



## INDUSTRIALS: AEROSPACE AND DEFENSE

- 2020 has been a challenging year for the Aerospace and Defense industry. Not only has the industry dealt with the grounding of Boeing's 737MAX aircraft, but also it has also faced steep declines in air traffic due to the pandemic.
- Travel volumes continue to be down significantly compared to 2019. TSA traveler throughput was down 67% compared to October 2019.
- Aircraft and Engine OEMs have made significant cuts to both production rates and workforce. Boeing started 2020 with 160,000 employees and aims to have 130,000 by the end of 2021. At engine maker, GE Aviation, the division is cutting a quarter of its 52,000 employees.
- Defense stocks have fared better than the OEMs as governments have maintained defense spending and foreign military sales partially offset softness in the commercial sector.
- Despite the headwinds facing the industry, buyers continue to close M&A transactions, with active industry buyers AE Industrial Partners and Arlington Capital Partners leading the way with new platforms and add-on acquisitions.
- We believe this industry will recover, albeit slowly, but we expect deal activity to continue as Corporations evaluate their portfolios and Financial buyers seek new investments.

## RECENT SELECT TRANSACTIONS

Target	Date	Buyers / Investors	Region	Strategic / Financial
Composites Business of Triumph Group, Inc.	Aug 3	Arlington Capital Partners	US	Financial
Seanair Machine Company, Inc.	Oct 12	AE Industrial Partners	US	Financial
Larkin Precision Machining, Inc.	Oct 6	IMG Companies, LLC	US	Strategic
Fastener Innovation Technology, Inc.	Sep 29	Avantus Aerospace Group Limited	US	Financial Backed Strategic
Ascent Vision Technologies, LLC	Aug 12	CACI International Inc	US	Strategic
Field Aerospace, Inc.	Jul 27	Trive Capital	US	Financial
Cling's Aerospace, LLC.	Jul 22	ARCH Global Precision LLC	US	Financial Backed Strategic
Aerospace Composite Business of AAR	Jun 29	Architect Equity LLC	US	Financial
Shadin L.P.	Jun 23	Gardner Standard LLC	US	Financial
Aerox Aviation Oxygen Systems, LLC	Apr 30	O2 Aero Acquisitions, LLC	US	Financial
Neva Ridge Technologies, Inc.	Mar 3	General Atomics Corp.	US	Strategic
Adcole Maryland Aerospace, LLC (nka:RedWire, LLC)	Mar 2	AE Industrial Partners, LP	US	Financial
TECT Corp	Feb 27	Whitcraft LLC	US	Financial Backed Strategic
FreeFlight Systems, Inc.	Feb 24	ACR Electronics, Inc.	US	Financial Backed Strategic
RSA Engineered Products, LLC	Jan 30	TriMas Corporation	US	Strategic
Consolidated Aerospace Manufacturing, LLC	Feb 24	Stanley Black & Decker, Inc.	US	Strategic
Cassavant Machining, Inc.	Jan 24	CMI Group Holdings, LLC	US	Financial
Aero Parts Mart, Inc.	Jan 7	Jet Parts Engineering, Inc.	US	Financial Backed Strategic
California Amforge Corporation	Jan 7	Premier Forge Group	US	Financial Backed Strategic

For more information and insight please contact the EdgePoint Industrials team:

**Matt Keefe**  
Managing Director  
Industrials

**Contact:**  
216-342-5863  
mkeefe@edgepoint.com

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EdgePoint Public Comparable Index Constituents

Airframe and Engine OEMs

Company Name	Enterprise Value (EV)	LTM Margins		EBITDA		EV/EBITDA		Revenue LTM	Revenue Growth		Stock Price	% of 52 Wk High
		Gross	EBITDA	LTM	2020E	LTM	2020E		LTM	3-Yr. CAGR		
Airbus SE	\$65,815	11.7%	0.0%	(\$32)	\$4,646	119.2x	14.2x	\$65,901	-15.9%	-2.4%	\$75.74	45.9%
The Boeing Company	116,859	-0.8%	-7.6%	(4,599)	(2,648)	NM	NM	60,765	-30.1%	-13.1%	155.24	41.3%
General Electric Company	126,113	18.6%	11.3%	9,470	3,926	12.6x	32.1x	83,928	-12.1%	-11.2%	7.10	53.5%
Rolls-Royce Holdings plc	11,057	0.3%	-9.6%	(1,719)	(459)	NM	NM	17,988	-9.9%	-1.4%	2.86	27.7%
Safran SA	50,421	47.4%	18.5%	4,554	3,206	10.0x	15.8x	24,580	-9.4%	10.2%	107.91	59.9%
<b>Mean</b>		<b>15.4%</b>	<b>2.5%</b>	<b>1,535</b>	<b>1,734</b>	<b>11.3x</b>	<b>15.0x</b>	<b>50,633</b>	<b>-15.5%</b>	<b>-3.6%</b>	<b>69.8</b>	<b>45.7%</b>

