KAL Capital

2024 Presidential Elections

THE EFFECT OF AN UPCOMING TRUMP ADMINISTRATION ON M&A

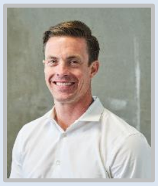
November 2024

ABOUT KAL CAPITAL

Dedicated Team

Senior Leadership

Trevor Bohn
Partner



Ryan Murphy
Partner

Execution Lead

Trevor McKinnon
VP

Gert Loechle
Associate

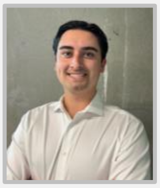
Amir Ragui
Associate

Execution Support

Will Connelly
Analyst

Garrett Calvert
Analyst

Nikheil Patel
Analyst



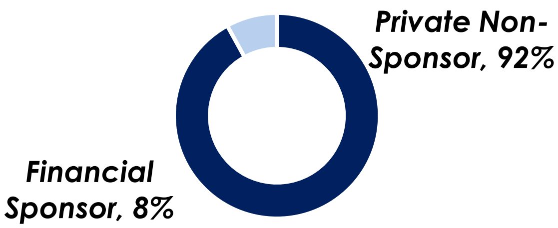
Trent Porter
Analyst

KAL Key Stats

92% of clients
Non-Sponsor Family-Businesses

8 A&D transactions
in 2024 YTD

Non-Sponsor Focused Business Model



KAL Team Highlights

Founders with 50+ years of Experience
Track-record in A&D investment banking

100% A&D
Entire team dedicated to A&D

58 Closed Transactions
Across all stages of A&D supply chain

All-Hands Approach
Everyone works on all deals

MERGERS & ACQUISITIONS

THE FEDERAL TRADE COMMISSION & REGULATORY LANDSCAPE

An expected Trump administration shift would likely favor a ***business-friendly regulatory stance***, impacting the Federal Trade Commission (FTC) and Department of Justice (DOJ) oversight of mergers. Under Lina Khan, the FTC has intensified scrutiny on potential monopolies, particularly in technology and healthcare. However, a Trump appointee may ***prioritize expedited review processes, reducing regulatory hurdles and encouraging consolidation, especially in sectors that had previously faced substantial resistance.*** For example, Trump's previous approach facilitated large bank mergers, which were stymied under Biden-era regulations.

FOCUS ON ECONOMIC GROWTH

Beyond easing restrictions, ***Trump's policies may incentivize growth-driven mergers***. The reduction of corporate tax rates and incentives for domestic production—hallmarks of his initial term—would likely be resurrected, with favorable tax treatment for strategic growth initiatives and acquisitions. Companies, especially in energy, industrials, and financials, may see this as an opportunity to ***expand through acquisitions without fear of protracted regulatory roadblocks.***

IMPACT ON AEROSPACE & DEFENSE M&A

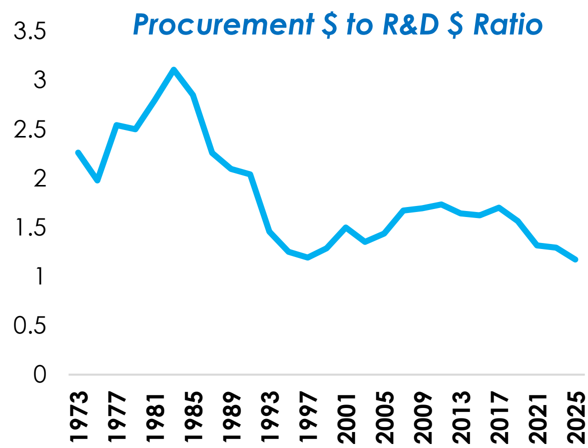
The Aerospace & Defense sector is poised for significant M&A acceleration as Trump returns to office, supported by a focus on increasing defense spending and strengthening the U.S. defense industrial base. This shift could create optimal conditions for strategic acquisitions and consolidation among defense companies, especially those positioned to meet national security demands.

A Trump administration's emphasis on securing U.S.-based defense supply chains could drive investment in smaller, specialized emerging technology suppliers in areas like electronics, advanced manufacturing, and cybersecurity. Additionally, the strategic priority of countering near-peer threats, especially China and Russia, could fuel M&A as companies expand capabilities in missile defense, unmanned systems, and cyber.

