

RAYMOND JAMES

INVESTMENT BANKING

Defense & Space Quarterly Market Report

Q1 2024

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Industry Experience ⁽¹⁾

 has received an investment from 	 \$345,000,000 Follow-On Offering Bookrunning Manager	 has received a strategic investment from 	 has made a strategic investment in 	 has acquired 	 has been acquired by a portfolio company of
 has been acquired by a portfolio company of 	 has been acquired by a portfolio company of 	 has been acquired by a portfolio company of 	 has been acquired by 	 has been acquired by to form 	 has received a strategic investment from
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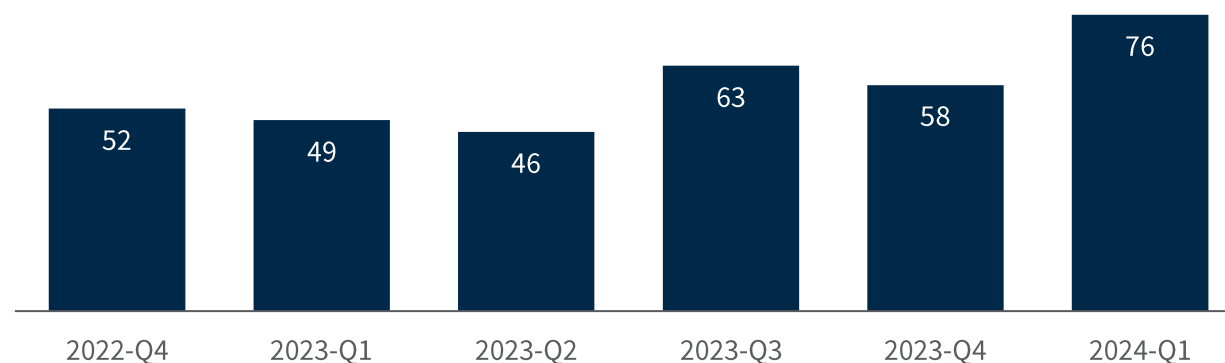
Sector-focused equity research coverage ⁽²⁾

			Booz Allen Hamilton

Notes: (1) Transactions occurred between February 2021 and April 2024
 (2) The public companies displayed are actively covered by Raymond James Equity Research analysts

Defense & Space industry update

Recent Defense & Space transaction activity ⁽¹⁾



Recent representative M&A transactions ⁽²⁾

Target	Acquirer	Target	Acquirer
		Antenna and Test Equipment Business of	

M&A activity summary

- The number of M&A transactions in the Defense & Space industry increased quarter-over-quarter in Q1 2024, as market activity has continued to ramp up after experiencing over a year in decline
- M&A activity focused on communication technologies was a strong theme in Q1 2024. Examples include Epiq’s acquisition of CyberRadio; Blue Delta’s investment in Herrick Technology Labs; and Kanders’ acquisition of the Antenna and Test Equipment Business of L3Harris
- Private equity closed various platform and add-on investments in Q1 2024, led by activity from Arlington Capital Partners, who bolstered its portfolio company, BlueHalo, by rolling Eqlipse Technologies into the C4ISR giant, strengthening BlueHalo’s position in RF technologies, cybersecurity, and signals intelligence. Razor’s Edge also bolstered its portfolio company, BlackSea, via the acquisition of Blue Tide Marine, adding its complex surface and subsurface intelligence solutions to its portfolio of advanced maritime defense solutions

Industry news

- During the week of April 8, 2024, the Sea-Air-Space Defense Conference convened, drawing high-ranking U.S. Navy officials and prominent defense contractors. The conference delved into a wide range of topics, including cutting-edge advancements in defense technology where defense contractors unveiled several groundbreaking technologies. Among these innovations was Northrop Grumman’s Manta Ray underwater drone, purpose-built for extended-duration missions over substantial distances, thereby minimizing risks associated with human involvement
- As part of the U.S. Navy’s 2025 budget request, it is investing in maritime electromagnetic tactical operations research (“METEOR”). The primary goal of METEOR is to develop high-power microwave systems for naval ship defense. These cutting-edge systems will counter threats from drones, missiles, and other electronic warfare devices. To expedite the acquisition of these advanced technologies, the Navy is leveraging the rapid defense experimentation reserve initiative. METEOR will undergo rigorous functionality tests, design enhancements, and open-air testing against surrogate targets. Furthermore, the Navy has ambitious plans to deploy a high-powered microwave prototype system on one of its vessels as early as 2026

Sources: Aviation Week, DACIS, Defense News

Notes: (1) Totals include all closed transactions reported by DACIS / Infobase as of 4/30/2024

(2) Transactions were announced or completed between January 2024 and April 2024 and are organized alphabetically

Spotlight: Unmanned Maritime Systems

Unmanned Surface Vehicles (“USVs”) and Unmanned Underwater Vehicles (“UUVs”) have emerged as critical components of national security, principally in the INDOPACOM area of responsibility, catalyzing sustained investment in the technology as innovation builds upon existing capabilities

