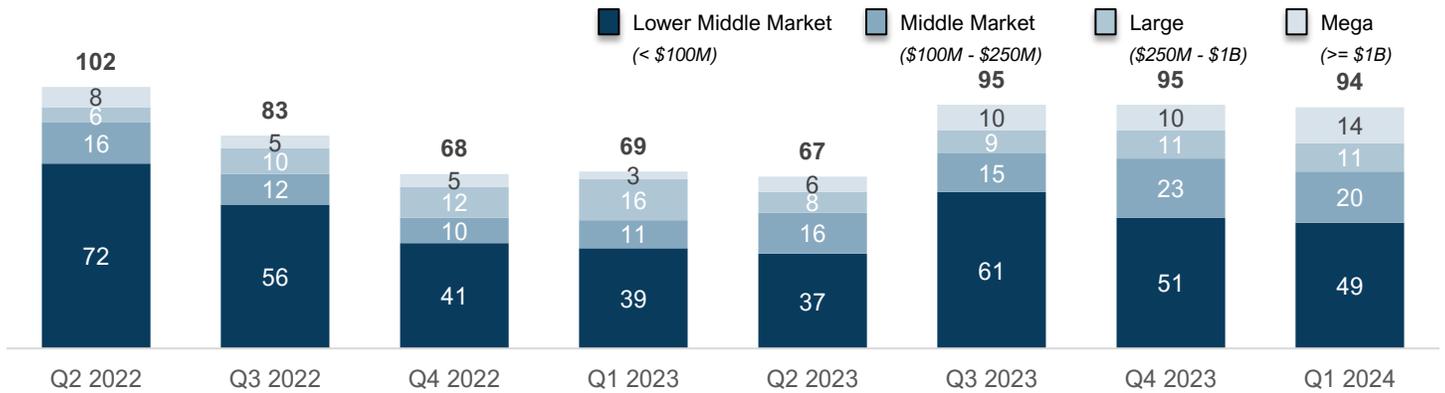
**Defense:** BAE Systems, General Dynamics, L3Harris, Lockheed Martin, Northrop Grumman, RTX Corporation

**Government Services:** Booz Allen Hamilton, CACI, ICF, Leidos, Maximus, Parsons, SAIC, V2X

Source: S&P CapIQ as of 3/28/2024

# ADGS M&A Deal Volume Metrics

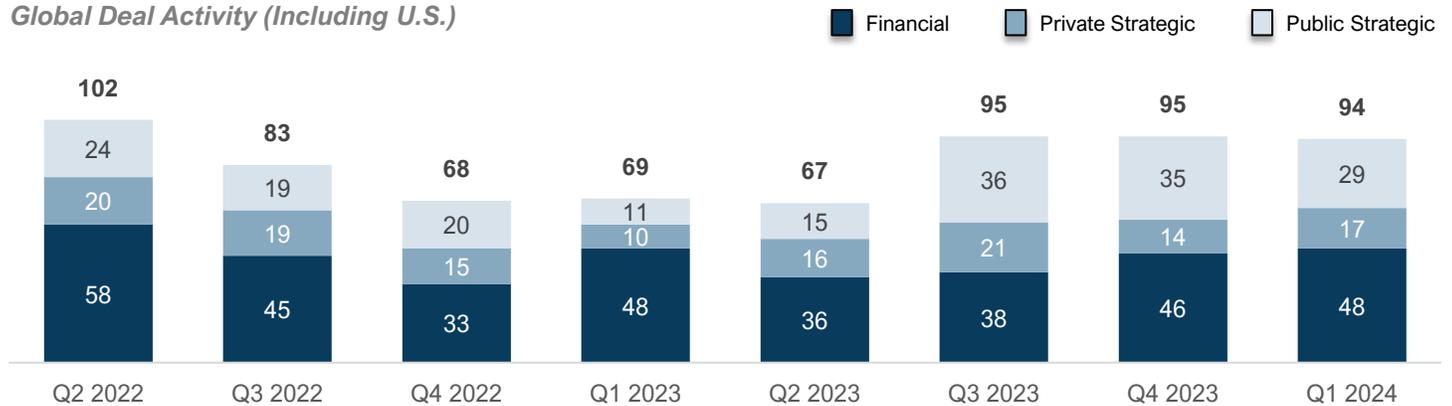
## Global ADGS M&A Activity by Transaction Size



