



# Aerospace, Defense and Government Services Quarterly Industry Update 1<sup>st</sup> Quarter 2016

### Industry News Quarterly Summary

- The Department of Justice announced that it has officially dropped its pending lawsuit against Apple regarding an FBI request to provide a method to unlock its encryption software related to the San Bernardino shooting case. Techniques to gain access to the encrypted information were provided by a third party, but have not been disclosed. Questions regarding the security of information shared between companies remains an issue of significant focus in the industry.
- M&A activity in Q1 2016 was dominated by consolidation among large, prime contractors. Most notably, on January 26, Lockheed Martin and Leidos announced that Lockheed will spin-off its Information Services & Global Solutions (IS & GS) business which will merge with Leidos Holdings through a Reverse Morris Trust structure. The transaction has a total estimated value of approximately \$5 billion. The deal will make Leidos the largest government services firm in the sector, with combined revenue in excess of \$10 billion.
- The House Budget Committee initially rejected a proposed amendment to provide approximately \$3 billion for a revolving federal IT modernization fund. However, the White House officially filed a legislative proposal to establish the fund shortly thereafter and is proceeding with its proposal.
- KKR announced that it will acquire the Defense Electronics unit of Airbus Group SE for reported consideration of approximately \$1.2 billion.
- The Department of Veterans Affairs announced winners of a new contract for medical disability examinations with a total value of \$6.8 billion dollars. The commencement of the contract is expected to be delayed into Q2 due to several pending protests. Additionally, the VA made 21 awards as part of the \$22.3 billion T4NG contract.
- The Defense Information Systems Agency (“DISA”) granted approval to IBM to become the first cloud vendor to operate a level 5 data center for the U.S. Navy’s Allegany Ballistics Lab.

### Notable Quarterly M&A Activity

- Arlington Capital Partners announced it will acquire the Defense & Security business of iRobot Corp. for up to \$45 million
- Century Link acquired netAura, LLC
- Sirius Computer Solutions will acquire Force 3, Inc.
- Albany International announced the acquisition of the Aerostructures unit of Harris Corp. for \$210 million
- Liberty Hall Capital Partners acquired Bromford Industries Ltd.
- Platinum Equity Holdings acquired PAE from Lindsay Goldberg for an undisclosed amount
- Tetra Tech, Inc. acquired INDUS Corp.

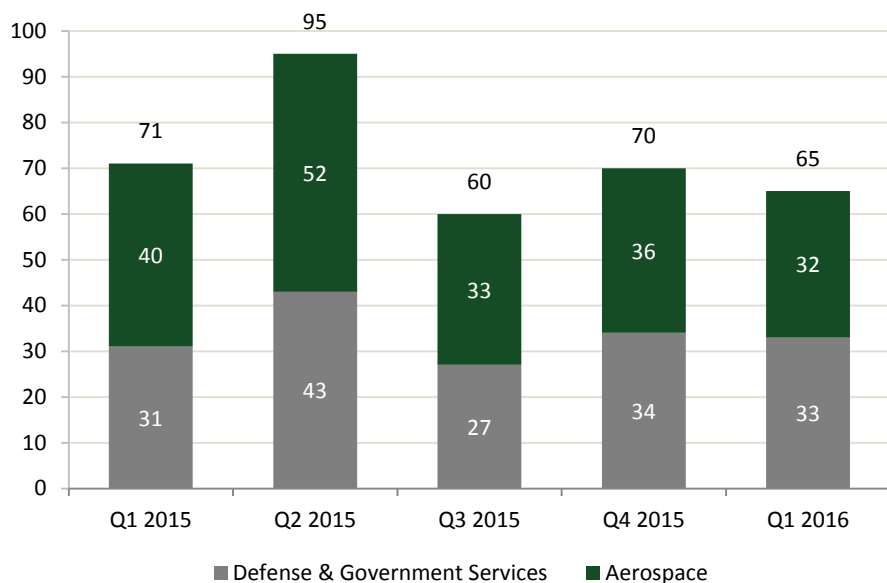
### Capital Markets

	% Change		
	Mar-16	Q1 2016	TTM
Defense Prime Index	1.4%	(2.2%)	1.1%
Defense Systems Index	2.0%	(2.6%)	(2.3%)
Diversified Government Services Index	12.4%	1.7%	5.4%
Middle Market Government Services Index	8.7%	8.5%	(13.2%)
Large Cap Aerospace Index	5.1%	(3.1%)	(13.1%)
Mid Cap Aerospace Index	3.5%	(4.6%)	(22.5%)
Small Cap Aerospace Index	11.2%	(1.0%)	(16.1%)
International Aerospace Index	4.5%	5.8%	(3.8%)
S&P 500	4.1%	2.3%	0.0%

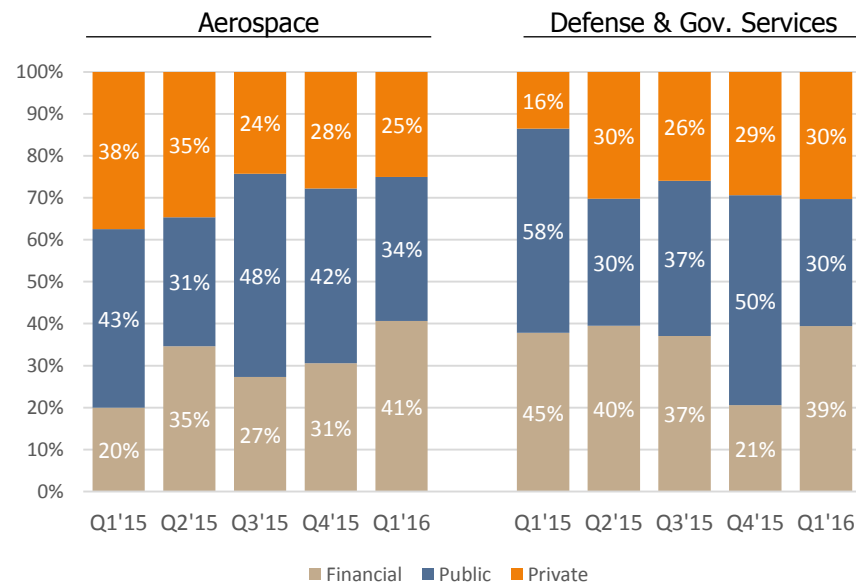
The McLean Group tracked 33 announced Defense and Government Services sector transactions during Q1 2016, up from Q1 2015 and in line with Q4 2015. Public buyer presence, which was evident throughout 2015, diminished slightly in Q1 2016 as buyers digested recent purchases and shaped portfolios with continued divestitures. Lockheed Martin announced it will merge its realigned Information Systems & Global Solutions business (“IS&GS”) with Leidos, forming the largest government services firm in the space with combined revenue in excess of \$10 billion. CACI’s UK business unit, CACI Ltd., acquired two smaller private IT companies – one for its analytics qualifications and the other for its cybersecurity subject matter expertise. Private equity companies represented the most active buyer category in the first quarter. Notable deals include Platinum Equity’s acquisition of PAE from private equity firm Lindsay Goldberg, CM Equity’s portfolio company PSS’ add on of Tetra Concepts, and Arlington Capital Partners’ purchase iRobot’s Defense & Security Business.

North American Aerospace M&A activity receded in Q1, falling to 32 announced transactions. Private equity buyers took advantage of this lull of activity by filling the the void in Q1. KKR announced it will acquire Airbus’ Defense and Electronics business unit, which is comprised of airborne platforms and ground systems, for \$1.2 billion. The acquisition is expected to close in Q1 2017. Airbus continued to shed non-core assets and divested its US satellite communications business to Satcom Direct. Enlightenment Capital made a strategic investment in Aurora Flight Sciences, a manufacturer of unmanned systems and aerospace vehicles for military and commercial customers. Lastly, Berkshire Hathaway completed its previously announced acquisition of Precision Castparts in January for \$37.2 billion.

