

Fall 2010

Aerospace / Defense and Government Services

MarketView



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Fall 2010 *MarketView*

KippsDeSanto & Co., an investment bank focused on middle-market aerospace / defense and technology companies, is pleased to present the Fall 2010 issue of our Aerospace / Defense and Government Services *MarketView*, a newsletter providing strategic insight into key market dynamics, capital markets developments, and mergers and acquisitions trends impacting participants in the industry.

Topics covered in this newsletter include:

- Update on current aerospace / defense and government services market conditions
- Discussion of recent budget developments
- Public company valuations
- M&A activity and valuations

Operational / Funding Environment

Debate on the hotly contested 2011 budget came to a pause this fall as members of Congress focused on mid-term elections. By failing to receive a budget for 2011, the U.S. military is operating on an extension of the \$693 billion 2010 defense budget. Military spending is again set to be a top-priority issue as the nation contends with tough fiscal choices. The National Commission on Fiscal Responsibility and Reform released a preliminary draft report that proposes cutting \$100 billion of the base defense budget by 2015. In addition, Secretary of Defense Robert Gates has expressed plans to retire in 2011 to allow sufficient transition time for his successor prior to the 2012 elections. The 2011 timetable remains tentative as the departure of the long-serving Secretary could have a significant impact on the continuity of current contracting reform initiatives.

Programs Affected by UK Fiscal Austerity Initiatives



Sentinel R1



Nimrod MRA4



Harrier GR9



F-35B

Concerns over fiscal deficits have led to significant spending reductions abroad, with Germany, France, and the UK announcing cuts. In October, PM David Cameron released the UK's first large-scale strategic defense and security review since 1998, calling for military spending cuts of 8% over four years and substantial manpower reductions. Planned F-35 procurement was modified from the STOVL, Rolls-Royce LiftSystem-powered F-35B to the F-35C carrier variant, leaving the Marine Corps and Italy as the remaining planned buyers of the STOVL version. Amid the cuts were a few bright spots, notably the creation of a four-year, £650 million national cybersecurity program.

In commercial aerospace, OEM rates continued to climb higher as Boeing announced its third production rate hike in 2010, ramping up 737 production to 38 per month from 35 per month by mid-2013, and Airbus announced plans to increase A320 production to 40 per month from 36 per month by 1Q12. However, positive news was tempered by the mixed mood at October's National Business Aviation Association ("NBAA") conference and Honeywell's release of its Business Aviation Outlook, which predicts a pickup in corporate aviation build rates in 2012.

The upcoming award of several large federal IT and professional services contract vehicles has generated anticipation among both large and small contractors, and demonstrates current trends in federal procurements, including continued contract delays, government initiatives to increase contractor competition, and increased opportunity for set-aside contractors on large procurements. The RFP for the \$22 billion DHS Enterprise Acquisition Gateway for Leading Edge Solutions II vehicle was released on November 1st, containing new provisions for small business awardees. In addition, the \$12 billion VA Transformation Twenty-One Total Technology vehicle, which suffered slight delays due to protest, and the \$15 billion Army DoD Language Interpretation and Translation Enterprises ("DLITE") vehicles are estimated to be awarded by early 2011. Finally, the restricted and unrestricted awards of the \$20 billion HHS CIO SP3 vehicle were also delayed and are now expected to be awarded in mid-2011. According to NITAAC officials, sales generated on the restricted portion may meet or exceed the unrestricted portion, and will be the first NIH GWAC exclusive to small business participants.

Capital Markets and Public Market Valuation Trends

Equity markets as a whole have posted a strong rally in recent months and are approaching the year-to-date highs reached in April 2010. While defense stocks have fallen from the high water mark earlier in the year, share prices have continued to follow the broader market trends driven by macroeconomic events, most notably the Federal Reserve's aggressive quantitative easing program. Given the likelihood of further budget cuts and cost savings proposed by Secretary Gates, earnings reports have largely been in-line with tempered expectations, cementing the notion that large primes will need to turn to M&A to achieve growth. Meanwhile, aerospace share prices have returned to an upward trend after macroeconomic fears caused a downturn in July and August.

The mid-term elections, uncertainty around the 2012 budget, and a challenged government procurement process drove government services pricing multiples in mid-September to their lowest levels over 2009 and 2010. Despite this, capital markets continue to show signs of improvement. CACI International Inc. ("CACI") announced the closing of a new \$750 million credit facility to replace its existing facility, and Veritas Capital obtained strong financing to support its acquisition of Lockheed Martin's Enterprise Integration Group.

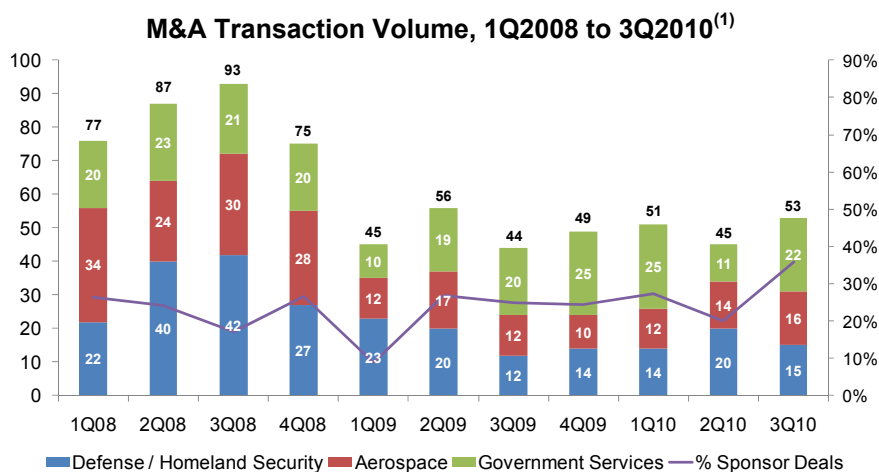
A number of companies recently completed or filed for IPOs. KEYW Corporation ("KEYW"), an engineering services provider to the intelligence, surveillance, and military communities, issued an IPO of 9.1 million shares at \$10 each. Other companies that have filed for IPOs include Booz Allen Hamilton (pricing announced November 4th), Aeroflex, and Erickson Air Crane for \$266 million, \$500 million, and \$75 million, respectively. Finally, Northrop Grumman continues to explore strategic alternatives regarding its \$6+ billion revenue shipbuilding business. As part of a dual-path strategy, Northrop filed a Form 10 for a possible spinoff of the shipbuilding business to its shareholders.

M&A Trends and Activity

Recent M&A activity in the aerospace and defense industries has been marked by a number of large transactions as buyers look to build or expand presences in high growth pockets. 3M's \$668 million acquisition of biometrics software provider Cogent and Safran's purchase of L-1's biometrics assets for \$1.2 billion signal consolidation within the biometric market niche to meet growing demand for solutions to the defense, national security, and commercial markets. In the aerospace market, companies are positioning to take advantage of the continuing recovery in the commercial and business jet markets and a drive for greater fuel and power efficiency.

B/E Aerospace ("B/E") acquired defense-focused thermal management company, TSI Group, Inc. for \$310 million, as B/E believes that TSI's thermal solutions are highly applicable to its commercial customers. McKechnie Aerospace, a provider of a wide range of aerospace structures and components, was acquired by TransDigm Group for \$1.3 billion to bolster its presence on existing and new platforms such as the 737 and A320.

Government services M&A volume remains strong with 24 acquisitions announced during the past three months, compared to 25 during the same three month period in 2009. Changes in government funding priorities continue to focus buyers' acquisition interest, with priority areas such as cybersecurity and intelligence representing an increasing portion of overall activity – 14 of the 24 deals announced during the past three months compared to 10 of the 25 deals during the same three month period in 2009. Notable M&A activity was in the intelligence space and includes: (i) CACI's recent acquisitions of geospatial intelligence solutions provider TechniGraphics, Inc.⁽²⁾ and technical services firm Applied Systems Research, (ii) BAE Systems' announced acquisition of L-1's Intelligence Services Group, and (iii) Six3 Systems acquisition of mission-critical enterprise software provider Novii Design LLC.⁽²⁾



(1) Figures represent closed transactions. Source: Company filings, press releases, and KippsDeSanto research.

