

Winter 2011

Aerospace / Defense and Government Services
MarketView



KippsDeSanto 
INVESTMENT BANKING

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Operational / Funding Environment

After months of budget debate and speculation, President Obama sent the 2012 DoD budget request to Congress on February 14th. The proposed \$671 billion budget, which includes \$553 billion in discretionary authority for the base budget and \$118 billion to support overseas contingency operations (“OCO”), is 5% lower than the 2011 request. The 2012 request was largely in line with Secretary of Defense Robert Gates’ preliminary presentation to Congress in January, where he outlined approximately \$80 billion in spending cuts over five years. The relief rally for defense stocks that followed Gates’ January announcement, driven by alleviated uncertainty and relatively conservative program reductions, seems to have now largely run out of steam.

Details of the proposal include reduced F-35 procurement and probation for the STOVL variant, the widely expected cancellation of the USMC Expeditionary Fighting Vehicle (“EFV”), and termination of the SLAMRAAM and Non-Line of Sight Launch programs. The announcement also included positive news for well-positioned firms, as Gates presented plans for several ground and air modernization initiatives, extended F/A-18 procurement, and increased UAV investment. Additionally, the F-35 program modifications and EFV cancellation will be partially offset for contractors by additional F-35 development funding and likely upgrades for the existing USMC amphibious fleet.

FY2012 Defense Budget Proposal Winners / Losers⁽¹⁾

WINNERS	UAVs	Vehicle Modernization	F/A-18
Select Firms Impacted:			
LOSERS	F-35	EFV	SLAMRAAM
Select Firms Impacted:			

Continuing resolutions still act as an overhang for this year’s funding, postponing many key initiatives (e.g., HMMWV recap program), and threats exist for a full-year CR. Secretary Gates’ statement regarding the DoD budget and efficiencies outlined preliminary plans for the President’s defense budget with mixed implications for the government services market. Secretary Gates’ plans for spending reallocation as opposed to reduction and / or IT cost saving initiatives may provide near-term opportunities in priority areas (e.g., data center consolidation, cybersecurity, ISR, tactical communications). However, initiatives to reduce contract personnel by 10% over the next three years, with specific reductions within the Office of Secretary of Defense, Missile Defense Agency, and TRICARE, as well as the anticipated downsizing of intelligence organizations, present clear risks.

Recent announcements have signaled increased government initiative to reduce or cancel losing programs. Boeing’s multi-billion dollar SBInet contract for an integrated electronic border surveillance system was recently cancelled after a year-long reassessment driven by cost overruns and deployment issues. The GSA provided no comment after recently cancelling HP Enterprise Service’s \$22 million contract for improvement to the Armed Forces Health Longitudinal Technology Application (“AHLTA”) digital medical record system. The DoD has spent more than \$2 billion on the only marginally successful project intended to fundamentally restructure the DoD’s electronic health record system and serve as a key milestone toward health record interoperability between the DoD and VA.

In contrast to funding concerns across the federal government, the commercial aerospace sector is continuing its strong rebound. After reporting total passenger traffic growth for all of 2010 was up 8.2%, the International Air Transport Association (“IATA”) recently announced the number of global air travelers is expected to rise to 3.3 billion by 2014, a 32% increase from the 2.5 billion travelers reported in 2009. And while business jet build rates remain significantly lower than before the economic slowdown, production rates from the larger jet OEMs continue to be notched up. As a result of these favorable market dynamics, OE and aftermarket suppliers alike are projecting solid double-digit growth in 2011.

(1) Source: DoD and KippsDeSanto research.