### Recent Transaction Activity by Quarter



### Quarterly Transactions by Buyer Type



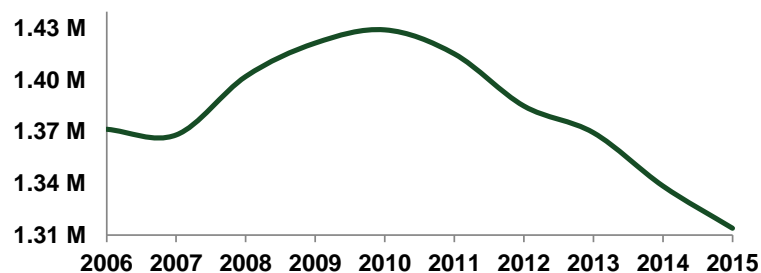
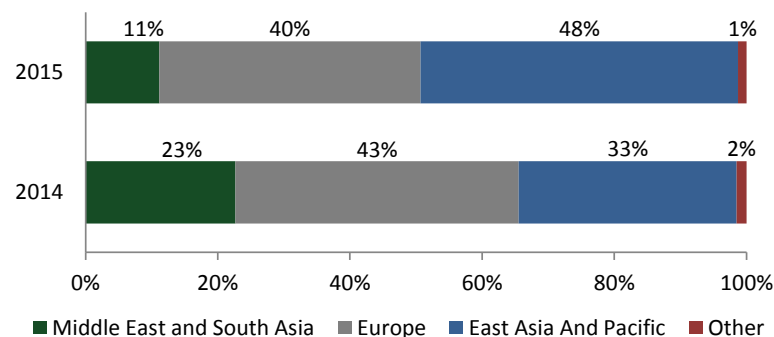
## Acquisition Spotlight

In January, **Lockheed Martin** announced that it will merge its Information Systems and Global Solutions (“IS&GS”) segment with **Leidos Holdings Inc.** in a deal valued at approximately \$5 billion. As a result of the transaction, Lockheed shareholders will receive a one-time payment of \$1.8 billion and shares in Leidos valued at approximately \$3.2 billion. The deal allows Lockheed to focus on its aerospace and defense business. Upon the transactions’ completion, Leidos will be a \$10 billion leader in enterprise focused high-end technical services. Over the last several years the commercial IT market has become increasingly competitive, and Leidos hopes to achieve some economies of scale through this transaction. We expect this consolidation trend to continue as small and medium size companies try to remain competitive in this increasingly cut-throat industry. Since being spun-off from SAIC in September 2013, Leidos has been relatively quiet in the M&A landscape, while Lockheed has made focused acquisitions in its IS&GS business segment.

As part of the merger several of Lockheed’s largest contracts will transition to Leidos:

- IS&GS’s \$4.6 billion contract to secure the Global Information Grid of the Defense Department. This contract is Lockheed’s second-largest contract, with revenue north of \$300 million in fiscal 2015
- IS&GS’s FAA contracts. Lockheed has been one of the FAA’s largest contractors and has played a critical role in creating the basis for the Next Generation Air Transportation System
- As a result of the merger, Leidos will regain the General Services Administration’s Alliant contract vehicle, retained by SAIC in their divestiture

## Active Duty Military Personnel By Location and Total Headcount



The ongoing drawdown of U.S. military operations in Iraq and Afghanistan, as well as recent escalation of tensions with North Korea and in the South China Sea, continues to shift the deployment of active duty military personnel to regions outside of the Middle East. This regional shift, as well as further decrease in total active duty headcount, supports further reliance on contractors globally, and in the Middle East in particular. In a recent report, the Pentagon disclosed that the number of private contractors in Iraq grew by approximately eight times in 2015, in addition to a steady contractor presence in Afghanistan and the CENTCOM AOR.

With global air travel up roughly seven percent in 2015, according to Statista, major airlines including American Airlines Group Inc., Air Canada, and IndiGo are upgrading their fleets and ordering new aircraft at a record pace. As this aircraft buying spree heats up, so does the M&A market for original equipment parts manufacturers. Private equity sponsors in particular are continuing to aggressively pursue aerospace component manufacturers with an insatiable appetite, including a few notable transactions highlighted below:

- In January, Warren Buffett's Berkshire Hathaway Inc. completed its \$37 billion purchase of Precision Castparts. Before the announcement of Berkshire's purchase, Precision was actively buying up competitors. Precision began by announcing it would acquire Composites Horizons LLC, which makes high-temperature composites used in engines, in July of 2015. Later that month Precision also announced the purchase of Noranco Inc., which makes parts for engines and landing gear, for \$560 million.
- Liberty Hall Capital Partners purchased AIM Aerospace, an OE of aerospace parts manufacturer, for \$220 million and Bromford Industries, a manufacturer of components for aircraft engines and industrial turbines in the first quarter of 2016.
- In March, KKR announced that it will be acquiring the Defense Electronics business of Airbus Group SE for \$1.2 billion.
- Heico Corp. has also been an active participant in the aerospace M&A landscape. During the first quarter of 2016, Heico closed its acquisition of Robertson Fuel Systems, a manufacturer of primary and auxiliary aircraft fuel systems. In 2015, the Company completed the acquisition of Midwest Microwave Solutions Inc., Astroseal Products Corp., and Aerospace & Commercial Technologies.
- In 2015, Apollo Aviation Group and Kidd & Co. and Centerfield Capital Partners-backed Imagnetix LLC acquired Azmark Aerosystems LLC.

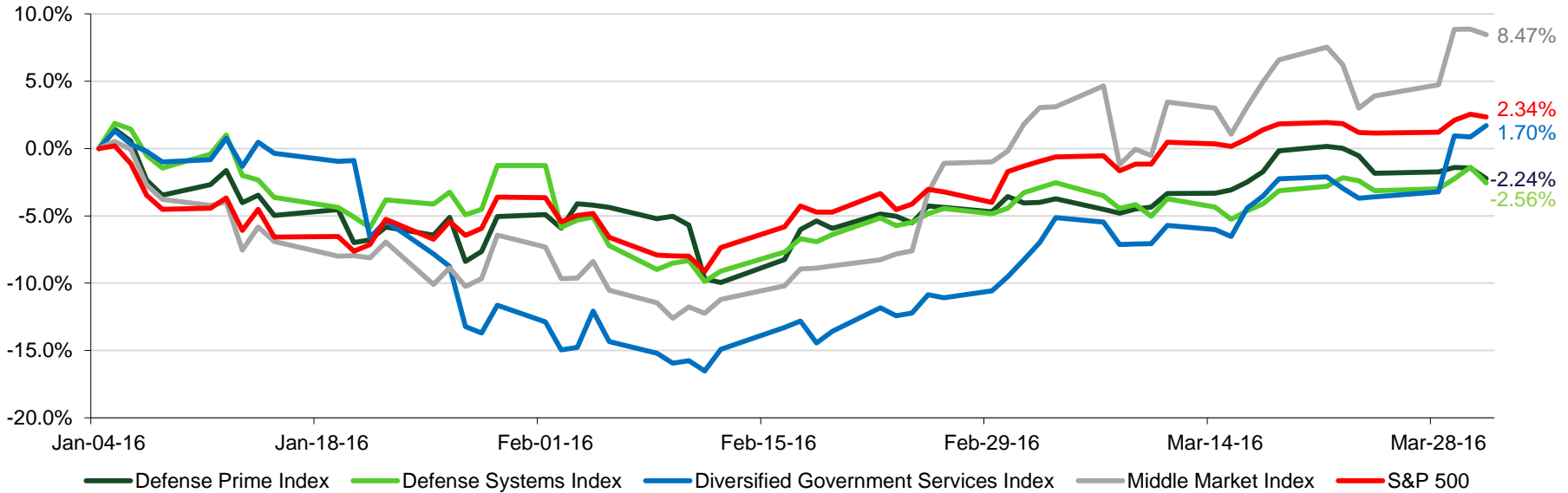
### Notable Acquisitions and Consolidations