(2) KippsDeSanto & Co. served as exclusive financial advisor to TechniGraphics, Inc. and Novii Design LLC.

Defense Update

YTD Defense Stock Price Performance⁽¹⁾

| | Stock Price Performance | | | EV / CY 2010E EBITDA Multiple | | |
|------------------------------|-------------------------|----------|----------------|-------------------------------|-------------|---------------|
| | 01/04/10 | 11/09/10 | % Change | 01/04/10 | 11/09/10 | Change |
| Defense Primes | | | | | | |
| BAE SYSTEMS | \$5.84 | \$5.60 | (4.2%) | 5.0x | 4.9x | (0.1x) |
| BOEING | 55.72 | 69.25 | 24.3% | 7.4x | 7.8x | 0.4x |
| GENERAL DYNAMICS | 68.51 | 69.20 | 1.0% | 6.9x | 6.2x | (0.7x) |
| LOCKHEED MARTIN | 75.87 | 72.55 | (4.4%) | 5.7x | 5.2x | (0.5x) |
| NORTHROP GRUMMAN | 56.10 | 65.28 | 16.4% | 5.8x | 5.6x | (0.2x) |
| Raytheon | 51.92 | 48.02 | (7.5%) | 6.2x | 5.8x | (0.4x) |
| Median | | | (1.6%) | 6.2x | 5.7x | (0.5x) |
| Defense Systems | | | | | | |
| ATK | \$88.65 | \$76.31 | (13.9%) | 6.0x | 6.0x | (0.0x) |
| ALU | 29.21 | 23.63 | (19.1%) | 13.0x | 7.8x | (5.2x) |
| COBHAM | 4.03 | 3.36 | (16.7%) | 7.8x | 6.5x | (1.3x) |
| CUBIC | 37.64 | 44.49 | 18.2% | 8.0x | 7.2x | (0.8x) |
| FLIR | 33.22 | 28.35 | (14.7%) | 10.9x | 9.7x | (1.2x) |
| Rockwell Collins | 87.90 | 73.13 | (16.8%) | 7.3x | 5.9x | (1.4x) |
| TELEDYNE TECHNOLOGIES | 55.83 | 59.76 | 7.0% | 8.9x | 9.5x | 0.6x |
| Median | | | (14.3%) | 7.9x | 7.5x | (0.4x) |
| Overall Median | | | (7.9%) | 7.1x | 6.6x | (0.5x) |


















DEFENSE STOCKS FOLLOW BROADER MARKET

Leading defense firms have followed broader public market volatility in recent months, with moderate pricing improvements in 3Q10 nearly counter-balancing declines earlier in the year. Valuations have also begun to slowly climb after falling in 1H10. Though 3Q10 earnings releases were generally positive from a profit perspective, revenue guidance was marked by conservatism as slower forecasted spending dims the industry's growth outlook.

Boeing has outpaced others in the space, as the firm experienced a very strong 3Q10 due to robust commercial production and services programs, and the ability of its defense businesses to produce positive results in a difficult environment. Meanwhile, Lockheed and Northrop Grumman continued forward with their divestiture strategies, with Lockheed selling its Enterprise Integration Group to Veritas Capital and Northrop receiving strong private equity interest for its shipbuilding business.

BUDGET BATTLEGROUND FOR HOUSE-SENATE CONFERENCES⁽²⁾

A number of differences exist between the House and Senate versions of the 2011 military budget. Programs most likely to cause conflict in the House-Senate conferences include the F-35 alternate engine, missile defense, Expeditionary Fighting Vehicle, and Ground Combat Vehicle. Furthermore, turnover from the recent election, including House Armed Services Committee Chairman Ike Skelton's defeat and replacement by Republican Buck McKeon, will likely cause increased scrutiny of current Administration policies.

| | HOUSE | | SENATE | | SELECT COMPANIES IMPACTED |
|---|----------------------|-----------------------|----------------------|-----------------------|---|
| | <u>Authorization</u> | <u>Appropriations</u> | <u>Authorization</u> | <u>Appropriations</u> | |
|  F-35 Alternate Engine | \$485 million | \$450 million | Not Funded | Not Funded |   |
|  Missile Defense | \$10.3 billion | Bill Not Finished | \$8.6 billion | \$8.1 billion |    |
|  Ground Combat Vehicle | \$934 million | Bill Not Finished | \$934 million | \$462 million |     |
|  Expeditionary Fighting Vehicle | \$243 million | Bill Not Finished | \$243 million | \$222 million |     |

(1) Source: Company filings and Capital IQ.

(2) Source: Budget documents, press releases, and KippsDeSanto research.

Aerospace Update

YTD Aerospace Stock Price Performance⁽¹⁾

| | Stock Price Performance | | | EV / CY 2010 EBITDA Multiple | | |
|---------------------------------------|-------------------------|----------|--------------|------------------------------|-------------|-------------|
| | 01/04/10 | 11/09/10 | % Change | 01/04/10 | 11/09/10 | Change |
| Aerospace Systems Suppliers | | | | | | |
| AAR | \$23.19 | \$23.15 | (0.2%) | 7.6x | 8.4x | 0.8x |
| Boeing | 23.66 | 36.63 | 54.8% | 7.7x | 12.2x | 4.5x |
| CURTISS-WRIGHT | 31.65 | 30.87 | (2.5%) | 9.4x | 7.2x | (2.2x) |
| GOODRICH | 64.82 | 85.48 | 31.9% | 6.3x | 9.4x | 3.1x |
| HEICO | 35.90 | 50.49 | 40.7% | 11.1x | 15.1x | 4.0x |
| MEGGITT | 4.22 | 5.30 | 25.6% | 6.3x | 8.2x | 1.9x |
| TRANSDIGM | 48.16 | 66.25 | 37.6% | 7.6x | 11.9x | 4.3x |
| Triumph Group, Inc. | 48.96 | 88.08 | 79.9% | 6.4x | 9.8x | 3.4x |
| Median | | | 34.7% | 7.6x | 9.6x | 2.0x |
| Aerospace Structures Suppliers | | | | | | |
| Ducommun Technologies | \$19.06 | \$21.91 | 15.0% | 4.5x | 5.3x | 0.8x |
| HIDCELL | 13.10 | 17.45 | 33.2% | 9.9x | 10.2x | 0.3x |
| LADISH CO., INC. | 15.29 | 32.28 | 111.1% | 8.4x | 9.1x | 0.7x |
| LMI TECHNOLOGIES, INC. | 13.55 | 14.22 | 4.9% | 5.8x | 5.3x | (0.5x) |
| PCC | 111.77 | 140.06 | 25.3% | 7.0x | 12.1x | 5.1x |
| SPIRIT | 20.01 | 18.95 | (5.3%) | 9.7x | 6.8x | (2.9x) |
| Median | | | 20.1% | 7.7x | 8.0x | 0.3x |
| Overall Median | | | 27.4% | 7.7x | 8.8x | 1.1x |

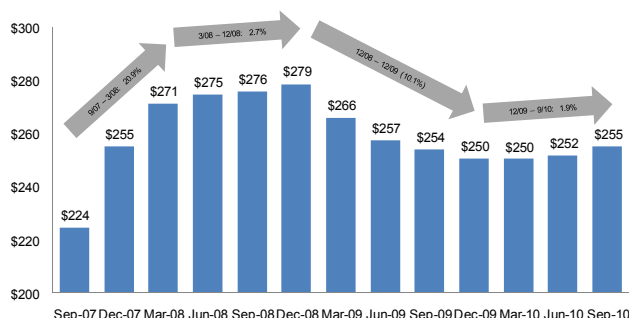
AEROSPACE EQUITIES SURGE FORWARD

Aerospace stock prices and valuations gained significantly over the first half of 2010 and that trend continued through the third quarter. Due to the volatile nature of the aerospace industry, sector participants suffered greatly during the economic downturn, but as investors continue to regain confidence, aerospace firms have surged back.

Aerospace structures supplier Ladish has more than doubled in price year-to-date on its positive earnings releases and gross margin improvements resulting from continued focus on cost control coupled with improved operating performance. TransDigm has also experienced continued gains as its 3Q10 acquisition of McKechnie Aerospace fits well with its broad platform positions and significant aftermarket content.