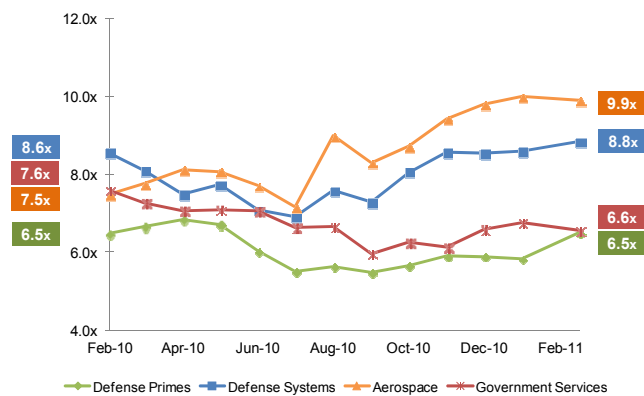
Capital Markets and Public Market Valuation Trends

Defense stocks rallied in early 2011 as some uncertainty was alleviated with the announcement of details surrounding Secretary Gates' budget cuts. As we describe in more detail on page 4, however, with the prospect of stagnant demand from a cash-constrained end customer and the lack of any foreseeable near-term catalyst for the sector, valuations for publicly traded companies in the space appear to have settled into a trading range more representative of low-growth expectations.

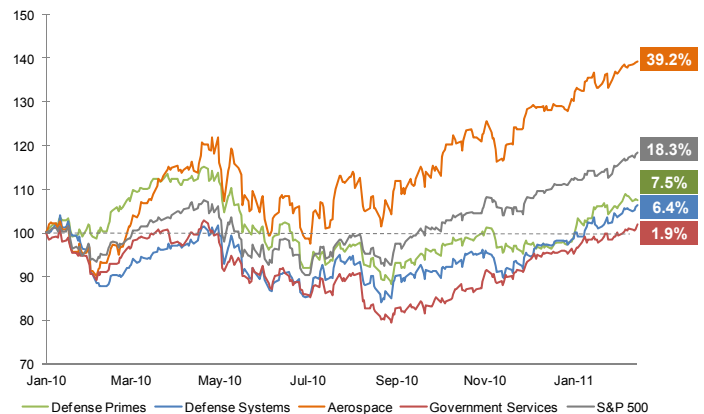
Similar dynamics are impacting the pure-play publicly traded government services companies. Increased funding clarity with the recent defense budget submission and completion of mid-term elections drove public pricing to lower levels over the course of 2010. However, these valuations have rebounded recently on the back of positive earnings reports (in particular, QinetiQ and GTEC's strong earnings announcements), as well as rumors of a potential acquisition of SRA. This positive news has fueled significant share price gains for government services companies over the past two months.

Access to fresh capital has continued to be strong for companies across the aerospace / defense and government services sectors. Booz Allen priced its November 2010 IPO near the bottom of its initial range at \$17 per share, but has traded up strongly. TransDigm capitalized on an improved credit market by issuing \$1.55 billion of 7.75% senior notes due in 2018. The debt was used to finance the purchase of McKechnie and will go toward other future acquisitions. The amount of the debt raise is almost double what the Company originally intended to issue due to strong investor demand and brings the Company's net debt up to ~7x EBITDA – testament to investor appetite for uniquely positioned aerospace suppliers like TransDigm.

Enterprise Value / Forward EBITDA⁽¹⁾



Stock Price Performance⁽¹⁾



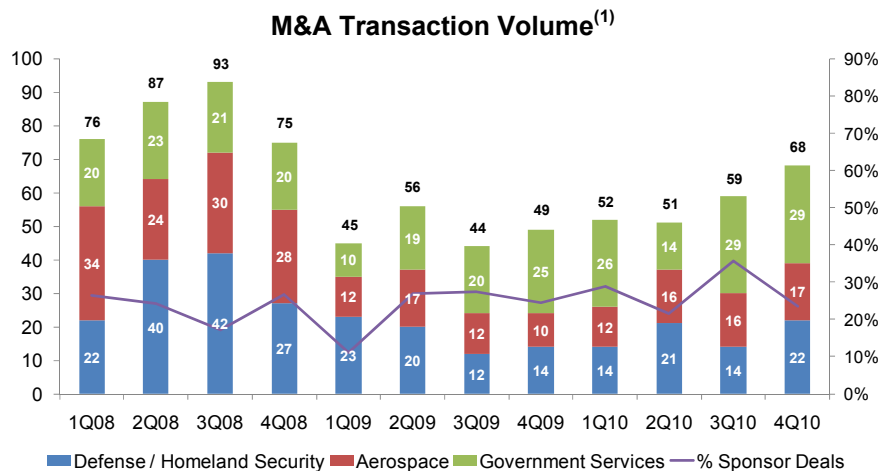
Valuations of commercial aerospace companies have grown considerably in the past year. Investors are increasingly returning to the industry as over the past twelve months, EV / forward EBITDA multiples of public aerospace companies have increased by over two turns. Passenger and freight traffic continued to bounce back throughout the year, and investors traded into the sector as the business cycle troughed to take advantage of passenger aviation's robust long-term prospects. Aftermarket suppliers led the recovery, driven by high utilization rates, deferred maintenance, and parts inventory rebuilding experienced later in the year. Though primarily OE-exposed providers lagged aftermarket suppliers in 2010, the OE outlook remains solid as aircraft production rates ramp up in 2011. With these favorable market trends, the potential for continued strong valuations in the commercial aerospace sector over the near to intermediate term looks bright.