Buyer	Target	EV	Announced
	Noranco, Inc.	\$560M	10/30/2015
	Composites Horizons, LLC		NA 07/31/2015
	Aerospace Dynamics International, Inc.	\$625M	04/25/2014
	Permaswage SAS	\$600M	01/23/2014
	SOS Metals, Inc.		NA 01/21/2014
	Exacta Aerospace, Inc.		NA 08/15/2013
	Breeze-Eastern Corp.	\$206M	01/04/2016
	Pexco Aerospace	\$496M	05/14/2015
	Telair Cargo Group	\$725M	03/26/2015
	Aerosonic Corp.	\$40M	06/05/2013
	Airborne Systems, Inc.	\$264M	12/19/2013
	Bromford Industries		NA 3/17/2016
	AIM Aerospace, Inc.	\$220M	02/03/2016
	LaCroix Industries, Inc.		NA 07/28/2015
	McCann Aerospace Machining Corp.		NA 04/02/2014
	Precise Machining & Manufacturing, LLC		NA 11/14/2013
	Robertson Fuel Systems, LLC (Tempe, AZ)	\$255M	01/12/2016
	Astroseal Products Manufacturing Corp.	\$0M	08/24/2015
	Midwest Microwave Solutions, Inc. (MMS)	\$0M	08/24/2015
	Aerospace & Commercial Technologies, Inc.	\$0M	08/19/2015
	Aeroworks International Holdings, B.V.	\$0M	01/20/2015
Lucix Corp.	\$50M	10/02/2013	
	Reinhold Industries, Inc.	\$133M	05/31/2013

In Q1 2016, there were a total of 143 new contract awards, including 21 awards with an initial ceiling greater than \$100 million, compared with 149 awards and 162 awards for the same period in 2015 and 2014, respectively. Awards in Q1 were dominated by the initial awards under the T4NG and ATSP IV vehicles for the Veterans Affairs Department and the Department of Defense, respectively. DoD dominated large awards with eight of the top ten contracts in Q1.

Customer / Vehicle	Award Value	Award Recipient	Overview	Total PoP
Veterans Affairs (T4NG)	\$22,300,000,000	Large: Accenture, Booz Allen Hamilton, By Light Professional IT Services, CACI, Information Innovators, IBM, Kforce Government Solutions, CSRA, Systems Made Simple (Leidos / Lockheed); Along with 10 SDVOSB and two Small Business recipients	Providing a wide variety of IT support services supporting the Veterans Affairs Department, including systems and software engineering, IT products, planning and strategy support, cybersecurity services, network engineering & program management	6 years
Department of Defense (ATSP IV)	\$7,200,000,000	Lockheed Martin, BAE Systems, General Dynamics, Northrop Grumman, Aeroflex Colorado Springs, Raytheon, Boeing, Honeywell International	Modernization and improvement of electronics hardware and software in conjunction with the Defense Microelectronics Agency supporting a variety of DoD agencies, the NSA, NASA, EPA and several other agencies	12 years
U.S. Army (ITES-3H IDIQ)	\$5,000,000,000	Large: CDW-G, Dell, GovConnection, Hewlett-Packard Enterprise, IBM Corp., Telos, Unicom, World Wide Technology; Small: Affigent, Dynamic Systems, Force3, Government Acquisitions, GTRI, Intelligent Decisions, Iron Bow, MicroTech, Wildflower	Providing IT hardware, software and related services, including servers, networking equipment and other IT products for the Army and other government buyers	5 years
U.S. Army (ERP Services IDIQ)	\$846,000,000	Telesto Group; Softek International; BridgePhase LLC; Enterprise Horizon Consulting Group; CompQSoft Inc; Johnson Technology Systems; 4M Research Inc.; Stango Obsidian Alliance; InSAP Services Inc.; Oakland Consulting Group	Providing enterprise resource planning services for the Army Enterprise System Integration Program, General Fund Enterprise Business System, and Army-Shared Services Center	10 years
U.S. Navy (NAVSUP BSC IDIQ)	\$809,500,000	Accenture Federal Services; CACI Enterprise Solutions; CGI Federal; Deloitte Consulting; ECS Federal; IBM; Leidos; Main Sail	Providing process improvement, reengineering, management and data support services for the Naval Supply Systems Command Business Systems Center (NAVSUP BSC)	4 years
U.S. Air Force (PEITSS IDIQ)	\$538,000,000	BCF Solutions; IGOV Technologies; People Tec Inc.; Pelatron Inc.; Smartronix Inc.; BAE Systems Technology Solutions and Services	Supporting the U.S. Airforce Platform for Engineering and Integration of Tactical and Strategic Systems, delivering capabilities and systems within the Theater Air Control System and other systems	7 years
Missile Defense Agency	\$528,000,000	Lockheed Martin Corp.	Producing and delivering two interceptors for the Terminal High Altitude Area Defense (THAAD) System	NA
NASA (EAST 2)	\$485,000,000	SAIC	Operating NASA Enterprise Applications Competency Center	8 years
U.S. Army	\$461,000,000	Sysorex Government Services Inc., OBXtek Inc.	Originally competed in March 2014, providing program management support to the Army Program Executive Office Enterprise Information Systems (PEO EIS) headquarters and associated groups	5 years
U.S. SOCOM (SWMS - Group B IDIQ)	\$450,000,000	MacAulay-Brown, Inc. (partner) / Mid Atlantic Professionals, Inc. (partner)	Providing professional services including training and program management for SOCOM	5 years