\$26.5B+ Proposed FY2025 INDOPACOM defense budget request

\$555M Proposed U.S. Navy FY2024 USV R&D budget

\$315M Proposed U.S. Navy FY2025 budget to procure first Large Unmanned Surface Vehicle

Unmanned Maritime System Use Cases



Anti-Torpedo Defense Systems



Autonomous Surface Patrols



Covert Operations & Special Forces Support



Force Multiplier in Fleet Operations



Mine Countermeasures



Personnel Infiltration & Exfiltration



Surveillance & Intelligence Gathering



Underwater Reconnaissance

Q1 Technology Developments & Government Initiatives



U.S. Navy receives unmanned GARC drone boats from BlackSea Technologies



U.S. Launched Vanguard, First Overlord Large USV Fully Designed For Autonomy



Austal Launches First Saildrone Vessel Built for U.S. Navy



HII Unveils New Remus 130 Unmanned Underwater Vehicle



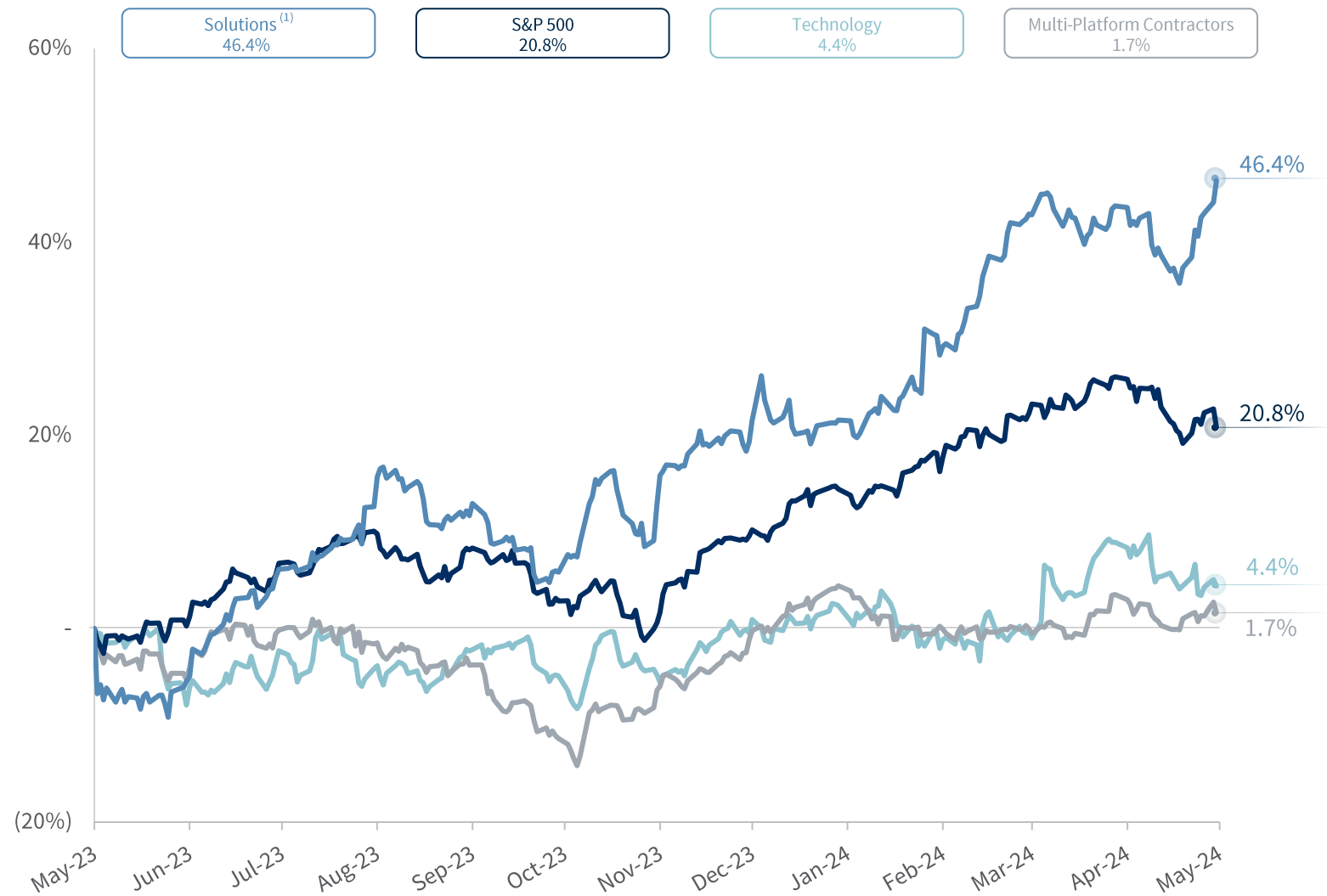
Northrop Grumman Unveils Prototype of Manta Ray Uncrewed Underwater Vehicle

