



How to Prepare Yourself and Your Business for the Rigors of an M&A Process



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Las Vegas, NV

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- I. **Overview of Janes Capital Partners**
- II. **A&D Macro Trends**
- III. **MRO M&A Trends & Valuations**
- IV. **M&A Process Overview**



I. Overview of Janes Capital Partners

Leading Aerospace & Defense Investment Bank

Key Facts

Founded: 1997

Professionals: 8

Location: Irvine, CA

Recent Deals

- 10 Closed Transactions
- \$525 Million in Total Enterprise Value
- Recognition by Leading M&A Industry Groups

50+
Completed Deals

\$4 billion
Transaction Value

\$25-\$500M
Deal Size Range

Selected Transactions:

Acted as Financial Advisor to



Leading manufacturer of composite and metallic parts and tooling for the A&D, space and niche and specialty automotive markets; on its sale to



Acted as Financial Advisor to



Leading designer and manufacturer of oxygen systems and related components for business jet, commercial and military aircraft; on its sale to



Acted as Financial Advisor to



Leading distributor and logistics solutions provider of military aviation aftermarket parts, systems and services to military aircraft customers worldwide; on its sale to



Acted as Financial Advisor to



Distributor and supplier of aviation components to commercial airline, MRO and general aviation end users; on its merger with




Corporate Deal of the Year—
2014



Top 50: Americas M&A dealmakers
2014



Transaction Experience



<p>Acted as Financial Advisor to</p> <p>Leading manufacturer of composite and metallic parts and tooling for the A&D, space and niche and specialty automotive markets; on its sale to</p>	<p>Acted as Financial Advisor to</p> <p>The Silicon Valley technology and business innovation center of Airbus Group; on the valuation of Project Vahana</p>	<p>Acted as Financial Advisor to</p> <p>on its pending public acquisition of</p> <p>Leading manufacturer of suspension assemblies for hard disk drives</p>	<p>Acted as Financial Advisor to</p> <p>Developer of advanced fuel cell power solutions for portable, remote and mobile applications for defense and commercial markets; on its sale to</p>	<p>Acted as Financial Advisor to</p> <p>Largest US supplier of material conversion and forging of Titanium steel and high temperature alloys, for the aerospace; on its sale to</p>	<p>Acted as Financial Advisor to</p> <p>on its acquisition of</p> <p>Manufacturer of ultra-precision complex components for the aerospace and defense industry</p>	<p>Acted as Financial Advisor to</p> <p>Industrial and product design consultancy for aircraft manufacturers, airlines and other industries; on its strategic advisory</p>	<p>Acted as Financial Advisor to</p> <p>Designer and manufacturer removable and reusable insulation systems for industrial, commercial, aerospace and defense applications; on its sale to</p>	<p>Acted as Financial Advisor to</p> <p>Leading designer and manufacturer of oxygen systems and related components for business jet, commercial and military aircraft; on its sale to</p>	<p>Acted as Financial Advisor to</p> <p>Leading designer and manufacturer of small combat-ready chemical oxygen generators for the U.S. military; on its sale to</p>	<p>Acted as Financial Advisor to</p> <p>on its acquisition of</p> <p>Manufacturer of high precision aerospace components</p>
<p>Acted as Financial Advisor to</p> <p>Manufacturer of specialty data communication solutions for CISR applications for military and government agencies; on its management-led buyout</p>	<p>Acted as Financial Advisor to</p> <p>Naval dry dock maintenance and repair services; on its sale to</p>	<p>Acted as Financial Advisor to</p> <p>Manufacturer of complex die castings; on its sale to</p>	<p>Acted as Financial Advisor to</p> <p>on its sale of</p> <p>Designer and manufacturer of standard and custom motors for military, automotive and other industrial markets to</p>	<p>Acted as Financial Advisor to</p> <p>Holding company for niche suppliers to the aerospace industry, primarily in support of new aircraft production; on its sale to</p>	<p>Acted as Financial Advisor to</p> <p>Precision manufacturer of metal, composite and plastic components and assemblies for a broad range of aerospace, defense and high-tech commercial customers; on its ESOP</p>	<p>Acted as Financial Advisor to</p> <p>on its sale of</p>	<p>Acted as Financial Advisor to</p> <p>Designer and manufacturer of specialty electronics solutions for defense, space and other industrial applications; on its sale to</p>	<p>Acted as Financial Advisor to</p> <p>on its recapitalization of</p> <p>Manufacturer of high-precision components and sub-assemblies for the aerospace and defense industry</p>	<p>Acted as Financial Advisor to</p> <p>Leading distributor and logistics solutions provider of military aviation aftermarket parts, systems and services to military aircraft customers worldwide; on its sale to</p>	<p>Acted as Financial Advisor to</p> <p>High-speed, precision, machining manufacturer of large-structural components for the aerospace industry; on its sale to</p>
<p>Acted as Financial Advisor to</p> <p>Developer and manufacturer of liquid propulsion systems and components; on its sale to</p>	<p>Acted as Financial Advisor to</p> <p>Prime contractor, developer and manufacturer of high performance, advanced aerial targets and UAV platforms; on its sale to</p>	<p>Acted as Financial Advisor to</p> <p>Distributor and supplier of aviation components to commercial airline, MRO and general aviation end users; on its merger with</p>	<p>Acted as Financial Advisor to</p> <p>Manufacturer of complex assemblies and CNC machined parts for the A&D market; on its sale to</p>	<p>Acted as Financial Advisor to</p> <p>on the sale of its Cargo Hold Rollers business unit to</p>	<p>Acted as Financial Advisor to</p> <p>Precision engineering manufacturer of hard drive components; on its sale to</p>	<p>Acted as Financial Advisor to</p> <p>On the sale of certain assets to</p>	<p>Acted as Financial Advisor to</p> <p>Manufacturer of stretch formed, machined & fabricated products for commercial, military and space applications; on its recapitalization by</p>	<p>Acted as Financial Advisor to</p> <p>Designer, developer and manufacturer of high-engineered pyrotechnic products; on its sale to</p>	<p>Acted as Financial Advisor to</p> <p>on its acquisition of</p> <p>Developer of software for seafloor mapping and underwater imaging</p>	
<p>Acted as Financial Advisor to</p> <p>Developer and manufacturer of Electronic Flight Bag hardware & software solutions for the commercial & business aviation markets; on its sale to</p>	<p>Acted as Financial Advisor to</p> <p>Developer and manufacturer of composite solutions for military and space applications; on its sale to</p>	<p>Acted as Financial Advisor to</p> <p>Provider of outsourced engineering services for commercial and military aerospace; on its sale to</p>	<p>Acted as Financial Advisor to</p> <p>on its divestiture of the Teleflex Aerospace Manufacturing Group, manufacturer of jet engine components, to</p>	<p>Acted as Financial Advisor to</p> <p>Manufacturer of large, complex, hard metal components; on its sale to</p>	<p>Acted as Financial Advisor to</p> <p>Manufacturer of insulation and high-temperature shields for military and commercial aircraft; on its sale to</p>	<p>Acted as Financial Advisor to</p> <p>Leading producer of advanced composite structures and assemblies; on its sale to</p>	<p>Acted as Financial Advisor to</p> <p>Manufacturer of ceramic and metal components and hermetic connectors; on its sale to</p>	<p>Acted as Financial Advisor to</p> <p>Manufacturer of complex aluminum airframe structures; on its sale to</p>	<p>Acted as Financial Advisor to</p> <p>Manufacturer of components and subsystems for aircraft; on its sale to</p>	<p>Acted as Financial Advisor to</p> <p>on its sale of Diemaco, Canadian small arms manufacturer, to</p>
<p>Acted as Financial Advisor to</p> <p>Provider of shelf stable food products for the Department of Defense; on its sale of 50% interest to</p>	<p>Acted as Financial Advisor to</p> <p>on its participation in the competitive auction for</p> <p>Manufacturer of landing gear and fuel tanks</p>	<p>Acted as Financial Advisor to</p> <p>Designer and supplier of electronic, electromechanical and mechanical components for aerospace, defense and commercial applications; on its sale to</p>	<p>Acted as Financial Advisor to</p> <p>Developer and manufacturer of non-metallic tubing, ducting and composite hybrid assemblies; on its sale to</p>	<p>Acted as Financial Advisor to</p> <p>Manufacturer of precision tube fittings and machined components for military aircraft, engine, space, and industrial programs; on its management-led buyout.</p>	<p>Acted as Financial Advisor to</p> <p>On its acquisition of certain assets from</p>	<p>Acted as Financial Advisor to</p> <p>Developer of innovative unmanned aerial systems, technologies and vehicles; on its sale to</p>	<p>Acted as Financial Advisor to</p> <p>Developer of products to quantify chemical composition of vapors for homeland defense applications; on its sale to</p>	<p>Acted as Financial Advisor to</p> <p>on its divestiture of Norco Division, manufacturer of hold open rods for aircraft engine nacelle cowling, doors and restraint systems for helicopter rotor blades, to</p>	<p>Acted as Financial Advisor to</p> <p>Supplier of composite floor panels, air control system ducts and flight deck components; on its sale to</p>	<p>Acted as Financial Advisor to</p> <p>Designer and manufacturer of customized vacuum meters for metallurgical and environmental applications; on its management-led buyout.</p>
<p>Acted as Financial Advisor to</p> <p>On the sale of United Aircraft Products of Heat Exchangers, Cooling Systems, and Oil Reservoirs to</p>	<p>Acted as Financial Advisor to</p> <p>on the sale of its precision aluminum open & closed die forging business to</p>	<p>Acted as Financial Advisor to</p> <p>Designer and manufacturer of military hose-and-drogue aerial refueling systems; on its sale to</p>	<p>Acted as Financial Advisor to</p> <p>Precision engineering manufacturer of hard drive components; on its recapitalization by</p>	<p>Acted as Financial Advisor to</p> <p>on the sale of its Specialty Precision Casting Foundry operations to</p>	<p>Acted as Financial Advisor to</p> <p>Producer of aluminum products and solutions; on its sale to</p>	<p>Acted as Financial Advisor to</p> <p>on the divestiture of its Lubrication & Scavange Pumps business unit to</p>	<p>Acted as Financial Advisor to</p> <p>on its sale of</p> <p>Supplier of high-density converters for aerospace & defense markets, to</p>	<p>Acted as Financial Advisor to</p> <p>on its acquisition of the Fairchild Defense Division, provider of data recording and analysis systems for military aircraft, from</p>	<p>Acted as Financial Advisor to</p> <p>Supplier of magnetics, power supplies and custom electronic assemblies for commercial aerospace and defense electronics markets; on its sale to</p>	<p>Acted as Financial Advisor to</p> <p>On its sale of certain assets to</p>