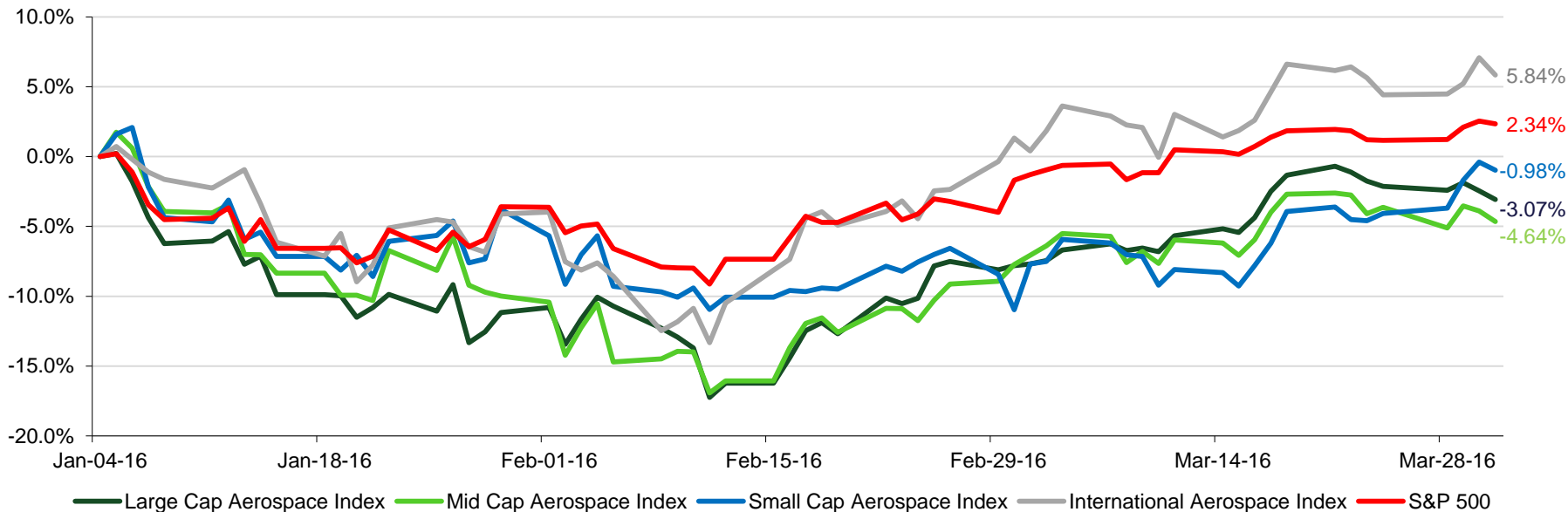
## Q1 2016 Custom Index Performance



## Index Constituents and Stock Price as a % of 52 Week High

Defense Prime Index	<b>BOEING</b>	<b>GENERAL DYNAMICS</b>	<b>LOCKHEED MARTIN</b>	<b>NORTHROP GRUMMAN</b>	<b>Raytheon</b>	
	82%	85%	97%	99%	94%	
Defense Systems Index	<b>CUBIC</b>	<b>FLIR</b>	<b>HARRIS</b>	<b>B3</b>	<b>Orbital ATK</b>	<b>TELEDYNE TECHNOLOGIES INCORPORATED</b>
	77%	97%	87%	90%	92%	79%
Diversified Government Services Index	<b>Booz   Allen   Hamilton</b>	<b>CACI</b>	<b>ENGILITY</b>	<b>leidos</b>	<b>ManTech International Corporation</b>	<b>SAIC</b>
	97%	98%	52%	85%	93%	97%
Middle Market Index	<b>ICF</b>	<b>KEYW</b>	<b>KRATOS DEFENSE &amp; SECURITY SOLUTIONS</b>	<b>nci</b>	<b>VECTRUS</b>	<b>VSE CORPORATION</b>
	81%	53%	70%	82%	79%	81%

## Q1 2016 Custom Index Performance



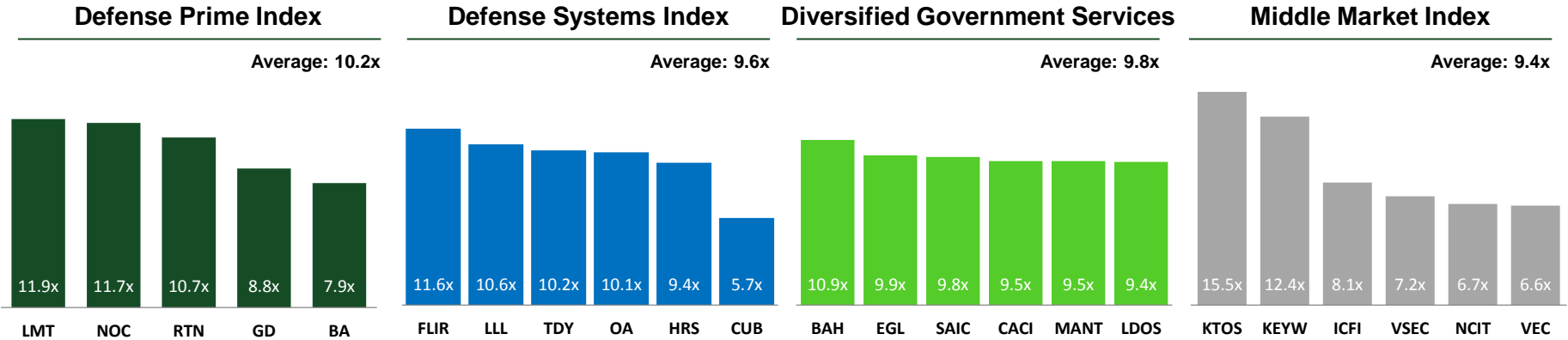
### Index Constituents and Stock Price as a % of 52 Week High

<b>Large Cap Aerospace Index</b>	87%	72%	82%	93%	78%	90%	84%	
<b>Mid Cap Aerospace Index</b>	98%	48%	55%	94%	80%	60%	78%	45%
<b>Small Cap Aerospace Index</b>	71%	92%	49%	66%	19%	67%	92%	86%
<b>International Aerospace Index</b>	85%	47%	28%	98%	70%	64%	85%	99%