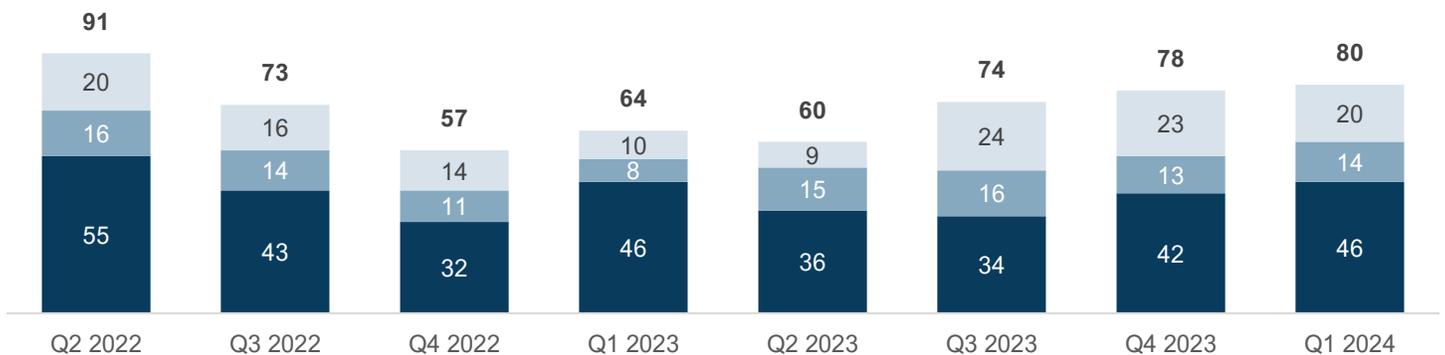
ADGS deal volumes remained steady in Q1 relative to both Q3 and Q4 of 2023. Q1 of 2024 saw the most mega-deals (\$1B+) of any of the last eight quarters.

## M&A Activity by Buyer Type

### Global Deal Activity (Including U.S.)



### U.S. Deal Activity



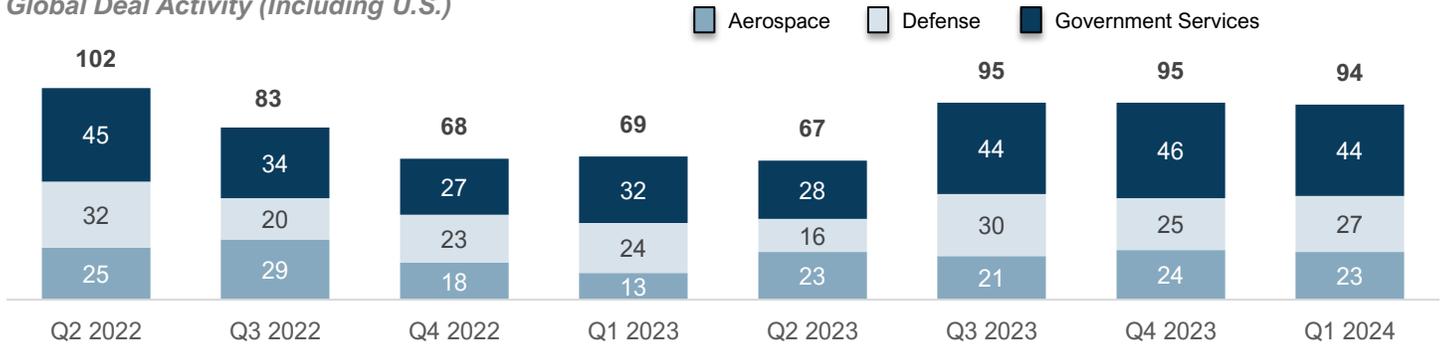
58% of U.S. transactions involved a private equity buyer in Q1. Meanwhile, only two of the 14 non-U.S. deals (14%) involved a PE buyer. Globally, the number of deals involving public strategic buyers fell 17% QoQ but remains more than double the number that occurred in Q1 2023. Private equity buyers once again were involved in a majority of global ADGS deals, after lagging strategics in Q3 and Q4 of 2023.

Source: DACIS DM&A. Transaction size data reflects Stout estimates.