Boeing Commercial Airplane Backlog⁽¹⁾

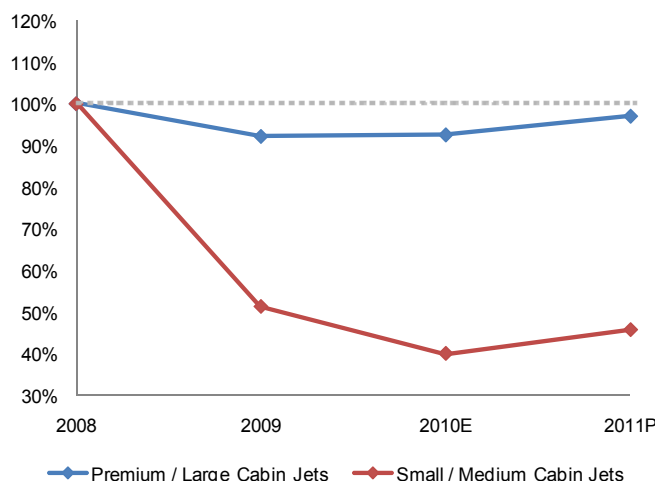
(\$ in billions)



BACKLOG AND PRODUCTION RATE IMPROVEMENTS FOR BOEING

Though still significantly influenced by the 2005 to 2008 order surge, Boeing's commercial backlog has reversed its 2009 decline and shown improvement for the second straight quarter. Strong demand has continued for the 737 in particular, with Boeing announcing a third production rate increase to 38 units per month in 2Q13. With current backlog at over 2,000 units, the rate hike will benefit suppliers on a closer timeframe and represents a positive signal for the recovery of the industry as a whole.

Business Jet Deliveries by Class⁽²⁾



CAUTIOUS OPTIMISM FOR BUSINESS JET MARKET

Though sales of small and medium jets have been hit hard in the downcycle and only recently stabilized, robust demand for larger, more profitable jets has allowed firms with offerings on the upper end of the market to outperform competitors.

Honeywell Aerospace released its Business Aviation Outlook, predicting a flat new jet market in 2011, bumping along the bottom before expansion in 2012. Despite continued short-term headwinds and tempered expectations for next year, the report increased its 10-year sales forecast by 10% to \$225 billion due to deferred demand, economic recovery, and strong international market growth.

(1) Source: Company filings and Capital IQ.

(2) Source: Company filings and KippsDeSanto research.

Government Services Update

YTD Government Services Stock Price Performance⁽¹⁾

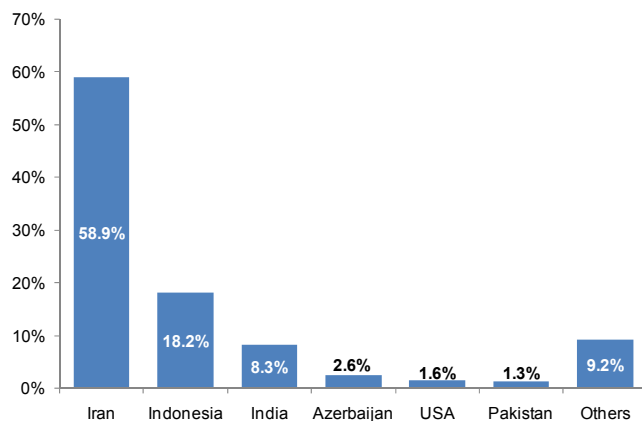
| | Stock Price Performance | | | EV / CY 2010E EBITDA Multiple | | |
|---------------|-------------------------|----------|---------------|-------------------------------|-------------|---------------|
| | 01/04/10 | 11/09/10 | % Change | 01/04/10 | 11/09/10 | Change |
| CACI | \$48.96 | \$50.57 | 3.3% | 6.9x | 7.0x | 0.1x |
| DGC | 10.66 | 11.50 | 7.9% | 5.0x | 4.5x | (0.5x) |
| GLOBAL | 16.90 | 13.58 | (19.6%) | 8.4x | 6.4x | (2.0x) |
| ICF | 26.92 | 26.52 | (1.5%) | 8.8x | 8.3x | (0.5x) |
| KBR | 10.36 | 11.15 | 7.6% | 7.0x | 9.9x | 2.9x |
| ManTech | 48.60 | 41.33 | (15.0%) | 6.8x | 6.4x | (0.4x) |
| NCI | 27.74 | 21.99 | (20.7%) | 8.3x | 7.3x | (1.0x) |
| QinetiQ | 2.65 | 1.59 | (39.9%) | 7.0x | 6.0x | (1.0x) |
| SAIC | 19.02 | 15.77 | (17.1%) | 7.1x | 6.1x | (1.0x) |
| SRA | 19.23 | 20.66 | 7.4% | 6.7x | 7.1x | 0.4x |
| Median | | | (8.2%) | 7.0x | 6.7x | (0.3x) |

GEOINT Contract Landscape

| Program | Cust. | Award / Value | Scope |
|---|-------|-----------------------------|---|
| EnhancedView | | Awarded Aug. 2010 / \$7.4 B | Provide high-resolution satellite imagery to the DoD and IC |
| Enterprise Program for Analytical Support Services ("E-PASS") | | Late 2010 / \$1.2 B | Provide GEOINT and full motion video processing, analysis, and distribution services, as well as source management services |
| Support to Management and Resources for Technical Services ("E-SMARTS") | | Jun. 2011 / \$201 M | Provide program / project management, financial management, and technical services |
| Geospatial Research Integration, Development, and Support ("GRIDS II") | | Jul. 2011 / \$250 M | Address gaps in technologies and develop, integrate, and operate ISR payloads, exploitation tools, and architectures |
| GEOINT Data Services (GGI Recompete) | | Jan. 2013 / TBD | Provide feature data maintenance, human terrain, data exploitation, imagery intelligence, and change detection services |

Proliferation of Stuxnet Worm⁽²⁾

(Percentage of hits, by country)



GOVERNMENT SERVICES SHARES LAG BEHIND BROADER MARKET

Government services stocks have underperformed the market recently, influenced by uncertainty from Defense Secretary Gates' plans to cut spending on contractors, as well as mid-term elections. QinetiQ has declined 39.9% year-to-date following the resignation of Chairman Sir John Chisholm, who led the company since formation in 2001, and long-anticipated defense cuts in the U.K. NCI dropped on disappointing 2nd and 3rd quarter earnings results, and announced share buybacks to take advantage of the depressed pricing. Global Defense has recently rebounded from its August 31 low of \$10.37, due to two Army contract wins and acquisitions of Zytel Corporation and Signature Government Solutions.

GEOSPATIAL INTELLIGENCE TO BENEFIT FROM ROBUST FUNDING

Geospatial intelligence ("GEOINT") has remained a priority funding area as a key intelligence capability, evidenced by recent and upcoming contract awards. On August 9th, the NGA awarded EnhancedView contracts to GeoEye (\$3.8 billion) and DigitalGlobe (\$3.55 billion). The companies' stock prices increased 22.7% and 13.4%, respectively, on the day of the announcement. The November GEOINT 2010 symposium in New Orleans, one of the nation's largest intelligence events, displayed the significant buzz in the space, and companies with GEOINT capabilities have garnered significant acquisition interest driven by large contractors' desire to reposition into priority funding areas.

STUXNET THE LATEST OF INCREASINGLY SOPHISTICATED CYBER THREATS

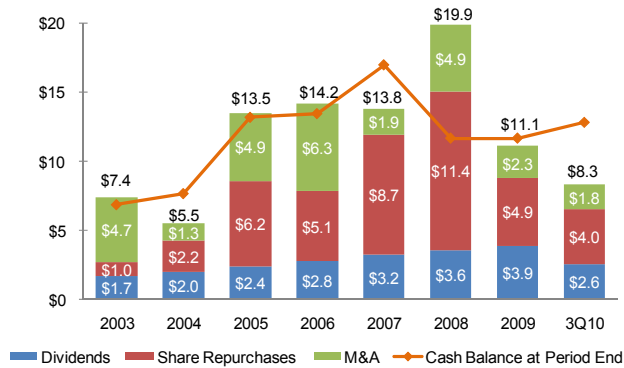
The discovery in June 2010 of the Stuxnet worm has become the most significant cyber event of the year, reinforcing the criticality of cybersecurity – the top focus among most government services / defense firms from an organic and acquisition perspective. The worm's sophistication has fueled speculation it is an act of state-sponsored cyber warfare. The threat appears to have been aimed at Iranian industrial control infrastructure, with evidence that the attacks targeted nuclear facilities. The threat underscores the need for advanced cybersecurity defenses, especially in the context of the U.S. Cyber Command's failure to meet its October 1st operational deadline and continuing debate over DoD, civilian agency, and private sector responsibilities.