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. As delayed procurements, acquisition reform, and budget uncertainty dampened contractors' potential for organic revenue and margin growth, defense and government services stocks underperformed the broader market in 2010, but have picked up some momentum early in 2011.

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

M&A Trends and Activity

The aerospace industry experienced a marked rebound in M&A activity in 2010, with 61 closed transactions, 20% more than in 2009. There were a number of large deals completed in the aerospace components market as strategic buyers sought to expand their presence on major platforms and add complementary offerings to their portfolios. \$500+ million deals included Meggitt's acquisition of Danaher's Pacific Scientific Aerospace business, ATI's purchase of Ladish, TransDigm's acquisition of McKechnie, and Triumph's purchase of Vought.



Defense M&A in 2010 remained flat from 2009 levels, with 71 acquisitions completed in 2010 compared to 69 the prior year. Defense firms continued to utilize M&A in order to reposition their focus and tap into priority funding areas. Specifically, large companies have gobbled up a majority of the mid-sized C4ISR firms to bolster their capabilities in this area, including Esterline's acquisition of Eclipse Electronic Systems, Raytheon's purchase of Applied Signal, and Boeing's acquisition of Argon ST.

Government services M&A for 2010 finished with 98 transactions closed, a level not reached since 2007 when 99 acquisitions closed. Acquisition focus for the year was predominately on cyber and intel targets, accounting for ~40% of total deal volume, followed by civilian (21%), DoD (21%), and diversified services (17%). KEYW was the most active buyer of government services companies with three transactions, followed by CACI, SAIC, and SRA each with two transactions. Since mid-November, transaction activity is down with 23 acquisitions closed, compared to 32 during the same period a year ago. Compared to 2010, there has been increased activity in DoD / national security and diversified services, which comprise two-thirds of total deal volume. Recently, Serco has denied it was in discussions to acquire SRA, reportedly abandoned due to the company turning down a \$2 billion offer.

On February 2nd, Undersecretary of Defense for Acquisition Ash Carter detailed DoD thoughts on the future of M&A, specifying that consolidation of prime contractors will likely not be supported. The DoD recognized that the budget environment will naturally lead to an "up-tick" in M&A, and appreciates the opportunity for increased efficiency, but will not accept consolidation of lower-tier subsystems providers carte blanche, as a strong and diverse industrial / supplier base is highly valued. In sum, 2011 and beyond should be a continuation of an active M&A market as "change is good" and growing momentum in high priority areas results in robust valuations and transaction activity.