Note: Includes transactions completed by our professionals at prior firms

M&A International is the world's leading M&A alliance, combining local market knowledge with professional discipline and sector expertise

- Over 600 investment banking professionals
- 49 M&A advisory and investment banking firms located around the globe
- Specializes in middle-market companies
- Operating in 44 countries, covering every major financial center in the world
- Member firms adhere to the highest standards of professionalism, integrity and customer service
- Extensive intranet for information-sharing between member firms



Five-Year Transaction Snapshot

- Over 1,400 closed transactions
- Closed transactions valued at more than \$75 billion
- Over 300 cross-border deals

"Where your reach ends, ours begins"
 – M&A International

Select Aerospace & Defense Transactions by M&A International

 has acquired the Fly-by-Wire Systems business of  ADVISOR TO BUYER US\$44m Aerospace & Defense United States/France/Sweden March 2016	 has acquired  ADVISOR TO SELLER US\$81m Aerospace & Defense United States/France October 2011	 has acquired  ADVISOR TO SELLER Aerospace & Defense United Kingdom/United States March 2011	 has acquired  ADVISOR TO SELLER Aerospace & Defense United States December 2004	 has acquired  ADVISOR TO SELLER Aerospace & Defense United States August 2006
 has acquired ARNAV Systems ADVISOR TO SELLER Aerospace & Defense United States March 2004	 has acquired  ADVISOR TO SELLER US\$60m Aerospace & Defense United States April 2002	 has acquired  ADVISOR TO SELLER US\$23m Aerospace & Defense United States January 2001	 has acquired the Hymatic Group from  ADVISOR TO SELLER US\$77m Aerospace & Defense United Kingdom December 2000	 has acquired Air Carrier Interiors, Inc. ADVISOR TO SELLER Aerospace & Defense United Kingdom/United States January 1998



II. A&D Macro Trends

Consolidation

Significant A&D transactions continue to send “shock waves” through the supply chain and drive current M&A activity and demand

Year	Buyer	Target	Size
2015	 BBA Aviation	 LANDMARK AVIATION	\$2.1B
2015	BERKSHIRE HATHAWAY INC.	 PCC	\$37.9B
2015	 LOCKHEED MARTIN	 Sikorsky A United Technologies Company	\$9.0B
2015	 HARRIS	 EXELIS	\$4.5B
2014	 ALCOA	 Firth Rixson	\$3.0B
2014	 Orbital	 ATK AEROSPACE TECHNOLOGIES	\$6.4B
2013	 GE Aviation	 AVIO	\$4.3B