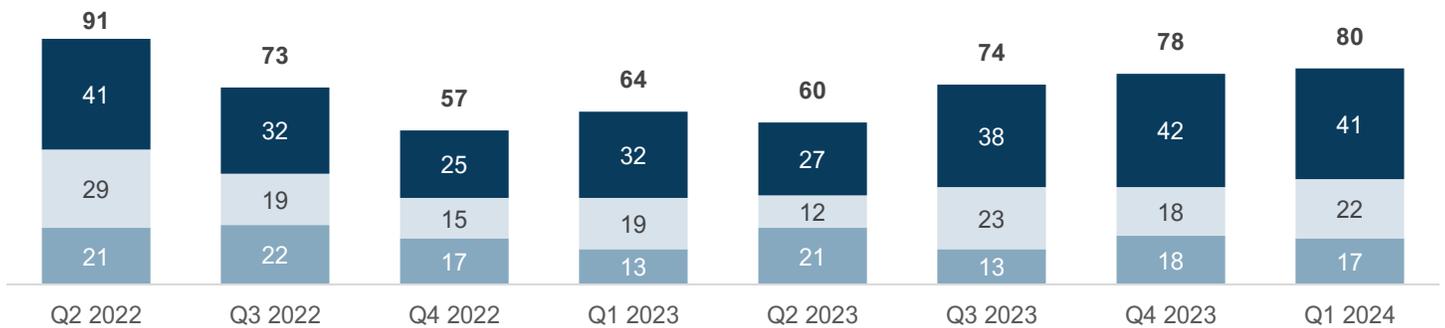
# ADGS M&A Deal Volume Metrics

## M&A Activity by Industry Sector

### Global Deal Activity (Including U.S.)



### U.S. Deal Activity

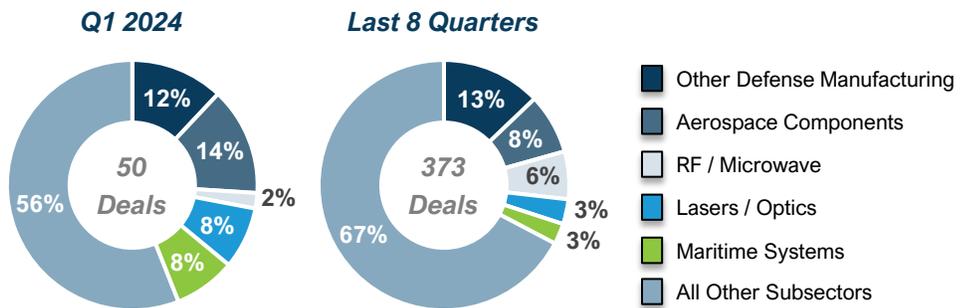


Globally in Q4, **Aerospace** and **Government Services** deal volumes both fell 4% QoQ. The number of **Defense** transactions rose 22% QoQ in the U.S. and 8% globally. Compared to Q1 2023, deal volumes in all sectors have surged – this was most acute for global Aerospace deals, with transaction volume up 77% relative to Q1 of 2023.

## Global Trends Across Select Subsectors

### Aerospace & Defense

Transactions involving **Lasers / Optics** and **Maritime Systems** each made up 8% of Q1 A&D transactions, a notable uptick relative to their relative share over the past eight quarters. **RF / Microwave** transaction volumes slipped this quarter, but the subsector remains among the three most active over the last eight quarters.



### Government Services

**IT Services**, **Software**, and **Cybersecurity** have consistently been among the most active Government Services subsectors over the last eight quarters. Notably, transactions involving **Data Analytics / Big Data** and **Other Technical Services** both slightly eclipsed the total number of cybersecurity deals for the first time this quarter.

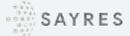


Source: DACIS DM&A, subsector graphs show global deal volumes inclusive of the U.S.

# Selected Transactions: Aerospace & Defense

	Target	Acquiror	Key Stats	Target Snapshot
Aerospace			<b>Announced:</b> 2/29/2024 <b>Status:</b> Pending <b>TEV:</b> \$120M <b>EV / FY24 EBITDA:</b> ND	<ul style="list-style-type: none"> <li>Provider of aftermarket maintenance, repair, and overhaul support services, specializing in jet engine rotating and static components as well as pneumatic and hydraulic jet engine fuel and airframe accessories</li> </ul>
		<b>Amphenol</b>	<b>Announced:</b> 1/30/2024 <b>Status:</b> Pending <b>TEV:</b> \$2.0B <b>EV / LTM EBITDA:</b> ND	<ul style="list-style-type: none"> <li>Manufacturer of high-performance wire, cable, connectors, contacts, and cable assemblies for the transfer of power and data, primarily serving aerospace, medical, defense electronics, and select industrial end markets</li> </ul>
		<b>ARCLINE</b> <small>INVESTMENT MANAGEMENT</small>	<b>Announced:</b> 1/19/2024 <b>Status:</b> Pending <b>TEV:</b> \$1.8B <b>EV / LTM EBITDA:</b> 14.6x	<ul style="list-style-type: none"> <li>Manufacturer of high precision and engineered components / structures for aerospace and defense markets</li> </ul>
	 	<b>A C P</b>	<b>Announced:</b> 1/4/2024 <b>Status:</b> Completed <b>TEV:</b> ND <b>EV / LTM EBITDA:</b> ND	<ul style="list-style-type: none"> <li>AeroCision, Numet, and Walbar are suppliers of aerospace engine components and assemblies, including blades, airfoils, vanes, seal segments, cases, and rings</li> <li>ACP's newly-formed Kinetic platform will combine AeroCision, Numet, and Walbar with the engine assets of existing ACP portfolio company Cadence</li> </ul>
Defense		<b>Honeywell</b>	<b>Announced:</b> 3/27/2024 <b>Status:</b> Pending <b>TEV:</b> €180M (on announced equity value of €200M) <b>EV / LTM EBITDA:</b> 13.5x	<ul style="list-style-type: none"> <li>Provider of inertial navigation and stabilization systems for private sector and aerospace, defense, and industrial markets</li> </ul>
	 <i>Unsolicited Proposal</i>	<b>LOCKHEED MARTIN</b> <small>AEROTECHNOLOGIES</small>	<b>Announced:</b> 3/1/2024 <b>Status:</b> Unsolicited Proposal <b>TEV:</b> \$500M <b>EV / LTM EBITDA:</b> N.M.	<ul style="list-style-type: none"> <li>Manufacturer of smallsats, primarily serving the U.S. defense market – Lockheed Martin Ventures was an early investor in Terran, and Lockheed retains a significant minority stake.</li> <li>The Terran board adopted a poison pill shortly following receipt of the Lockheed offer, suggesting that – if a take-private is ultimately achieved, it may be at a higher premium</li> </ul>
		<b>HIGH POINT</b> <small>AEROTECHNOLOGIES</small>	<b>Announced:</b> 2/20/2024 <b>Status:</b> Completed <b>TEV:</b> ND <b>EV / LTM EBITDA:</b> ND	<ul style="list-style-type: none"> <li>Manufacturer of UAS and Counter-UAS systems, including the hand-held “DroneBuster” RF jammer – the transaction represents Highlander’s third focused C-UAS acquisition, following its previous acquisitions of LiteEye and Black Sage</li> </ul>
		<b>BAE SYSTEMS</b>	<b>Announced:</b> 2/2/2024 <b>Status:</b> Completed <b>TEV:</b> \$78M <b>EV / LTM EBITDA:</b> ND	<ul style="list-style-type: none"> <li>Manufacturer of all-electric uncrewed aerial systems (UAS) and VTOL (Vertical Take Off and Landing) aircraft for private sector and defense markets</li> </ul>
			<b>Announced:</b> 1/16/2024 <b>Status:</b> Announced <b>TEV:</b> ND <b>EV / LTM EBITDA:</b> ND	<ul style="list-style-type: none"> <li>Manufactures and distributes a complete range of medium armored vehicles (15 – 25 metric tons) and drivelines for heavier combat vehicles (up to 32 metric tons)</li> </ul>