Component Manufacturers

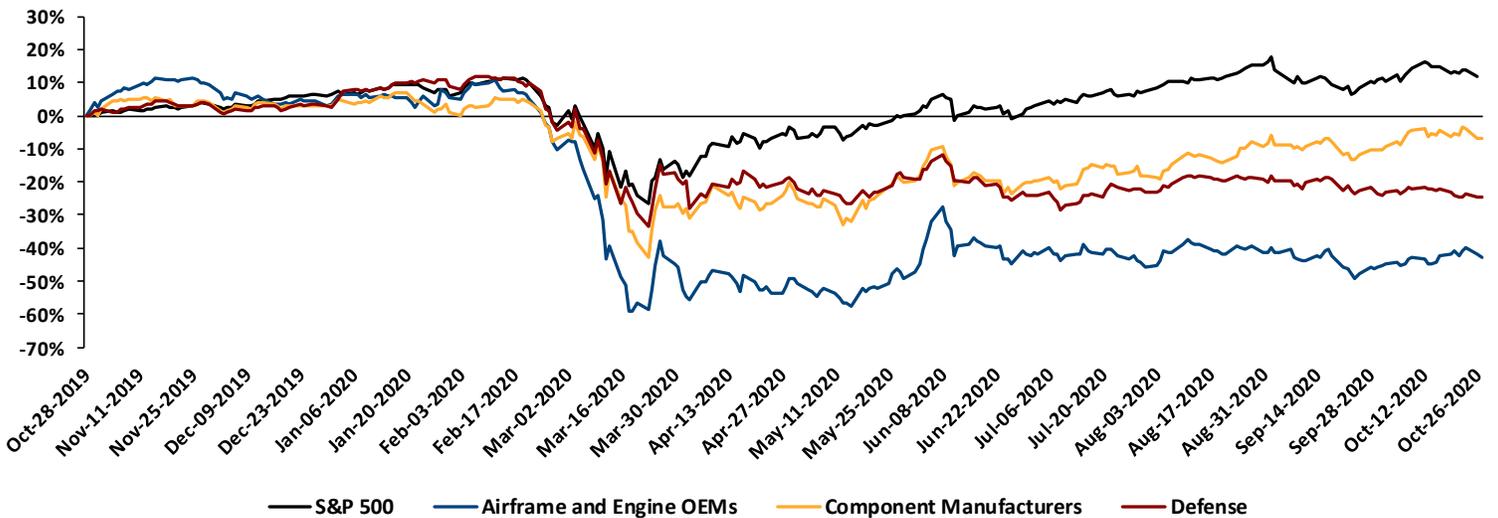
Company Name	Enterprise Value (EV)	LTM Margins		EBITDA		EV/EBITDA		Revenue LTM	Revenue Growth		Stock Price	% of 52 Week High
		Gross	EBITDA	LTM	2020E	LTM	2020E		LTM	3-Yr. CAGR		
Allegheny Technologies Incorporated	\$2,227	14.3%	10.0%	\$377	\$166	6.1x	13.4x	\$3,763	-9.2%	4.3%	\$8.87	36.7%
Astronics Corporation	370	21.6%	8.2%	54	30	6.1x	12.4x	657	-19.2%	2.3%	7.00	21.1%
Honeywell International Inc.	124,970	32.9%	23.0%	7,942	7,529	15.1x	16.6x	34,522	-10.6%	-4.3%	166.75	90.6%
Meggitt PLC	4,127	33.7%	21.4%	562	402	6.8x	10.4x	2,628	-3.5%	0.8%	3.71	40.5%
Moog Inc.	3,027	26.4%	11.3%	334	268	8.4x	11.3x	2,943	3.6%	6.1%	63.11	65.8%
Triumph Group, Inc.	1,953	20.5%	9.3%	248	155	7.0x	12.6x	2,665	-18.3%	-8.0%	6.69	22.8%
Woodward, Inc.	5,798	24.5%	16.5%	445	412	12.4x	14.1x	2,701	-6.3%	9.0%	79.30	61.4%
<b>Mean</b>		<b>24.8%</b>	<b>14.2%</b>	<b>1,423</b>	<b>1,280</b>	<b>8.9x</b>	<b>13.0x</b>	<b>7,125</b>	<b>-9.1%</b>	<b>1.5%</b>	<b>47.92</b>	<b>48.4%</b>

