



MERGERS AND ACQUISITIONS
**2021's Most Interesting Transactions
In Aerospace, Defense, & Government Services**

FAIRMONT
CONSULTING GROUP

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FAIRMONT Consulting Group

TRANSACTIONS

We provide critical market & competitive diligence in support of the acquisition and sale of businesses; detailed, objective independent financial forecasts and critical transaction support

STRATEGY

We help clients understand evolving markets and changing competitive environments in order to decide where and how to invest time and capital in support of profitable long-term growth

OPERATIONS

We help clients achieve optimal efficiency in support of growth and investment objectives through analysis and improvement of operational processes, infrastructure, capital and personnel

WHO RELIES ON FAIRMONT AND WHY?

CLIENTS

Aerospace & defense primes
Tier 2 and Tier 3 suppliers
Government services providers
Private equity investors, hedge funds, and investment banks
PE portfolio companies

EXPERIENCE

Advisors to CEOs, boards, and leading investors in ADG

150+ strategy engagements
250+ transactions worth \$25B+ in total enterprise value

250+ collective person-years of ADG experience

CAPABILITIES

Deep domain knowledge across ADG and all subsectors

Global network of SME's in operations, finance, technology, government

Technology-enabled, data-driven analytical techniques

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Reflections On 2021 M&A

During 2021 Fairmont supported clients across a wide range of transactions, including many discussed in this report. That exposure gives us a perspective on M&A in aerospace, defense, and government services which we hope you will find interesting and useful as you contemplate the year ahead.

- Jay Wynn, Senior Managing Director

In the **Defense Sector** strategic acquirers and financial sponsors pursued targets that were aligned with the continued evolution of national security priorities – primarily, the shift in focus from prosecution of persistent counter-insurgency operations to the deterrence of more sophisticated, highly capable peer/near-peer adversaries. The pace of this strategic pivot is putting intense pressure on the defense sector to respond, with many acquirers looking to small, innovative targets and hybrid defense/commercial players to give them an edge. In 2022, we expect to see a continued focus on innovative defense electronics, electronic warfare, artificial intelligence, and other technologies that will provide the U.S. and its allies with strategic advantage.

In the **Government Services Sector** the story we have told before continues. Government services – and particularly federal, defense, and intel IT services – are undergoing a meaningful transformation as commercial tools and techniques are applied more broadly to civil, defense, and intelligence challenges in ways that reduce personnel requirements while providing greater benefit to the citizen or the warfighter. Leading solutions providers and active financial sponsors are pushing to evolve their business portfolios to capitalize on the opportunities created by this dynamic. Providers of differentiated solutions were in demand as acquirers reacted to customer demand for COTS and innovative offerings, at times showing a willingness to look at earlier-stage companies or look past occasional challenges in a heady market. The solid market for high-end SETA providers was also indicative of the customer focus on transformative systems.

In **Commercial Aerospace**, the industry continues to wrestle with the impact of COVID, as well as ongoing challenges at Boeing with the 737 MAX and 787 platforms. Few doubt that commercial air travel will eventually recover, but the path from today to a vastly improved end state continues to face starts and stops along the way. Acquisitions focused on operations, productivity, and consolidation stood out, as key players sought to establish the customer footprint, platform exposure, and scale that will be required to weather the continuing storm and emerge successful. Interest has increased in business and general aviation markets that have shown themselves more resilient to, and in some cases even beneficiaries of, the pandemic.

The **Space Sector** saw tremendous interest from strategic acquirers, long-standing private equity players, and new entrants including SPACs seeking to capitalize on robust projections of future demand. Without a doubt, the space sector is now benefiting from dramatic improvements in electronic systems and launch services that enable a rapidly expanding array of space-based capabilities. Whether the sector as a whole can achieve the cumulative expectations of many relatively nascent players is a reasonable and appropriate question, and we expect to see greater caution among prospective buyers as they evaluate assets in the space sector in 2022.

