



AEROSPACE, DEFENSE & GOVERNMENT SERVICES

Long-Term Sector Valuation Trends And Company Performance

MAY 2017

FAIRMONT
CONSULTING GROUP

ADG – Food For Thought – May 2017

Observations

- **Aggregate valuation** across Fairmont's aerospace-defense-government services index (124 publicly traded companies) is **~12x TEV:EBITDA**, vs ~5x mid-2009
- Minimal aggregate valuation differences across the sectors (aerospace / defense/ government services)
- The number of companies exhibiting **negative market performance** over both the past year and the past three years **has dropped** to fifteen, vs thirty a year ago
- Mercury Systems, Leidos, Heico, Ducommun stand out as star performers – though many companies have seen **dramatically improved near-term market gains**

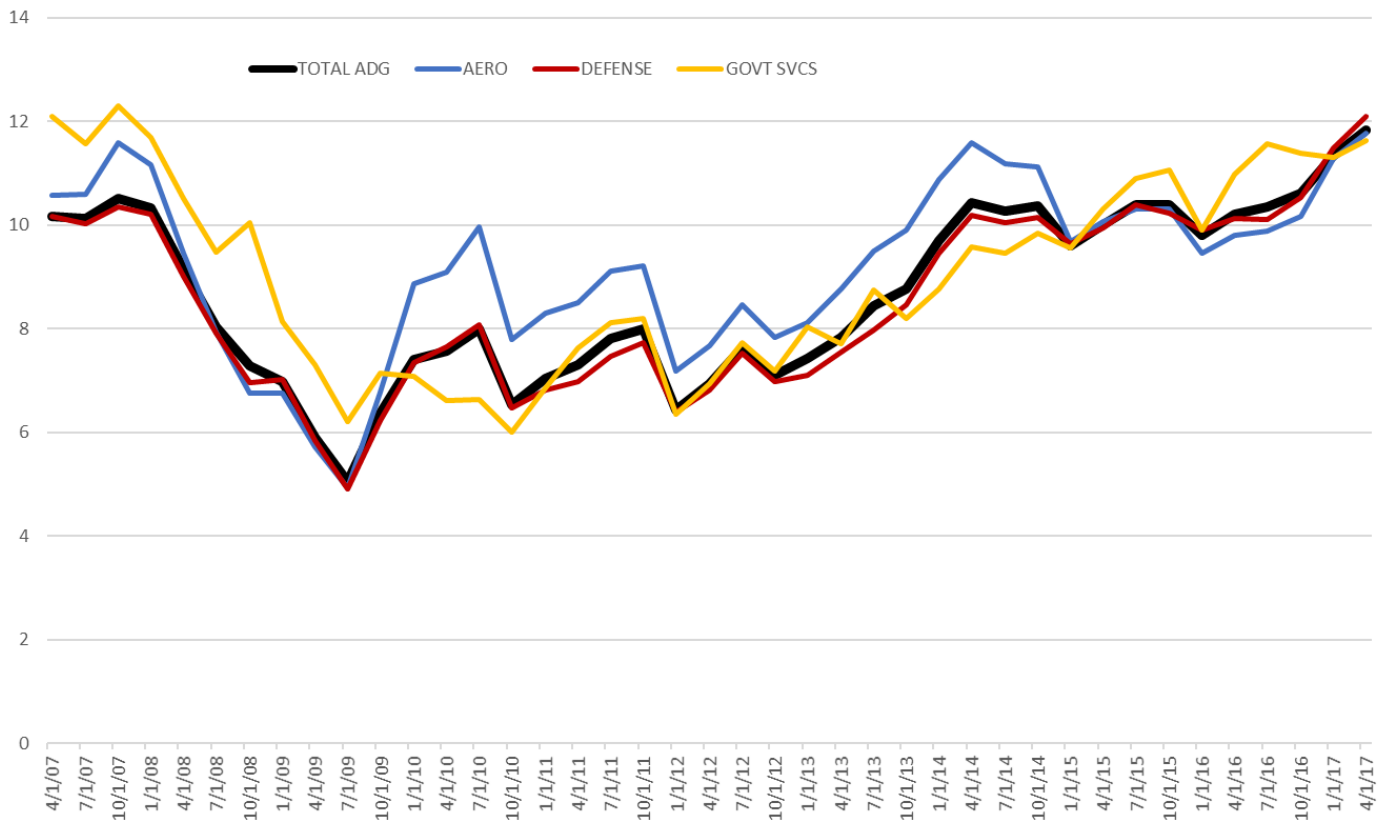
Questions For Executives And Investors

How to sustain positive business momentum as underlying market dynamics evolve... how to deploy capital most effectively amid high valuations... what to buy and what to sell across portfolios of businesses and capabilities