(1) Source: Company filings and Capital IQ; reflects removal of Stanley, Inc. given acquisition by CGI Group, Inc.

(2) Source: Symantec.

Public Company Performance and Market Valuation Trends

Cash Deployment by Defense Primes⁽¹⁾
(\$ in billions)

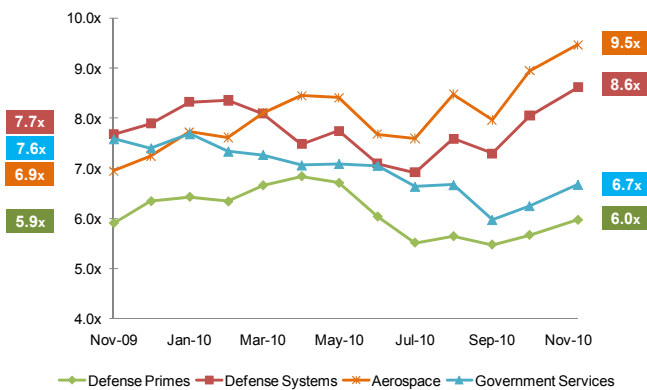


PRIMES SLOWLY BEGIN TO DEPLOY DRY POWDER

Despite the economic downturn, defense primes have maintained strong balance sheets and remain well positioned to adapt to changing industry dynamics. While most prime contractors continue to sit on a significant amount of dry powder, Boeing deployed approximately \$1.6 billion of cash on the balance sheet in 3Q10, primarily through dividends and M&A.

Boeing leads all defense primes with nearly \$1 billion of YTD acquisitions, mostly on the Argon ST purchase, while Lockheed Martin continues to spend the most on share repurchases with approximately \$1.6 billion YTD.

Enterprise Value / Forward EBITDA⁽¹⁾

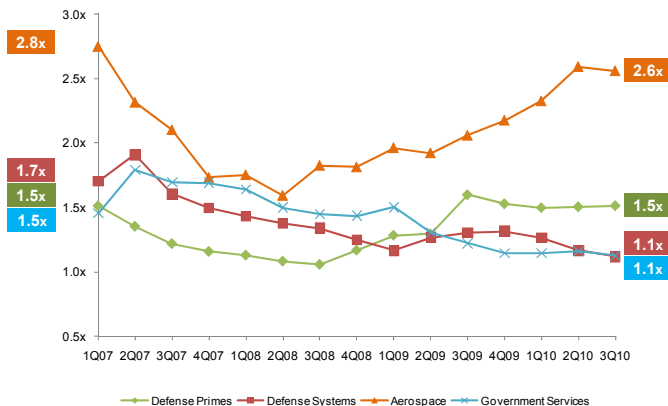


AEROSPACE VALUATIONS CONTINUE TO TREND UPWARDS

Valuations of commercial aerospace companies have grown considerably as the sector furthers its rebound from the economic downturn. Investors are increasingly returning to the industry as over the past twelve months, EV / forward EBITDA multiples of public aerospace companies have expanded over two turns of EBITDA.

Defense primes, defense systems, and government services valuations have remained relatively flat over the past twelve months as performance has been tempered by the broader markets and federal budget uncertainty.

Quarterly Debt-to-EBITDA⁽¹⁾



DEBT LEVELS REMAIN LOW DESPITE BROADER MARKET IMPROVEMENT

Despite conservative approaches to operating leverage and cash management, most sector participants have yet to capitalize on their prudence through the economic downturn and take on debt to pursue strategic growth initiatives in the recovery. Aerospace leverage multiples have grown due to Triumph Group's Vought acquisition, and are set to further increase given TransDigm's debt offering to finance the McKechnie transaction. Meanwhile, CACI announced the closing of a new \$750 million credit facility to capitalize on attractive opportunities, particularly through M&A, evidenced by the acquisition of imagery and geospatial services provider TechniGraphics, Inc.

Compared to the government services industry, the commercial aerospace industry is more volatile and less capital intensive in nature, leading sector participants to be more aggressive by taking on more debt.

(1) Source: Company filings and KippsDeSanto research.

Public Company Trading Analysis⁽¹⁾ (\$ in millions, except per share amounts)

| Defense Primes | Stock Price 11/09/10 | % of 52 Week High | Market Cap | Enterprise Value | CY 2010E | | | CY 2011P | | | EV / CY 2010E | | EV / CY 2011P | |
|------------------------------|-------------------------|----------------------|-------------------|---------------------|-------------------|------------------|--------------|-------------------|------------------|--------------|---------------|-------------|---------------|-------------|
| | | | | | Revenue | EBITDA | Margin | Revenue | EBITDA | Margin | Rev. | EBITDA | Rev. | EBITDA |
| Boeing Co. | \$69.25 | 91.8% | \$50,800.4 | \$53,408.4 | \$64,625.5 | \$6,861.7 | 10.6% | \$71,341.5 | \$7,484.5 | 10.5% | 0.83x | 7.8x | 0.75x | 7.1x |
| General Dynamics Corp. | 69.20 | 86.1% | 26,139.9 | 27,500.9 | 33,309.0 | 4,437.3 | 13.3% | 34,880.2 | 4,609.4 | 13.2% | 0.83x | 6.2x | 0.79x | 6.0x |
| Lockheed Martin Corporation | 72.55 | 82.2% | 26,127.3 | 27,723.3 | 46,231.7 | 5,304.7 | 11.5% | 47,964.6 | 5,291.6 | 11.0% | 0.60x | 5.2x | 0.58x | 5.2x |
| BAE Systems plc | 5.60 | 90.4% | 19,080.0 | 20,280.5 | 34,297.5 | 4,121.2 | 12.0% | 34,960.2 | 4,225.1 | 12.1% | 0.59x | 4.9x | 0.58x | 4.8x |
| Northrop Grumman Corporation | 65.28 | 92.5% | 19,061.0 | 20,681.0 | 34,817.4 | 3,707.4 | 10.6% | 35,707.7 | 3,920.4 | 11.0% | 0.59x | 5.6x | 0.58x | 5.3x |
| Raytheon Co. | 48.02 | 79.5% | 17,505.4 | 17,809.4 | 25,802.0 | 3,059.3 | 11.9% | 26,929.7 | 3,441.1 | 12.8% | 0.69x | 5.8x | 0.66x | 5.2x |
| Median | | 88.2% | \$22,603.7 | \$24,091.0 | \$34,557.4 | \$4,279.3 | 11.7% | \$35,333.9 | \$4,417.2 | 11.6% | 0.64x | 5.7x | 0.62x | 5.3x |