Portfolio Reshaping



Take Private



Naval Market Focus



Defense Electronics Platform



Big Moves - Aerospace



Aero Supply Chain



Space Market Focus



Federal Technology



Big Moves - Defense



Manufacturing Focus



Business & General Aviation



Supply Chain Consolidation





Closing Date: Q4 2021
Price: N/A

Revenue: \$1B
TEV/EBITDA: N/A

During 2021, Raytheon Technologies continued to focus their portfolio on their strategic focus areas. Namely, this involved divesting Forcepoint (cybersecurity) and their Defense Training and Mission Critical Solutions businesses. The latter of which was sold to Vertex Aerospace. Vertex has historically focused on being a CLS provider – this deal expands their aperture and adds new customers, most notably the Army.



Closing Date: Q2 2021
Price: \$1.05B

Revenue: N/A
TEV/EBITDA: N/A

During 2021, L3Harris divested the following: Narda-MITEQ (N/A), ESSCO (\$55M), Electron Devices and Narda Microwave-West (\$185M), Combat Propulsion Systems (\$398M), Military Training (\$1,050M), and ATM Voice Comms & ATC (\$20M). These portfolio shaping moves are the latest in L3Harris's post merger evolution. That aside, the acquisition is a logical step for CAE to expand its simulator focus.



Closing Date: 2024
Price: N/A

Revenue: \$57.5B (projected divest.)
TEV/EBITDA: N/A

GE announced that they will spin out their healthcare and power businesses (inclusive of renewable power division) into their own publicly traded companies. This will leave GE Aviation as a stand-alone company. Questions remain on if the remaining GE company will engage in transformative M&A, similar to the United Technology and Raytheon merger or conserve cash to invest in next-gen development.

Primes continue to right size their businesses to focus on core solution and market areas by divesting secondary assets



Acquired by



VERITAS
CAPITAL

ELLIOTT®

Evergreen Coast Capital Corp.

Closing Date: Q2 2021

Price: \$3.0B

Revenue: ~\$1.5B

TEV/EBITDA: 19x

Veritas Capital Fund Management and Evergreen Coast Capital, an affiliate of Elliot Investment Management, acquired Cubic for \$3.0B, staving off a competing bid by Singapore Technologies Engineering and Blackstone Tactical Opportunities. San Diego-based Cubic develops a wide range of C5ISR, transportation, and training solutions for the U.S. government, international allies, and corporations, as well as domestic and international transit organizations.

This transaction positions Cubic for future growth while providing liquidity to shareholders

ULTRA

Acquired by

COBHAM

Closing Date: Q3 2021

Price: \$3.55B

Revenue: ~\$1.2B

TEV/EBITDA: n/a

Cobham, a portfolio company of U.S.-based private equity firm Advent International Corp., acquired UK-based Ultra Electronics (LSE: ULE.L) for \$3.55B. Ultra designs and manufactures a number of electronic and electromechanical sub-systems, assemblies, and components for the international defense and aerospace communities. This transaction also includes Ultra's 50% stake in the ERAPSCO sonobuoy joint venture with Elbit Systems (gained through its acquisition of Sparton).

The combination of these businesses creates an even larger UK-based defense electronics company

ALION

Acquired by



Closing Date: Q3 2021
Price: \$1.65B

Revenue: \$1.6B
TEV/EBITDA: 12x

Huntington Ingalls Industries Inc. acquired Alion Science & Technology for \$1.56B. Alion, headquartered in McLean, VA, provides engineering and research & development services to DOD and intelligence community customers. The company focuses on developing solutions for the ISR, training & simulation, cyber, and next-generation technology verticals. Alion was previously owned by Veritas Capital Fund Management.

Alion will add capabilities and customers to HII's Technical Solutions business segment



Acquired by



Closing Date: Q2 2021
Price: \$380M

Revenue: n/a
TEV/EBITDA: 10.5x

Gibbs & Cox naval architects and marine engineers provide design, production and in-service support services to the U.S. government, international allies, shipyards, and recreational clients for high performance vessels. This acquisition adds engineering talent and maritime design capabilities to Leidos and helps it penetrate the maritime market. The Virginia-based company employs approximately 550 people.