ADG VALUATION TREND

Q1 2007 – Q1 2017

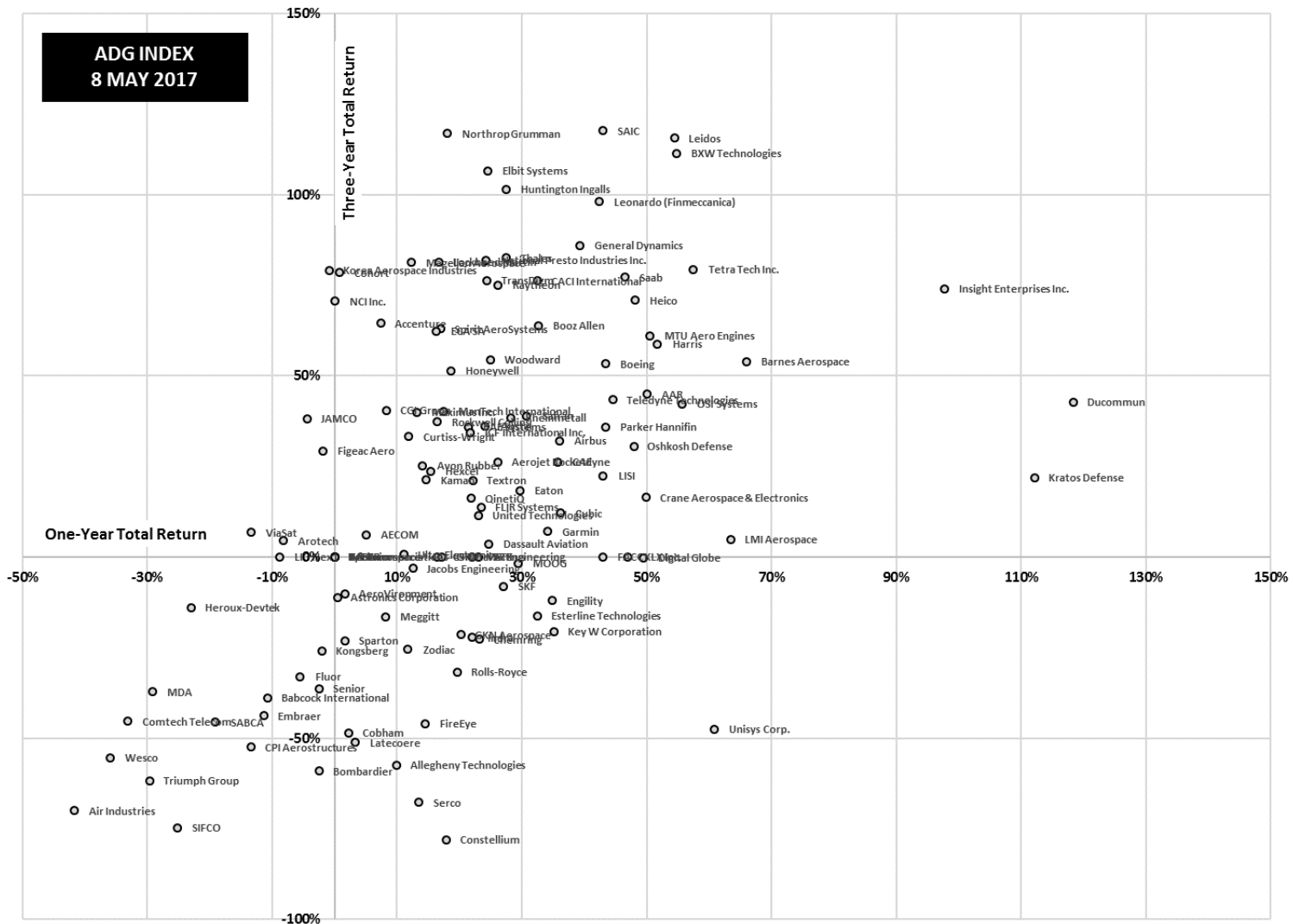
TEV:EBITDA - Aerospace/Defense/Govt Services
Q1 2007 - Q1 2017