| Defense Systems | Stock Price 11/09/10 | % of 52 Week High | Market Cap | Enterprise Value | CY 2010E | | | CY 2011P | | | EV / CY 2010E | | EV / CY 2011P | |
|----------------------------------|-------------------------|----------------------|------------------|---------------------|------------------|----------------|--------------|------------------|----------------|--------------|---------------|-------------|---------------|-------------|
| | | | | | Revenue | EBITDA | Margin | Revenue | EBITDA | Margin | Rev. | EBITDA | Rev. | EBITDA |
| Rockwell Collins Inc. | \$59.76 | 87.8% | \$9,394.2 | \$9,508.2 | \$4,784.5 | \$998.9 | 20.9% | \$5,015.2 | \$1,098.2 | 21.9% | 1.99x | 9.5x | 1.90x | 8.7x |
| ITT Corporation | 47.68 | 81.2% | 8,754.0 | 9,485.0 | 11,075.7 | 1,517.2 | 13.7% | 11,561.5 | 1,616.1 | 14.0% | 0.86x | 6.3x | 0.82x | 5.9x |
| L-3 Communications Holdings Inc. | 73.13 | 74.8% | 8,277.3 | 11,859.3 | 16,044.6 | 1,995.3 | 12.4% | 16,509.3 | 2,045.3 | 12.4% | 0.74x | 5.9x | 0.72x | 5.8x |
| Finmeccanica SpA | 13.40 | 84.0% | 7,729.2 | 15,591.4 | 24,523.6 | 2,920.4 | 11.9% | 25,374.4 | 3,129.3 | 12.3% | 0.64x | 5.3x | 0.61x | 5.0x |
| FLIR Systems, Inc. | 28.35 | 83.5% | 4,496.2 | 4,116.3 | 1,350.6 | 422.8 | 31.3% | 1,529.4 | 479.4 | 31.3% | 3.05x | 9.7x | 2.69x | 8.6x |
| Cobham plc | 3.36 | 83.7% | 3,879.6 | 4,439.0 | 3,304.4 | 685.6 | 20.7% | 3,471.6 | 711.1 | 20.5% | 1.34x | 6.5x | 1.28x | 6.2x |
| Alliant Techsystems Inc. | 76.31 | 85.8% | 2,541.2 | 3,775.4 | 4,812.6 | 629.5 | 13.1% | 4,745.9 | 611.5 | 12.9% | 0.78x | 6.0x | 0.80x | 6.2x |
| Ultra Electronics Holdings plc | 28.35 | 99.3% | 1,945.3 | 1,971.7 | 1,161.4 | 198.3 | 17.1% | 1,217.6 | 207.4 | 17.0% | 1.70x | 9.9x | 1.62x | 9.5x |
| Teledyne Technologies Inc. | 42.06 | 94.1% | 1,525.0 | 1,767.0 | 1,804.7 | 230.2 | 12.8% | 1,928.2 | 250.1 | 13.0% | 0.98x | 7.7x | 0.92x | 7.1x |
| Cubic Corporation | 44.49 | 97.5% | 1,189.5 | 882.8 | 1,166.1 | 122.0 | 10.5% | 1,215.0 | 120.1 | 9.9% | 0.76x | 7.2x | 0.73x | 7.4x |
| AeroVironment, Inc. | 23.63 | 68.7% | 514.7 | 357.1 | 283.7 | 45.7 | 16.1% | 310.3 | 58.0 | 18.7% | 1.26x | 7.8x | 1.15x | 6.2x |
| Force Protection Inc. | 5.19 | 83.3% | 364.6 | 259.2 | 638.4 | 52.1 | 8.2% | 659.4 | 64.9 | 9.8% | 0.41x | 5.0x | 0.39x | 4.0x |
| Median | | 83.9% | \$3,210.4 | \$3,945.8 | \$2,554.5 | \$526.1 | 13.4% | \$2,699.9 | \$545.4 | 13.5% | 0.92x | 6.9x | 0.87x | 6.2x |

| Defense Electronics / Communications | Stock Price 11/09/10 | % of 52 Week High | Market Cap | Enterprise Value | CY 2010E | | | CY 2011P | | | EV / CY 2010E | | EV / CY 2011P | |
|--------------------------------------|-------------------------|----------------------|----------------|---------------------|----------------|---------------|--------------|----------------|---------------|--------------|---------------|--------------|---------------|-------------|
| | | | | | Revenue | EBITDA | Margin | Revenue | EBITDA | Margin | Rev. | EBITDA | Rev. | EBITDA |
| Harris Corp. | \$46.22 | 84.3% | \$5,929.1 | \$7,039.8 | \$5,628.7 | \$1,264.8 | 22.5% | \$6,050.7 | \$1,208.8 | 20.0% | 1.25x | 5.6x | 1.16x | 5.8x |
| ViaSat Inc. | 40.84 | 98.3% | 1,657.5 | 1,906.0 | 843.5 | 177.9 | 21.1% | 995.5 | 215.6 | 21.7% | 2.26x | 10.7x | 1.91x | 8.8x |
| Comtech Telecommunications Corp. | 30.78 | 81.2% | 851.1 | 443.5 | 825.9 | 150.3 | 18.2% | 631.5 | 121.0 | 19.2% | 0.54x | 3.0x | 0.70x | 3.7x |
| Applied Signal Technology, Inc. | 32.78 | 97.1% | 439.1 | 409.5 | 238.3 | 31.9 | 13.4% | 254.3 | 34.0 | 13.4% | 1.72x | 12.8x | 1.61x | 12.0x |
| Mercury Computer Systems, Inc. | 15.34 | 97.1% | 373.6 | 291.4 | 208.2 | 27.4 | 13.2% | 229.3 | 34.1 | 14.9% | 1.40x | 10.6x | 1.27x | 8.5x |
| Herley Industries Inc. | 16.50 | 97.1% | 227.6 | 214.1 | 193.6 | 29.8 | 15.4% | 210.2 | 34.8 | 16.5% | 1.11x | 7.2x | 1.02x | 6.2x |
| Integral Systems Inc. | 8.55 | 84.0% | 150.2 | 176.6 | 177.2 | 11.6 | 6.6% | 207.7 | 19.8 | 9.5% | 1.00x | 15.2x | 0.85x | 8.9x |
| Median | | 97.1% | \$439.1 | \$409.5 | \$238.3 | \$31.9 | 15.4% | \$254.3 | \$34.8 | 16.5% | 1.25x | 10.6x | 1.16x | 8.5x |

| Homeland Security | Stock Price 11/09/10 | % of 52 Week High | Market Cap | Enterprise Value | CY 2010E | | | CY 2011P | | | EV / CY 2010E | | EV / CY 2011P | |
|-------------------------------------|-------------------------|----------------------|----------------|---------------------|----------------|---------------|--------------|----------------|---------------|--------------|---------------|--------------|---------------|-------------|
| | | | | | Revenue | EBITDA | Margin | Revenue | EBITDA | Margin | Rev. | EBITDA | Rev. | EBITDA |
| Mine Safety Appliances Co. | \$29.31 | 91.8% | \$1,064.7 | \$1,146.7 | \$941.9 | \$100.5 | 10.7% | \$987.6 | \$121.4 | 12.3% | 1.22x | 11.4x | 1.16x | 9.4x |
| American Science & Engineering Inc. | 84.15 | 96.8% | 760.0 | 597.5 | 266.5 | 68.6 | 25.7% | 288.0 | 69.2 | 24.0% | 2.24x | 8.7x | 2.07x | 8.6x |
| OSI Systems, Inc. | 35.93 | 95.3% | 670.5 | 644.4 | 610.0 | 58.7 | 9.6% | 679.2 | 75.3 | 11.1% | 1.06x | 11.0x | 0.95x | 8.6x |
| Analogic Corporation | 46.71 | 94.9% | 601.8 | 432.5 | 440.4 | 50.0 | 11.4% | 478.7 | 63.5 | 13.3% | 0.98x | 8.7x | 0.90x | 6.8x |
| Federal Signal Corp. | 6.14 | 52.5% | 382.0 | 595.3 | 769.5 | 46.6 | 6.1% | 840.7 | 73.3 | 8.7% | 0.77x | 12.8x | 0.71x | 8.1x |
| Median | | 94.9% | \$670.5 | \$597.5 | \$610.0 | \$58.7 | 10.7% | \$679.2 | \$73.3 | 12.3% | 1.06x | 11.0x | 0.95x | 8.6x |

(1) Source: Company filings, KippsDeSanto research, and Capital IQ.