Year	Buyer	Target	Size
2011	 United Technologies	 GOODRICH	\$18.4B
2010	 Triumph Group, Inc.	 Vought Aircraft Industries, Inc.	\$1.6B
2008	 FINMECCANICA	 DRS TECHNOLOGIES	\$5.1B
2002	 NORTHROP GRUMMAN	 TRW	\$14.3B
1999	 Allied Signal	 Honeywell	\$16.7B
1997	 BOEING	 MCDONNELL DOUGLAS CORPORATION	\$29.2B
1997	 Raytheon	 HUGHES	\$9.5B

Source: Capital IQ

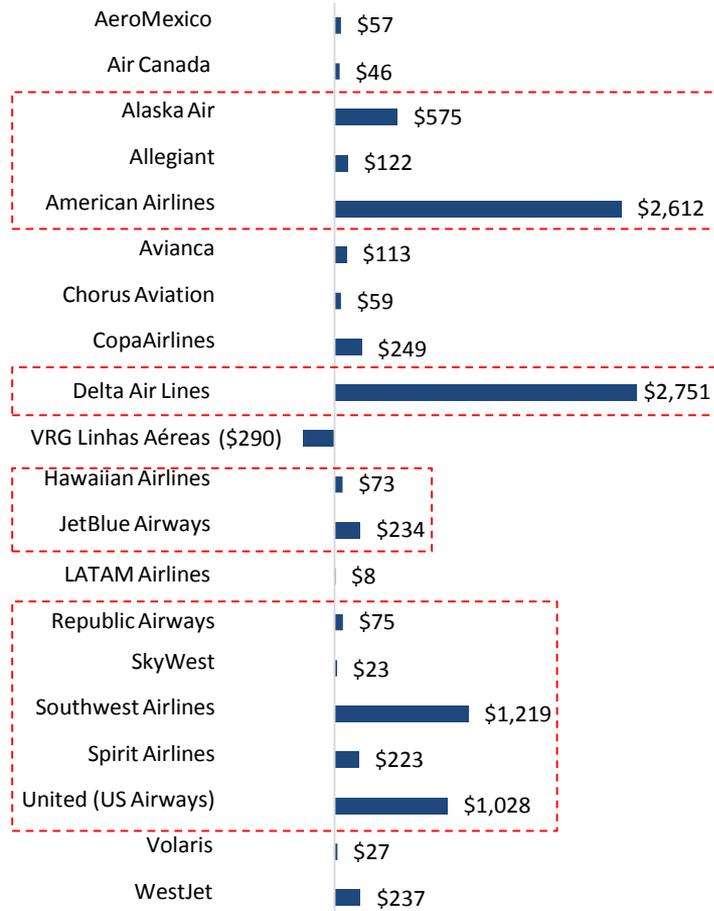
Globalization



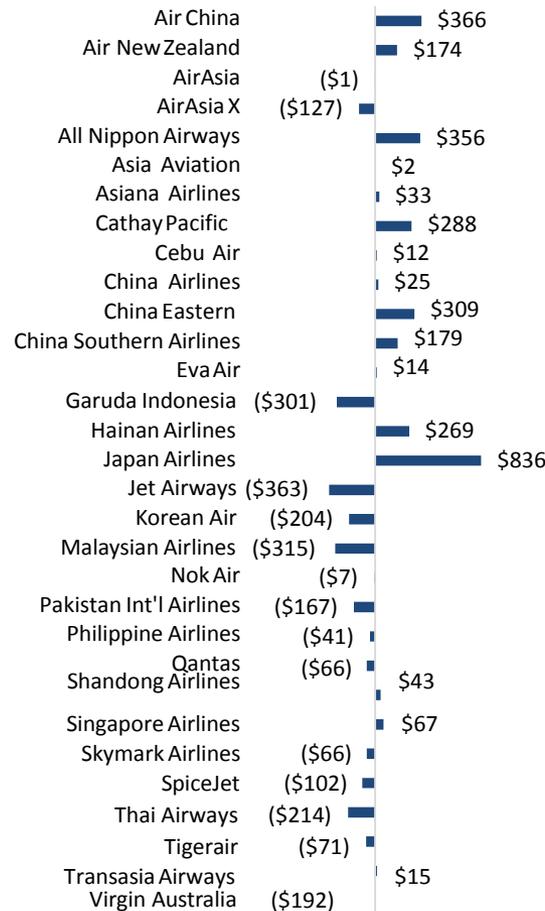
Aircraft Demand Drivers: Airline Profits (2015)