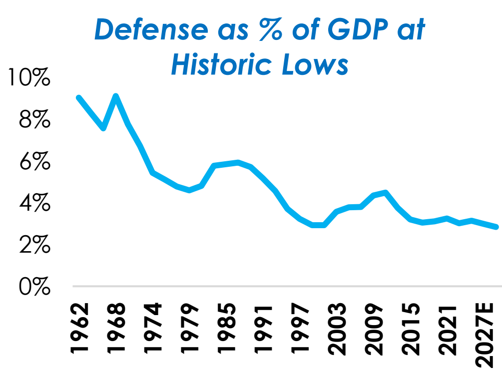
DEPARTMENT OF DEFENSE BUDGET

PROCUREMENT VS. RESEARCH & DEVELOPMENT

A Trump administration is expected to ***emphasize immediate military readiness, primarily through enhanced procurement spending.*** Whereas the Biden administration increased the RDT&E budget at the expense of procurement, Trump's priorities would likely ***focus on tangible assets like ships, planes, and munitions***—particularly critical for addressing threats in the Indo-Pacific. Reallocating funds from lower-priority R&D initiatives to boost procurement of platforms such as Virginia-class submarines and F-35 fighter jets, underscoring a practical focus on bolstering military capacity.



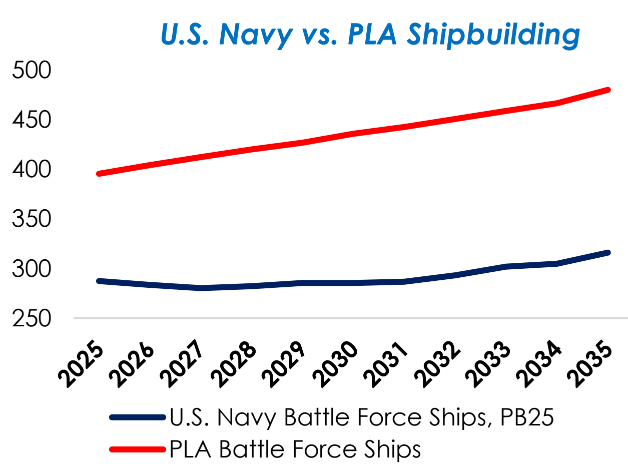
NEAR-PEER THREATS



With rising global powers such as China and Russia in focus, the conservative defense budget suggests channeling resources into capabilities designed to counter these near-peer threats. ***This includes enhancing nuclear deterrence and bolstering military assets in the Indo-Pacific***. Trump's previous military initiatives emphasized forward-operating assets and procurement of advanced equipment, both of which align with this goal of maintaining competitive positioning in key regions.

GROWING THE SUBMARINE INDUSTRIAL BASE

A Trump administration will ***prioritize expanding the submarine industrial base and support production above two subs per year***. With Congress and the Navy already targeting a five-fold increase in new construction requirements (including over $16 billion in additional funding through FY28) a continued emphasis on procurement would bolster the entire naval manufacturing supply chain. This investment is expected to ***address parts availability, strengthen the supplier base, and expand shipbuilding infrastructure and workforce training***.



TAX POLICY EXPECTATIONS

TARIFF POLICY

Trump's "America First" policy intends to reduce reliance on foreign goods, with ***proposed tariffs of 10% to 20% on every country that trades with the U.S., and 60% tariffs on China***. A renewed trade war with China would be a potential setback for American OEM Boeing and its downstream supply base, which has longed to restart sales in one of the most lucrative airliner markets in the world. Boeing aircraft deliveries to China peaked in 2018, when 24% of Boeing plane deliveries were to Chinese carriers. ***During Trump's first term, China committed to substantial purchases of U.S. goods — including Boeing aircraft — as part of the 2020 "Phase One" trade deal***, which was intended to reduce the U.S.-China trade deficit. If similar negotiations were renewed, China might agree to purchase more U.S. aircraft as part of efforts to ease tariff pressures and ensure access to the U.S. market for Chinese goods.