Public Company Trading Analysis, cont.⁽¹⁾
(\$ in millions, except per share amounts)

| <u>Aerospace Systems Suppliers</u> | Stock Price 11/09/10 | % of 52 Week High | Market Cap | Enterprise Value | CY 2010E | | | CY 2011P | | | EV / CY 2010E | | EV / CY 2011P | |
|------------------------------------|-------------------------|----------------------|------------------|---------------------|------------------|----------------|--------------|------------------|----------------|--------------|---------------|-------------|---------------|-------------|
| | | | | | Revenue | EBITDA | Margin | Revenue | EBITDA | Margin | Rev. | EBITDA | Rev. | EBITDA |
| Goodrich Corp. | \$85.48 | 96.5% | \$10,717.1 | \$12,033.8 | \$7,092.2 | \$1,275.1 | 18.0% | \$7,586.7 | \$1,390.7 | 18.3% | 1.70x | 9.4x | 1.59x | 8.7x |
| BE Aerospace Inc. | 36.63 | 94.7% | 3,745.8 | 4,500.8 | 1,955.3 | 369.6 | 18.9% | 2,166.9 | 437.4 | 20.2% | 2.30x | 12.2x | 2.08x | 10.3x |
| Meggitt plc | 5.30 | 99.1% | 3,679.8 | 4,959.0 | 1,905.2 | 604.9 | 31.7% | 2,023.1 | 649.8 | 32.1% | 2.60x | 8.2x | 2.45x | 7.6x |
| TransDigm Group Incorporated | 66.25 | 99.6% | 3,268.8 | 4,786.2 | 849.6 | 403.1 | 47.4% | 922.3 | 445.3 | 48.3% | 5.63x | 11.9x | 5.19x | 10.7x |
| Triumph Group, Inc. | 88.08 | 93.1% | 2,131.6 | 3,369.7 | 2,368.7 | 343.2 | 14.5% | 3,236.9 | 479.2 | 14.8% | 1.42x | 9.8x | 1.04x | 7.0x |
| Esterline Technologies Corp. | 61.89 | 96.4% | 1,861.5 | 2,125.1 | 1,541.2 | 247.2 | 16.0% | 1,633.8 | 262.5 | 16.1% | 1.38x | 8.6x | 1.30x | 8.1x |
| HEICO Corp. | 50.49 | 97.9% | 1,663.3 | 1,839.3 | 609.8 | 122.0 | 20.0% | 675.8 | 137.9 | 20.4% | 3.02x | 15.1x | 2.72x | 13.3x |
| Curtiss-Wright Corp. | 30.87 | 83.4% | 1,422.2 | 1,864.9 | 1,867.3 | 258.4 | 13.8% | 1,980.4 | 284.5 | 14.4% | 1.00x | 7.2x | 0.94x | 6.6x |
| AAR Corp. | 23.15 | 86.0% | 909.0 | 1,269.7 | 1,452.6 | 152.0 | 10.5% | 1,609.4 | 195.1 | 12.1% | 0.87x | 8.4x | 0.79x | 6.5x |
| Median | | 96.4% | \$2,131.6 | \$3,369.7 | \$1,867.3 | \$343.2 | 18.0% | \$1,980.4 | \$437.4 | 18.3% | 1.70x | 9.4x | 1.59x | 8.1x |

| <u>Aerospace Structures Suppliers</u> | Stock Price 11/09/10 | % of 52 Week High | Market Cap | Enterprise Value | CY 2010E | | | CY 2011P | | | EV / CY 2010E | | EV / CY 2011P | |
|---------------------------------------|-------------------------|----------------------|------------------|---------------------|----------------|----------------|--------------|----------------|----------------|--------------|---------------|-------------|---------------|-------------|
| | | | | | Revenue | EBITDA | Margin | Revenue | EBITDA | Margin | Rev. | EBITDA | Rev. | EBITDA |
| Precision Castparts Corp. | \$140.06 | 96.9% | \$19,974.9 | \$19,942.8 | \$5,905.7 | \$1,647.5 | 27.9% | \$6,707.4 | \$1,966.3 | 29.3% | 3.38x | 12.1x | 2.97x | 10.1x |
| Spirit AeroSystems Holdings Inc | 18.95 | 79.7% | 2,700.6 | 3,670.3 | 4,221.7 | 542.0 | 12.8% | 4,787.3 | 627.2 | 13.1% | 0.87x | 6.8x | 0.77x | 5.9x |
| Hexcel Corp. | 17.45 | 90.4% | 1,697.1 | 1,950.2 | 1,166.3 | 191.4 | 16.4% | 1,289.8 | 226.6 | 17.6% | 1.67x | 10.2x | 1.51x | 8.6x |
| Ladish Co. Inc. | 32.28 | 94.0% | 507.0 | 565.0 | 405.5 | 61.8 | 15.2% | 448.2 | 72.5 | 16.2% | 1.39x | 9.1x | 1.26x | 7.8x |
| Ducommun Inc. | 21.91 | 89.6% | 230.0 | 249.5 | 420.3 | 47.4 | 11.3% | 442.6 | 47.0 | 10.6% | 0.59x | 5.3x | 0.56x | 5.3x |
| LMI Aerospace Inc. | 14.22 | 83.7% | 167.4 | 167.7 | 236.3 | 31.6 | 13.4% | 257.2 | 35.6 | 13.8% | 0.71x | 5.3x | 0.65x | 4.7x |
| Median | | 90.0% | \$1,102.0 | \$1,257.6 | \$793.3 | \$126.6 | 14.3% | \$869.0 | \$149.6 | 15.0% | 1.13x | 8.0x | 1.01x | 6.8x |

| <u>Government Services</u> | Stock Price 11/09/10 | % of 52 Week High | Market Cap | Enterprise Value | CY 2010E | | | CY 2011P | | | EV / CY 2010E | | EV / CY 2011P | |
|---|-------------------------|----------------------|----------------|---------------------|------------------|----------------|-------------|------------------|----------------|-------------|---------------|-------------|---------------|-------------|
| | | | | | Revenue | EBITDA | Margin | Revenue | EBITDA | Margin | Rev. | EBITDA | Rev. | EBITDA |
| SAIC, Inc. | \$15.77 | 80.6% | \$5,861.5 | \$6,362.5 | \$11,393.2 | \$1,035.4 | 9.1% | \$12,002.2 | \$1,103.9 | 9.2% | 0.56x | 6.1x | 0.53x | 5.8x |
| CACI International Inc. | 50.57 | 98.9% | 1,533.4 | 1,831.1 | 3,218.9 | 262.1 | 8.1% | 3,475.7 | 292.3 | 8.4% | 0.57x | 7.0x | 0.53x | 6.3x |
| ManTech International Corporation | 41.33 | 76.8% | 1,503.4 | 1,551.3 | 2,679.1 | 244.3 | 9.1% | 2,949.3 | 267.0 | 9.1% | 0.58x | 6.4x | 0.53x | 5.8x |
| SRA International Inc. | 20.66 | 85.0% | 1,179.8 | 1,079.3 | 1,714.1 | 153.0 | 8.9% | 1,851.5 | 172.3 | 9.3% | 0.63x | 7.1x | 0.58x | 6.3x |
| QinetiQ Group Plc | 1.59 | 62.3% | 1,042.7 | 1,760.4 | 2,644.7 | 294.6 | 11.1% | 2,711.2 | 314.4 | 11.6% | 0.67x | 6.0x | 0.65x | 5.6x |
| ICF International Inc. | 26.52 | 89.2% | 515.6 | 609.1 | 771.2 | 73.2 | 9.5% | 856.6 | 83.4 | 9.7% | 0.79x | 8.3x | 0.71x | 7.3x |
| NCI, Inc. | 21.99 | 56.8% | 297.9 | 324.5 | 568.2 | 44.2 | 7.8% | 608.8 | 48.9 | 8.0% | 0.57x | 7.3x | 0.53x | 6.6x |
| Kratos Defense & Security Solutions, Inc. | 11.15 | 74.8% | 206.9 | 390.3 | 408.2 | 39.3 | 9.6% | 484.3 | 51.5 | 10.6% | 0.96x | 9.9x | 0.81x | 7.6x |
| Global Defense Technology & Systems, Inc. | 13.58 | 80.9% | 124.2 | 115.7 | 221.7 | 18.2 | 8.2% | 259.7 | 21.3 | 8.2% | 0.52x | 6.4x | 0.45x | 5.4x |
| Dynamics Research Corp. | 11.50 | 79.3% | 115.5 | 117.5 | 273.4 | 26.2 | 9.6% | 287.6 | 28.7 | 10.0% | 0.43x | 4.5x | 0.41x | 4.1x |
| Median | | 79.9% | \$779.1 | \$844.2 | \$1,242.6 | \$113.1 | 9.1% | \$1,354.0 | \$127.8 | 9.3% | 0.58x | 6.7x | 0.53x | 6.0x |

