

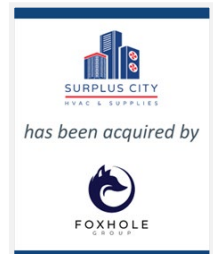
Industrials: Aerospace & Defense



Quarterly Update

- The leading sector for M&A activity in the aerospace and defense industry was aftermarket parts and services for fixed-wing rotorcraft, indicative of companies capitalizing on aging fleets and increased maintenance costs as air travel continues to surge.
- The U.S. defense market is a bright spot for the aerospace and defense industry, supported by increased demand and budgetary spending resulting from ongoing geopolitical tensions. The FY 2024 U.S. defense budget requested \$842B, a 3% increase over the 2023 level.
- Given the steady nature of the industry, strong budget outlook, and long-term government contracting dynamics, defense companies continue to be viewed as attractive M&A candidates.
- As build-rates for commercial airliners increase to forecasted levels, suppliers will need to invest in working capital to support the ramp up in production, which will potentially create cash flow challenges and create opportunities for consolidation.
- Key M&A themes include acquisitions by aerospace and defense suppliers to diversify end-markets, acquisition of companies to strengthen supply bases, and consolidation in the fragmented engine components market.

Recent Industrials Transactions (Selected)



For more information and insights, please contact the EdgePoint Industrials Group:



Matt Keefe
Managing Director
Industrials Group

Phone: (216) 342-5863
Email: mkeefe@edgepoint.com

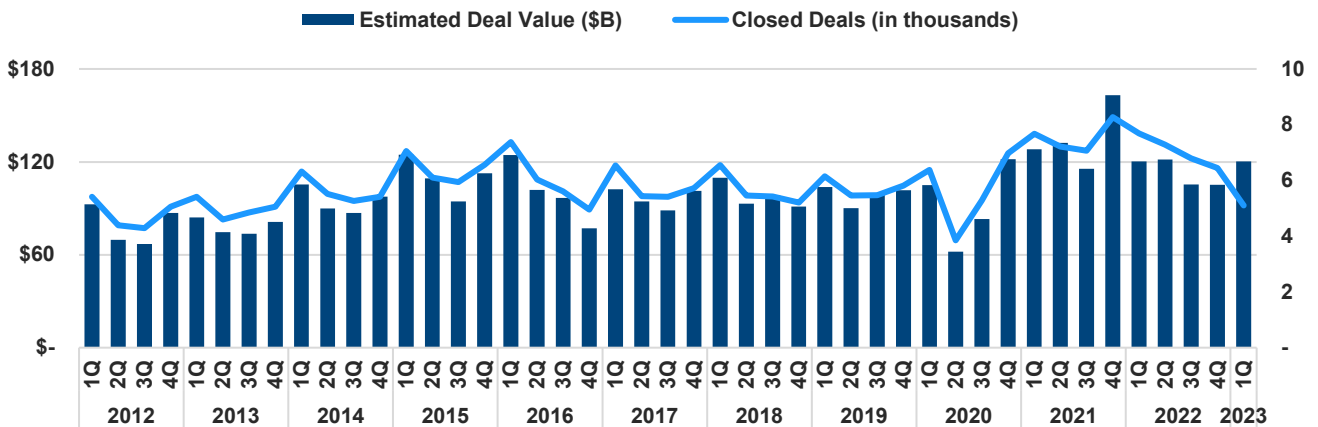
Industrials: Aerospace & Defense | June 2023

Recent Aerospace & Defense Transactions (Selected)