Airlines with market capitalizations greater than \$100M

Americas



Asia Pacific



Europe/ Middle East/ Africa



■ CY 2015 normalized net income

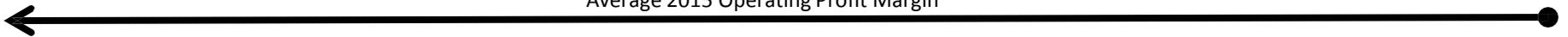
US airlines

Source: Capital IQ

The Battle Over Profits



Average 2015 Operating Profit Margin

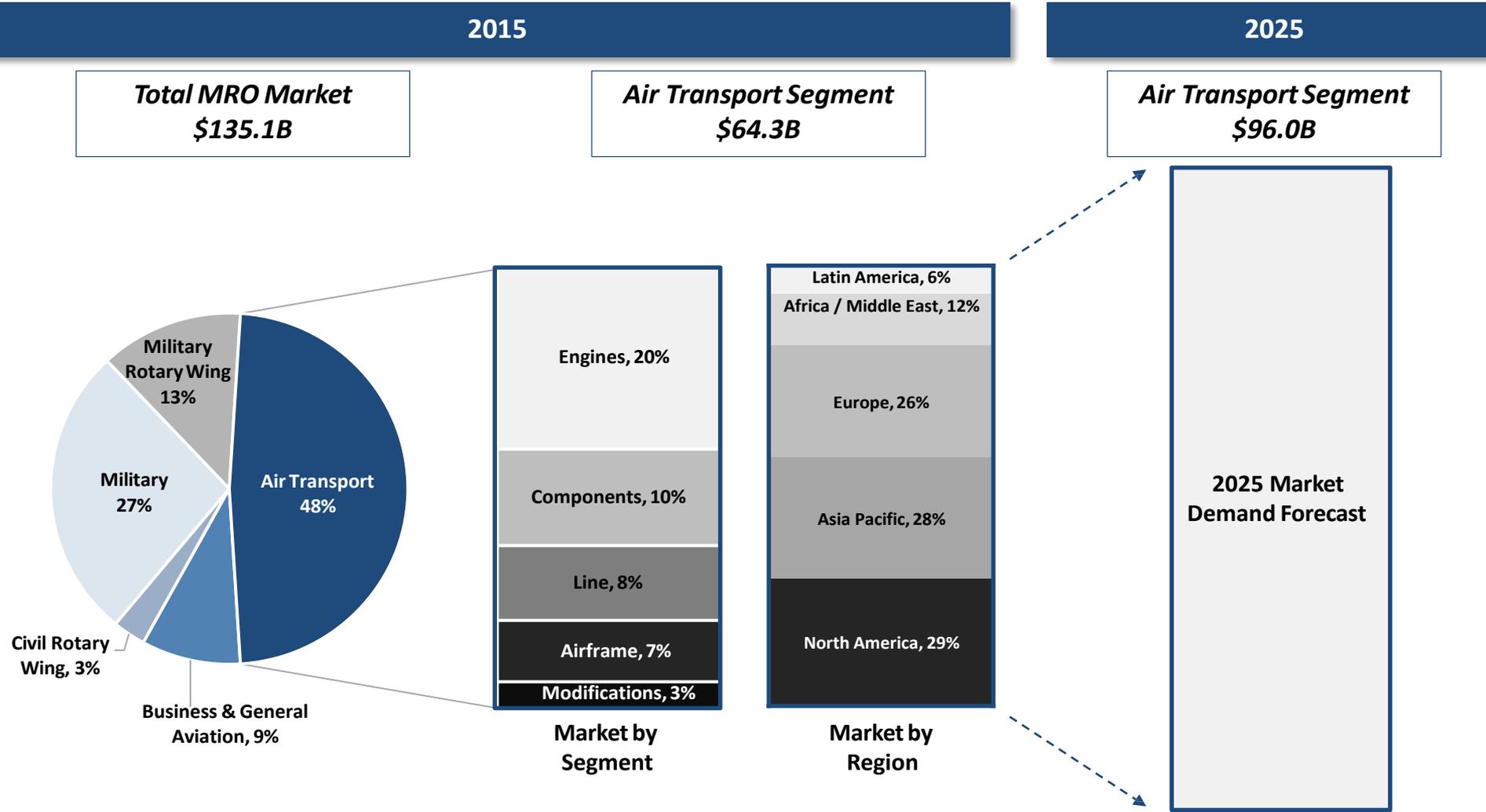


Airlines and OEM's are aggressively attempting to pull profits from right to left!

Source(s): Capital IQ, www.sec.gov, company reports

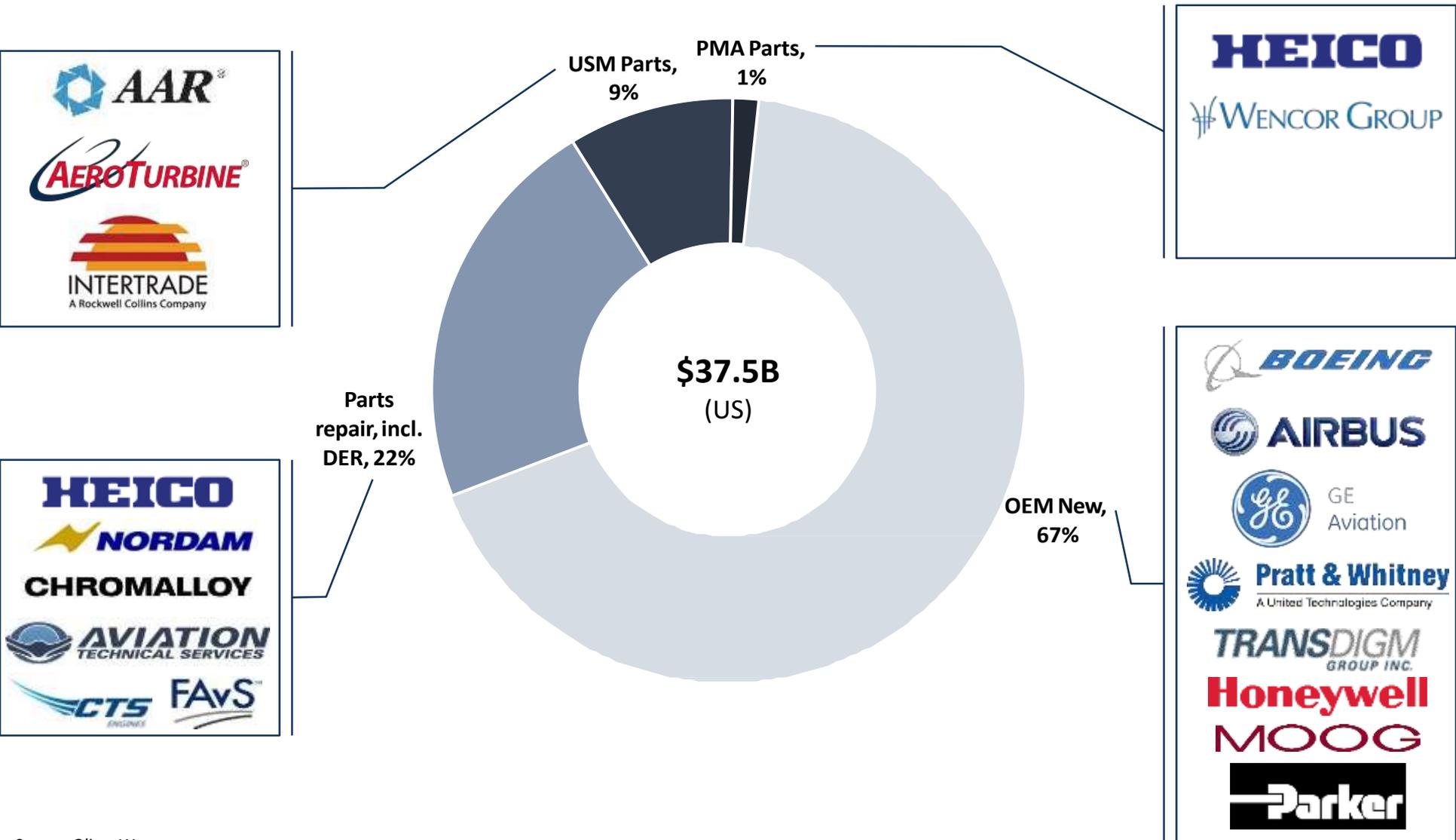
10 Year Growth of Global Air Transport MRO Demand