Public Defense & Space market performance

MARKET COMMENTARY

- During the second half of April, the Defense Solutions index experienced a significant surge, driven by heightened M&A activity as well as the development of new technologies to combat an evolving threat landscape coupled with geopolitical tension. This surge was in tandem with the broader market, which also performed well during this period
- After a challenging year, both the Defense Technology index and the Multi-Platform Contractor index rebounded positively, with investors showing renewed optimism, driven by expectations of future interest rate cuts from the Federal Reserve

LTM Defense & Space index performance



Source: Capital IQ; data as of 4/30/2024

Note: Companies included are those tracked internally by Raymond James individual assets disclosed on next page

(1) Palantir excluded due to outlier nature of stock returns compared to index average

Publicly traded Defense & Space companies

(\$ in millions except for stock price)

	Market Data							Financial Performance				Valuation Multiples						
	Company Name	Ticker	Price at 4/30/2024	% of 52-Week High	Equity Value	Total Debt	Enterprise Value	LTM				TEV / LTM		TEV / CY 2024 (E)		TEV / CY 2025 (P)		
								Total Sales	EBITDA	EBITDA Margin	Debt / EBITDA	Total Sales	EBITDA	Total Sales	EBITDA	Total Sales	EBITDA	
Technology	AeroVironment, Inc.	NasdaqGS:AVAV	\$159.79	86.6%	\$4,467	\$70	\$4,429	\$706	\$130	18.4%	0.5x	N.M.	N.M.	N.M.	N.M.	N.M.	25.2x	
	Comtech Telecommunications Corp.	NasdaqGS:CMTL	\$1.88	14.4%	\$54	\$209	\$389	\$571	\$47	8.3%	3.4x	0.7x	8.2x	0.7x	6.2x	0.7x	5.4x	
	Kratos Defense & Security Solutions, Inc.	NasdaqGS:KTOS	\$17.82	82.5%	\$2,672	\$329	\$2,951	\$1,037	\$66	6.3%	4.1x	2.8x	N.M.	2.6x	28.0x	2.3x	23.9x	
	Mercury Systems, Inc.	NasdaqGS:MRCY	\$28.20	60.6%	\$1,674	\$708	\$2,214	\$895	\$132	14.7%	4.9x	2.5x	16.8x	2.6x	23.2x	2.4x	16.3x	
	Teledyne Technologies, Inc.	NYSE:TDY	\$381.48	85.1%	\$18,091	\$3,246	\$20,430	\$5,602	\$1,350	24.1%	2.3x	3.6x	15.1x	3.6x	15.1x	3.4x	13.7x	
	Thales S.A.	ENXTPA:HO	\$168.89	97.0%	\$34,905	\$9,323	\$39,710	\$20,370	\$2,638	12.9%	3.2x	1.9x	15.1x	1.9x	11.6x	1.7x	10.7x	
	Median:				83.8%	\$3,570	\$518	\$3,690	\$966	\$131	13.8%	3.3x	2.5x	15.1x	2.6x	15.1x	2.3x	15.0x
	Average:				71.0%	\$10,310	\$2,314	\$11,687	\$4,864	\$727	14.1%	3.1x	2.3x	13.8x	2.3x	16.8x	2.1x	15.9x
Solutions	Booz Allen Hamilton Holding Corp.	NYSE:BAH	\$147.67	98.1%	\$19,160	\$3,634	\$22,183	\$10,324	\$1,114	10.8%	3.0x	2.1x	19.9x	2.0x	17.9x	1.8x	16.5x	
	CACI International, Inc.	NYSE:CACI	\$402.23	98.3%	\$8,968	\$2,014	\$10,822	\$7,325	\$749	10.2%	2.4x	1.5x	14.5x	1.4x	12.9x	1.3x	11.9x	
	Leidos Holdings, Inc.	NYSE:LDOS	\$140.22	99.5%	\$18,959	\$5,174	\$23,555	\$15,714	\$1,813	11.5%	2.6x	1.5x	13.0x	1.5x	13.2x	1.4x	12.6x	
	Palantir Technologies, Inc.	NYSE:PLTR	\$21.97	79.9%	\$48,927	\$229	\$45,568	\$2,225	\$153	6.9%	1.1x	N.M.	N.M.	N.M.	N.M.	N.M.	N.M.	
	Parsons Corp.	NYSE:PSN	\$78.51	91.9%	\$8,309	\$1,408	\$9,055	\$5,718	\$501	8.8%	2.4x	1.6x	18.1x	1.4x	17.1x	1.4x	15.7x	
	Science Applications International Corp.	NasdaqGS:SAIC	\$128.70	88.7%	\$6,599	\$2,285	\$8,758	\$7,444	\$668	9.0%	3.1x	1.2x	13.1x	1.2x	12.6x	1.1x	12.1x	
	Median:				95.0%	\$13,964	\$2,149	\$16,503	\$7,384	\$708	9.6%	2.5x	1.5x	14.5x	1.4x	13.2x	1.4x	12.6x
	Average:				92.7%	\$18,487	\$2,457	\$19,990	\$8,125	\$833	9.5%	2.4x	1.6x	15.7x	1.5x	14.7x	1.4x	13.8x
Multi-Platform Contractors	BAE Systems plc	LSE:BA.	\$16.70	96.0%	\$50,295	\$8,533	\$53,743	\$29,396	\$3,595	12.2%	2.2x	1.8x	15.0x	1.5x	11.9x	1.4x	11.0x	
	The Boeing Company	NYSE:BA	\$167.84	62.7%	\$103,034	\$47,940	\$143,438	\$76,442	\$2,675	3.5%	15.3x	1.9x	N.M.	1.8x	N.M.	1.5x	15.4x	
	General Dynamics Corp.	NYSE:GD	\$287.09	96.8%	\$78,641	\$11,063	\$88,668	\$43,122	\$4,790	11.1%	2.1x	2.1x	18.5x	1.9x	14.8x	1.8x	13.7x	
	Honeywell International, Inc.	NasdaqGS:HON	\$192.73	91.4%	\$125,503	\$26,354	\$140,450	\$36,903	\$8,921	24.2%	2.9x	3.8x	15.7x	3.7x	13.9x	3.5x	13.0x	
	L3Harris Technologies, Inc.	NYSE:LHX	\$214.05	98.0%	\$40,601	\$13,708	\$53,896	\$20,159	\$3,640	18.1%	3.8x	2.7x	14.8x	2.5x	14.0x	2.4x	13.0x	
	Lockheed Martin Corp.	NYSE:LMT	\$464.93	97.0%	\$111,554	\$19,418	\$128,182	\$69,640	\$10,154	14.6%	1.9x	1.8x	12.6x	1.8x	13.1x	1.8x	12.5x	
	Northrop Grumman Corp.	NYSE:NOC	\$485.03	97.6%	\$71,780	\$18,154	\$86,530	\$40,122	\$3,983	9.9%	4.1x	2.2x	21.7x	2.1x	15.3x	2.0x	14.2x	
	RTX Corp.	NYSE:RTX	\$101.52	97.7%	\$134,752	\$44,254	\$175,051	\$71,011	\$9,346	13.2%	4.5x	2.5x	18.7x	2.2x	13.7x	2.1x	12.9x	
	Median:				96.9%	\$90,837	\$18,786	\$108,425	\$41,622	\$4,387	14.5%	2.3x	2.1x	15.6x	2.0x	13.9x	1.9x	13.0x
	Average:				92.2%	\$89,520	\$23,678	\$108,745	\$48,349	\$5,888	14.4%	4.2x	2.3x	14.9x	2.2x	13.8x	2.1x	13.2x