TOTAL ADG	10.2	10.1	10.5	10.3	9.1	8.0	7.3	7.0	5.9	5.1	6.4	7.4	7.6	8.0	6.5	7.0	7.3	7.8	8.0	6.4	6.9	7.6	7.1	7.4	7.8	8.5	8.8	9.7	10.4	10.3	10.4	9.6	10.0	10.4	10.4	9.8	10.2	10.4	10.6	11.3	11.8
AERO	10.6	10.6	11.6	11.2	9.5	7.9	6.8	6.8	5.7	4.9	6.8	8.9	9.1	10.0	7.8	8.3	8.5	9.1	9.2	7.2	7.7	8.5	7.8	8.1	8.8	9.5	9.9	10.9	11.6	11.2	11.1	9.7	10.1	10.3	10.3	9.5	9.8	9.9	10.2	11.3	11.8
DEFENSE	10.2	10.0	10.3	10.2	9.0	7.9	7.0	7.0	5.8	4.9	6.2	7.4	7.6	8.1	6.5	6.8	7.0	7.5	7.7	6.4	6.8	7.5	7.0	7.1	7.6	8.0	8.5	9.5	10.2	10.0	10.1	9.6	9.9	10.4	10.2	9.9	10.1	10.1	10.5	11.5	12.1
GOVT SVCS	12.1	11.6	12.3	11.7	10.5	9.5	10.0	8.1	7.3	6.2	7.1	7.1	6.6	6.6	6.0	6.9	7.6	8.1	8.2	6.4	6.9	7.7	7.2	8.0	7.7	8.8	8.2	8.8	9.6	9.5	9.8	9.6	10.3	10.9	11.1	9.9	11.0	11.6	11.4	11.3	11.6