Defense Contractors

Company Name	Enterprise Value (EV)	LTM Margins		EBITDA		EV/EBITDA		Revenue LTM	Revenue Growth		Stock Price	% of 52 Week High
		Gross	EBITDA	LTM	2020E	LTM	2020E		LTM	3-Yr. CAGR		
BAE Systems plc	\$22,525	62.5%	10.4%	\$2,412	\$3,244	7.6x	7.0x	\$23,291	8.5%	0.7%	\$5.65	64.2%
General Dynamics Corporation	52,280	17.3%	13.2%	5,057	5,041	9.2x	10.4x	38,217	-1.9%	8.0%	134.87	71.0%
L3Harris Technologies, Inc.	41,836	28.1%	18.4%	4,426	3,630	9.5x	11.5x	24,004	0.0%	0.0%	166.26	72.0%
Lockheed Martin Corporation	110,525	13.3%	15.1%	9,706	9,915	11.3x	11.1x	64,244	10.1%	8.8%	362.43	81.9%
Northrop Grumman Corporation	62,731	21.2%	12.4%	4,372	5,082	13.0x	12.3x	35,308	6.1%	11.0%	302.12	78.5%
Raytheon Technologies Corporation	111,430	22.0%	14.6%	12,208	9,911	8.6x	11.2x	83,559	39.7%	12.4%	56.53	35.7%
<b>Mean</b>		<b>23.5%</b>	<b>12.0%</b>	<b>5,454</b>	<b>5,260</b>	<b>9.9x</b>	<b>10.6x</b>	<b>38,375</b>	<b>8.9%</b>	<b>5.8%</b>	<b>\$146.84</b>	<b>57.6%</b>

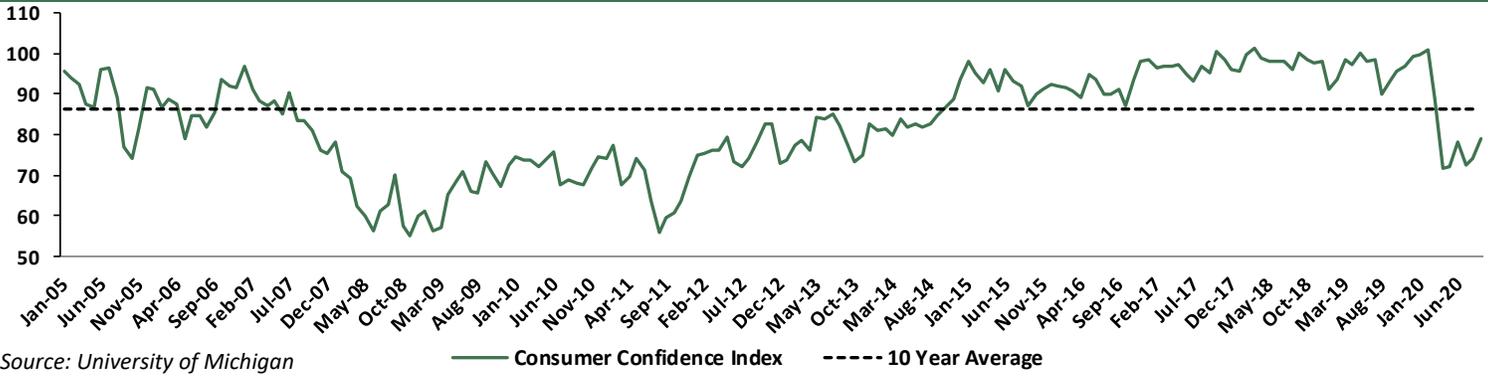
Source: S&P CapIQ (As of October 27, 2020)