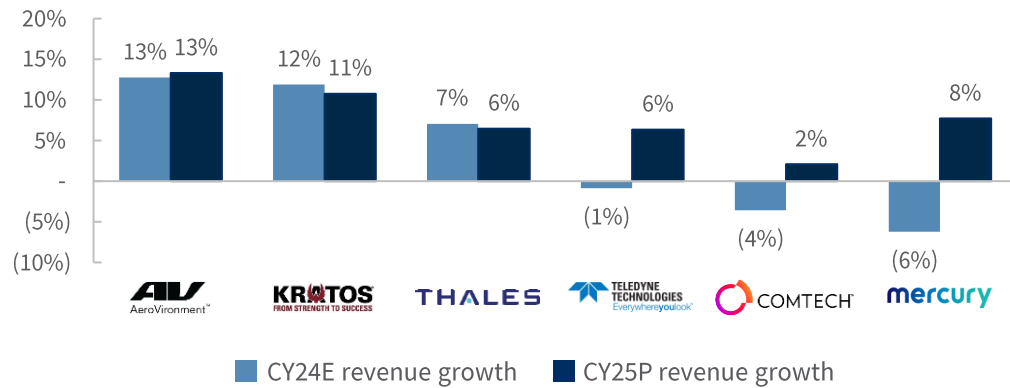
Source: Capital IQ; data as of 4/30/2024

Notes: Financial projections are sourced from Capital IQ consensus estimates; foreign traded companies are listed in U.S. dollars at 4/30/2024 spot exchange rate; TEV / EBITDA valuation multiples less than 0.0x or greater than 30.0x and TEV / Total Sales multiples less than 0.0x or greater than 5.0x are considered not meaningful ("N.M."); Debt / LTM EBITDA figures represent total debt divided by LTM EBITDA, which includes a lease adjustment

