

Aerospace & Defence: M&A Update

October 2009

All quiet on the Western front...



Deal activity in the aerospace, defence and homeland security sector for Q3 has mirrored the themes seen during the first half of 2009:

- Substantially reduced activity levels
- No large (>£1 billion) deals
- Retreat of private equity
- Few cross-border acquisitions

US buyers have been the most active market, representing 8 of the total 28 transactions during the quarter, followed by the UK, Canada, Russia and China. The activity in Russia and China represents the start of the long-awaited restructuring of the two nations sprawling aerospace sectors, which will continue for many years.

The largest transaction during the quarter was Boeing's \$1 billion (£608 million) purchase of Vought's South Carolina facility in an effort to accelerate the production of its 787 Dreamliner.

Given the low deal count, lack of disclosed transaction values and uncertainty regarding forward

earnings estimates, it is difficult to draw any meaningful conclusions about valuation multiples in the current market. However, our recent experience indicates that most commercial aerospace suppliers are valued in 4-6x EBITDA territory and 6-8x for defence technology companies. Of course, any large consolidation play would likely command a premium to these ranges.

We have recently met a number of companies and private equity firms considering the sale of their aerospace components businesses. Also, we have seen several smaller Tier 3 and 4 players driven to the brink of insolvency by the double hit of the commercial aerospace slowdown and the liquidity crisis. These trends are likely to continue through the balance of 2009.

Moving forward, we expect the focus of M&A activity to shift from commercial aerospace to defence technologies and support services as homeland security takes on increasing importance.

Highlights

- * Substantially reduced activity levels
- * No large deals
- * Retreat of private equity
- * Few cross-border acquisitions

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Aerospace transactions YTD Q3 2009