| <u>Diversified IT</u> | Stock Price 11/09/10 | % of 52 Week High | Market Cap | Enterprise Value | CY 2010E | | | CY 2011P | | | EV / CY 2010E | | EV / CY 2011P | |
|-------------------------------|-------------------------|----------------------|------------------|---------------------|----------------|----------------|--------------|----------------|----------------|--------------|---------------|-------------|---------------|-------------|
| | | | | | Revenue | EBITDA | Margin | Revenue | EBITDA | Margin | Rev. | EBITDA | Rev. | EBITDA |
| Computer Sciences Corporation | \$48.79 | 85.1% | \$7,532.4 | \$8,969.4 | \$16,369.0 | \$2,456.4 | 15.0% | \$17,216.6 | \$2,564.9 | 14.9% | 0.55x | 3.7x | 0.52x | 3.5x |
| CGI Group, Inc. | 17.05 | 90.9% | 4,631.2 | 4,648.1 | 3,657.1 | 702.4 | 19.2% | 3,814.8 | 702.7 | 18.4% | 1.27x | 6.6x | 1.22x | 6.6x |
| MAXIMUS, Inc. | 61.14 | 93.6% | 1,059.2 | 907.3 | 854.6 | 128.9 | 15.1% | 937.4 | 134.2 | 14.3% | 1.06x | 7.0x | 0.97x | 6.8x |
| Tyler Technologies, Inc. | 20.55 | 92.7% | 662.8 | 672.9 | 298.8 | 58.3 | 19.5% | 325.8 | 67.9 | 20.8% | 2.25x | 11.5x | 2.07x | 9.9x |
| NIC Inc. | 8.88 | 90.0% | 565.6 | 506.3 | 160.5 | 36.4 | 22.7% | 178.9 | 44.9 | 25.1% | 3.16x | 13.9x | 2.83x | 11.3x |
| Median | | 90.9% | \$1,059.2 | \$907.3 | \$854.6 | \$128.9 | 19.2% | \$937.4 | \$134.2 | 18.4% | 1.27x | 7.0x | 1.22x | 6.8x |

(1) Source: Company filings, KippsDeSanto research, and Capital IQ.

Select Recent Aerospace / Defense M&A Transactions⁽¹⁾ (\$ in millions)

| Date | Buyer / Investor | Target | Target Description | EV | Revenue | EBITDA | EBITDA | | EV / LTM | |
|--------------|--|--|--|---------|---------|--------|--------|---------|----------|--------|
| | | | | | | | Margin | Revenue | EBITDA | EBITDA |
| 10/25/10 (A) | B/E Aerospace Inc. | Satair A/S, Aerospace Fastener Distribution Business | Provides OEMs a complete package of support / after-sales service, from the aircraft design phase to shop floor supply management and product rationalization programs | \$162.0 | \$108.0 | \$16.2 | 15.0% | 1.50x | 10.0x | |
| 10/22/10 (A) | Astrium N.V. | ND SatCom GmbH | Supplies satellite based broadband VSAT, broadcast, and defense communication network solutions to commercial and military markets primarily in Germany | NA | 113.0 | NA | NA | NA | NA | |
| 10/17/10 | Elbit Systems Ltd. | Soltam Systems Ltd. Saymar Ltd. ITL Optronics Ltd. | Provides propulsion and electro-optics technologies to both the Israeli and global defense markets | 87.0 | NA | NA | NA | NA | NA | |
| 10/13/10 (A) | Gilat Satellite Networks Ltd. | Wavestream Corporation | Provides solid state amplifiers and block upconverters for defense and commercial satellite communications systems | 123.0 | 70.0 | 12.3 | 17.5% | 1.76x | 10.0x | |
| 10/12/10 (A) | Kaiser Aluminum Corporation | ALEXCO, LLC | Manufactures hard alloy extrusions for the aerospace industry | 85.0 | NA | NA | NA | NA | NA | |
| 10/07/10 | Torch Hill Investment Partners, L.L.C. | Jameson LLC | Provides ruggedized military expeditionary lighting systems and commercial specialty tools used in a variety of professional end markets | NA | NA | NA | NA | NA | NA | |
| 10/07/10 | H.I.G. Capital | Volvo Aero Services | Sells and leases auxiliary power units and commercial aircraft engines | NA | 200.0 | NA | NA | NA | NA | |
| 10/04/10 (A) | B/E Aerospace | TSI Group, Inc. | Provides thermal management and interconnect solutions that address complex power management requirements of OEMs in the aerospace and defense industries | 310.0 | 155.0 | 32.6 | 21.1% | 2.00x | 9.5x | |
| 10/04/10 | Zodiac Aerospace SA | Sell GmbH | Provides galleys and galley inserts for airlines and aircraft manufacturers | NA | 224.2 | NA | NA | NA | NA | |
| 10/03/10 (A) | EADS Astrium GmbH | Jena-Optronik GmbH | Provides guidance, navigation and control sensors, airborne cameras and software and data processing instruments | NA | 41.3 | NA | NA | NA | NA | |
| 10/01/10 | FLIR Systems Inc. | ICx Technologies, Inc. | Provides integrated advanced sensing technologies for homeland security, force protection and critical infrastructure applications | 236.3 | 168.0 | 1.9 | NM | 1.41x | NM | |
| 09/30/10 | Chemring Group plc | Roke Manor Research Limited, subsidiary of Siemens Holdings plc | Develops counter-IED systems and other products including systems used in military drones and secure communication networks | 86.3 | 71.1 | NA | NA | 1.21x | NA | |
| 09/29/10 (A) | WB Electronics Sp. z o.o. | Radmor S.A. | Provides radio communication equipment including tetra systems, radio modems and data transmission modules, and military radio communication systems | NA | 24.0 | NA | NA | NA | NA | |
| 09/29/10 | Satori SAS Management | Satori SAS | Provides maintenance, repair, and overhaul services for aircraft components and equipment | 10.8 | NA | NA | NA | NA | NA | |
| 09/27/10 (A) | TransDigm Group Incorporated | McKeechnie Aerospace Holdings Inc. | Provides components, related systems, engineering solutions, and on-site service to support commercial, regional, business, and military aerospace industries | 1,270.0 | 315.0 | 102.4 | 32.5% | 4.03x | 12.4x | |
| 09/22/10 | Goodrich Corporation | Cabin Management Assets of DeCrane Holdings Co. | Provides seating, furniture, veneers, and cabin management systems for the business jet market | 280.0 | 170.0 | 35.0 | 20.6% | 1.65x | 8.0x | |
| 09/21/10 | McNally Industries LLC | Pacific Aero Tech Inc. | Repairs, overhauls, and distributes airplane cockpit and passenger windows and avionics for commercial aircraft | NA | NA | NA | NA | NA | NA | |
| 09/20/10 | ITT Corporation | SRA International, Inc. Airport Operations Solutions (AOS) Group | Provides critical airport business functions such as revenue, surface operations, and noise management | NA | 3.5 | NA | NA | NA | NA | |
| 09/19/10 (A) | Safran SA | L-1 Identity Solutions Inc. | Provides biometrics, secure identification documents, and enterprise access products to elements of the DoD and IC | 1,183.5 | 486.0 | 82.5 | 17.0% | 2.44x | 14.3x | |
| 09/13/10 | Safran SA | SNPE Energy Materials | Produces propelling charges and energetic equipment for the defense, aeronautical, space, and automotive industries, as well as explosives and propellants for military use | NA | 346.0 | NA | NA | NA | NA | |
| 09/07/10 | BAE Systems, Inc. | OASYS Technology | Provides electro-optical systems and subassemblies for the aerospace, defense, industrial and commercial markets | 25.0 | NA | NA | NA | NA | NA | |
| 09/03/10 | TransDigm Group Incorporated | Semco Instruments Inc. | Engages in the design, manufacture, and sale of precision sensors, specialty electrical molded cables, and wiring harnesses | 73.5 | 38.5 | 6.5 | 16.9% | 1.91x | 11.3x | |
| 09/01/10 | Chemring Group plc | Mecar SPRL Mecar USA, Inc. | Manufactures medium and large calibre ammunition, particularly for modern, light armored vehicles; provides load, assemble and pack and procurement services for the U.S. government and prime contractors | 59.6 | NA | NA | NA | NA | NA | |
| 09/01/10 | Aeroflex Holding Corp. | Advanced Control Components, Inc. (Emrise Electronics Corporation) | Supplies radio frequency and microwave components and subsystems for military, aerospace, commercial, and instrumentation markets | 20.0 | NA | NA | NA | NA | NA | |
| 08/29/10 | 3M Co. | Cogent Inc. | Provides finger, palm, face, and iris biometric systems for governments, law enforcement agencies, and commercial enterprises | 667.6 | 116.6 | 31.5 | 27.0% | 5.73x | 21.2x | |

(1) Source: Company filings and KippsDeSanto research.