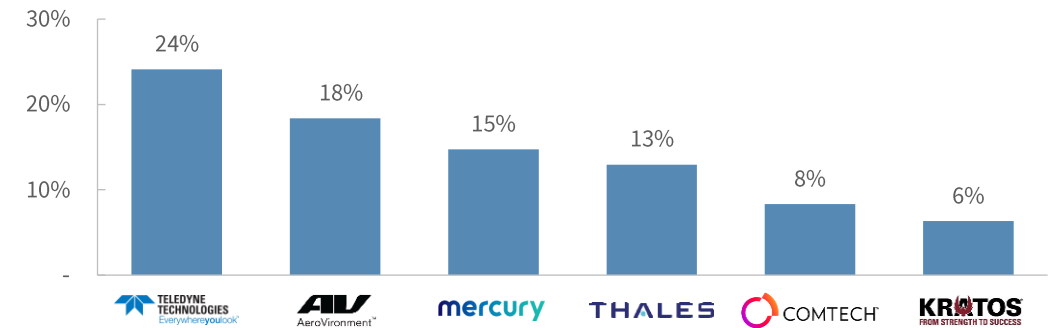
Defense & Space benchmarking

Technology-focused companies within Defense & Space

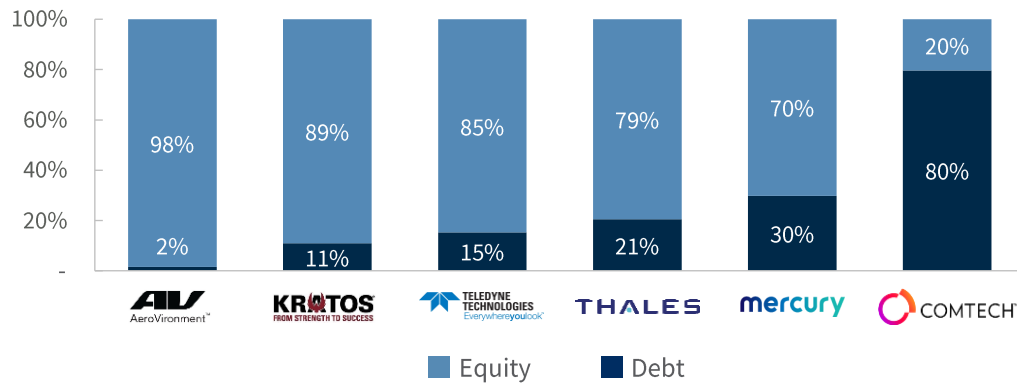
Revenue growth: CY24E & CY25P



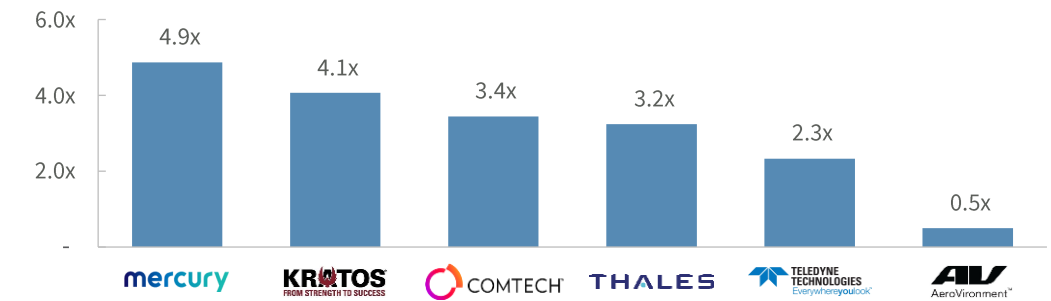
LTM EBITDA margin



Capital structure



Total debt to LTM EBITDA ratio

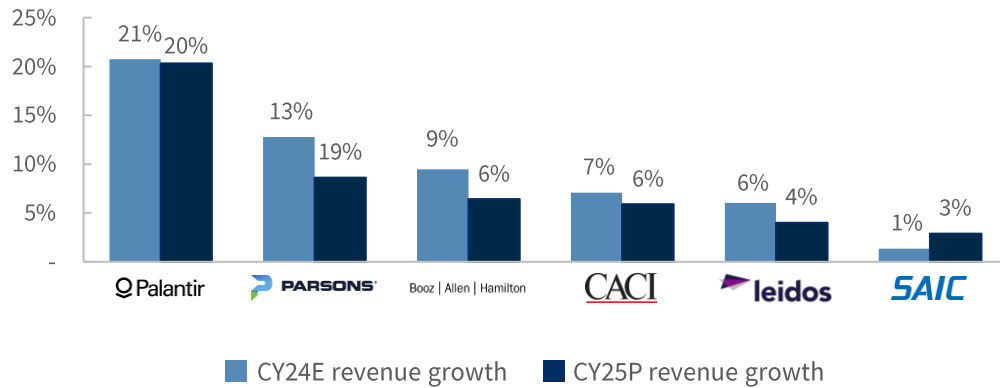


Sources: Capital IQ; data as of 4/30/2024

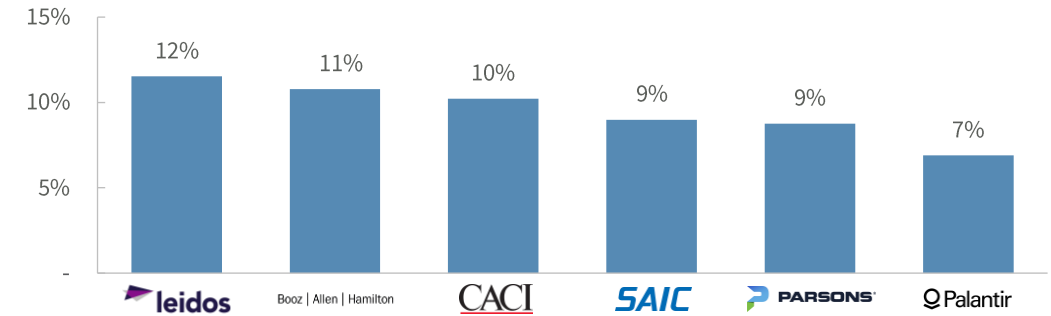
Defense & Space benchmarking (cont.)