Date	Acquirer	Target	Description	Deal Value (£m)
Sep	Military Parts Exchange LLC	US Dynatech International Corp.	US Distributor of military aircraft engine components, supply chain management and logistics	-
Sep	Moog Inc	US GE Aviation Systems Ltd's Wolverhampton product line business	UK Manufactures aircraft parts	56.3
Sep	Uzma Bhd	MY Uzma Teras Sdn Bhd	MY Aviation engineering services	-
Sep	OPK Oboronprom	RU Motorstroitel	RU Manufactures aircraft engines and parts	-
Sep	Investor Group	NL Heli-One Components BV	NL Manufactures aircraft components	-
Sep	Axis-IT&T Ltd	IN CADES Digitech Pvt Ltd	IN Provide engineering services	-
Sep	DRS Technologies Inc	US Soneticom Inc	US Manufactures defence electronic equipment	-
Sep	Chemring Group	UK Hi-Shear Technology	US Manufactures energetic solutions for use in key US space and defence programmes	80.0
Aug	TransDigm Group Incorporated	US HR Textron	US Motion control systems and components for commercial and military aircraft, helicopters, missiles, spacecraft, marine craft and ground vehicles	29.0
Aug	OAD TVTS Rostvertol	RU OKB Rostov-Mil'	RU Repair and maintenance services	-
Aug	Ranger Aerospace LLC	US US Logistics Inc	US Repair and maintenance services	-
Aug	Darwin Private Equity LLP	UK Bromford Industries (formally Hampson Aerospace Machining Ltd)	UK Manufactures aircraft parts and equipment	23.7
Aug	Investor Group	RU Zavod Aerodromnogo Oborudovani	RU Manufactures aircraft parts	-
Aug	TSI Group Inc	US JA Reinhardt & Co Inc	US Manufactures thermal, mechanical products used in aerospace and defence industries	-
Aug	Interfast Inc	CA Burwood Fastener Products Ltd	UK Wholesales aircraft components	-
Aug	NAFTAA	CA Weatherly Aircraft NE Inc-Mnfg	US Manufactures aircraft	-
Aug	Blue Star Capital Plc	UK Pegasus Bridge Defence-Assets	UK Assets of Pegasus Bridge Defence	1.5
Aug	OHB Technology AG	DE Carlo Gavazzi Space SpA	IT Aircraft manufacturer and aerospace technology services	-
Aug	Aviation Acquisitions Inc.	CA Telford Services Group Inc	CA Aircraft services to oil and gas companies	-
Aug	SGI Aviation Services BV	HL Thrust Aerospace Services Inc	US Aviation and aerospace industry business support and software developer	-
Aug	Fuel Systems Solutions Inc	US Teleflex Inc.'s power systems business	US Manufactures Aircraft parts	8.6
Jul	Boeing Co	US Vought Aircraft-Facility,SC	US Manufactures wholesale aerostructures	608.3
Jul	Jiangxi Changhe Auto Co Ltd	CN Lanzhou Wanli Aero Electro	CN Manufactures aviation electronics and electronic products	-
Jul	Jiangxi Changhe Auto Co Ltd	CN Shanghai Aviation Elec Co Ltd	CN Manufactures aviation electronics and electronic products	-
Jul	Eurocopter Japan Co Ltd	JP ANA AM-Heli Mainte	JP Maintenance services	3.8
Jul	Ruag Holding AG	CH Oerlikon Space AG	CH Manufactures sub-systems & components for space	-
Jul	TransDigm Group Inc	US Acme Aerospace Inc	US Manufactures highly engineered aerospace components	-
Jul	TAT Technologies Ltd	IL Limco-Piedmont Inc	US Manufactures aerospace parts and provide a repair services	-
Jun	Rolls Royce plc	UK Odim ASA	NO Development of automated handling solutions for naval vessels and the defence industry	66.0
Jun	OPK Oboronprom	RU Kazanskiy Vertoletnyi Zavod	RU Manufactures helicopters	-
Jun	OAD U-UAZ	RU OAO VIK	RU Manufactures aircraft spare parts	-
Jun	Simplex Manufacturing Co Inc	US Helipod International	NZ Manufactures helicopter parts	-
Jun	RKK Energiya	RU TeploRKK	RU Manufactures spacecraft and equipment	-
Jun	OPK Oboronprom	RU UZGA	RU Engine repair services	-
Jun	Mundus Group Inc	US AirStar International	US Manufactures helicopters	-
Jun	BAE Systems PLC	UK Advanced Ceramics Research Inc	US Manufactures advanced ceramic materials and unmanned aircraft systems	10.6
Jun	Court Square Capital Partners	US Wyle Holdings Inc	US Aerospace engineering and information technology services provider	-
Jun	Air France-KLM SA	FR Aero Maintenance Group	US Aircraft component repair and services provider	-
Jun	Alcoa Fastening Systems	US Demicron SNC's certain assets	MA Manufactures aerospace parts	-
Jun	Agentstvo Afina Pallada ZAO	RU Pervomaiskii Mekhanicheskii Zavod ZAO	UA Manufactures aircrafts, spacecrafts and vehicles	-

