ISR Services
M&A and Market Update
August 2019

For more information regarding the attached or other A&D topics, contact:

Ryan Murphy
Partner
(949) 404-4204
ryan@kalcap.com

Trevor Bohn
Partner
(949) 404-4203
trevor@kalcap.com

Trevor McKinnon
Analyst
(949) 404-4205
mckinnon@kalcap.com

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Intelligence, Surveillance, Reconnaissance (ISR) Services

ISR: Services and Highlights

Overview

Special operations and intelligence agencies continue to demand contracted civilian personnel to provide mission-critical services for our armed forces. Intelligence, Surveillance, Reconnaissance services demand remains at all-time highs as the DoD aligns EW and intelligence superiority as a top priority.

New aerial platforms and sensor suite technologies require highly trained operating personnel, and the DoD has long favored the private markets for top talent.

Specifically the mission-critical ISR services have birthed a specialized and highly fragmented market space in the U.S.. Continued ISR program funding, scalable operating models, and high free cash flows have attracted not only prior-servicemember start-ups, but an array of consolidation efforts in quest for one-stop solutions and operating synergies.

"…innovations in electronics, camera systems and data connections have *dramatically changed* the capability set. As the technology has changed, the application has grown exponentially and the demand for those types of services, by the armed forces in particular, has gone off the charts," – Ryan Murphy, *Unmanned Systems Magazine,* September 2019.

ISR Services

- Flight Ops
- PED
- Engineering Services
- FMV/GEOINT
- Sensor Operators
- Maintenance
- Logistics
- Training

Flight Operations

AEVEX AEROSPACE · MAG AEROSPACE · BERRY AVIATION, INC · ASEC · TENAX AEROSPACE · PAE ISR · metaaerospace · RAMPART AVIATION · AOCE

Select Programs

Data Processing

CSG SOLUTIONS · SAIC · MacB · HARRIS · NOVETTA · NS2 · leidos · POLARIS · Palantir

Select Programs

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ISR M&A Overview

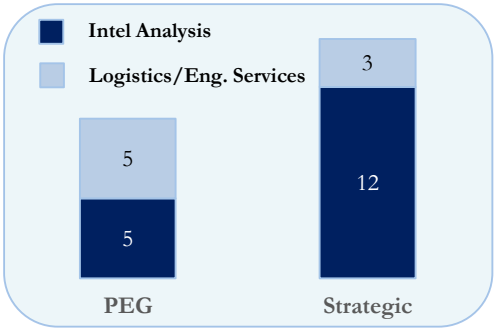
Select 2019 ISR Services Deals

Active PEGs

ACP · Madison Dearborn Partners · NMC · Acorn Growth Companies · TRIVE CAPITAL · Enlightenment Capital · The Jordan Company

Active Strategics

Parsons · ManTech · SOSi · leidos · L3Harris · SNC Sierra Nevada Corporation · SAIC



Date	Private Equity Group	Platform	Target	Service Specialization
Aug-19	NMC	MAG Aerospace	Time Saver Aviation LLC	Fixed-Wing Maintenance
Jul-19	McNally Capital	ClearSky	Altamira	MULTIINT, PED
Jul-19	ACP	Octo	connexta	PED, GEOINT
Jun-19	BlueDelta Capital Partners	Metis Solutions	Pluribus International	GEOINT, MULTIINT
Jun-19	CM Equity Partners	N/A	Janus Research Group, Inc.	Systems Engineering, PED
Jun-19	Bootstrap Capital	N/A	Torres	Logistics
May-19	Sagewind Capital	ByLight	Metova Federal	Training, Cybersecurity
Apr-19	Enlightenment Capital	Everwatch	Northwood Global Solutions, LLC	Systems Engineering
Mar-19	NMC	MAG Aerospace	Encore Aviation	Fixed/Rotary-Wing Maintenance
Jan-19	The Jordan Company	VT Group	NTA	Maintenance, Logistics

Analysis

ISR services have continued to drive deal flow in 2019. Within private equity, existing platforms have amounted to the bulk of the transactions with a variety of bolt-ons ranging from data processing to logistics and maintenance providers. While PEGs seek full-service solution platforms, the strategic buyer community has held close to data processing and intel analysis services almost exclusively.

For strategics, 2019 has been a year of mega mergers. L3/Harris, SAIC/Engility, and Jacobs Engineering/KeyW are prime examples. In the middle-market, ManTech, SOSi, and Parsons have racked up PED add-ons, increasing competition with private equity stalwarts and ultimately driving EV/EBITDA acquisition multiples higher than previous years.