The Air Transport segment of the MRO Market is worth \$64.3B USD alone and is expected to grow at 4.1% per year to \$96.0B by 2025



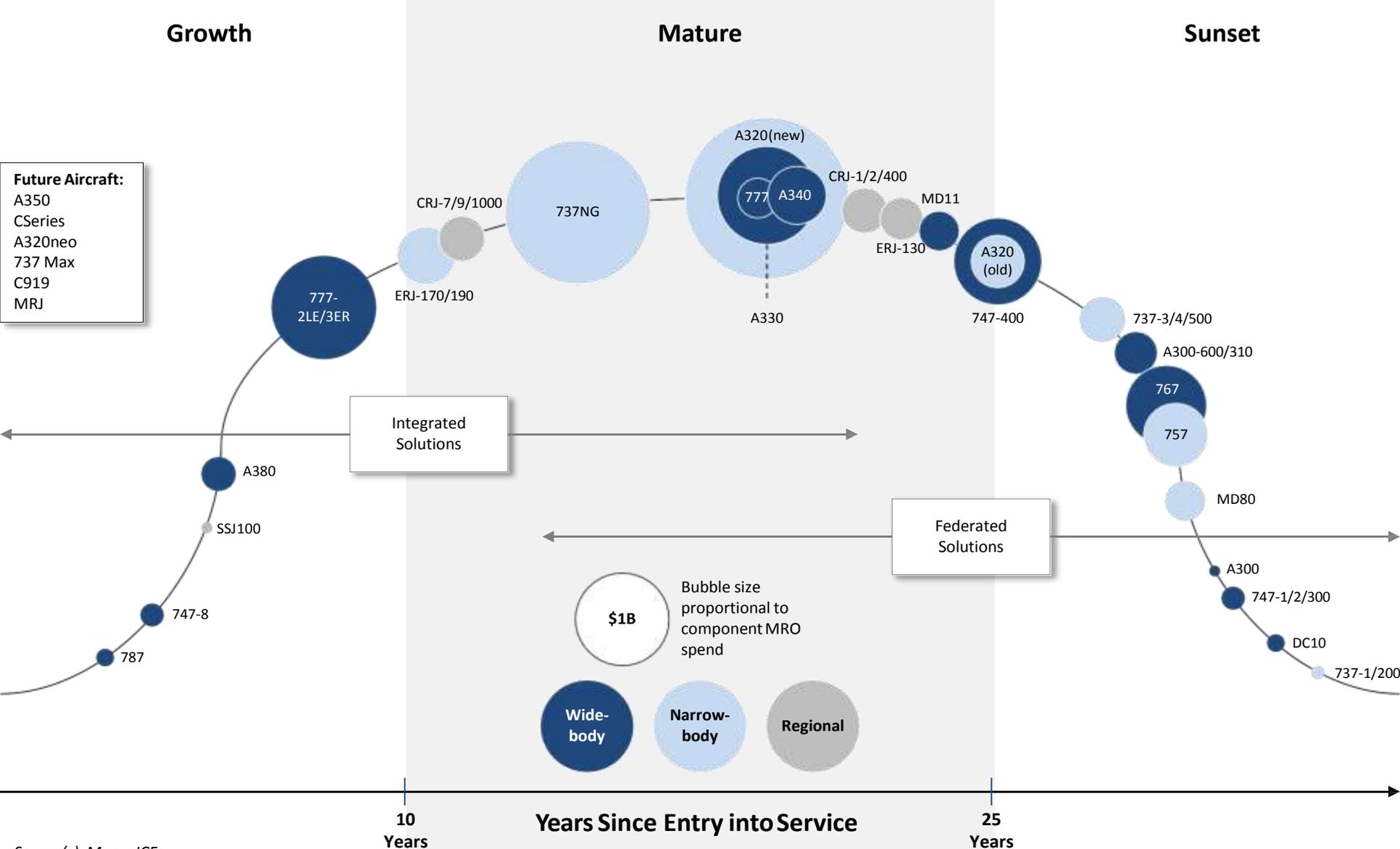
Source: ICF International

Air Transport MRO Material Related Spend



Source: Oliver Wyman

Commercial Aircraft MRO: Component Aftermarket Lifecycle



Source(s): Moog, ICF



III. MRO M&A Trends & Valuations

MRO Competitive Landscape



Aircraft OEMs



Engine OEMs



Tier 1 Suppliers



Aftermarket Spares / PMAs



Airline 3rd Party MRO



Independent MRO



Distribution



Aircraft Leasing



Company Profiles: Buyers in the MRO Market



Revenue	\$1,286
EBITDA Margin	\$307 23.8%
Market Cap	\$3,875




\$255M 1/12/2016 Designs and manufactures fuel systems for rotary and fixed winged aircraft and ground combat vehicles



\$1B 5/24/2016 Provides databus and power controls and related products



n/a 8/24/2015 Designs, manufactures and sells unique size, weight, power and cost (SWAP-C) optimized communications and electronic intercept receivers and tuners



\$170M 11/19/2015 Designs, develops, manufactures, sells and services engineered mission equipment for specialty aerospace and defense applications



n/a 8/24/2015 Manufactures nonwoven metallic mesh for lightning and shielding protection of composite aircraft



\$325M 7/28/2015 Designs, develops, manufactures and supplies precision hydraulic components



n/a 8/19/2015 Produces and installs aircraft modification kits for F16 aircraft



\$336M 4/30/2015 Manufactures extruded plastic interior parts for use in the commercial aerospace industry



n/a 2/02/2015 Provides component and accessory MRO, specializing in commercial aircraft accessories



\$725M 2/23/2015 Provides unit load devices, restraint systems, military mobility systems and equipment and cargo handling systems

Source: Capital IQ; Market data as of 06/08/16

Company Profiles: Buyers in the MRO Market



			Description
	\$2.1B	9/23/2015	Provides end-to-end services for business and general aviation customers
 <i>(Acquisition by Landmark)</i>	n/a	4/03/2015	Provides charter private jet services and aircraft maintenance and inspection services
 ISLAND CITY FLYING SERVICE, INC <i>(Acquisition by Landmark)</i>	n/a	2/04/2015	Provides fixed base operator services at the Key West International Airport
 Greensboro, North Carolina A Greenwood AeroGroup Company <i>(Acquisition by Landmark)</i>	n/a	6/30/2014	Provides repair, installation and maintenance services
 <i>(Acquisition by Landmark)</i>	\$330M	4/23/2014	Operates a portfolio of fixed-base operations in North America