This acquisition establishes Leidos in a competitive position for future unmanned surface vessel contracts



Acquired by



Closing Date: Q4 2021
Price: n/a

Revenue: n/a
TEV/EBITDA: n/a

The Carlyle Group & Stellex Capital Management acquired International Marine and Industrial Applicators, LLC (IMIA). The Spanish-Fort, AL company provides preservation and maintenance, repair, and overhaul (MRO) services to the U.S. Navy, industrial, and commercial maritime clients. The company operates at over 30 facilities in the U.S. and globally. IMIA was previously owned by J. F. Lehman & Company.

IMIA regarded as the premier provider of ship preservation services, and continues to expand in structural MRO



Acquired by

LINDSAY GOLDBERG

Closing Date: Q3 2021

Price: n/a

Revenue: n/a

TEV/EBIT: n/a

Summit Interconnect is a provider of complex printer circuit boards for aerospace, defense, and other high performance commercial sectors for the North American market. Prior to the sale from HCI Equity Partners to Lindsay Goldberg, Summit Interconnect completed recent acquisitions, including Eagle Electronics in Q2 of 2021 and ITL Circuit Ltd. in Q3 of 2020. These transactions expanded Summit Interconnect's facilities from California to Illinois and Ontario, Canada.

PENTEK

Acquired by

mercury

Closing Date: Q2 2021

Price: \$65M

Revenue: \$20M (FY 2020E)

TEV/EBIT: n/a

Pentek is a designer/manufacturer of ruggedized, high-performance, software-defined radio and data acquisition boards, recording systems, and subsystems for commercial and defense use cases. The rebrand to Mercury from Mercury Systems signals their focus on moving up the manufacturing supply chain through acquisitions. The acquisition of Pentek follows the acquisition of Physical Optics in Q4 of 2020 with further acquisitions of Atlanta Micro and Avalex in Q4 of 2021.

Market positioning via acquisitions has remained a key strategy for defense electronics players throughout 2021 and may continue through the near-term



Acquired by



Closing Date: Q2 2021

Price: n/a

Revenue: n/a

TEV/EBITDA: n/a

Aeronix is a supplier of communications products, data transfer, signal analysis, and related engineering services with a primary focus on the defense industry. The Q2 2021 recapitalization was led by ShoreView with minor investment by Harvey & Company. Aeronix completed its first add-on acquisition under ShoreView in Q4 of 2021 with the acquisition of ITI Engineering, supplier of ground-based mission logistics systems and other engineering services for defense aerospace.



Acquired by



Closing Date: Q2 2021

Price: n/a

Revenue: n/a

TEV/EBITDA: n/a

Lenthor Engineering's capabilities of designing, manufacturing, and assembling flex and rigid-flex printed circuits is a complement to Fralock Holdings' core business. This addition should create new and expand overlapping market segments within Fralock's engineered materials solution platform. Fralock Holdings, under the umbrella of Arsenal Capital Partners, acquired Ceramic Tech, Inc. in Q2 of 2021 and Oasis Materials Company in Q1 of 2021 prior to the closing of the Lenthor deal.

Acquisitions in defense electronics are not limited to expanding product range, but are also bridging additional capabilities such as engineering and materials development

MEGGITT

Acquired By



Closing Date: TBD
Price: \$8.8B

Revenue: \$2.3B
TEV/EBITDA: NM

Parker's acquisition of Meggitt is a doubling down in aerospace systems, most notably brakes. Meggitt offers Parker complimentary technology (i.e., carbon brakes, fuel tanks, actuation, valves) as well as additional scale. Parker has given significant concessions to clear regulatory hurdles in the UK. Parker announced that they will go on a three year hiatus from M&A due to the size of this deal.

COBHAM
 Mission Systems

Acquired By



Powering Business Worldwide

Closing Date: 6/1/21
Price: \$2.83B

Revenue: N/A
TEV/EBITDA: 14X

Advent's divestment of Cobham Mission Systems represents the third major piece of Cobham to be traded. Having previously sold Cobham Aero Connectivity (closed 1/2021) to Transdigm and Cobham Aviation Services UK to Draken, CMS represents the largest divestment yet. By acquiring the leader in aerial refueling technology, Eaton augmented its already strong fuel system position.