# Selected Transactions: Government Services

	Target	Acquiror	Key Stats	Target Snapshot
Technology-Oriented	 Securing the Future Technical Advisory Services	 SYSTEMS PLANNING & ANALYSIS 	Announced: 3/7/2024 Status: Completed TEV: ND EV / FY24 EBITDA: ND	<ul style="list-style-type: none"> <li>Provider of cyber solutions and services, including security operations, threat intelligence, incident response and forensics, boundary defense, security systems engineering, and infrastructure security</li> </ul>
		 	Announced: 2/13/2024 Status: Pending TEV: ND EV / FY24 EBITDA: ND	<ul style="list-style-type: none"> <li>Provider of identity intelligence, advanced research and development, and cyber engineering solutions for private sector and U.S. federal government defense, intelligence, and national security markets</li> </ul>
			Announced: 1/16/2024 Status: Pending TEV: \$35B EV / FY24 EBITDA: 32.0x	<ul style="list-style-type: none"> <li>Develops and globally markets engineering simulation software used by designers and engineers across a broad spectrum of industries, including aerospace, automotive, manufacturing, nuclear, electronics, and biomedical</li> </ul>
Services-Oriented		 	Announced: 3/26/2024 Status: Completed TEV: ND EV / FY24 EBITDA: ND	<ul style="list-style-type: none"> <li>Provider of software and systems engineering, big data and cloud computing, and informational retrieval systems for private sector and U.S. federal government defense markets</li> </ul>
		 	Announced: 3/22/2024 Status: Pending TEV: ND EV / FY24 EBITDA: ND	<ul style="list-style-type: none"> <li>Provider of test and evaluation services, model-based systems engineering, logistics, research, and development to private sector and U.S. federal government defense, and homeland security markets</li> </ul>
		 	Announced: 3/20/2024 Status: Completed TEV: ND EV / FY24 EBITDA: ND	<ul style="list-style-type: none"> <li>Provider of specialized maritime logistics services for private sector and U.S. federal government markets</li> </ul>
			Announced: 3/20/2024 Status: Closed TEV: ND EV / FY24 EBITDA: ND	<ul style="list-style-type: none"> <li>Provider of low-code, cloud-based applications for private sector and U.S. federal government defense, and healthcare markets</li> </ul>
		 	Announced: 3/18/2024 Status: Completed TEV: ND EV / FY24 EBITDA: ND	<ul style="list-style-type: none"> <li>Provider of training and simulation, technical documentation, environmental and marine sciences, and professional services to private sector and U.S. federal government aerospace, defense, and environmental markets</li> </ul>
		 	Announced: 2/13/2024 Status: Completed TEV: ND EV / FY24 EBITDA: ND	<ul style="list-style-type: none"> <li>Provider of IT engineering, systems integration, software development, and technical support to U.S. federal government aerospace, defense, and naval markets</li> </ul>
			Announced: 2/12/2024 Status: Completed TEV: ND EV / FY24 EBITDA: ND	<ul style="list-style-type: none"> <li>Seaford is a provider of full-systems lifecycle, integrated business, mission, and IT solutions for the private sector and U.S. federal government markets.</li> </ul>
			Announced: 2/12/2024 Status: Completed TEV: ND EV / FY24 EBITDA: ND	<ul style="list-style-type: none"> <li>Tekmasters is a provider of “zero failure” classified IT mission support solutions for the private sector and U.S. federal government intelligence markets</li> </ul>
		 	Announced: 2/6/2024 Status: Completed TEV: ND EV / FY24 EBITDA: ND	<ul style="list-style-type: none"> <li>Provider of cybersecurity, digital infrastructure, and agile engineering services to the private sector and the U.S. federal government</li> </ul>