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Jun	OAO OPK Oboronprom	RU	OAO MMP im VV Chernysheva	RU	Manufactures aircraft engines	-
May	Atlas Elektronik UK	UK	QinetiQ plc (sonar business)	UK	Technical solutions to defence sector	24.0
May	Nagamas International Bhd	MY	Mas-be Travel Services Sdn Bhd	MY	Travelling and cargo services	0.1
May	Singapore Technologies	SG	Precision Products Singapore	SG	Manufactures castings	3.4
May	Lux Acquisition Corp	CA	Luxell Technologies Inc	CA	Manufactures flat panel displays	7.1
May	CAE Inc	CA	Bell Aliant Regional-Defence	CA	Develops simulation software	12.8
May	Mint Turbines LLC	US	Northstar Aerospace Turbine	US	Helicopter repair services	6.2
May	Smith Rothchild Financial	US	Irkutsk-10	RU	Manufactures whole aircraft and parts	-
May	Sberbank Inc	RU	Amur Shipbuilding Plant JSC	RU	Manufactures nuclear-powered and diesel-electric submarines	-
May	Edac Technologies Corp	US	MTU Aero Engines-Mnfg Asts	US	Manufactures aircraft engines	-
May	Ultra Electronics Holdings plc	UK	Tisys SA	FR	Airport-related computer consultancy services provider	-
May	Goodrich Corporation	US	Cloud Cap Technology Inc	US	Systems developer for flight management and unmanned aircraft systems	-
May	Imprimis Ltd	TH	Piper Aircraft Inc	US	Manufactures small aircraft parts	-
Apr	Microsemi Corp	US	Endwave Corp-Defense	US	Manufactures whole RF subsystems	19.0
Apr	ShotSpotter Inc	US	Planning Systems Inc	US	Acoustic gunshot detection system	-
Apr	Safran SA	FR	GE Security Inc	US	Develops tomography based detection systems	395.0
Apr	Mubadala Development Co	UAE	SR Technics Group	CH	Technological and maintenance services	-
Apr	LANDTEC North America	US	VIASPACE Inc-Humidity Sensor	US	Manufactures defence technology products	0.1
Apr	OAO RKK Energiya Imeni SP	RU	ZAO Belrossat	RU	Manufactures spacecraft and equipment	-
Apr	Preferred Systems Solutions	US	Integrated Network Services	US	Information technology services	-
Apr	Innovative Media Solutions Inc	US	Flight Deck Resources Inc	US	Develop flight deck management system	-
Apr	Woodward Governor Co	US	HR Textron Inc	US	Manufactures whole motion control system	255.1
Apr	Ionix Holdings Ltd	UK	Volex Wiring Systems Ltd	UK	Manufactures whole harnesses	-
Apr	Cardinal Growth Equity	US	Malabar International	US	Manufactures aircraft ground equipment	-
Apr	Hunter Defense Technologies	US	Vertigo Inc	US	Manufacture decelerators	-
Apr	Cobham plc	UK	Argotek Inc	US	Provider of information assurance systems	25.0
Apr	Companhia Brasileira de Cartuchos	BZ	Sellier & Bellot	CZ	Ammunition producer	-
Apr	Acorn Growth Companies	US	Integrated Composites Inc	US	Manufactures aircraft components	-
Mar	Ornge	CA	Canadian Helicopters Ltd-	CA	Provides helicopter transport services	16.7
Mar	Crossflo Systems Inc	US	Kratos Defense-Vigily's Prod	US	National defence and security services	-
Mar	Triumph Group Inc	US	Mexmil Co LLC	US	Manufactures aerospace insulation	-
Mar	Optex Systems Holdings Inc	US	Optex Systems Inc	US	Manufactures optical sighting system	-
Mar	Cerion LLC	US	Precision Parts International	US	Manufacture high-precision metals	-
Mar	Equus Resources Inc	US	Quasar Aerospace Industries	US	Provides aviation services	-
Mar	Tecnobit SL	ES	Retemsa	ES	Develops electronic system	-
Mar	Triumph Group Inc	US	Merritt Tool Inc	US	Manufactures industrial equipment and machinery	-
Mar	Triumph Group Inc	US	Saygrove Ltd	UK	Manufactures actuation and motor controls	-
Mar	Valeriy Savelyev	RU	OAO UZGA	RU	Engine repair services	-
Mar	Magellium SAS	FR	Generale d'Infographie-Defense	FR	Information technology services	-
Mar	CIRCOR International Inc	US	Bodet Aero	FR	Manufactures electro-mechanical and fluidic controls	-
Mar	Moog Controls Inc	US	Fernau Avionics Ltd	UK	Manufactures navigation equipment	32.0
Mar	Triumph Group Inc.	US	Kongsberg Automotive Holding ASA's aviation assets	DE	Aviation cable control systems manufacturer	18.5
Mar	Gruppa Kompanii AVS Group	RU	Uralskii Zavod Grazhdanskoi Aviatsii OAO	RU	Aircraft manufacturer	-
Mar	Industria SAS	FR	Bodet Aero SA	FR	Industrial and aerospace control components manufacturer	-
Feb	Triumph Group Inc	US	Saygrove Ltd	UK	Manufactures actuation and motor controls	-
Feb	Integral Systems Inc	US	QinetiQ plc (geolocator unit)	UK	Design & manufacture geolocator equipment	7.0