AEROJET
ROCKETDYNE

Acquired by



Closing Date: TBD
Price: \$4.4B

Revenue: \$2.1B
TEV/EBITDA: 143x

Lockheed Martin's new CEO created an immediate impact with the announcement of the acquisition of Aerojet. Aerojet represents a major vertical integration push by Lockheed in some critical technologies, including space and hypersonics. The deal has attracted significant regulatory attention which has slowed closing – should it be blocked, one lesson will be that govt. oversight can still be a factor in M&A.



Parker and Eaton reinforced their core businesses with transformative acquisitions in 2021 – FTC suit to block Aerojet / Lockheed deal portends greater government scrutiny of major defense transactions

 **Hitachi Metals, Ltd.**

Acquired by

 **BainCapital**

Closing Date: Delayed
Price: \$7.5B

Revenue: \$8.3B *FY2019
TEV/EBITDA: NA

Once this deal is closed in FY2023, Hitachi Metals will broaden Bain Capital's aerospace portfolio. Hitachi Metals has an aerospace segment that produces superalloys used in both turbine engines and aircraft fuselages. Complementary offerings within the aircraft will provide Hitachi Metals with exposure to both OE and aftermarket demand; aftermarket is expected to enjoy outsized benefit from travel demand recovery vs. OE.

 **ITP Aero**

Acquired by

 **BainCapital**

Closing Date: Q4 2021
Price: \$2B

Revenue: \$1.1B *FY2019
TEV/EBITDA: 15X

Bain Capital has significantly expanded its aerospace footprint with the acquisition of ITP Aero from Rolls Royce. ITP offers a variety of engine structures and associated components with a particular focus on the Low Pressure Turbine. ITP will offer Bain highly attractive aftermarket exposure to a number of top-performing platforms from all three engine OEMs. As demand recovers, tailwinds are highly likely.

Bain Capital made two interesting moves in the international aerospace supply chain; Hitachi and ITP are critical elements of the Asian and European supply base



Acquired by



Closing Date: H1 2022

Price: \$275M

Revenue: n/a

TEV/EBITDA: n/a

SA Photonics is a maker of laser communications technology for space, airborne, and terrestrial applications. SA Photonics' low-Earth-orbit (LEO) free space optical (FSO) communication products will compliment CACI's FSO products for medium-Earth and geosynchronous-equatorial orbit. Space-based FSO communication product demand is driven by the growth of large government and commercial LEO satellite constellations looking to supply data at high rates to end users.



Acquired by



Closing Date: Q4 2021

Price: n/a

Revenue: n/a

TEV/EBIT: n/a

SEAKR Engineering is a supplier of space-based Radiation Hardened systems, including electronics for advanced processors, networked systems, and reconfigurable Radio Frequency and Electro-Optical payloads. SEAKR's integration follows Raytheon's acquisition of the satellite manufacturer Blue Canyon Technologies, which closed in Q4 of 2020. SEAKR and Blue Canyon have both been awarded positions on DARPA's Project Blackjack demonstration satellite constellation.

Large Defense and Space primes have targeted next-generation technology suppliers to complement their existing systems and acquisitions



Series C Led By



NIGHTDRAGON

Series D Included

Jacobs

Closing Dates: Q2 2021, Q4 2021

Investments: \$55M & \$145M

Revenue: n/a

TEV/EBITDA: n/a

HawkEye 360 raised \$55M in a Series C round in Q2 of 2021, led by Night Dragon. A \$145M Series D round closed in Q4, and included existing investors, as well as new participant Jacobs Engineering Group, among others, bringing total capital raised by the company to over \$300M. HE360 provides space-based radio frequency (RF) data & analytics. These investment rounds signal investor confidence in the expected growth of demand for space-based data & analytics from both government and commercial customers.

New Space players have sought investment through both traditional and emerging financial avenues – injecting both new capital and a degree of uncertainty into the deal landscape



ROCKET LAB



SATELLOGIC



BLACK SKY



2021 Space SPACs

Some privately held space companies have sought financing from public markets via Special Purpose Acquisition Vehicles (SPACs). SPACs have allowed these space companies to go public and receive capital faster than traditional IPO methods. The future growth of SPACs within the Space domain remains uncertain, and longer-term dynamics may be affected by the success (or challenges) of some of the existing platforms. Capital, and interest in the sector, does not appear to be going away.