Target	Date	Buyers / Investors	Region	Strategic / Financial
Certain Assets of Saab AB	Jun 28	Honeywell International Inc.	EMEA	Strategic
Vulcan Machine, LLC	Jun 27	Prince Industries, Inc.	United States	Financial-Backed Strategic
Adranos, Inc.	Jun 25	Anduril Industries, Inc.	United States	Financial-Backed Strategic
Application Recherche Electronique	Jun 16	Exens Solutions	EMEA	Financial-Backed Strategic
International Water-Guard Industries Inc.	Jun 13	Arcline Investment Management	Canada	Financial
Uniflight Global	Jun 12	Optima Aero Inc.	United States	Strategic
CIRCOR International, Inc.	Jun 5	KKR & Co. Inc.	United States	Financial
MB Aerospace Holdings Limited	Jun 5	Barnes Aerospace, Inc.	EMEA	Strategic
Yingling Aircraft, Inc.	Jun 5	AE Industrial Partners	United States	Financial
Lone Star Casting & Machine	May 31	Wieland Group	United States	Strategic
JBT AeroTech Corporation	May 30	Oshkosh Corporation	United States	Strategic
ASTECH Engineered Products, Inc.	May 26	True West Capital Partners	United States	Financial
Indra Sistemas, S.A.	May 15	Mecanizados Escribano S.L.	EMEA	Financial-Backed Strategic
Wencor Group, LLC	May 15	HEICO Corporation	United States	Strategic
Duotech Services, Inc.	May 9	Bernhard Capital Partners	United States	Financial
Super-Sharp Space Systems Limited	May 3	Satlantis Microsats Sociedad Anonima	EMEA	Financial-Backed Strategic
Micro-Mode Products, Inc.	May 2	ITT Inc.	United States	Strategic
BLR Aerospace, LLC	Apr 25	Ducommun LaBarge Technologies, Inc.	United States	Strategic
Britten-Norman Aircraft Limited	Apr 21	Cranfield Aerospace Limited	EMEA	Strategic
Aerosystems International Inc.	Apr 21	Electrical Components International, Inc.	Canada	Financial-Backed Strategic

Source: S&P Capital IQ (June 30, 2023)

Global Lower-Middle Market Quarterly Deal Flow



Source: Pitchbook (March 31, 2023); Lower-middle market refers to deals valued at \$100 million or less

- Strategic buyers, less impacted by rising interest rates, continue to pursue acquisitions as a path to deploy excess cash, expand market share, or vertically integrate
- Aerospace and defense M&A is expected to remain active due to continued robust demand for new airliners and increased defense spending

Industrials: Aerospace & Defense | June 2023

EdgePoint Public Comparable Index Constituents

Aerospace and Defense

Airframe and Engine OEMs

Company Name	Enterprise	LTM Margins		EBITDA		EV/EBITDA		Revenue	Revenue Growth		Stock	% of 52
	Value (EV)	Gross	EBITDA	LTM	2022E	LTM	2022E	LTM	LTM	3-Yr. CAGR	Price	Wk High
Airbus SE	\$ 100,300	17.1%	11.6%	\$ 6,791	\$ 8,717	14.0x	11.5x	\$ 58,526	9.0%	-5.1%	\$ 132.36	98.8%
The Boeing Company	167,680	9.7%	2.9%	2,045	4,407	68.0x	38.0x	70,538	15.5%	0.0%	211.16	94.3%
General Electric Company	122,885	24.7%	11.0%	8,654	7,124	12.4x	17.2x	78,366	12.3%	-5.4%	109.85	99.6%
Rolls-Royce Holdings plc	16,115	20.4%	9.5%	1,285	1,771	10.1x	9.1x	13,520	20.5%	-6.6%	1.51	94.4%
Safran SA	61,005	47.8%	19.0%	3,746	4,401	15.6x	13.9x	19,674	28.6%	-8.0%	143.46	98.6%