Select Recent Government Services M&A Transactions⁽¹⁾ (\$ in millions)

| Date | Buyer / Investor | Target | Target Description | EV | Revenue | EBITDA | EBITDA | | EV / LTM | |
|--------------|---|--|--|--------|---------|--------|--------|---------|----------|--------|
| | | | | | | | Margin | Revenue | EBITDA | EBITDA |
| 11/04/10 (A) | Global Defense Technology Systems, Inc. | Signature Government Solutions, LLC | Provides technology-based systems, solutions, and services for national security agencies and programs of the U.S. government | \$52.5 | \$37.0 | \$4.0 | 10.4% | 1.30x | 12.5x | |
| 11/04/10 | Raytheon Company | Trusted Computer Solutions, Inc. | Develops and delivers cybersecurity solutions and associated professional services for government and commercial clients in the U.S. | NA | NA | NA | NA | NA | NA | |
| 11/01/10 | CACI International, Inc. | Applied Systems Research | Provides measurement and signatures intelligence and GEOINT technical and software services to intelligence agencies | NA | NA | NA | NA | NA | NA | |
| 11/01/10 | CACI International, Inc. | TechniGraphics, Inc. | Provides geospatial services including digital mapping, data capture and conversion, data verification and validation, and 3D content building to defense and civilian government agencies | NA | 46.0 | NA | NA | NA | NA | |
| 10/26/10 | ITSolutions, Inc. | NetStar-1's IT Segment | Provides IT and technical solutions to a broad range of government clients, including the Department of Army, Department of Labor, and FAA | NA | NA | NA | NA | NA | NA | |
| 10/13/10 (A) | Veritas Capital | Lockheed Martin's Enterprise Integration Group | Provides engineering, integration services, and support to a broad range of government customers | 815.0 | 626.0 | 65.0 | 10.4% | 1.30x | 12.5x | |
| 10/12/10 (A) | SRA International, Inc. | Platinum Solutions, Inc. | Provides algorithm design for digital media analysis, cryptoanalytics, geographical information systems, and natural language processing IT solutions for intelligence and defense agencies | 89.5 | 55.0 | NA | NA | 1.63x | NA | |
| 10/08/10 | ManTech International Corporation | QinetiQ North America's Security and Intelligence Solutions (S&IS) | Provides integrated security solutions to the DoD, including the Missile Defense Agency, and the intelligence community | 60.0 | 55.9 | 4.7 | 8.4% | 1.07x | 12.8x | |
| 10/05/10 | CRGT, Inc. | Johnston McLamb | Provides technology consulting services for the government, healthcare, and financial services industries, including interactive business intelligence with visualization and geographical information systems | NA | NA | NA | NA | NA | NA | |
| 10/04/10 | Computer Sciences Corporation | Vulnerability Research Labs | Develops software and hardware products to protect against cyber attacks for clients in the financial services, healthcare, manufacturing, and technology and consumer markets, as well as the public sector | NA | NA | NA | NA | NA | NA | |
| 10/04/10 | Raytheon Company | Technology Associates, Inc. | Offers enterprise software development and IT consulting services including network design and administration, project management, scientific programming, and systems engineering and management services | NA | NA | NA | NA | NA | NA | |
| 10/01/10 | Global Defense Technology Systems, Inc. | Zytel Corporation | Develops cybersecurity and mission systems in support of the critical intelligence, counterterrorism, and cyber warfare missions of its national security clients | 26.8 | 20.0 | NA | NA | 1.34x | NA | |
| 09/27/10 | Six3 Systems Inc. / GTCR | Novii Design LLC | Provides high-end data analytics, cybersecurity, and cloud computing solutions to the intelligence community | NA | NA | NA | NA | NA | NA | |
| 09/23/10 | Commonwealth Technology, Inc. | QED, Inc. | Provides signal detection and processing, RF circuit design and fabrication, embedded software development, networked applications, antenna design, RF propagation and link analysis and statistical analysis | NA | NA | NA | NA | NA | NA | |
| 09/20/10 | Accuvant, Inc. | Ciphent, Inc. | Provides enterprise security consulting and training, security assessments, software and application security, incident response, and forensic analysis services | NA | NA | NA | NA | NA | NA | |
| 9/19/10 (A) | BAE Systems, Inc. | L-1 Identity Solutions Inc. (Intelligence Services) | Provides IT services, systems engineering and development, telecommunications research and development, security and intelligence consulting, and training services | 303.0 | 234.0 | 32.5 | 13.9% | 1.29x | 9.3x | |
| 09/17/10 | L-3 Communications | 3Di Technologies, LLC | Provides satellite telecommunication solutions to government, military, and commercial customers including managed satellite broadband services and voice over Internet protocol (VoIP) telephony services | NA | 40.0 | NA | NA | NA | NA | |
| 9/16/10 (A) | CherryRoad Technologies Inc. | MAXIMUS, Inc., Oracle PeopleSoft ERP Business | Provides operations program management and consulting services to state and local government agencies, federal agencies, and commercial customers | NA | NA | NA | NA | NA | NA | |
| 09/15/10 | Vangent, Inc. | Buccaneer Computer Systems and Service, Inc. | Provides of healthcare IT services, infrastructure, secure data hosting and data analytics for Federal and state government customers | 65.0 | NA | NA | NA | NA | NA | |
| 08/27/10 | AECOM Technology Corporation | McNeil Technologies, Inc. | Provides intelligence support, language, mission support, IT, national security, energy, labor, and logistical services to government customers | 355.0 | 245.0 | NA | NA | 1.45x | NA | |
| 08/20/10 | Ingenix, Inc. | Picis, Inc. | Provides healthcare information technology solutions for delivery of clinical, financial, and operational results and compliance, as well as implementation, business transformation services, and training services | NA | NA | NA | NA | NA | NA | |
| 08/19/10 | VSE Corporation | Akimeka LLC | Develops IT solutions to government customers including medical logistics solutions, a single integrated source for joint medical logistics information, and information on medical assets during war and peacetime | 33.0 | 38.0 | NA | NA | 0.87x | NA | |
| 08/16/10 (A) | Ingenix, Inc. | Axolotl Corporation | Provides web-based tools and services to electronically create, exchange, and distribute clinical information for health care communities, physicians, and hospitals | 24.0 | NA | NA | NA | NA | NA | |
| 08/12/10 (A) | ASRC Federal | CSC's Mission Solutions Engineering | Provides full-service systems as well as software engineering with expertise in engineering complex and large-scale systems, and incorporating open source technology | NA | NA | NA | NA | NA | NA | |
| 08/12/10 | Schafer Corporation | Asynchrony Solutions, Inc. | Engages in systems integration and architecture, custom-application development, and secure collaboration and communication services for defense, commercial, and public safety customers | NA | NA | NA | NA | NA | NA | |

(1) Source: Company filings and KippsDeSanto research.

Select Recent KippsDeSanto & Co. Transactions



has been acquired by



November 2010



has been acquired by



November 2010



has been acquired by



September 2010



has been acquired by



September 2010



has been acquired by



August 2010



\$310,000,000
12% Senior Secured Notes

\$25,000,000
Revolving Line of Credit

March 2010



a portfolio company of

J.F. Lehman & Company

has been acquired by



January 2010



PERFORMTECH

has been acquired by



December 2009



has been acquired by



October 2009

About KippsDeSanto & Co.

KippsDeSanto is an investment banking firm focused on delivering strategic advice as well as M&A and financing expertise. Our solutions are focused on the technology sectors we know – Aerospace / Defense and Government Services. We are recognized for our depth of industry experience, knowledge of sector-specific transaction drivers, and long-standing relationships with industry participants.

We welcome the opportunity to have a more detailed discussion of developments in our focus industries. For more information, please contact us:

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