Federal IT & Mission Support Services Business

Acquired by



Closing Date: Q1 2021

Price: \$3.4B

Revenue: \$2.3B

TEV/EBITDA: n/a

Northrop Grumman spun off its Federal IT and Mission Support Services business to Peraton, a portfolio company of Veritas Capital Fund Management, for \$3.4B. The divestiture represents Northrop's commitment to growing its core defense business. Peraton receives an asset that offers a wide range of solutions including cybersecurity, data analytics, cloud, and application development that will help the company further penetrate the federal market.



GEOCENT

Acquired by



Closing Date: Q4 2021

Price: n/a

Revenue: n/a

TEV/EBITDA: n/a

Sev1Tech, a portfolio company of DFW Capital Partners, acquired Geocent in partnership with Enlightenment Capital. Geocent is a Metairie, LA-based company that specializes in IT consulting services and aerospace engineering and manufacturing solutions. The company's clients include U.S. federal agencies and private corporations. The acquisition strengthens Sev1Tech's position in the space modernization market and increases its integrated offerings.

At opposite ends of the size spectrum, these deals demonstrate the dynamism of the services market – Northrop's divestiture has become a key component of Peraton's development into a sector leader; Sev1Tech is building a compelling provider of differentiated services



Closing Date: Q2 2021
Price: \$8.2B

Revenue: \$1.9B (2020)
TEV/EBITDA: 17.1x

Acquisition of FLIR by Teledyne Technologies sets the combined entity to become a strong global competitor for unmanned solutions and other integrated systems. FLIR will now be a part of Teledyne's Digital Imaging business segment and go by the name "Teledyne FLIR." FLIR brings experience in unmanned airborne and ground systems from their previous acquisitions of Prox Dynamics, Aeryon Labs, and Endeavor Robotics.



Closing Date: Q1 2022
Price: \$1.9B

Revenue: \$2.9B
TEV/EBIT: 8.5x

The acquisition of PAE by Amentum Holdings is forecasted to create one of the largest providers of government services to the U.S. and allied governments. PAE will complement Amentum's intelligence and technology services, as well as strengthen relationships with agencies, such as Department of State, NASA, and members of the IC, while adding to Amentum's scale and capabilities. The combined entity is expected to generate more than \$9B in annual revenue.

Large acquisitions have allowed Defense industry providers to strengthen portfolio segments, increase scale – intelligence & unmanned systems have been key target areas



Acquired by



Closing Date: Q2 2021

Price: n/a

Revenue: n/a

TEV/EBITDA: n/a

Primus Aerospace is a manufacturer of complex components for aerospace, defense, and space. Namely, Primus supports Boeing, General Dynamics, L3Harris, Lockheed Martin, Northrop, and Raytheon, among other OEMs. Primus Aerospace represents Angeles' first investment in aerospace and defense. Angeles Equity indicated that Primus creates an opportunity to partner with Primus to "consolidate the fragmented AD&S precision components landscape."



Acquired by



Closing Date: Q2 2021

Price: n/a

Revenue: n/a

TEV/EBIT: n/a

Blue Sea Capital invested in Abrasive Technology, a coatings provider who specializes in CBN/diamond coatings. Aerospace engines are a common use of these coatings as they improve the wear and durability of airfoil tips. Abrasive Technology has completed 14 acquisitions throughout its >40 year history – time will tell if the current ownership will continue acquiring companies in Abrasive's fragmented end market.

Primus and Abrasive could represent new platforms for supply chain consolidation



Acquired by



Closing Date: Q1 2021
Price: \$4.6B

Revenue: \$1.41B
TEV/EBITDA: 15.7 *2019

Signature has evolved into a pure-play flight service provider that operates the world's largest network of FBOs with more than 200 locations globally; this investment offers the consortium an attractive exposure to business aviation which should enjoy significant pandemic tailwinds; continued consolidation of high-quality service locations is likely to bolster the business going forward.