Recent Acquisitions	Price	Date	Description
	n/a	12/23/2014	Provides environment control systems for business aviation and helicopters
	n/a	6/05/2014	Provides VIP interior completions and modifications for Boeing aircraft, widebody aircraft and high-end business jets
	\$45M	2/27/2014	Develops and manufactures oxygen systems and components for mid and large-cabin business jet OEMs and completion centers
	n/a	9/06/2013	Designs and develops mobile satellite communications solutions for aeronautical, maritime and land based applications
	n/a	7/03/2013	Designs, develops and manufactures business class seats for Virgin Atlantic

Source: Capital IQ; Market data as of 06/08/16

Private Equity Activity in MRO & Distribution

Private Equity Firm	MRO Investment	Description	Entry Date
		Airframe and engine MRO and FBO services	4/28/16
		Tier I engine component manufacturer and repair services with FAA repair stations	12/16/15
		Transport aircraft airframe and component maintenance and engineering services	10/1/15
		Airframe and engine MRO services, engine component repair and interior completions	7/8/15
		Supply chain, aftermarket parts, repairs and logistics solutions for the commercial aircraft market	4/13/15
		Formerly PATS Aircraft Systems. Maintenance, modifications and interior completions for VIP aircraft	6/4/14
		MRO provider offering 7,000+ PMAs and 2,000+ DER repairs, in addition to aftermarket part distribution	5/21/14
		Supply chain services and MRO, including avionics, hydraulics, engine accessories, wheels and brakes	12/19/12

Source: Capital IQ, Dacis

Notable Recent Transactions



Distributes aerospace parts and components to OEMs, MROs, operators, and airlines



Integrated aviation provider offering end-to-end services for business and general aviation customers



Designs and manufactures fuel systems for rotary and fixed winged aircraft and ground combat vehicles



Tier 1 supplier of aerostructures, electrical wiring systems, landing gear, and associated services



Provides MRO, engineering services, interior completions, and paint applications



Designs, manufactures, and distributes components for repair stations, operators, and airlines



Provides aircraft MRO services and related products to commercial and government markets



Designs and manufactures components for aeronautical and space subsystems



Provides business aviation services, including MRO, completions and refurbishments, and engineering



Supplies systems and services to the aerospace and defense industry



Distributor and manufacturer of aviation aftermarket products to the global commercial airline industry



Manufactures safety and securement equipment for aerospace, defense, and ground transportation industries



Notable Recent Transactions



Provides OEM spares, repairs, upgrades, and modifications for military aircraft operators



Designs and manufactures high performance and harsh environment interconnect products



Provides component repair management services to airlines, aircraft manufacturers, and MROs



Distributes aircraft parts and provides services specializing in expendables and components



Provides MRO services for multi-platform helicopter, rotary, and fixed-wing aircraft engine



Designs and manufactures engine fasteners, airframe bolts, and slotted entry bearings



Designs and manufactures galleys and galley insert equipment for the commercial aerospace industry



Provides seating, furniture, veneers and cabin management systems for the business jet market

Legend: ● EV/LTM Revenue ● EV/LTM EBITDA ● EV

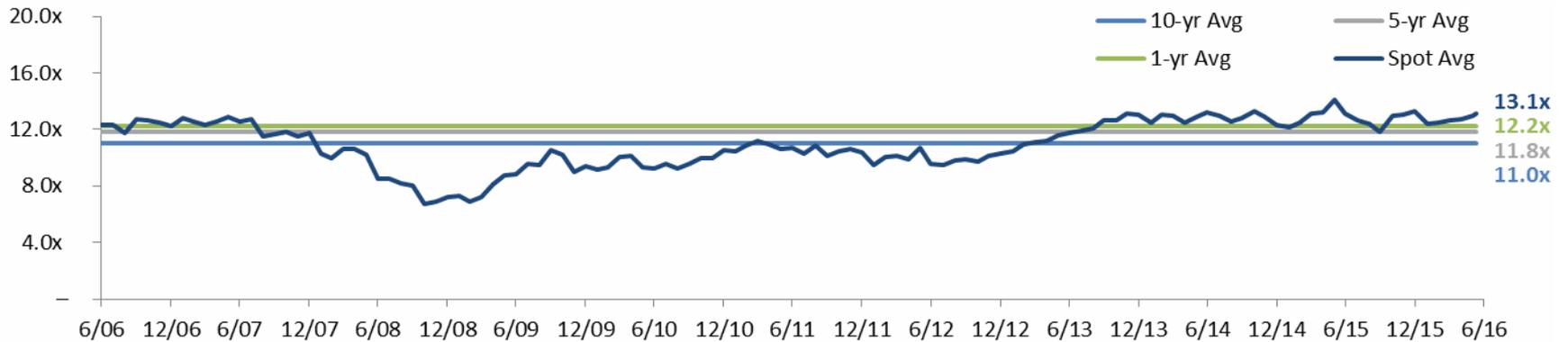
Companies to Watch

<p>Greenwich AeroGroup</p>  <ul style="list-style-type: none"> Engineering, manufacturing, MRO, FBO, component repair and parts distribution Ownership: Private 	<p>First Aviation Services</p>  <ul style="list-style-type: none"> Repair and overhaul, rotables management and related engineering services Ownership: Private Equity 	<p>Leading Edge</p>  <ul style="list-style-type: none"> Aircraft painting services for commercial, VIP and military aircraft Ownership: Private Equity 	<p>Aviation Technical Services</p>  <ul style="list-style-type: none"> Airframe and component repair, engineering, painting, and military/business jet services for operators Ownership: Private Equity 	<p>Unical Aviation</p>  <ul style="list-style-type: none"> Aircraft parts and components for daily and heavy maintenance and other specialized solutions Ownership: Private
<p>VAS Aero Services</p>  <ul style="list-style-type: none"> Aviation logistics and aftermarket services for airlines, leasing and MRO companies Ownership: Private 	<p>Infinity Air</p>  <ul style="list-style-type: none"> Spares and MRO services for windshield assemblies, flight control surfaces, composites and galley products Ownership: Private 	<p>Kellstrom Defense</p>  <ul style="list-style-type: none"> Aircraft parts, logistics and material management solutions, and MRO services Ownership: Private Equity 	<p>Kellstrom Materials</p>  <ul style="list-style-type: none"> New and pre-owned aircraft parts for engine and airframe heavy maintenance Ownership: Private Equity 	<p>Kapco Global</p>  <ul style="list-style-type: none"> Aircraft parts, including interconnects, mechanical components, sensors and seals Ownership: Private
<p>Tailwind Technologies</p>  <ul style="list-style-type: none"> Aircraft propeller systems, technical support, overhaul and repair and aftermarket products Ownership: Private Equity 	<p>PAS Technologies</p>  <ul style="list-style-type: none"> MRO and component provider, offering blades, vanes, stators, bearings, rings, seals and shrouds Ownership: Private Equity 	<p>CTS Engines</p>  <ul style="list-style-type: none"> Aircraft engine MRO services for restoration, including the overhaul of compressors, combustors and turbine Ownership: Private Equity 	<p>Aero-Zone</p>  <ul style="list-style-type: none"> Aircraft parts and components for commercial, corporate and general-aviation aircraft Ownership: Private 	<p>Wencor Group</p>  <ul style="list-style-type: none"> Distribution and repair solutions for airlines, repair stations, OEMs, personal aircraft and militaries Ownership: Private Equity