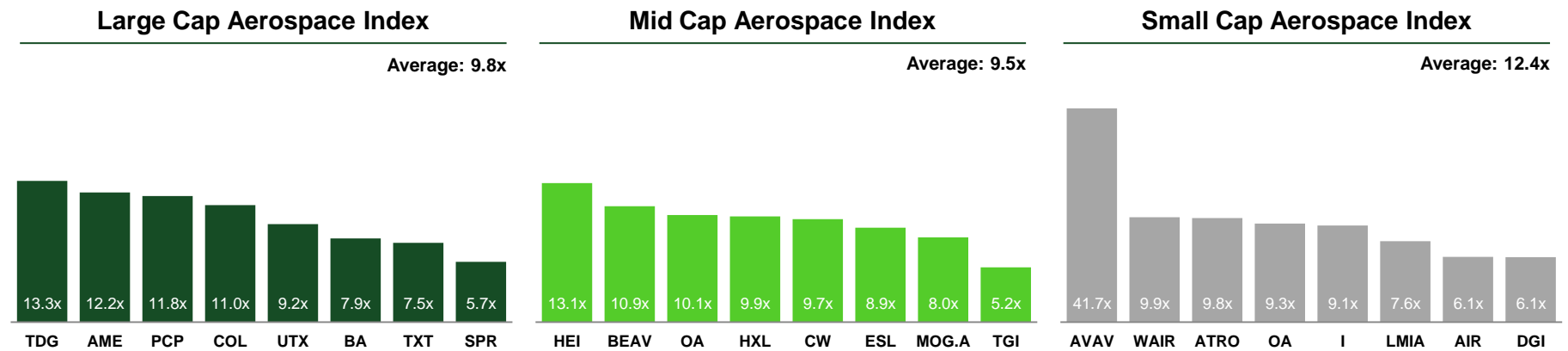
## Defense and Government Services

Average: 9.7x  
Median: 9.8x



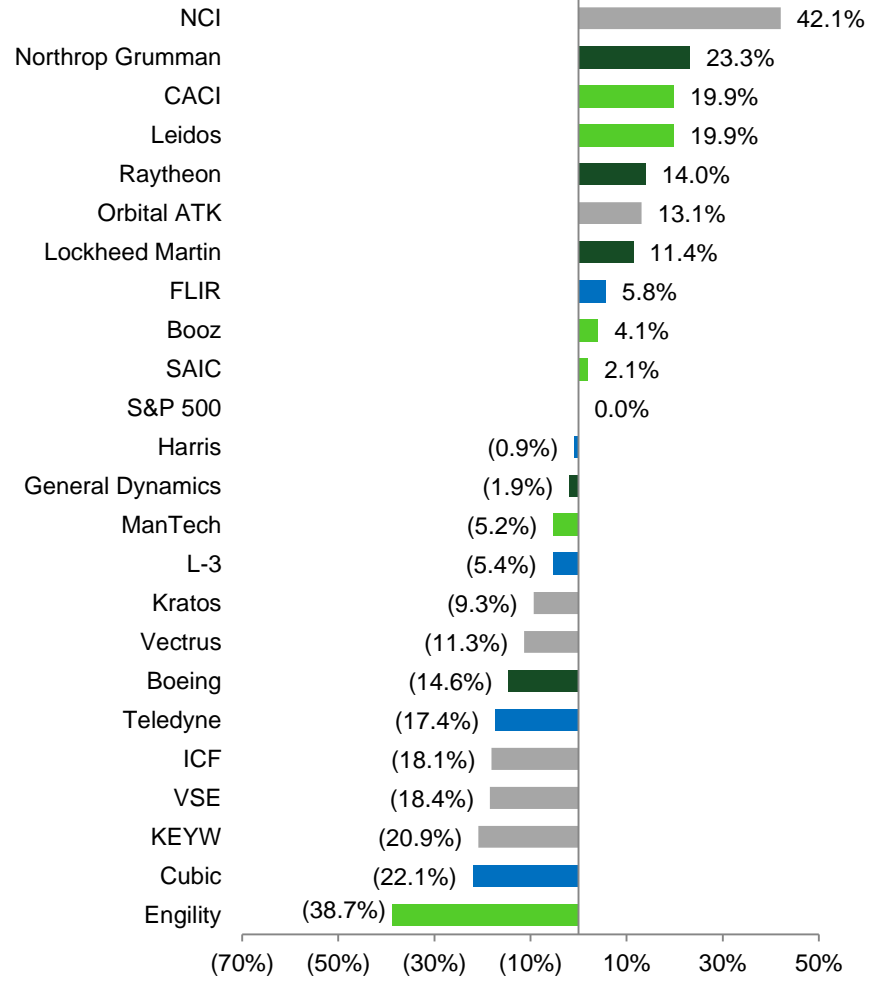
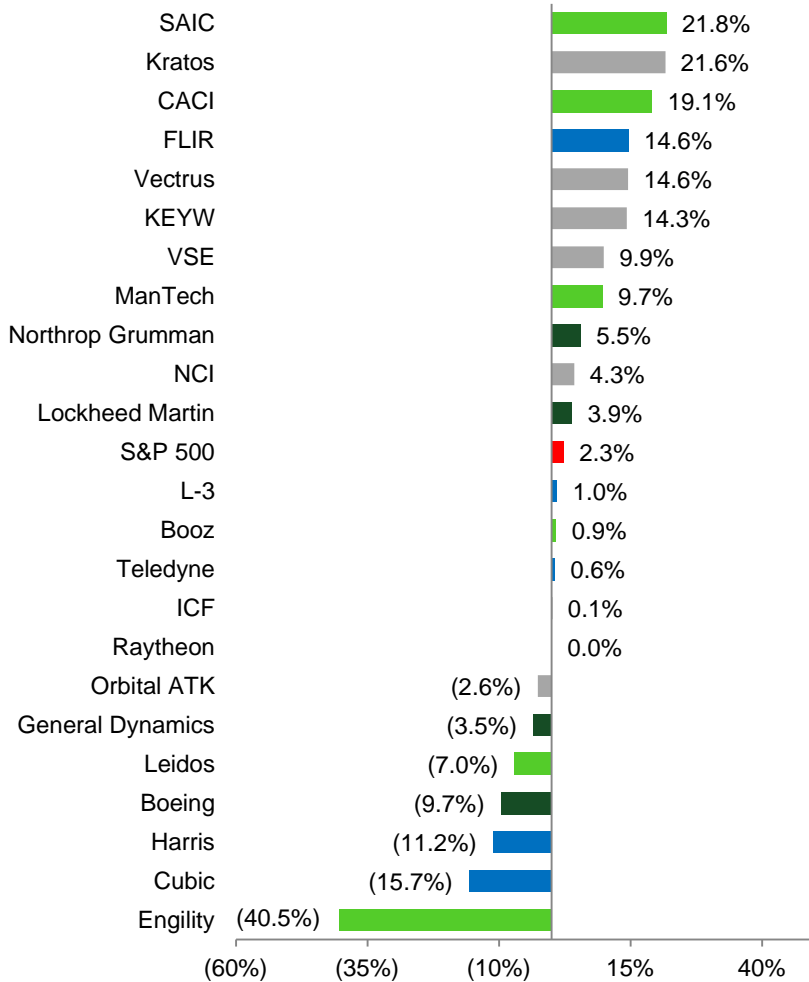
## Aerospace