M&A Activity in High Priority Areas

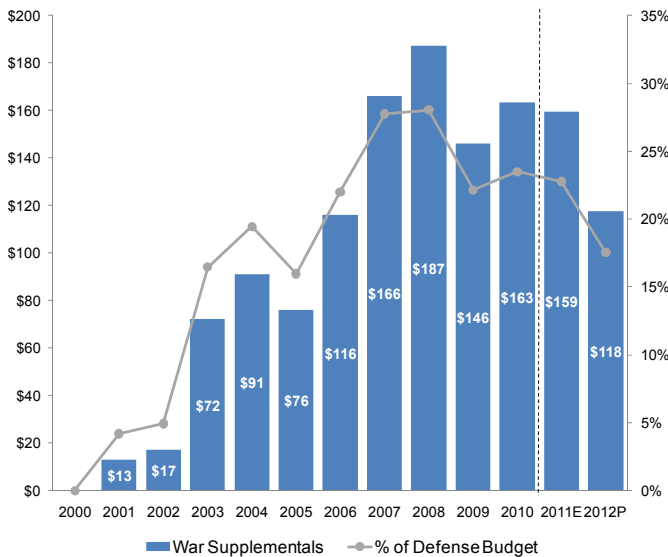
CYBERSECURITY	Six3 Systems / Novii Design	BAE SYSTEMS / ETI	KEYW /	intel / McAfee
HEALTHCARE IT	VANGENT / BUCCANEEA	VSE CORPORATION / AKIMEKA	INGENIX / AXOLOTL	Smarterix / COGON
INTELLIGENCE	CACI / TechniGraphics	ATSolutions / ITS	CUBIC / Texas Corporation	GeoEye / SPADAC
UNMANNED / C4ISR	ITT / EchoStorm	Esterline / ECLIPSE	Raytheon / Applied Signal Technology, Inc.	BOEING / Argon ST

KippsDeSanto acted as financial advisor to target

(1) Source: Company filings, press releases, and KippsDeSanto research; based on closed transactions.

Defense Update

Defense Supplemental Funding⁽¹⁾
 (\$ in billions)



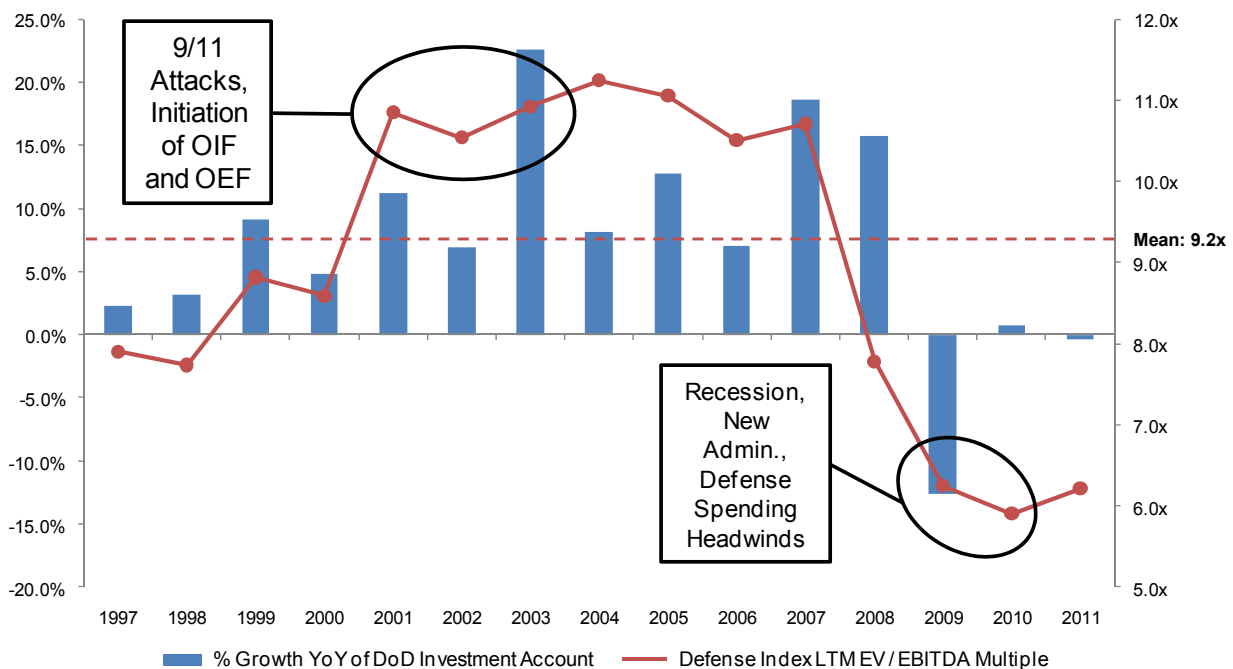
REDUCED ROLE FOR SUPPLEMENTAL FUNDING

Supplementals have been key for contractors over the past decade, comprising approximately one quarter of overall defense spending. Supplemental funding has protected the base budget from cannibalization, though the current administration has been critical of the use of supplementals for non-OCO purposes.