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About KAL Capital

Team

Established Brand

- Team previously grew Salem Partners A&D into the most active Southern California lower middle-market banking practice

Deep Working Relationship

- Founders have worked together for 10+ years

Years of Experience

- Team has a combined 25+ years of experience in the A&D industry

A&D Sector Knowledge

Macro Drivers

- Deep A&D sector knowledge vital to articulating unique major macro-drivers

Detailed Positioning

- Each business has a highly unique story and accumulation of history

Transactions

Experience Throughout Supply Chain

- KAL has vast experience throughout the supply chain with a comprehensive understanding of each subsector's growth drivers and strategic buyers

Cross-Border Experience

- Aerospace is a global industry and demonstrated access to non-domestic buyers is critical

Relationships

Financial Buyers

- KAL has long-term relationships that force prioritization of KAL clients

Strategic Buyers

- Deep relationships with C-Suite executives at leading A&D public companies

Clients First

Long-Term Focus

- Success of our business is judged over a career not quarterly results

Tailored M&A Process

- KAL is built on the belief that M&A processes should be built to maximize transaction outcomes for clients

Leading A&D Practice

KAL Capital Leading Aerospace and Defense Franchise

- KAL Capital has successfully closed defense systems, aerostructures and services transactions in all regions of the United States
- The firm's typical mandates are family-held, private-equity owned or strategic divestitures with EBITDA between $5-15mm

Representative Closed Transactions

Defense

Florida Turbine Technologies — has been acquired by Kratos — Sale of Company	TJC The Jordan Company has acquired VT Group — Acquisition Advisory	Merlin RAMCo Inc. has been acquired by Trive Capital — Sale of Company	Beaver Aerospace & Defense, Inc. has been acquired by Héroux Devtek — Sale of Company	Mountain Secure Systems has been acquired by Cache Creek Industries — Sale of Company	KaZaK Composites has been acquired by Plasan — Sale of Company	CAPCO has been recapitalized by Capco Growth Partners, LLC — Recapitalization

A&D Manufacturing

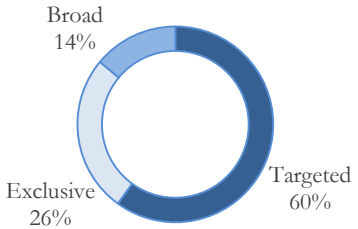
California Brazing has been acquired by Trive Capital — Sale of Company	Mayday Manufacturing / Hi-Tech Metal Finishing has been acquired by ESCO Technologies — Sale of Company	PS Dynamic Paint Solutions has been acquired by Valence Surface Technologies — Sale of Company	Prime Flo Manufacturing has been acquired by Valence Surface Technologies — Sale of Company	Coast Plating, Inc. "Premier Metal Finishing" has been acquired by Trive Capital — Sale of Company	Southwest United Industries, Inc. A portfolio company of Argonaut Private Equity has been acquired by PCC Precision Castparts Corp. — Sale of Company	Senior has been acquired by Senior — Sale of Company
Triumph Processing Embee Division has been acquired by AMP — Sale of Company	AMP has been recapitalized by Watson Family Investments — Recapitalization	Sheffield Manufacturing has been recapitalized by Hancock Park Associates and next point capital — Recapitalization	Helicomb International has been acquired by Synchronous Aerospace Group, a portfolio company of Littlejohn & Co. — Sale of Company	Impresa Aerospace, a portfolio company of Graycliff Partners has been acquired by Twin Haven — Sale of Company	Process Fab Inc. a portfolio company of Vance Street Capital LLC has been acquired by Burtek, a portfolio company of Wynnchurch Capital — Sale of Company	CSI has been acquired by Trive Capital — Sale of Company

Services

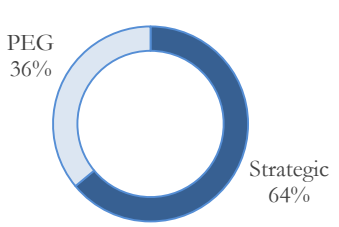
Triumph Aviation Services - NAAS Division has been acquired by STS Aviation Group — Sale of Company	STS Aviation Group equity investment from Greenbriar Equity Group LLC — Equity Partnership	Air Transport Components, a portfolio company of GlenCap America has been acquired by Holder Family Investments — Sale of Company	PrimeFlight has been acquired by The Carlyle Group — Sale of Company	DAS Aeronautical Services has been acquired by West Star Aviation — Sale of Company	NAAS has been recapitalized by Mangrove Equity Partners — Recapitalization	Ascent Aviation Services, a portfolio company of Victory Park Capital has been acquired by LVC — Sale of Company

KAL Capital Process Details

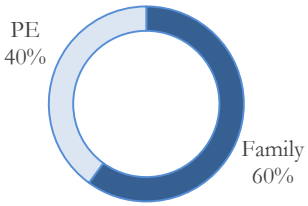
Process Type



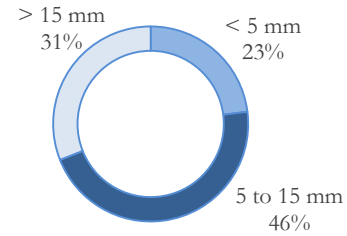
Buyer Type



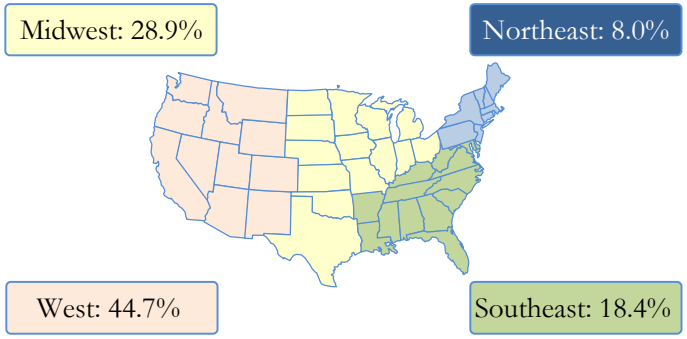
Client Type



Deal Size



Clientele Geographic Coverage



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