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Feb	OOA Voronezhskoye Aktsionernoy	RU	OOO Stroitelnyi kompleks VASO	RU	Manufactures aircraft	-
Feb	AvStar Aviation Inc	US	San Diego Airmotive	US	Repair and maintenance services	0.3
Feb	Nammo Talley Inc	US	Composite Solutions LLC	US	Manufactures composite structures	-
Feb	Minebea Co Ltd	JP	Myonic Holding GmbH	DE	Manufactures precision ball bearings	-
Feb	Ratos AB	SD	DIAB Group AB	SD	Manufactures composite core materials	34.0
Feb	TTC Turbine Trading Co SA	PT	Beechcraft Espanola SA	ES	Manufactures aircraft	-
Feb	Rhineland Palatinate state	DE	Flughafen Frankfurt-Hahn GmbH	DE	Aerospace part manufacturer	-
Feb	BNR Enterprise Inc.	KR	C&Space Co., Ltd	KR	Airport noise management systems developer	7.3
Feb	SC Petrom SA	RO	SC Petrom Aviation SA	RO	Aircraft engine maintenance and repair services	2.2
Feb	Brüel & Kjaer Sound & Vibration Measurement A/S	DK	Lochard Pty Ltd	AU	Aerospace part manufacturer	-
Jan	Astronics Corp	US	DME Corp	US	Manufacture aviation and defence products	35.4
Jan	Dongah Tire & Rubber Corp	KR	Avon Automotive-Vibration Mgmt	US	Manufactures vibration management products	8.7
Jan	Fortius Mittelstandskapital AG	DE	Grob Aircraft AG	DE	Manufactures training and special mission aircrafts	-
Jan	Oboronprom United Industrial Corp	RU	Aviadvigatel OJSC	RU	Manufactures aero-engines and gas-turbine units	-
Jan	AMETEK Inc	US	High Standard Aviation	US	Electrical repair services	28.9
Jan	EMS Technologies Inc	US	Formation Inc	US	Manufactures and develops in-flight connectivity solutions	36.8
Jan	MP2 Technologies Inc	US	Weatherly Aircraft Nevada Inc	US	Manufactures single engine planes	-
Jan	ESI North America Inc	US	Mindware Engineering Inc	US	Engineering services	3.9
Jan	EADS NV	NL	Surrey Satellite Tech Ltd	UK	Manufactures satellites	-
Jan	Quality Engineering & Software	IN	ASE Technologies Inc	US	Engineering services	-
Jan	Lockheed Martin Corp	US	UNITECH	US	Interactive training services	-
Jan	Air Transport Grp Hldgs Inc	US	Technical Aero Services Inc	US	Whole aircraft parts	-
Jan	Esterline Tech Corp	US	Racal Acoustics Ltd	UK	Manufactures personal communication equipment	115.0
Jan	Cie Daher SA	FR	EADS Socata SA	FR	Manufactures aircraft and defence systems	-
Jan	GKN PLC	UK	Airbus SAS-Wing Component	UK	Manufactures aircraft wing component	136.0
Jan	PFW Aerospace AG	DE	Garner CAD Technic GmbH	DE	Aerospace engineering services	-
Jan	CAV Aerospace Ltd	UK	Marshall of Cambridge Aerospace Ltd's long bed division	UK	Aircraft engineering services	-
Jan	LMI Aerospace Inc.	US	Integrated Technologies Inc.	US	Materials testing services for aerospace, defence and transportation industries	-
Jan	European Aviation	IN	Indamer Company Pvt Ltd	IN	Aviation repair and maintenance services	-



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