Average: 10.6x  
Median: 9.5x



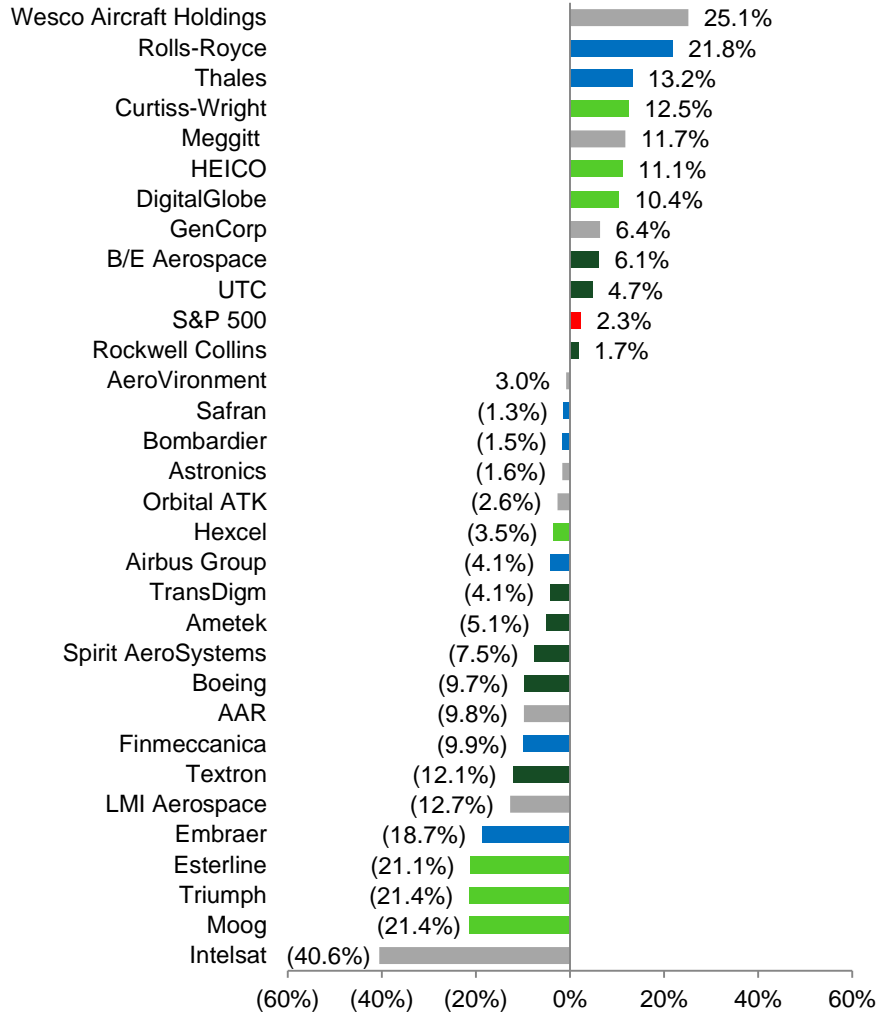
## First Quarter 2016

## Last 52 Week Performance

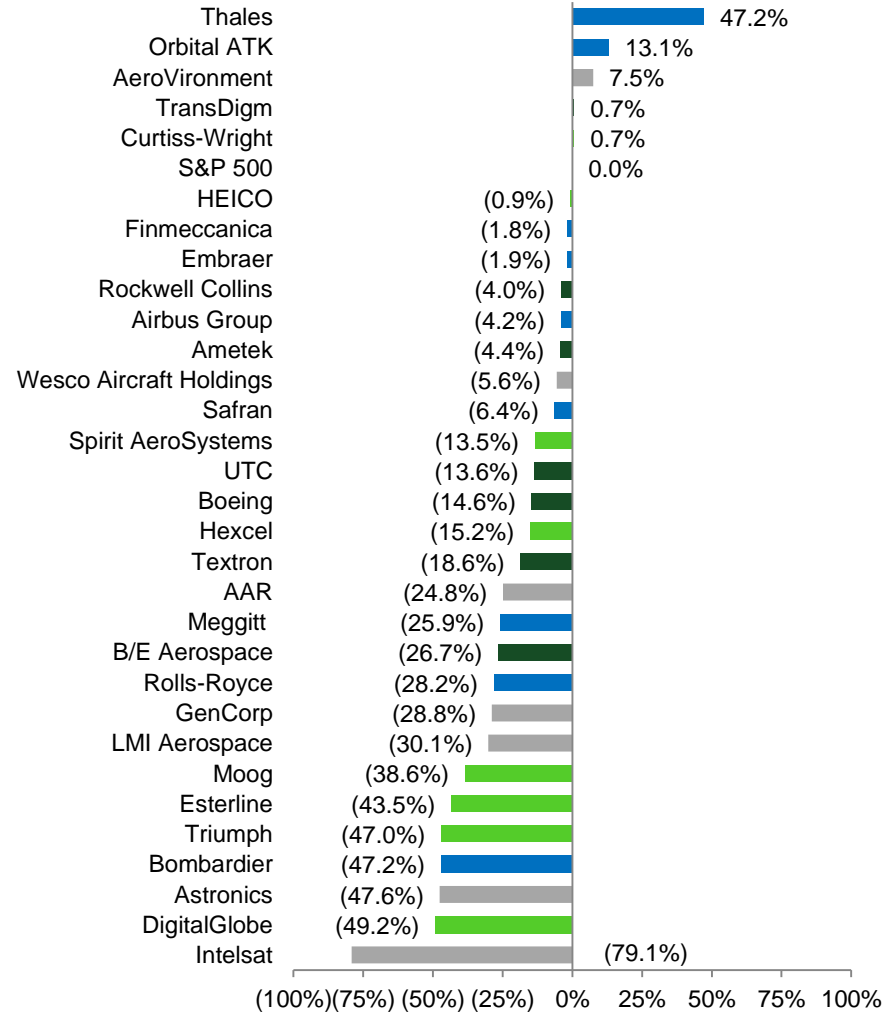


■ Defense Prime Index   
 ■ Defense Systems Index   
 ■ Diversified Government Services Index  
■ Middle Market Government Services Index   
 ■ S&P 500 Index

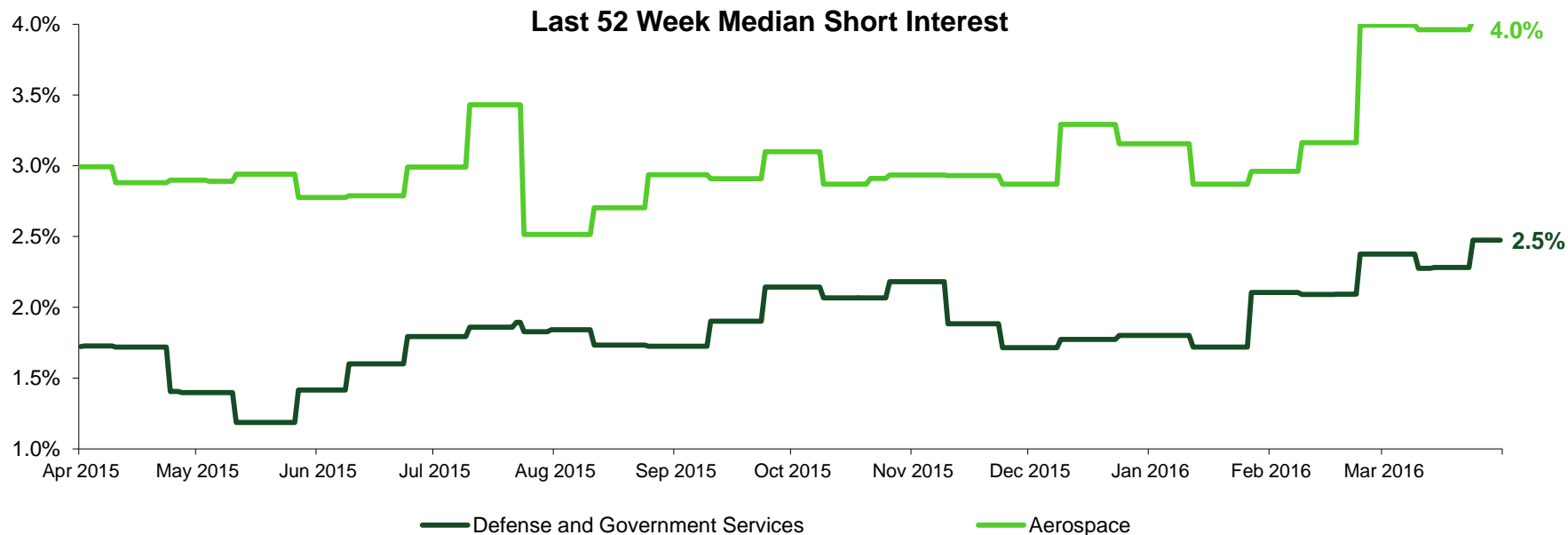
## First Quarter 2016



## Last 52 Week Performance



■ Large Cap Aerospace 
 ■ Mid Cap Aerospace 
 ■ Small Cap Aerospace 
 ■ International Aerospace 
 ■ S&P 500



### Short Interest as of March 31, 2016

#### Defense and Government Services

<b>BOEING</b> 4.0%	<b>GENERAL DYNAMICS</b> 0.9%	<b>LOCKHEED MARTIN</b> 1.4%	<b>NORTHROP GRUMMAN</b> 1.2%	<b>Raytheon</b> 1.3%	<b>Booz   Allen   Hamilton</b> 3.1%	<b>CACI</b> 2.6%	<b>ENGILITY</b> 3.3%
<b>leidos</b> 1.6%	<b>ManTech</b> 1.4%	<b>SAIC</b> 3.1%	<b>ICF</b> 2.1%	<b>KEYW</b> 24.7%	<b>KBR</b> 13.0%	<b>nci</b> 0.0%	<b>VECTRUS</b> 2.3%
<b>VSE CORPORATION</b> 1.9%	<b>Orbital ATK</b> 2.1%	<b>CUBIC</b> 4.7%	<b>FLIR</b> 3.0%	<b>HARRIS</b> 2.5%	<b>L3</b> 2.7%	<b>TELEDYNE TECHNOLOGIES</b> 4.0%	

#### Aerospace






<b>AMETEK</b> 1.7%	6.8%	<b>BOEING</b> 4.0%	<b>Rockwell Collins</b> 4.2%	<b>TEXTRON</b> 1.6%	<b>TRANSDIGM GROUP INC.</b> 8.6%	<b>United Technologies</b> 2.9%	<b>CURTISS WRIGHT</b> 2.9%
<b>DigitalGlobe</b> 8.0%	<b>Esterline</b> 3.2%	<b>HEICO</b> 2.8%	<b>HEXCEL</b> 7.2%	<b>MOOG</b> 2.0%	<b>SPIRIT AEROSYSTEMS</b> 4.9%	<b>Triumph Group, Inc.</b> 9.9%	<b>AAR</b> 3.0%
<b>AIV</b> 5.8%	<b>ASTRONICS CORPORATION</b> 2.9%	<b>AEROJET ROCKETDYNE</b> 10.6%	<b>INTELSAT</b> 7.6%	<b>LMI AEROSPACE, INC.</b> 1.6%	<b>Orbital ATK</b> 2.1%	<b>Wesco Aircraft</b> 4.5%	