Solutions-focused companies within Defense & Space

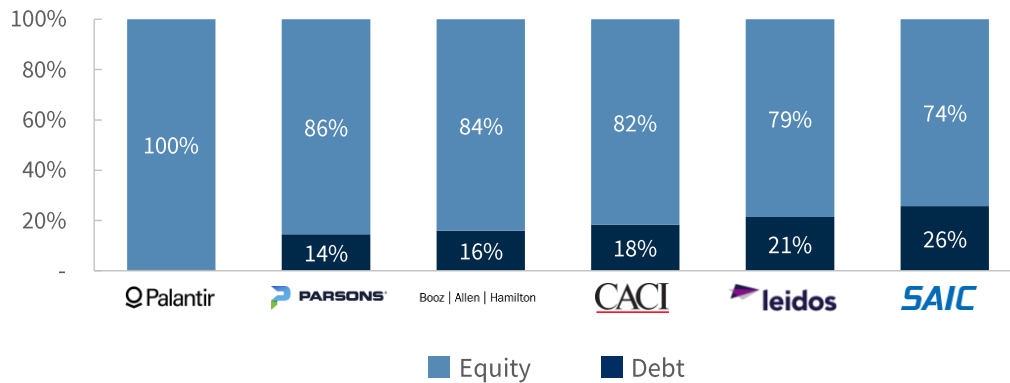
Revenue growth: CY24E & CY25P



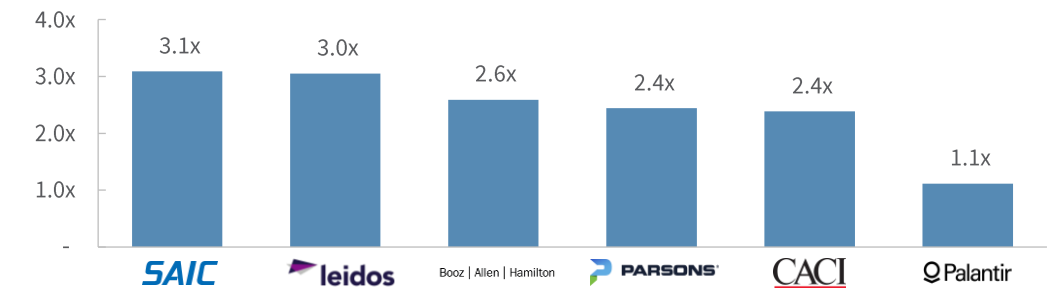
LTM EBITDA margin



Capital structure



Total debt to LTM EBITDA ratio

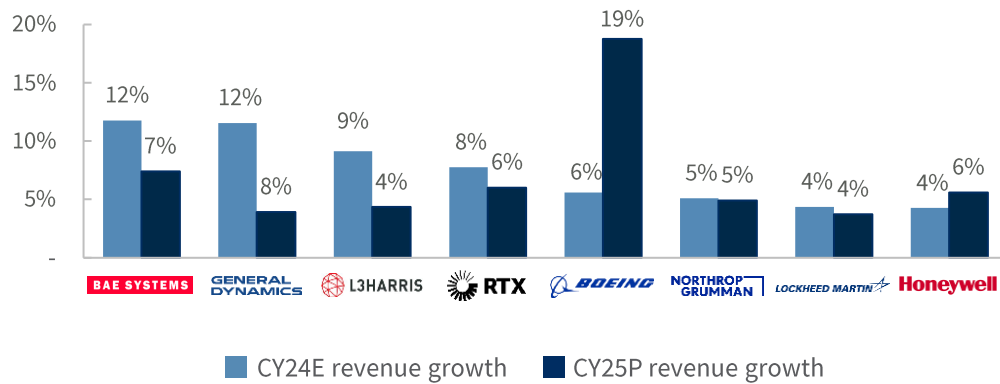


Sources: Capital IQ; data as of 4/30/2024

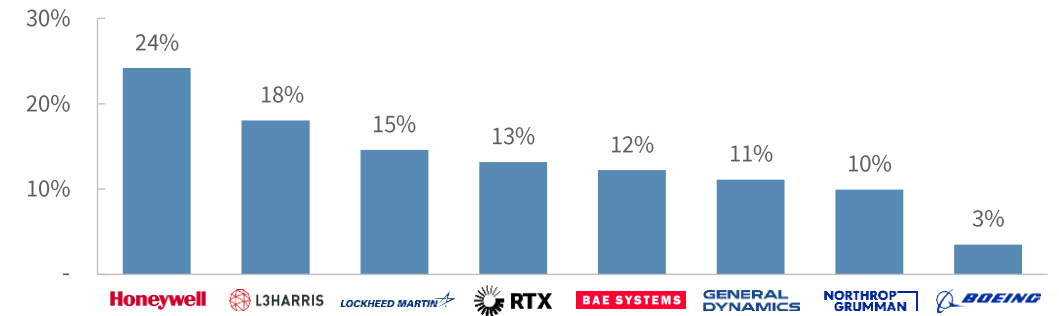
Defense & Space benchmarking (cont.)

Multi-platform contractors within Defense & Space

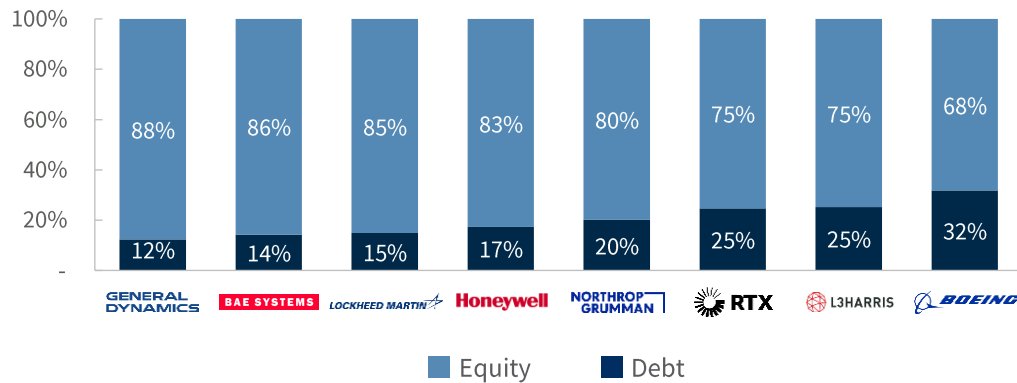
Revenue growth: CY24E & CY25P



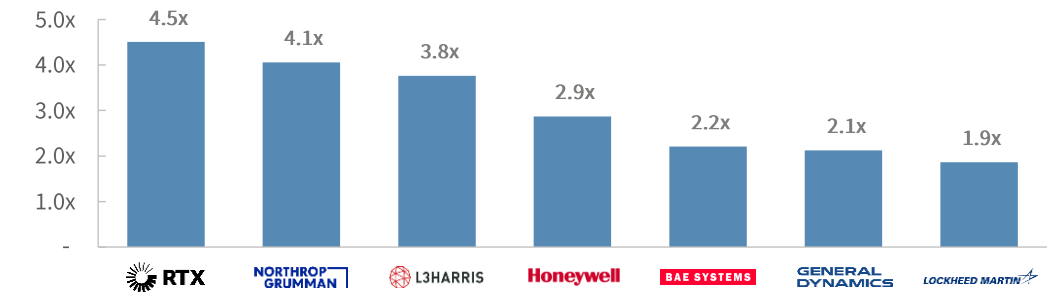
LTM EBITDA margin



Capital structure


















Total debt to LTM EBITDA ratio ⁽¹⁾



Sources: Capital IQ; data as of 4/30/2024
 Notes: (1) Boeing excluded due to a non-meaningful LTM EBITDA

Recent Defense & Space transactions

	Pending	April 2024	April 2024
Capabilities	<p>Antenna and Test Equipment Business of</p>  <p>Has been acquired by</p>  <p>\$200 million</p> <ul style="list-style-type: none"> • Airborne and ground antennas • Communications systems • Electromagnetic systems and simulators • Test equipment 	 <p>Has been acquired by</p>  <p>A portfolio company of</p>  <p>N.D.</p> <ul style="list-style-type: none"> • Cybersecurity • Electronic warfare • Systems engineering • Training solutions 	 <p>Has received an investment from</p>  <p>\$25 million (investment)</p> <ul style="list-style-type: none"> • Electronic warfare and intelligence • Signals intelligence • Tactical communications • Wireless cyber
Customers	  	  	  
Buyer perspective	<p>The President of Kanders stated, “We are excited to announce the agreement to acquire these businesses from L3Harris and partner with existing management to launch a new platform in the defense industry.”</p>	<p>The CEO of Sigma Defense stated, “Understanding the full impact of EW attack and countermeasures is a critical component against a near peer adversary, so the alignment between EWA and Sigma Defense was a natural fit that accelerates our ability to deliver new solutions for our customers.”</p>	<p>A Partner from Blue Delta stated, “Acie and his team are building something special at HTL and we are flattered to become a part of their team. Their unique products and solutions are vital to the Nation’s missions, and we are excited to help scale the company during this critical time in world affairs.”</p>

Sources: Capital IQ, Deltek GovWin, DACIS, and publicly available information; “N.D.” stands for “not disclosed”

Recent Defense & Space transactions (cont.)