# Public Markets Performance

Company Name	Ticker	Share Price		Market Cap	Ent. Value	Revenue	EBITDA Margin	EV / Rev LTM	EV / EBITDA	
		3/28/24	% 52 High						LTM	NTM
<b>Government Services</b>										
Booz Allen Hamilton	BAH	\$148.44	98.6%	\$19,259	\$22,070	\$10,324	7.2%	2.1x	29.9x	18.0x
CACI International	CACI	378.83	99.0	8,442	10,087	7,131	10.0	1.4	14.1	12.1
ICF International	ICFI	150.63	95.3	2,819	3,259	1,963	10.2	1.7	16.2	14.4
Leidos Holdings	LDOS	131.09	99.7	17,758	21,720	15,438	10.6	1.4	13.3	12.6
Maximus	MMS	83.90	93.5	5,121	6,331	4,983	9.0	1.3	14.2	10.9
Parsons	PSN	82.95	98.5	9,118	9,689	5,443	8.5	1.8	21.0	18.4
SAIC	SAIC	130.39	89.8	6,740	8,745	7,444	8.9	1.2	13.2	12.6
V2X	VVX	46.71	82.3	1,464	2,509	3,963	6.0	0.6	10.6	8.1
<b>Group Median</b>			<b>96.9%</b>	<b>\$7,591</b>	<b>\$9,217</b>	<b>\$6,287</b>	<b>8.9%</b>	<b>1.4x</b>	<b>14.1x</b>	<b>12.6x</b>
<b>Group Mean</b>			<b>94.6%</b>	<b>\$8,840</b>	<b>\$10,551</b>	<b>\$7,086</b>	<b>8.8%</b>	<b>1.4x</b>	<b>16.6x</b>	<b>13.4x</b>
<b>Diversified Engineering Services</b>										
ABM Industries	ABM	\$44.62	84.1%	\$2,824	\$4,095	\$8,175	5.6%	0.5x	8.9x	8.3x
AECOM	ACM	98.08	99.4	13,341	14,518	14,896	6.7	1.0	14.5	13.1
Dycom Industries	DY	143.53	98.1	4,189	4,877	4,176	11.6	1.2	10.0	8.8
EMCOR Group	EME	350.20	98.7	16,482	15,699	12,583	7.9	1.2	15.8	14.8
Fluor Corporation	FLR	42.28	97.8	7,247	5,929	15,474	2.2	0.4	17.8	9.3
Jacobs	J	153.73	99.5	19,338	21,797	16,713	8.9	1.3	14.7	13.6
KBR	KBR	63.66	96.6	8,605	10,165	6,956	8.3	1.5	17.5	12.2
MasTec	MTZ	93.25	75.6	7,253	9,804	11,996	6.3	0.8	13.0	10.3
Serco Group	SRP	2.40	98.2	2,614	3,334	6,208	4.7	0.5	11.4	6.4
Tetra Tech	TTEK	184.71	97.1	9,897	10,644	4,030	12.6	2.6	20.9	18.6
<b>Group Median</b>			<b>97.9%</b>	<b>\$7,929</b>	<b>\$9,984</b>	<b>\$10,085</b>	<b>7.3%</b>	<b>1.1x</b>	<b>14.6x</b>	<b>11.3x</b>
<b>Group Mean</b>			<b>94.5%</b>	<b>\$9,179</b>	<b>\$10,086</b>	<b>\$10,121</b>	<b>7.5%</b>	<b>1.1x</b>	<b>14.5x</b>	<b>11.5x</b>
<b>Aircraft and Engine OEMs</b>										
Airbus	AIR	\$184.40	98.8%	\$145,203	\$139,743	\$72,340	9.4%	1.9x	20.6x	13.6x
Boeing	BA	192.99	72.1	117,750	154,119	77,794	4.1	2.0	NM	29.0
Bombardier	BBD.B	42.97	78.1	4,196	9,004	8,046	11.6	1.1	9.7	6.7
Embraer	EMBR3	6.66	98.2	4,892	5,974	5,381	7.6	1.1	14.6	8.6
General Electric	GE	175.53	97.3	192,986	194,579	67,954	11.6	2.9	24.7	19.1
MTU Aero Engines	MTX	254.05	96.0	13,674	13,495	5,928	NM	2.3	NM	10.4
Rolls-Royce	RR.	5.39	99.1	45,114	47,824	20,999	14.1	2.3	16.2	13.4
Safran	SAF	226.88	98.5	93,823	94,303	26,142	18.7	3.6	19.3	16.3
<b>Group Median</b>			<b>97.8%</b>	<b>\$69,468</b>	<b>\$71,064</b>	<b>\$23,571</b>	<b>11.6%</b>	<b>2.1x</b>	<b>17.8x</b>	<b>13.5x</b>
<b>Group Mean</b>			<b>92.3%</b>	<b>\$77,205</b>	<b>\$82,380</b>	<b>\$35,573</b>	<b>11.0%</b>	<b>2.1x</b>	<b>17.5x</b>	<b>14.6x</b>
<b>Aerostructures</b>										
Albany International	AIN	\$93.51	94.1%	\$2,917	\$3,206	\$1,148	22.5%	2.8x	12.4x	11.4x
Hexcel	HXL	72.85	92.1	6,078	6,551	1,789	19.0	3.7	19.3	16.0
Senior	SNR	2.23	96.1	913	1,172	1,227	8.1	1.0	11.7	8.4
Spirit AeroSystems	SPR	36.07	99.3	4,192	7,456	6,048	1.4	1.2	NM	11.0
<b>Group Median</b>			<b>95.1%</b>	<b>\$3,555</b>	<b>\$4,879</b>	<b>\$1,508</b>	<b>13.6%</b>	<b>2.0x</b>	<b>12.4x</b>	<b>11.2x</b>
<b>Group Mean</b>			<b>95.4%</b>	<b>\$3,525</b>	<b>\$4,596</b>	<b>\$2,553</b>	<b>12.8%</b>	<b>2.2x</b>	<b>14.5x</b>	<b>11.7x</b>