Public Trading Comparables

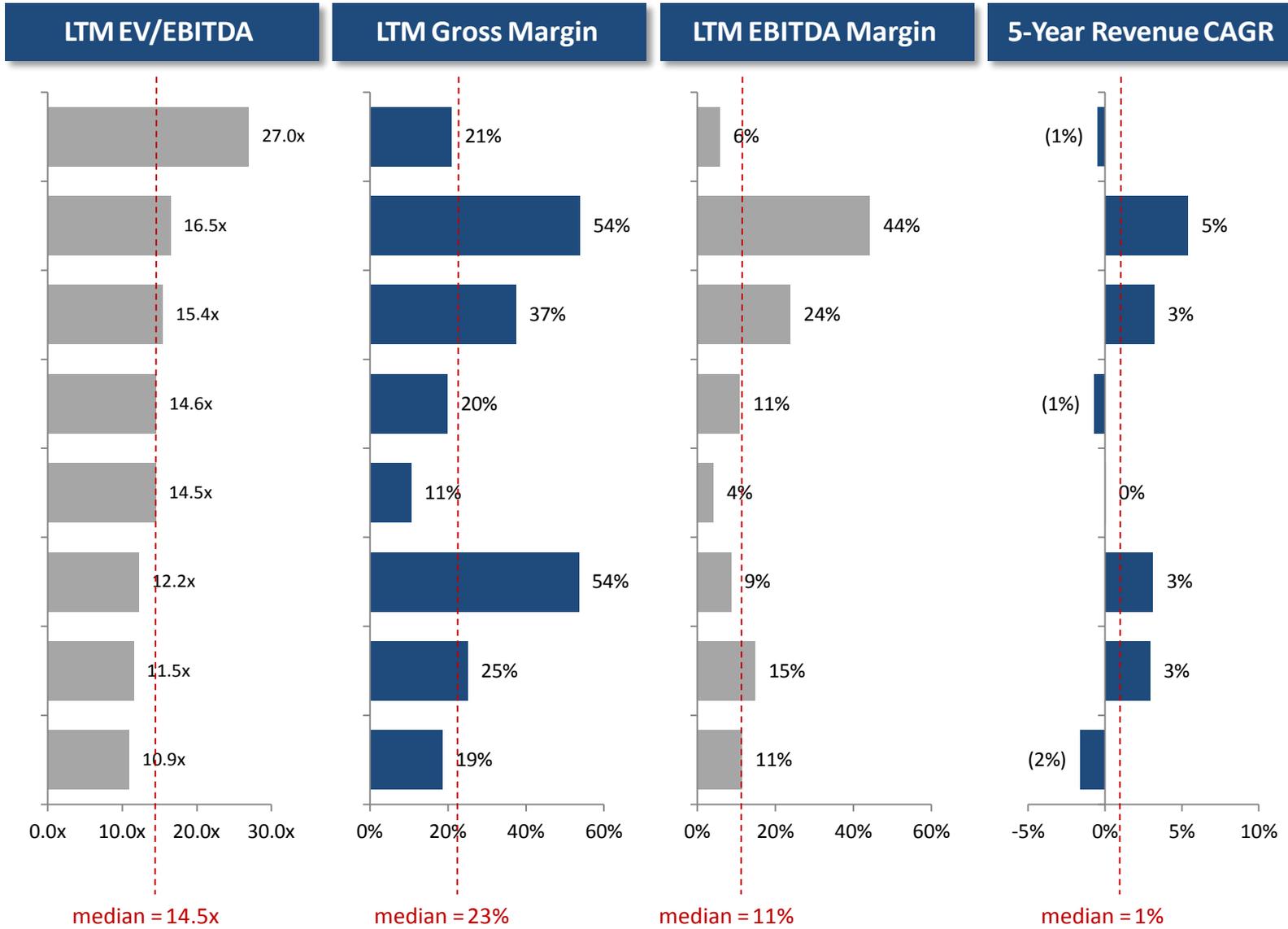
Company	Trading Statistics				Operating Performance				Valuation			Leverage Multiples	
	Ticker	% of 52-wk High	Market Cap (\$M)	Enterprise Value (\$M)	Revenue (\$M)	Gross Margin (%)	EBITDA Margin (%)	EBIT Margin (%)	Revenue Multiple	EBITDA Multiple	EBIT Multiple	Debt / EBITDA	Debt Percentage
AAR	AIR	74.3%	\$848	\$958	\$1,620	10.6%	4.1%	0.1%	0.6x	14.5x	684.5x	3.0x	18.6%
BBA Aviation	BBA	63.5%	3,105	2,663	2,130	18.6%	11.5%	8.1%	1.3x	10.9x	15.4x	2.1x	19.4%
HAECO	44	64.0%	1,097	1,653	1,561	53.5%	8.7%	3.7%	1.1x	12.2x	28.7x	4.2x	38.2%
HEICO	HEI	99.3%	4,028	4,730	1,286	37.4%	23.8%	19.6%	3.7x	15.4x	18.7x	1.8x	34.5%
KLX Inc.	KLXI	77.7%	1,846	2,577	1,504	25.1%	14.8%	10.1%	1.7x	11.5x	16.9x	5.3x	34.6%
MTU Aero Engines	MTX	88.2%	4,867	5,923	5,049	15.3%	12.5%	10.0%	1.2x	9.4x	11.7x	1.8x	41.9%
ST Engineering	S63	92.2%	7,377	7,570	4,796	19.9%	10.8%	7.8%	1.6x	14.6x	20.3x	1.7x	32.0%
Transdigm	TDG	98.9%	14,038	21,847	3,000	53.9%	44.2%	40.6%	7.3x	16.5x	17.9x	6.3x	112.9%
Wesco Aircraft	WAIR	91.3%	1,437	2,306	1,475	20.9%	5.8%	3.9%	1.6x	27.0x	40.4x	10.9x	52.1%
Average					\$2,491	28.4%	15.1%	11.6%	2.2x	14.7x	95.0x	4.1x	42.7%
Median					\$1,620	20.9%	11.5%	8.1%	1.6x	14.5x	18.7x	3.0x	34.6%
High					\$5,049	53.9%	44.2%	40.6%	7.3x	27.0x	684.5x	10.9x	112.9%
Low					\$1,286	10.6%	4.1%	0.1%	0.6x	9.4x	11.7x	1.7x	18.6%