# Dry Powder Calculations (Defense and Gov. Services)







First Quarter 2016

(\$ millions)


## Defense Prime Index

	 <b>BOEING</b>	 <b>GENERAL DYNAMICS</b>	 <b>LOCKHEED MARTIN</b>	 <b>NORTHROP GRUMMAN</b>	 <b>Raytheon</b>
3x LTM EBITDA	\$27,009.0	\$13,980.0	\$18,876.0	\$10,629.0	\$9,849.0
Less LT Debt	9,964.0	3,399.0	15,261.0	6,526.0	5,330.0
Plus Cash	11,302.0	2,785.0	1,090.0	2,319.0	2,328.0
<b>Dry Powder</b>	<b>\$28,347.0</b>	<b>\$13,366.0</b>	<b>\$4,705.0</b>	<b>\$6,422.0</b>	<b>\$6,847.0</b>





## Middle Market Defense & Government Services Index

	 <b>Orbital ATK</b>	 <b>CUBIC</b>	 <b>FLIR</b>	 <b>HARRIS</b>	 <b>L3</b>	 <b>TELEDYNE TECHNOLOGIES INCORPORATED</b>
3x LTM EBITDA	\$1,585.1	\$313.0	\$1,070.0	\$4,377.0	\$3,354.0	\$1,116.0
Less LT Debt	1,490.0	236.5	358.6	5,026.0	3,652.0	782.0
Plus Cash	104.0	171.4	472.8	511.0	207.0	85.1
<b>Dry Powder</b>	<b>\$199.1</b>	<b>\$247.8</b>	<b>\$1,184.1</b>	<b>(\$138.0)</b>	<b>(\$91.0)</b>	<b>\$419.1</b>

## Middle Market Defense & Government Services Index








	 <b>Booz   Allen   Hamilton</b>	 <b>CACI</b>	 <b>ENGILITY</b>	 <b>leidos</b>	 <b>ManTech International Corporation</b>	 <b>SAIC</b>
3x LTM EBITDA	\$1,484.0	\$919.2	\$546.5	\$1,302.5	\$348.5	\$945.0
Less LT Debt	1,594.0	1,004.9	1,127.5	1,088.0	0.0	1,070.0
Plus Cash	167.1	69.0	30.0	656.0	41.3	195.0
<b>Dry Powder</b>	<b>\$57.1</b>	<b>(\$16.7)</b>	<b>(\$550.9)</b>	<b>\$870.5</b>	<b>\$389.8</b>	<b>\$70.0</b>

## Middle Market Defense & Government Services Index









	 <b>ICF</b>	 <b>KEYW</b>	 <b>KRATOS DEFENSE &amp; SECURITY SOLUTIONS</b>	 <b>nci</b>	 <b>VECTRUS</b>	 <b>VSE CORPORATION</b>
3x LTM EBITDA	\$325.9	-\$0.1	\$61.2	\$86.3	\$139.7	\$231.4
Less LT Debt	311.5	126.2	445.1	10.0	114.4	257.1
Plus Cash	7.7	21.2	28.5	0.2	40.0	0.7
<b>Dry Powder</b>	<b>\$22.1</b>	<b>(\$105.0)</b>	<b>(\$355.4)</b>	<b>\$76.5</b>	<b>\$65.4</b>	<b>(\$24.9)</b>

(\$ millions)









### Large Cap Aerospace Index

							
3x LTM EBITDA	\$3,281.3	\$1,759.8	\$27,009.0	\$3,540.0	\$4,722.0	\$3,747.4	\$30,795.0
Less LT Debt	1,942.1	2,034.1	9,964.0	2,475.0	3,610.0	8,402.8	20,425.0
Plus Cash	381.0	154.1	11,302.0	334.0	946.0	805.3	7,075.0
<b>Dry Powder</b>	<b>\$1,720.2</b>	<b>(\$120.2)</b>	<b>\$28,347.0</b>	<b>\$1,399.0</b>	<b>\$2,058.0</b>	<b>(\$3,850.1)</b>	<b>\$17,445.0</b>

### Mid Cap Aerospace Index

								
3x LTM EBITDA	\$1,234.3	\$1,104.9	\$714.3	\$873.3	\$1,227.3	\$971.9	\$2,967.0	\$1,551.3
Less LT Debt	954.3	1,109.9	848.3	594.9	576.5	1,132.6	1,133.2	1,682.3
Plus Cash	288.7	126.1	200.9	29.9	51.8	323.3	957.3	41.7
<b>Dry Powder</b>	<b>\$568.6</b>	<b>\$121.1</b>	<b>\$66.8</b>	<b>\$308.3</b>	<b>\$702.6</b>	<b>\$162.5</b>	<b>\$2,791.1</b>	<b>(\$89.3)</b>

### Small Cap Aerospace Index

								
3x LTM EBITDA	\$198.3	\$52.1	\$370.1	\$453.9	\$5,473.8	\$120.5	\$1,585.1	\$265.9
Less LT Debt	195.7	0.4	169.8	652.0	14,795.0	250.0	1,490.0	953.4
Plus Cash	50.4	122.7	18.6	211.1	171.5	10.5	104.0	85.7
<b>Dry Powder</b>	<b>\$53.0</b>	<b>\$174.4</b>	<b>\$218.8</b>	<b>\$13.0</b>	<b>(\$9,149.6)</b>	<b>(\$119.0)</b>	<b>\$199.1</b>	<b>(\$601.8)</b>



will acquire



Defense Electronics business

**Announced**

March 18, 2016

**Notes**

KKR & Co. agreed to acquire the German defense electronics business of Airbus Group for \$1.2 billion. The defense electronics business being sold to KKR consists of a non-core assets such as: defense sensors, electronic warfare and radar units, an optronics arm that makes periscopes for submarines and telescopes, and other ancillary capabilities. The transaction is expected to close Q1 2017.



acquired



**Closed**

March 14, 2016

**Notes**

Tetra Tech, Inc. acquired privately held INDUS Corp., an IT solutions firm focused on data analytics, geospatial analysis, secure infrastructure, and software applications management. INDUS is joining Tetra Tech's Water, Environment & Infrastructure business segment. The terms of the acquisition were not disclosed.



acquired



**Closed**

March 4, 2016

**Notes**

CACI Ltd, the UK subsidiary of CACI International, Inc., acquired privately held Stream:20 Ltd., a specialist digital consultancy. Stream:20 delivers a range of services including consumer data, marketing technology and database implementation, campaigning services, analytics, and web site design & build. Terms of the transaction were not disclosed.



acquired



**Closed**

February 29, 2016

**Notes**

CACI Ltd, the UK subsidiary of CACI International, Inc., acquired privately held Purple Secure Systems Ltd., an expert provider of high quality and agile systems and software for national security, defense and government organizations. Purple will form part of CACI's IT solutions business. Terms of the transaction were not disclosed.



will acquire



**Announced**

February 25, 2016

**Notes**

General Atomics Corp. entered into a definitive agreement to acquire Miltec Corp., a wholly owned subsidiary of Ducommun, Inc. for \$14.6 million in cash, subject to post-closing adjustments. Miltec provides engineering, technical and program management services principally to the DoD and Intelligence Community for advanced weapons systems and military defense systems. Ducommun acquired Miltec for \$50 million in 2006.



SETA business  
will divest to



**Announced**

February 24, 2016

**Notes**

KEYW Corp., signed a definitive agreement to sell its systems engineering and technical assistance (SETA) business to Quantech Services, Inc. for \$12 million in cash. The transaction is expected to close in March. This action de-conflicts KEYW at two key government agencies. KEYW acquired this SETA business from GD Advanced Information Systems (AIS) in 2009 for \$7.5 million.