Component Manufacturers

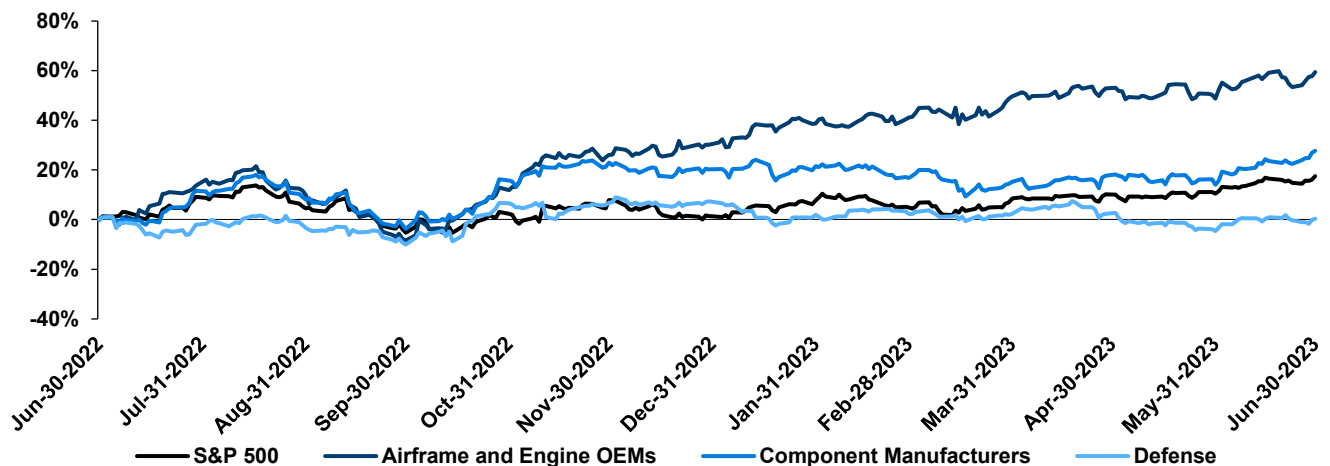
Company Name	Enterprise	LTM Margins		EBITDA		EV/EBITDA		Revenue	Revenue Growth		Stock	% of 52
	Value (EV)	Gross	EBITDA	LTM	2022E	LTM	2022E	LTM	LTM	3-Yr. CAGR	Price	Wk High
Allegheny Technologies Incorporated	\$ 7,333	18.3%	13.6%	\$ 549	\$ 607	12.6x	12.1x	\$ 4,040	37.3%	-0.3%	\$ 44.23	99.6%
Astronics Corporation	826	13.7%	0.0%	0	40	87.0x	20.8x	575	26.4%	-7.3%	19.86	96.1%
Honeywell International Inc.	151,551	33.3%	23.3%	8,382	9,438	17.4x	16.1x	35,954	4.8%	-0.3%	207.50	93.9%
Moog Inc.	4,413	26.8%	11.6%	365	415	11.2x	10.6x	3,138	7.2%	1.2%	108.43	97.7%
Parker-Hannifin Corporation	62,899	28.7%	21.1%	3,826	4,626	15.7x	13.6x	18,157	16.1%	8.5%	390.04	99.3%
Triumph Group, Inc.	2,293	28.1%	14.1%	194	211	11.2x	10.8x	1,379	-5.5%	-21.9%	12.37	73.3%
Woodward, Inc.	7,894	21.4%	11.9%	308	427	23.4x	18.5x	2,591	14.9%	-4.0%	118.91	99.6%
Median		26.8%	13.6%	365	427	15.7x	13.6x	3,138	14.9%	-0.3%	108.43	97.7%
Mean		24.3%	13.7%	1,946	2,252	25.5x	14.6x	9,405	14.5%	-3.4%	128.76	94.2%

Defense Contractors

	Enterprise	LTM Margins		EBITDA		EV/EBITDA		Revenue	Revenue Growth		Stock	% of 52
Company Name	Value (EV)	Gross	EBITDA	LTM	2020E	LTM	2022E	LTM	LTM	3-Yr. CAGR	Price	Wk High
BAE Systems plc	\$ 34,805	66.2%	11.9%	\$ 2,521	\$ 3,231	11.9x	10.8x	\$ 21,258	8.9%	5.1%	\$ 9.27	89.4%
General Dynamics Corporation	68,978	16.6%	13.3%	5,315	5,345	12.1x	12.9x	39,896	3.7%	0.9%	215.15	83.8%
L3Harris Technologies, Inc.	47,360	27.8%	15.9%	2,763	3,432	16.1x	13.8x	17,430	0.5%	-6.6%	195.77	76.7%
Lockheed Martin Corporation	129,752	12.9%	13.1%	8,678	9,864	14.3x	13.2x	66,146	0.6%	2.7%	460.38	90.6%
Northrop Grumman Corporation	82,912	20.4%	21.0%	7,680	5,348	10.2x	15.4x	36,602	2.6%	2.6%	455.80	81.9%
Raytheon Technologies Corporation	174,643	20.5%	17.3%	11,880	12,840	14.1x	13.6x	68,572	5.7%	14.4%	97.96	90.0%

Source: S&P Capital IQ (June 30, 2023)