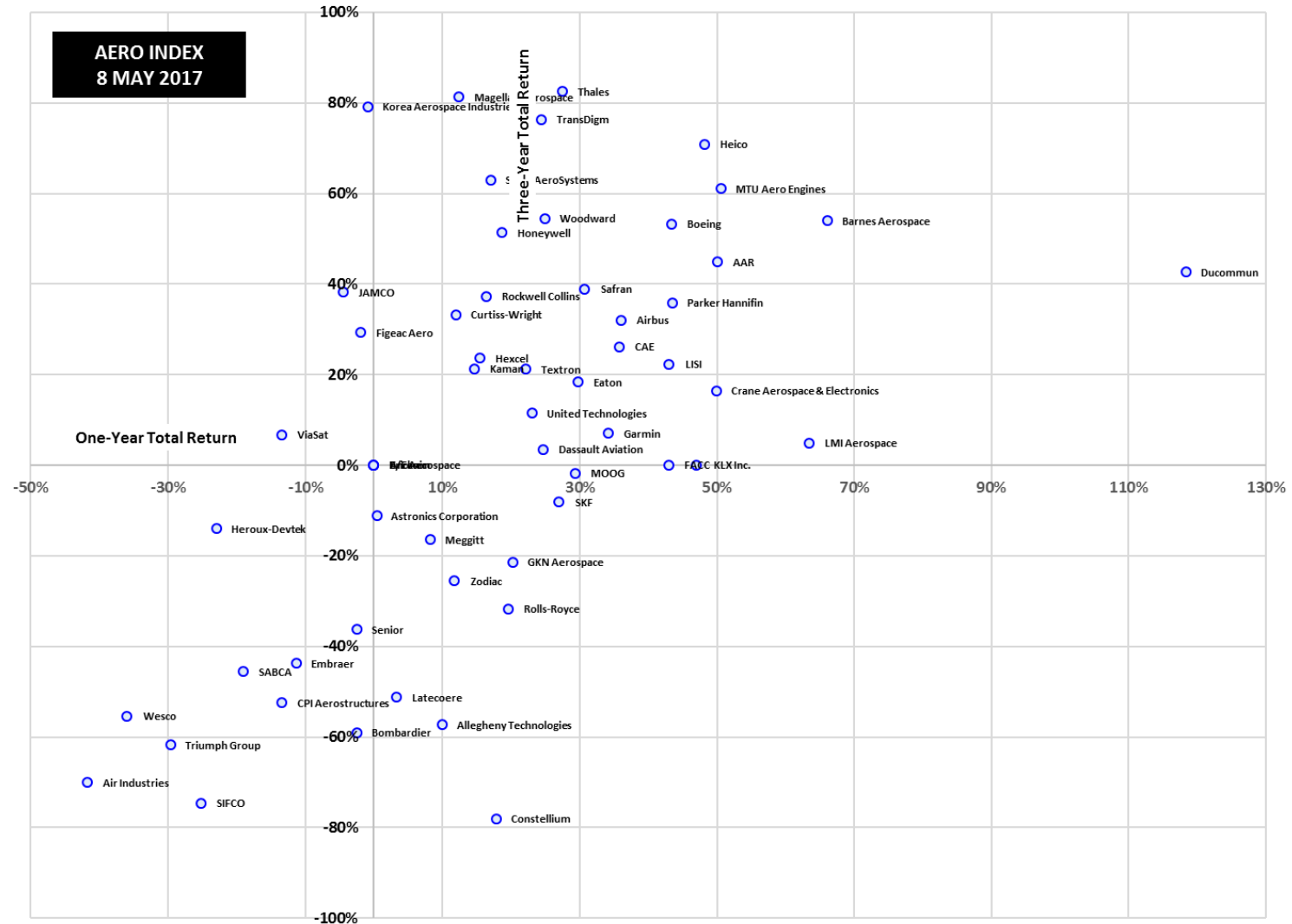
ADG Company Market Performance

One-Year Total Return vs Three-Year Total Return



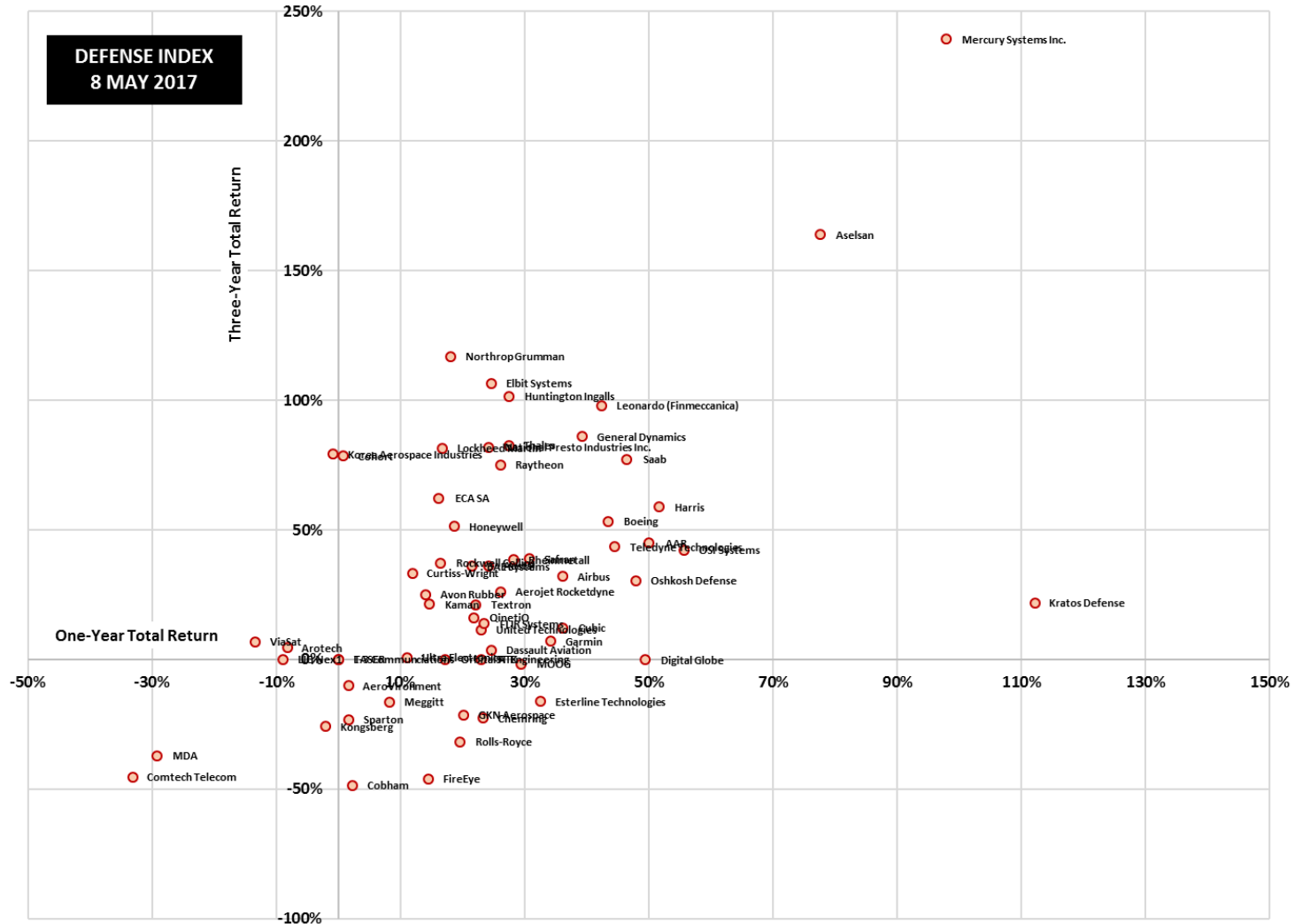
Aerospace Company Market Performance

One-Year Total Return vs Three-Year Total Return



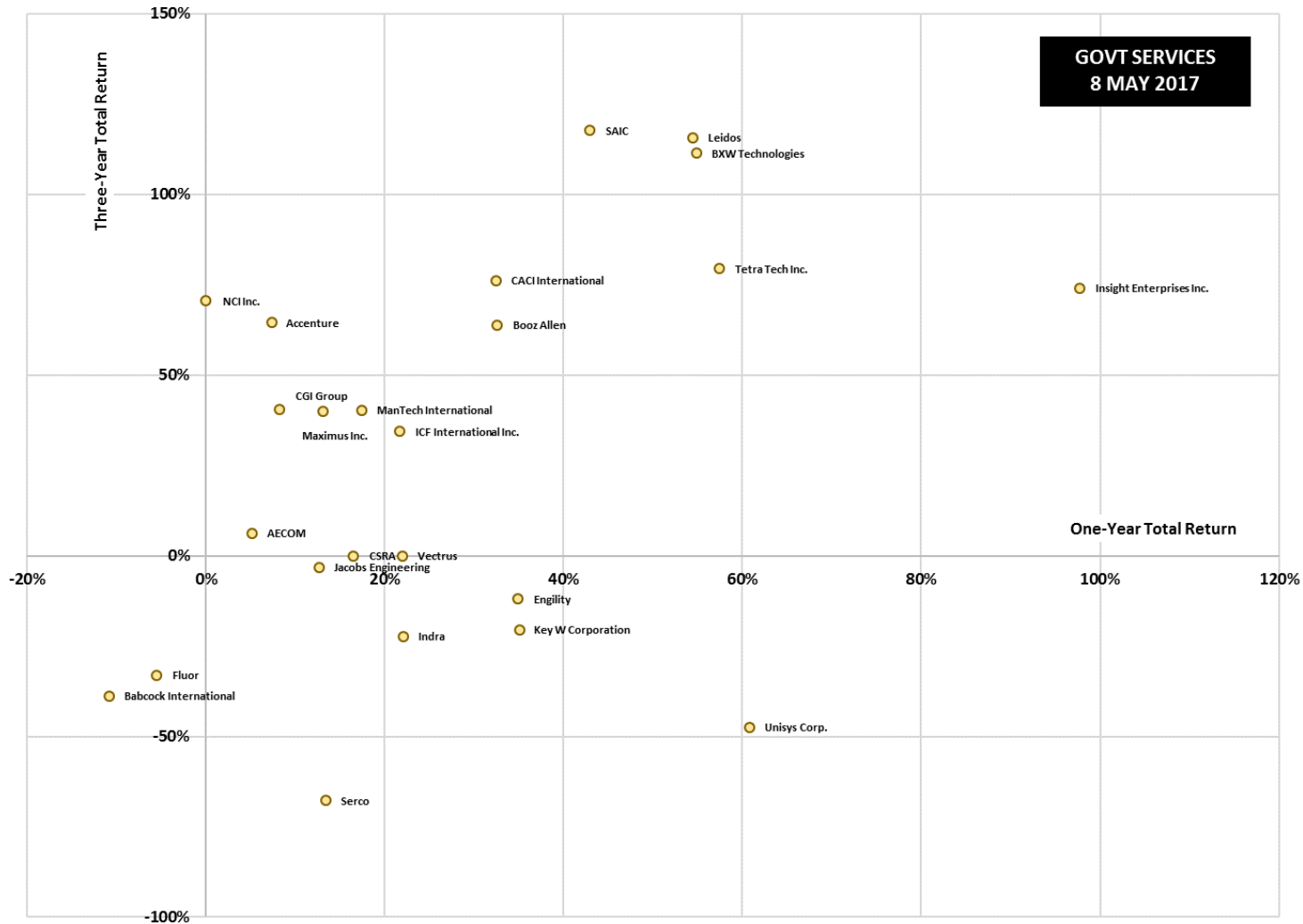
Defense Company Market Performance

One-Year Total Return vs Three-Year Total Return



Government Services Company Market Performance

One-Year Total Return vs Three-Year Total Return



FAIRMONT CONSULTING GROUP

DRIVING VALUE CREATION

- ❑ Fairmont's mission is to **help our clients measure value, mitigate risk, and drive value creation** – helping clients understand and respond to changing market conditions in order to achieve sustainable, profitable growth
- ❑ We provide **strategy & operational consulting and transaction diligence** to clients in the **aerospace, defense, industrials, B2B software/system, and government services sectors**
- ❑ We bring **domain focus, business expertise, and proven experience** to bear
- ❑ We offer **flexible, value-driven service models** that help clients drive results

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