Acquired by



Closing Date: Q3 2021
Price: \$4.475B

Revenue: NA
TEV/EBITDA: NA

Atlantic Aviation is a large flight service provider that is similar in scope to Signature; Atlantic should provide KKR with attractive exposure to business aviation given pandemic tailwinds; recent merger with Ross Aviation highlights the firm's ability to successfully expand its network which will likely underpin future growth strategy.



Acquired by



Closing Date: Q4 2021
Price: NA

Revenue: NA
TEV/EBITDA: NA

Vance Street quietly acquired McFarlane Aviation – one of the largest parts providers in General Aviation; McFarlane is a highly-regarded manufacturer of PMA components that serve a variety of piston-powered general aviation aircraft; significant tailwinds are expected for this segment of general aviation.

Signature, Atlantic, and McFarlane offer significant exposure to record Business and General Aviation demand – which will continue to outperform Commercial Transport



Acquired by



ENDEAVOUR

Closing Date: Q2 2021

Price: n/a

Revenue: n/a

TEV/EBITDA: n/a

Endeavour Capital invested in a new defense machining platform through their acquisition of Forrest Machining Inc. Since renamed Dynamic Aerostructures, the company has 230,000 square feet of 3-6 axis machining capacity. This acquisition represents the first aerospace investment for Endeavour Capital.



Acquired by

CALVERT STREET
CAPITAL PARTNERS

Closing Date: Q4 2021

Price: n/a

Revenue: n/a

TEV/EBIT: n/a

Calvert Street Capital Partners invested in Machine Specialties in Q4 2021. MSI focuses on complex machining for the aerospace, helicopter, military aviation, and space markets. The Whittsett, NC company was previously founder-owned and has historically not participated in M&A activity.

FMI and MSI are new private equity investment platforms in the precision component market, aiming to build upon diversified base of Civil and Military positions



Acquired by



Closing Date: Q3 2021

Price: n/a

Revenue: n/a

TEV/EBITDA: n/a

Novetta is an advanced analytics provider to U.S. national security customers, providing complex solutions including machine learning, cyber, and cloud engineering. Novetta's strong capabilities in rapidly evolving disciplines and customer channels should expand Accenture Federal's reach into key customers and areas of continued spending focus. The Carlyle Group was the seller of Novetta, which they acquired from Arlington Capital in 2015.



Acquired by



Closing Date: Q3 2021

Price: n/a

Revenue: \$700M (combined)

TEV/EBIT: n/a

Salient CRGT is a provider of data analytics, agile software development, and enterprise solutions to key U.S. national security customers, as well as federal civilian agencies. This acquisition is expected increase GovCIO's scale and customer base within. The combined business is expected to generate roughly \$700M in 2021 revenue and operate with over 2,200 employees. Bridge Growth Partners built S-CRGT into a differentiated leader in the IT services market.

Federal IT providers expanded their capabilities by acquiring differentiated companies with national security and intelligence community customers



Acquired by



Closing Date: Q3 2021

Price: n/a

Revenue: n/a

TEV/EBITDA: n/a

Volant Associates provides enterprise-scale IT solutions in support of Defense ISR missions as a technology integrator and software development company. Volant's customer base, including the DIA and other IC agencies, will complement Arlington Capital portfolio company Octo's missions within the defense and intelligence community. Volant was founded in 2008 with a focus on data sharing and analytics with 85 employees at date of acquisition.



BLACKLYNX

Acquired by

Jacobs

Closing Date: H1 2022*

Price: n/a

Revenue: n/a

TEV/EBITDA: n/a

Jacobs entered into a definitive agreement to acquire BlackLynx in Q4 of 2021. BlackLynx provides enterprise-scale software solutions for national security customers, including edge computing, analytics, hybrid-cloud infrastructure, and collection automation. Jacobs complements their cyber, intelligence, and digital solutions, and further establishes their position as a provider of high-end solutions to the IC and DoD, among others.

Data analytics and cloud infrastructure remain a key acquisition foci for providers of IT services to the intelligence and national security communities