April 2024



Has been acquired by



A portfolio company of



N.D.

- Electronic warfare
- High-performance RF products
- Signal intelligence and processing
- Spectrum monitoring



Commercial Customers

The CEO and Co-Founder of Epiq stated, "CyberRadio Solutions' team and product portfolio brings a new dimension to Epiq, where exceptional RF performance is a mission enabler, and we are thrilled to welcome them to our team."

April 2024



Has been acquired by



\$115 million

- LEO satellite time and location services
- Secure communications
- Wireless communications



Commercial Customers

The CEO of Iridium stated, "The initial feedback we've gotten from partners in the short time since the initial announcement has made us even more excited about Iridium STL's potential. We're ready to step on the gas and expand the availability of Iridium STL to markets around the world."

April 2024



Has been acquired by



A portfolio company of



N.D.

- Aircraft and vessel charters
- Exploration diving and training
- Maritime logistics services
- Maritime security



Black Sea stated, "The acquisition is a key development in strengthening support for maritime operations, particularly focusing on the critical needs of warfighters. End-to-End UxS operations and material readiness will improve deployability, controllability, and reliability of uncrewed platforms and systems."

Capabilities

Customers

Buyer perspective

Recent Defense & Space transactions (cont.)

March 2024



A portfolio company of



Has been acquired by



N.D.

- Block upconverters
- Satellite communications
- Solid-state power amplifiers



Commercial Customers

A Managing Director from J.F. Lehman stated, “Mission represents an excellent fit with our established investment strategy given its strong positioning with blue-chip customers, differentiated technical performance, and proprietary product portfolio across a diverse and expanding array of end markets.”

March 2024



A portfolio company of



Has been acquired by



A portfolio company of



N.D.

- Advanced research & development
- Cyber engineering solutions
- Identity intelligence
- Software development



The CEO of BlueHalo stated, “Combining BlueHalo and Eclipse – both with a shared passion for pairing innovative technology with customer intimacy—creates an enhanced organization with the proven ability to deliver on some of the most complex and challenging problems our customers face in these uncertain times.”

February 2024



Has been acquired by



A portfolio company of



N.D.

- Electronic warfare
- Robotics & remote weaponry
- Software development
- UAS and c-UAS systems



The Chairman of High Point stated, “This acquisition demonstrates our continued commitment to developing a leading presence across the UAS and c-UAS markets. Flex Force, with its highly innovative approach to drone defense and strong partnerships across the military and security industries, will be a key asset to our efforts for years to come.”

Capabilities

Customers

Buyer perspective

Recently awarded Defense & Space contracts

DATE	CUSTOMER(S)	WINNING BIDDER(S)	AMOUNT (\$M)	DESCRIPTION
4/26/24	U.S. Air Force Life Cycle Management Center	Sierra Nevada Corp.	\$13,081	Creation and integration of a Survivable Airborne Operations Center Weapon System
2/28/24	U.S. Air Force Nuclear Weapons Center	Guidehouse LLP	\$12,000	System integration and program management support for the Minuteman III ICBM Weapon System
3/28/24	NASA Johnson Space Center	Intuitive Machines, LLC Lunar Outpost, Inc. Venturi Astrolab, Inc.	\$4,666	Development of systems to provide Lunar Terrain Vehicle architecture with power management, autonomous driving, and navigation systems
4/11/24	U.S. Missile Defense Agency	Lockheed Martin Corp.	\$4,100	Develop, model, integrate, and test the Command and Control, Battle Management, and Communications Next ("C2BMC-Next") program
2/29/24	U.S. Naval Air Systems Command ("NAVAIR")	The Boeing Company	\$3,408	Procurement and delivery of a Lot 13 P-8A Multi-Mission Maritime Aircraft
1/12/24	U.S. Space Development Agency	L3Harris Technologies, Inc. Lockheed Martin Corp. Sierra Space Corp.	\$2,549	Tranche 2 Tracking Layer satellites for the Proliferated Warfighter Space Architecture
3/19/24	NAVAIR	The Boeing Company	\$1,137	Provision and maintenance of 10 F/A-18F Lot 46 aircrafts, 2 F/A-18F and 5 F/A-18E Lot 47 aircrafts
3/13/24	U.S. Army	BAE Systems	\$754	Engineering of Armored Multi-Purpose Vehicles tailored to specific mission roles within the Armored Brigade Combat Team
3/29/24	U.S. Army	General Atomics Aeronautical Systems, Inc.	\$562	Product improvement engineering for the MQ-1C Gray Eagle Unmanned Aircraft System

Locations and disclosure



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