CORPORATE TAX POLICY

A second Trump administration is ***widely expected to pursue further reductions in corporate tax rates, potentially lowering them to 20% or even below***. Building on the 2017 Tax Cuts and Jobs Act, which reduced the corporate tax rate from 35% to 21%, Trump's approach aims to increase the competitiveness of U.S. businesses on the global stage. Lower corporate taxes leave companies with more capital, which could stimulate business investments, R&D, and job creation across various industries.

For the M&A market, a reduction in corporate taxes would likely create a more favorable environment for acquisitions, as companies could reinvest tax savings into growth initiatives, including strategic acquisitions. ***Lower taxes would increase available cash flow, improving leverage ratios and financial metrics, which are often crucial in determining the feasibility of mergers and acquisitions.*** Additionally, reduced tax burdens can make U.S.-based companies more attractive to both domestic and international investors, potentially driving up valuations in sectors like technology, energy, and industrials.

CAPITAL GAINS TAX POLICY

President Trump has not specifically committed to lowering capital gains taxes in his 2024 campaign, but his previous administration's focus on tax cuts suggests he would likely favor maintaining or reducing current rates. His general approach ***aims to create a favorable investment environment, encouraging economic growth by preserving lower tax burdens on capital gains.***

In contrast, Vice President Kamala Harris had proposed raising the capital gains tax rate to 28% for individuals earning over $1 million, a move intended to increase revenue from taxpayers. This higher rate would impact high-income investors' after-tax returns and could negatively influence investment strategies. While Harris emphasized progressive taxation, Trump's likely approach would focus on minimizing tax liabilities to promote investment.

RECENT TRANSACTIONS

SUNVAIR — HAS BEEN ACQUIRED BY — GREENBRIAR EQUITY GROUP, L.P.

segers — HAS BEEN ACQUIRED BY — H.I.G. CAPITAL

FOX — FOX VALLEY METAL TECH — HAS BEEN ACQUIRED BY — ARMORWORKS — A PORTFOLIO COMPANY OF — LITTLEJOHN CAPITAL

STACK METALLURGICAL GROUP — HAS BEEN ACQUIRED BY — KITTYHAWK

LCHT LAKE CITY HEAT TREATING — SALE PENDING — Bodycote

VIAN Enterprises — HAS BEEN ACQUIRED BY — CRANE

CYCLONE MFG. INC. — HAS BEEN ACQUIRED BY — Mubea

International Water-Guard — HAS BEEN ACQUIRED BY — ARCLINE INVESTMENT MANAGEMENT

HITEMCO — HAS BEEN ACQUIRED BY — Lincotek

KITTYHAWK — HAS BEEN ACQUIRED BY — TRIVE CAPITAL

VANGUARD ELECTRONICS — HAS BEEN ACQUIRED BY — INRCORE — A PORTFOLIO COMPANY OF — THE JORDAN COMPANY

STROCO AEROSPACE SHIMS & BRACKETS — HAS BEEN ACQUIRED BY — NOVARIA GROUP — A PORTFOLIO COMPANY OF — KKR

CMI custom microwave inc. — HAS BEEN ACQUIRED BY — VITESSE SYSTEMS

KEMCO AEROSPACE MANUFACTURING — HAS BEEN ACQUIRED BY — CRESTVIEW AEROSPACE — A PORTFOLIO COMPANY OF — AMERICAN INDUSTRIAL PARTNERS

SENTEK GLOBAL — HAS BEEN ACQUIRED BY — Deloitte.

FMI FORREST MACHINING, INC. — HAS BEEN ACQUIRED BY — ENDEAVOUR

Systima Technologies Inc. — HAS BEEN ACQUIRED BY — KARMAN SPACE & DEFENSE — A PORTFOLIO COMPANY OF — TRIVE CAPITAL

MINGO AEROSPACE — HAS BEEN ACQUIRED BY — SUNVAIR AEROSPACE GROUP — A PORTFOLIO COMPANY OF — BLUE SEA CAPITAL

ACPT — HAS BEEN ACQUIRED BY — CHARGER

ASE — A PORTFOLIO COMPANY OF — GENCAP AMERICA — HAS BEEN ACQUIRED BY — Calspan

STS Aviation Group — RECEIVED AN EQUITY INVESTMENT FROM — GREENBRIAR EQUITY GROUP, L.P.

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