Trailing Twelve Months Stock Performance

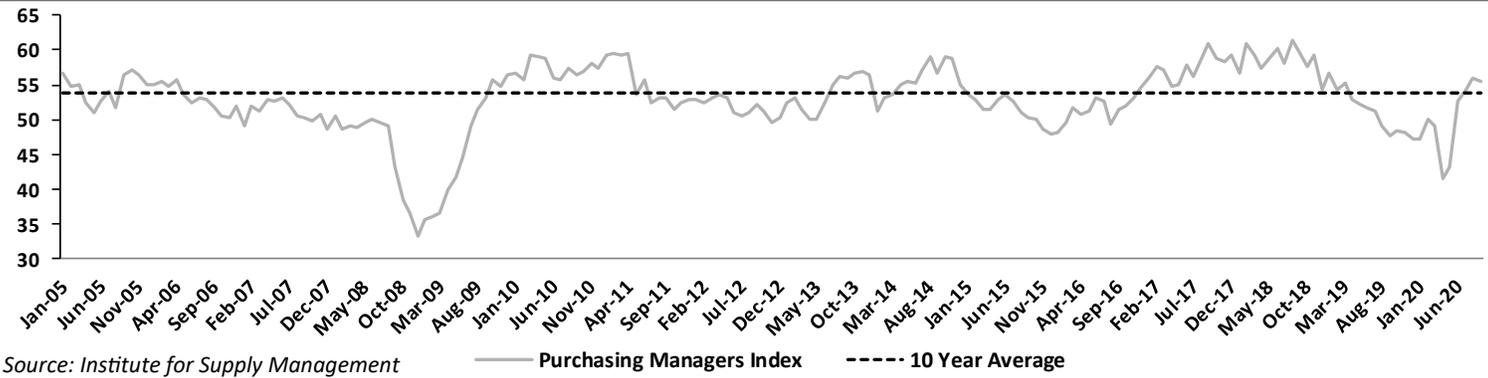


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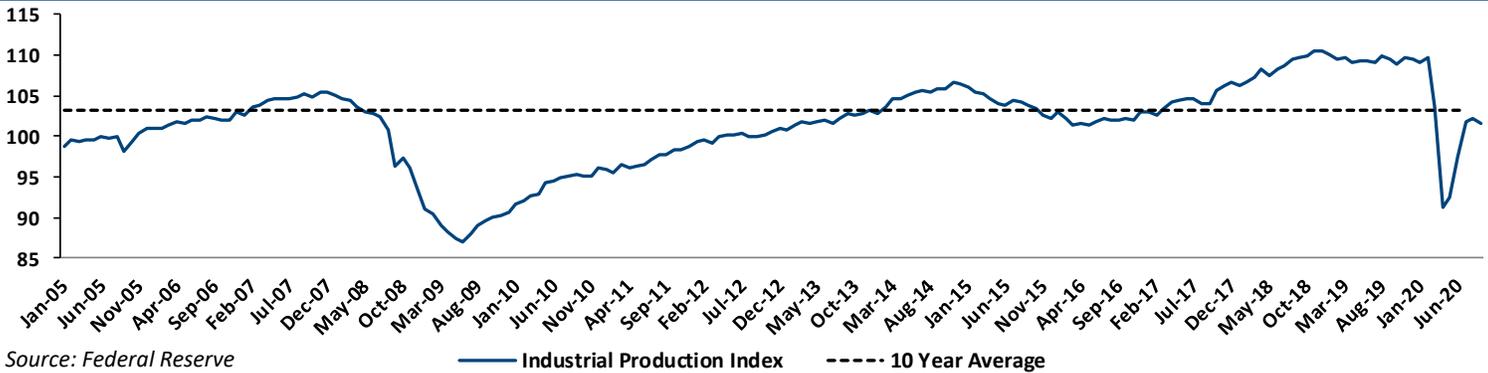
## Consumer Confidence Index (2005 - September 2020)



## Purchasing Managers Index (2005 - September 2020)



## Industrial Production Index (2005 - September 2020)



## U.S. Real GDP Growth (2004 - 2Q 2020)