# Notable Announced M&A Transactions

First Quarter 2016

**GENERAL DYNAMICS**  
Mission Systems

acquired



**Closed**

February 22, 2016

**Notes**

General Dynamics Mission Systems acquired Bluefin Robotics Corp., a subsidiary of Battelle Memorial Institute (BMI). Bluefin Robotics performs lifecycle services such as research and development, technology integration, full-scale manufacturing, platform training and operations support work for unmanned undersea vehicles (UUVs). Terms of the transaction were not disclosed.



ESOP Buyout

**Closed**

February 21, 2016

**Notes**

JTG, Inc. completed an employee stock ownership plan (ESOP) buyout led by management. JTG provides end-to-end solutions to government and commercial customers requiring deep knowledge of global intelligence and the agility to respond to a rapidly changing world. The McLean Group served as the exclusive transaction advisor to JTG.



acquired



**Closed**

April 4, 2016

**Notes**

In February Arlington Capital Partners entered into a definitive agreement to acquire the Defense & Security business of iRobot Corp. for up to \$45 million in total consideration, including a contingent payment based on achieving certain milestones. The Company's leading robotic designs are proven in the most dangerous and hostile environments, providing warfighters and first-responders with invaluable situational awareness while improving mission effectiveness and saving lives. The transaction closed April 4, 2016.



acquired



**Closed**

January 29, 2016

**Notes**

SOS International, LLC (SOSi) acquired New World Solutions, Inc., a defense and intelligence contracting firm that specializes in imagery science, cyber analytics and advanced technology research and development. The addition of New World Solutions significantly increases SOSi's presence within the IC and broadens its clients and technical capabilities to support the national cyber and intelligence, surveillance and reconnaissance missions.



will acquire



**Announced**

January 26, 2016

**Notes**

Leidos entered into a definitive agreement with Lockheed Martin to combine with Lockheed's realigned Information Systems & Global Solutions business (IS&GS) in a Reverse Morris Trust transaction. Included in the transaction are five major components of IS&GS, and one business of Missiles & Fire Control. The value of the transaction is \$5.0 billion and is anticipated to close in the second half of 2016.



acquired

LINDSAY GOLDBERG



**Closed**

March 15, 2016

**Notes**

In January Platinum Equity Holdings signed a definitive agreement to acquire PAE from Lindsay Goldberg & Co. PAE supports the execution of complex and critical missions by providing global logistics and stability operations, technical services and national security solutions to customers around the world. The transaction closed March 15, 2016. Financial terms were not disclosed.



acquired



**Closed**

January 21, 2016

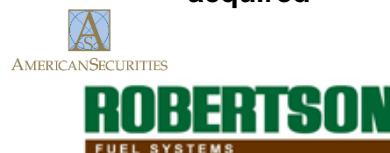
**Notes**

Textron Inc. completed the acquisition of Able Engineering & Component Services, Inc. Founded in 1982, and based in Mesa, AZ, Able Engineering's origins are in processing turbine engine components for OEMs. The Company expanded its business to include FAA-approved parts, along with repairs, overhauls, exchanges and partnerships. In a December 2014 press release, Able Engineering said that it had revenue of \$70 million, with approximately 450 employees. Terms of the transaction have not been disclosed.



Electronic Technologies Group

acquired



**Closed**

January 12, 2016

**Notes**

The Electronic Technologies Group of HEICO Corp. completed its acquisition of Robertson Fuel Systems, LLC ("Robertson") from affiliates of private equity firm American Securities, LLC, for \$255 million in cash at closing, subject to typical post-closing adjustments. Robertson is a leader in the design and production of mission-extending, crashworthy and ballistically self-sealing auxiliary fuel systems for military rotorcraft.



acquired



**Closed**

January 4, 2016

**Notes**

Intel Corp. signed a definitive agreement to acquire privately held Ascending Technologies GmbH, a maker of auto-pilot software and algorithms that enable drones to detect and avoid obstacles to prevent mishaps. Research is ongoing in the areas of sensor data processing and flight attitude control. The purchase follows Intel's investment of \$60 million last August into Shanghai-based drone and aerospace company Yuneec International Co. Financial terms of the deal were not disclosed.

- The McLean Group's Aerospace, Defense & Government (ADG) industry group is one of the largest, most experienced, and most capable investment banking teams focused exclusively on the defense and government services industry.

## Deep Government Market Expertise

Aerospace Hardware & Services

C4ISR

Cyber Security Products & Services

Defense Electronics

Healthcare IT

Intelligence Community

IT, Software & Consulting Services

Logistics & Training

Technical & Professional Services

## Discriminators

- One of the largest ADG teams in the country – 15 bankers that cover the sector
- Leadership team averages more than 10 years of exclusive focus on the sector
- Longstanding relationships with virtually every strategic and financial buyer in the sector
- 60 closed transactions in the government sector since 2010
- As an independent investment bank, we avoid potential conflicts of interest and are able to provide honest advice to best support our clients

Recent  
Representative  
Buyers / Clients



- As a core competency and complement to our M&A practice, The McLean Group provides formal business valuation services for a variety of transaction, financial reporting, litigation, and tax purposes.

## Financial Reporting

- Purchase price allocations (ASC 805)
- Goodwill impairment tests (ASC 350)
- Analysis of long-lived assets (ASC 360)
- Stock option expense (ASC 718)
- Fresh start accounting (ASC 852)

## Equity Incentive Plans & Tax Compliance

- Employee Stock Ownership Plans (ESOPs)
- Private company equity incentive plans
- Section 409A valuations
- S corporation conversions
- Estate and gift tax valuations

## Litigation Support

- Dissenting/oppressed shareholders
- Lost profits and lost asset values
- Wrongful death and personal injury
- Buy/sell agreements and dispute resolution

## Transaction Advisory

- Fairness opinions
- Valuation due diligence
- Business modeling and forecasting
- Exit planning



# Recent ADG Advisory Experience

First Quarter 2016



acquired by



Federal Contracting



acquired by




Federal Contracting




ESOP Buyout

Defense and Government Services



acquired by



Agile Software Development  
Government Services




merged with



a company of




Specialized Environmental &  
Government Services



ADAMS COMMUNICATION &  
ENGINEERING TECHNOLOGY

recapitalization

Defense & Government Services



acquired by

Booz | Allen | Hamilton

Agile Software Development  
Government Services



acquired by



Federal Contracting  
International Development



ESOP buyout  
financed by



Federal Contracting



debt refinancing by



Defense and Government Services



acquired by



Federal Contracting



acquired by



a portfolio company of: CM EQUITY PARTNERS

Federal Contracting



acquired by



a portfolio company of: Arlington Capital Partners

Data Analytics



acquired by



a portfolio company of: Arlington Capital Partners

Signals Intelligence & Analysis



acquired by



a portfolio company of: the edgewater funds

Network Management & Security



has acquired



Company Of: FedCap Partners, Waud Capital


Federal Contracting



acquired by



Federal Contracting  
Naval Technology Solutions



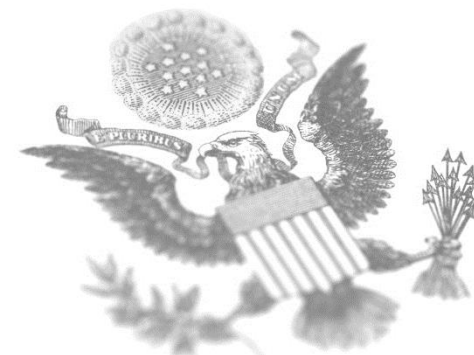
acquired by



Mobile Interoperability for  
Mission-Critical Communications



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*Disclaimer: The McLean Group does not provide accounting, tax or legal advice. The contents of this document are believed to be reliable, however The McLean Group, LLC makes no representation as to the accuracy or completeness of this information.*