EdgePoint Comparable Index Trailing Twelve Months Stock Performance



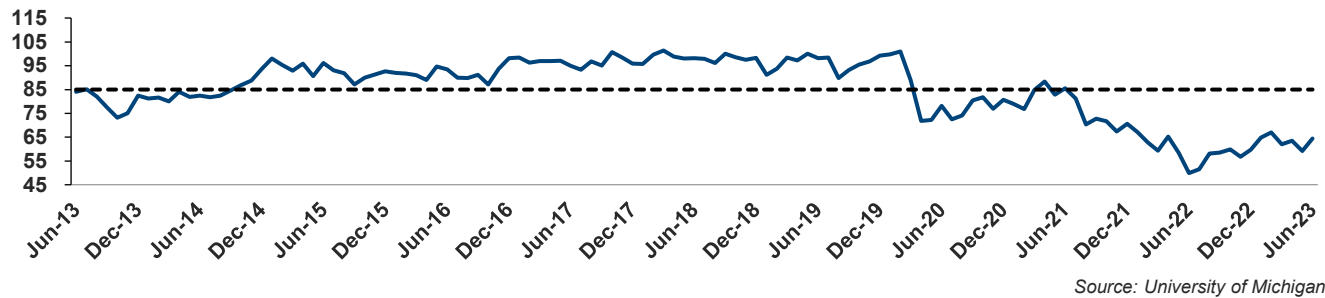
Source: S&P Capital IQ (June 30, 2023)

- Airframe and Engine OEMs have outperformed the market over the last 12 months as resurgent travel has increased airlines' appetite for new jets

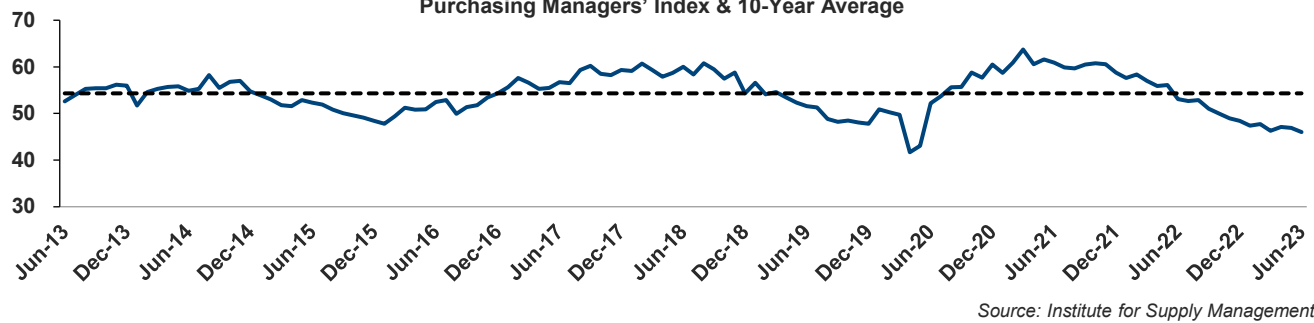
Industrials: Aerospace & Defense | June 2023

Key Macroeconomic Indicators

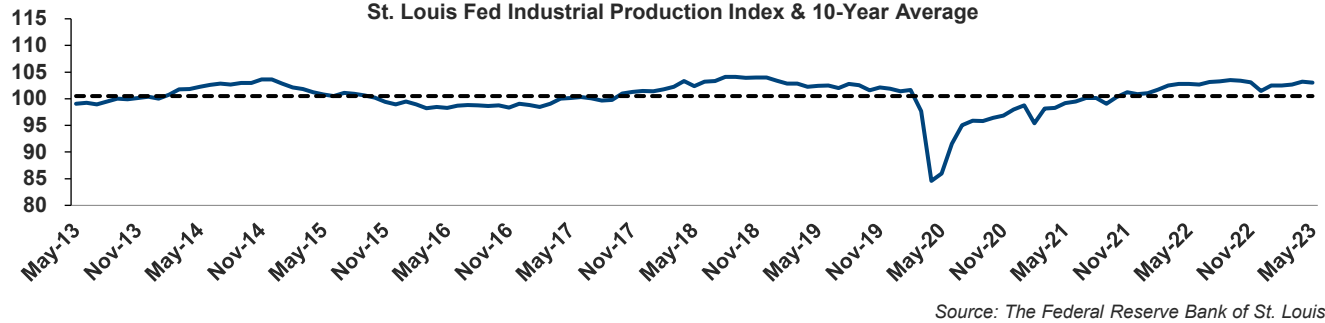
University of Michigan Consumer Confidence Index & 10-Year Average



Purchasing Managers' Index & 10-Year Average



St. Louis Fed Industrial Production Index & 10-Year Average



U.S. Real Gross Domestic Product