Note: \$ in millions, except share price; Enterprise Value (EV) equals Market Value plus straight/convertible debt, preferred stock, minority interest, less cash and short-term investments

Source: S&P CapIQ as of 3/28/2024

# Public Markets Performance (Continued)

Company Name	Ticker	Share Price		Market Cap	Ent. Value	Revenue	EBITDA Margin	EV / Rev LTM	EV / EBITDA	
		3/28/24	% 52 High						LTM	LTM
<b>Aftermarket / MROs</b>										
AAR Corp.	AIR	\$59.87	81.0%	\$2,112	\$2,317	\$2,216	8.7%	1.0x	12.0x	7.6x
HEICO Corp.	HEI	191.00	95.2	26,742	29,462	3,244	25.9	NM	35.1	29.1
SIA Engineering Co.	S59	1.67	89.7	1,880	1,517	781	1.7	1.9	NM	20.1
Singapore Technologies Engineering	S63	2.98	99.3	9,295	13,881	7,653	12.4	1.8	14.7	12.4
TransDigm Group	TDG	1,231.60	99.4	68,485	86,162	6,977	49.0	NM	25.2	20.8
VSE	VSEC	80.00	96.4	1,262	1,683	860	13.4	2.0	14.6	12.1
<b>Group Median</b>			<b>95.8%</b>	<b>\$5,703</b>	<b>\$8,099</b>	<b>\$2,730</b>	<b>12.9%</b>	<b>1.9x</b>	<b>14.7x</b>	<b>16.2x</b>
<b>Group Mean</b>			<b>93.5%</b>	<b>\$18,296</b>	<b>\$22,504</b>	<b>\$3,622</b>	<b>18.5%</b>	<b>1.7x</b>	<b>20.3x</b>	<b>17.0x</b>
<b>Aerospace Suppliers</b>										
Astronics Corp.	ATRO	\$19.04	84.8%	\$666	\$830	\$689	2.4%	1.2x	NM	8.7x
Crane Co.	CR	135.13	99.4	7,800	7,721	2,086	16.5	3.7	22.5	18.3
Ducommun	DCO	51.30	93.2	753	976	757	10.3	1.3	12.6	8.7
Héroux-Devtek	HRX	13.44	97.7	455	619	456	11.6	1.4	11.8	8.7
Howmet Aerospace	HWM	68.43	98.4	28,100	31,251	6,640	21.9	4.7	21.4	18.8
Lisi	FII	25.55	87.6	1,158	1,719	1,855	11.4	0.9	8.1	7.1
Moog	MOG.A	159.65	99.6	5,153	6,026	3,416	12.4	1.8	14.3	12.0
RBC Bearings	RBC	270.35	93.8	7,875	9,074	1,541	29.5	5.9	20.0	18.1
Triumph Group	TGI	15.04	87.1	1,156	2,624	1,407	12.7	1.9	14.7	13.9
Woodward	WWD	154.12	98.8	9,579	10,166	3,083	15.9	3.3	20.8	17.7
<b>Group Median</b>			<b>95.8%</b>	<b>\$3,156</b>	<b>\$4,325</b>	<b>\$1,698</b>	<b>12.5%</b>	<b>1.8x</b>	<b>14.7x</b>	<b>13.0x</b>
<b>Group Mean</b>			<b>94.0%</b>	<b>\$6,269</b>	<b>\$7,101</b>	<b>\$2,193</b>	<b>14.4%</b>	<b>2.6x</b>	<b>16.2x</b>	<b>13.2x</b>
<b>Defense Primes</b>										
BAE Systems	BA.	\$17.06	97.9%	\$51,557	\$55,063	\$29,396	12.2%	1.9x	15.3x	11.7x
General Dynamics	GD	282.49	99.2	78,124	85,919	42,272	10.8	2.0	18.8	14.3
Lockheed Martin	LMT	454.87	89.5	109,394	125,411	67,571	15.1	1.9	12.3	12.8
L3Harris Technologies	LHX	213.10	97.6	40,650	53,279	19,419	17.9	2.7	15.3	13.9
Northrop Grumman	NOC	478.66	96.3	71,816	82,563	39,290	10.1	2.1	20.7	14.5
RTX Corporation	RTX	97.53	93.0	129,905	168,792	68,920	13.9	2.4	17.6	12.8
<b>Group Median</b>			<b>97.0%</b>	<b>\$74,970</b>	<b>\$84,241</b>	<b>\$40,781</b>	<b>13.1%</b>	<b>2.1x</b>	<b>16.4x</b>	<b>13.4x</b>
<b>Group Mean</b>			<b>95.6%</b>	<b>\$80,241</b>	<b>\$95,171</b>	<b>\$44,478</b>	<b>13.4%</b>	<b>2.2x</b>	<b>16.7x</b>	<b>13.3x</b>
<b>Defense Electronics / C5ISR</b>										
Elbit Systems	ESLT	\$209.46	89.3%	\$9,316	\$10,146	\$5,975	9.1%	1.7x	18.6x	16.4x
Hensoldt	5UH	46.92	97.7	5,419	5,497	2,042	11.7	2.7	23.0	13.7
Kratos Defense & Security Solutions	KTOS	18.38	85.1	2,742	2,970	1,037	6.3	2.9	NM	28.2
Mercury Systems	MRCY	29.50	55.7	1,751	2,208	895	1.0	2.5	NM	28.2
QinetiQ Group	QQ.	4.62	95.5	2,639	2,992	2,185	11.8	1.4	11.6	8.0
Teledyne Technologies	TDY	429.32	95.7	20,578	23,179	5,636	24.2	4.1	17.0	15.9
Thales	HO	170.72	97.6	35,282	40,248	20,370	12.9	2.0	15.3	11.8
<b>Group Median</b>			<b>95.5%</b>	<b>\$5,419</b>	<b>\$5,497</b>	<b>\$2,185</b>	<b>11.7%</b>	<b>2.5x</b>	<b>17.0x</b>	<b>15.9x</b>
<b>Group Mean</b>			<b>88.1%</b>	<b>\$11,104</b>	<b>\$12,463</b>	<b>\$5,448</b>	<b>11.0%</b>	<b>2.5x</b>	<b>17.1x</b>	<b>17.5x</b>