Average Public Comparable EV/LTM EBITDA Multiple



Source: Capital IQ; Market data as of 06/08/16

Public Trading Comparables



Source: Capital IQ



IV. M&A Process Overview

Traditional Transaction Process Overview

A well-orchestrated and highly structured process can achieve a successful outcome, potentially in an abbreviated time frame

Critical Concerns & Process Rationale:

- Confidentiality of Transaction
- Valuation Prospects
- Process Length
- Management Impact
- Certainty of Transaction

**Typical Process Length:
6 - 9 Months**

PRE-MARKET PREPARATION		MARKETING		NEGOTIATION & DOCUMENTATION	
<ul style="list-style-type: none"> ▪ Background ▪ Business Strategy ▪ Competitive Advantages ▪ Key Markets ▪ Growth Story ▪ Risk Management 	<ul style="list-style-type: none"> ▪ Financial Analysis ▪ Business Valuation ▪ Prepare Data Room ▪ Develop Buyer List ▪ Buyer Pre-Calls 	<ul style="list-style-type: none"> ▪ Intelligence Gathering ▪ Initiate Contact ▪ Sign NDAs ▪ Preliminary Discussions ▪ Distribute CIMs ▪ Solicit IOIs 	<ul style="list-style-type: none"> ▪ Hold Management Presentations ▪ On-Site Visits ▪ Initial Due Diligence ▪ Deal Structure ▪ LOIs 	<ul style="list-style-type: none"> ▪ Final Diligence ▪ Legal Negotiations ▪ Transition Planning 	<ul style="list-style-type: none"> ▪ Final Deal Structure ▪ Documentation ▪ Reps & Warranties ▪ Schedules ▪ Closing



Optimal Exit Timing

The best time to sell is when you don't have to or necessarily want to. Buyers may leverage any perceived weakness around the owner's situation to obtain an attractive valuation

Company:

- When things are going well/bright future
- Insufficient cash to fuel R&D, growth
- Business is worth more to someone else
- Before the industry/technology changes
- Before the next cyclical downturn

Personal:

- While you still have your health
- So your family doesn't have to
- Before you burn out

Common Mistakes:

- Waiting too long before deciding to sell
- Conducting a "Private Sale"
- Inadequate preparation prior to marketing
- Selecting offers solely on the basis of price
- Granting exclusivity too early in the process
- Underreporting profits for tax purposes
- Failing to disclose everything to the buyer



Proper Timing for a Sale Process Can Yield Optimal Results for Shareholders

25 Things to Do Before Selling Your Business

As selling a business is a difficult and tricky pursuit, the seller(s) / shareholder(s) must be adequately prepared and consider the following items before initiating a sales process

Management	Sales & Growth	Accounting & Financials	Business Operations	Documentation, Regulation & Legal
<ul style="list-style-type: none"> (1) Recruit strong management team members across all key functional areas (2) Timing of exit – don't wait too long, sell while still in good health, etc. 	<ul style="list-style-type: none"> (3) Develop detailed monthly projections for the current year and a credible five-year financial forecast (4) Understand your platforms, including growth build rates and shipset per platform (5) Reduce concentration- customers, vendors and platforms (6) Increase your order backlog (7) Maintain gross margins (i.e., reduce price erosion) (8) Gain and maintain adequate scale to remain a strategically relevant supplier, serve both US and global OEMs 	<ul style="list-style-type: none"> (9) Obtain a financial audit or QofE from a reputable CPA firm, assess compliance with GAAP (10) Develop a strong IT infrastructure, including a comprehensive ERP system (11) Knowing your costs and gross margin - understanding gross margin by part number and comprehensive cost accounting system (12) Develop a comprehensive "addback" schedule and supporting documentation as early as possible (13) Debt - maintain strong cash position, access to bank credit lines, remove extinguished liens 	<ul style="list-style-type: none"> (14) Develop and analyze key operating metrics--and maintain consistently high levels of performance (15) Obtain a market based facility lease and lease extension options (16) Employee issues - turnover, plant safety/workers comp claims (17) The 'face' of the company - marketing materials and facility upkeep (18) Improve your working capital efficiency (19) Understand and organize all contracts (customer, vendor, employee, property, equipment, etc.) in an orderly and accessible manner 	<ul style="list-style-type: none"> (20) Understand and augment your IP, protect your IP, obtain licenses for 3rd party IP (21) Address any environmental concerns, including a Phase 1 environmental report (22) Obtain and maintain important quality designations including: ISO 9000, AS 9100 Rev C (23) Prepare necessary tax or estate planning, legal documents, maintain adequate insurance, etc. (24) Comply with government cost accounting regulations (FARS, DFARS, DCAA, etc.) (25) Comply with export control regulations: ITAR, FCPA, etc.

Summary & Closing Thoughts

Industry Trends

- The MRO industry is undergoing rapid and fundamental change
- Dividing lines between what were previously distinct MRO sub-segments have been eroded
- Competing business models will continue to change the growth and margin profiles of ALL MRO players
- You need to understand MRO macro trends and how these will impact your business going forward

M&A Trends

- There is much you can do to increase the value of your business – preparation is key
- Key valuation drivers are growth, intellectual property, margin trends, competition and size
- Strategy / strategic fit is also imperative
- Carefully consider the timing of your exit strategy. This could be a “make or break” decision
- Hire strong M&A advisors: investment banking, legal, accounting & tax – Aerospace and Defense, and more specifically, MRO, industry knowledge and transaction experience is critical
- Valuable companies tend to be well run. Become a well run company and you will be highly valued from an M&A perspective





How to Prepare Yourself and Your Business for the Rigors of an M&A Process



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