Note: \$ in millions, except share price; Enterprise Value (EV) equals Market Value plus straight/convertible debt, preferred stock, minority interest, less cash and short-term investments

Source: S&P CapIQ as of 3/28/2024

# Public Markets Performance (Continued)

Company Name	Ticker	Share Price		Market Cap	Ent. Value	Revenue	EBITDA Margin	EV / Rev LTM	EV / EBITDA	
		3/28/24	% 52 High						LTM	NTM
<b>Other Defense</b>										
AeroVironment	AVAV	\$153.28	83.0%	\$4,293	\$4,224	\$706	18.4%	6.0x	32.6x	32.7x
Chemring Group	CHG	4.59	97.4	1,251	1,268	573	19.0	2.2	11.6	10.6
Cohort	CHRT	8.47	96.8	344	340	242	11.9	1.4	11.8	10.6
Curtiss-Wright Corp.	CW	255.94	99.4	9,797	10,449	2,845	22.1	3.7	16.6	16.4
Honeywell	HON	205.25	97.3	134,503	147,436	36,662	23.8	4.0	16.9	14.5
Huntington Ingalls Industries	HII	291.47	97.3	11,539	13,554	11,454	9.8	1.2	12.1	12.4
Kongsberg Gruppen	KOG	69.14	99.6	12,162	12,104	4,005	13.1	3.0	23.1	18.6
Leonardo	LDO	25.15	98.8	14,467	18,097	16,902	10.2	1.1	10.4	8.4
Leonardo DRS	DRS	22.09	92.0	5,832	5,771	2,826	11.6	2.0	17.6	15.2
Rheinmetall	RHM	562.76	99.5	25,171	26,666	7,932	15.0	3.4	22.4	14.2
Saab	SAAB B	89.10	97.5	11,872	11,542	5,132	10.8	2.2	20.9	15.4
Textron	TXT	95.93	99.1	18,707	20,460	13,683	12.2	1.5	12.3	11.4
<b>Group Median</b>			<b>97.5%</b>	<b>\$11,706</b>	<b>\$11,823</b>	<b>\$4,569</b>	<b>12.6%</b>	<b>2.2x</b>	<b>16.7x</b>	<b>14.4x</b>
<b>Group Mean</b>			<b>96.5%</b>	<b>\$20,828</b>	<b>\$22,659</b>	<b>\$8,580</b>	<b>14.8%</b>	<b>2.6x</b>	<b>17.4x</b>	<b>15.0x</b>
<b>Space</b>										
Astra Space	ASTR	\$0.68	9.4%	\$15	\$3	\$1	NM	3.0x	NM	NM
Blacksky Technologies	BKSY	1.36	57.5	199	230	94	NM	2.4	NM	17.5
Intuitive Machines	LUNR	6.25	47.2	313	527	80	NM	6.6	NM	NM
Momentus	MNTS	0.43	1.5	6	2	2	NM	0.8	NM	NM
Planet Labs	PL	2.55	51.0	733	435	221	NM	2.0	NM	NM
Redwire Corp.	RDW	4.39	91.6	288	444	244	1.6	1.8	NM	21.7
Rocket Lab	RKLB	4.11	51.1	2,043	1,919	245	NM	7.8	NM	NM
Satelllogic	SATL	1.70	67.2	154	123	6	NM	NM	NM	NM
Spire Global	SPIR	12.00	61.9	292	365	106	NM	3.5	NM	21.6
Terran Orbital	LLAP	1.31	64.2	255	367	136	NM	2.7	NM	NM
<b>Group Median</b>			<b>54.3%</b>	<b>\$272</b>	<b>\$366</b>	<b>\$100</b>	<b>1.6%</b>	<b>2.7x</b>	<b>NM</b>	<b>21.6x</b>
<b>Group Mean</b>			<b>50.2%</b>	<b>\$430</b>	<b>\$441</b>	<b>\$113</b>	<b>1.6%</b>	<b>3.4x</b>	<b>NM</b>	<b>20.2x</b>
<b>Overall Median</b>			<b>96.4%</b>	<b>\$7,247</b>	<b>\$8,745</b>	<b>\$4,983</b>	<b>11.6%</b>	<b>1.9x</b>	<b>15.3x</b>	<b>13.5x</b>
<b>Overall Mean</b>			<b>88.6%</b>	<b>\$21,977</b>	<b>\$24,732</b>	<b>\$11,178</b>	<b>12.2%</b>	<b>2.2x</b>	<b>16.7x</b>	<b>14.4x</b>

Note: \$ in millions, except share price; Enterprise Value ("EV") equals Market Value plus straight/convertible debt, preferred stock, minority interest, less cash and short-term investments

Source: S&P CapIQ as of 3/28/2024

# Stout ADGS Investment Banking Team

## ABOUT

For more than 30 years, Stout has exclusively focused on serving the unique M&A transaction advisory needs of middle-market clients. Our firm is a trusted advisor to leading organizations due to our deep industry knowledge, senior-level attention, process expertise, and relentless focus on delivering unparalleled results.

The Stout Aerospace, Defense, & Government Services team has deep experience and expertise across numerous industry subsectors, processes, and end markets.

## FOCUS AREAS

- Advanced Materials
- Batteries & Power Systems
- C5ISR and Cybersecurity
- Cloud Computing & Cloud Migration
- Defense Manufacturing
- Engineered Systems & Components
- Healthcare IT
- High-Frequency Electronics
- Intelligence Community Support
- Interiors
- IT Software & Consulting
- Management Consulting
- Missiles & Hypersonics
- MRO
- Sensors, Optics, & Photonics
- Soldier Systems
- Space & Satellite Systems
- Technical & Prof. Services
- Tooling & Ground Support
- Training Services
- Unmanned Systems
- Weapons & Ordnance

## SELECT TRANSACTIONS

<p><b>Project Aurora</b></p> <p>has been acquired by</p>  <p>a portfolio company of</p>  <p>SELL-SIDE ADVISOR</p>	<p></p> <p>has been acquired by</p>  <p>SELL-SIDE ADVISOR</p>	<p></p> <p>has been acquired by</p>  <p>SELL-SIDE ADVISOR</p>
<p></p> <p>has been acquired by</p>  <p>a portfolio company of</p>  <p>SELL-SIDE ADVISOR</p>	<p><b>WBD</b> &gt;</p> <p>Washington Business Dynamics</p> <p>has been acquired by</p>  <p>SELL-SIDE ADVISOR</p>	<p><b>INDUS</b></p> <p>has been acquired by</p> <p>Employee Stock Ownership Plan</p> <p>SELL-SIDE ADVISOR</p>
<p><b>GRA</b></p> <p>has been acquired by</p>  <p>a portfolio company of</p>  <p>SELL-SIDE ADVISOR</p>	<p><b>ASEC3</b></p> <p>Advanced Strategic Enterprise Concepts</p> <p>has acquired</p> <p>Certain Assets Supporting an IC Contract</p> <p>BUY-SIDE ADVISOR</p>	<p><b>HIGHLIGHT</b>™</p> <p>has been acquired by</p> <p>Employee Stock Ownership Plan</p> <p>SELL-SIDE ADVISOR</p>

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## ABOUT STOUT INVESTMENT BANKING

Stout's Investment Banking group provides mergers and acquisitions (M&A) advisory, capital market financing, and other financial advisory services to portfolio companies of private equity firms, closely held or family-owned businesses, and divisions of large corporate parents. Learn more about our [Investment Banking services](#).

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