The Taliban insurgency in Afghanistan and softer stances on troop withdrawals portend continued, yet declining demand for supplemental spending. The initial Afghanistan drawdown was to begin in July 2011, but has since been described as “conditions-based” and “a date at which a process begins.” Also, approximately 50,000 stability-focused troops remain for the foreseeable future in Iraq, so while supplementals are expected to persist, they will subside as the Obama administration moves longer-term items into the base budget.

DECREASING DOD INVESTMENT SPENDING LEADING TO DECLINING VALUATIONS⁽²⁾

Though the overall defense budget has just begun to peak, investment spending, consisting of the procurement and RDT&E accounts, began to decline in 2009. This trend has led to decreasing valuations among defense contractors, following the double-digit levels that prevailed in the robust spending environment during the Bush administration. As the sector enters the early stages of a spending cycle downswing, with no major near-term catalysts for improvement, flat base budget projections and decreasing supplementals may augur for continued stagnation in valuations of publicly-traded defense companies.

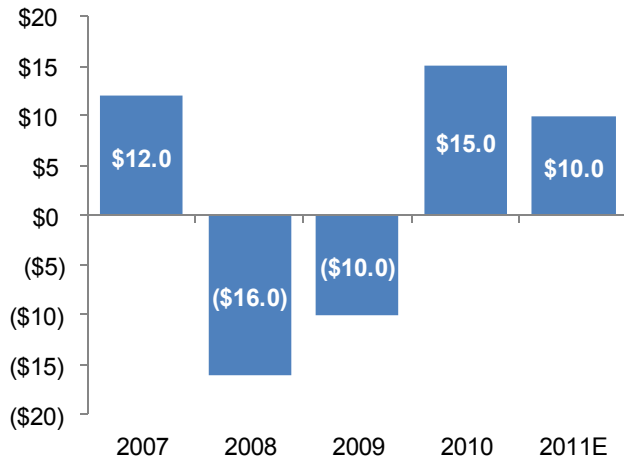


(1) Source: DoD and KippsDeSanto research.

(2) Source: DoD, Company filings, and KippsDeSanto research.

Aerospace Update

Global Airline Industry Net Profit⁽¹⁾
(\$ in billions)

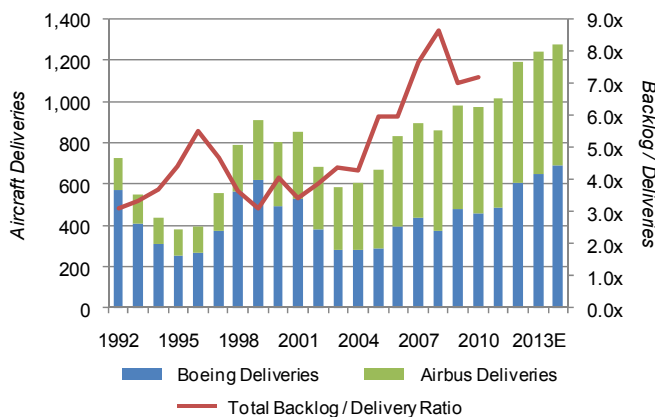


AIRLINE INDUSTRY REBOUNDS IN 2010

After two years of net losses for the sector, airline industry profits rebounded strongly in 2010 as capacity rationalized to demand. Airlines are expected to maintain their strong financial performance into 2011, driven by further demand improvement and continued lean and efficient operations.

Longer-term prospects for the aerospace industry remain robust driven by an improving world economic growth outlook, replacement of older, less efficient aircraft in response to rising operating costs, and liberalization of air transport in emerging markets. These trends will result in increased demands on sector infrastructure, drive a need for increased operating efficiency due to resource limitations, and strengthen demand for airframes, components, and systems.

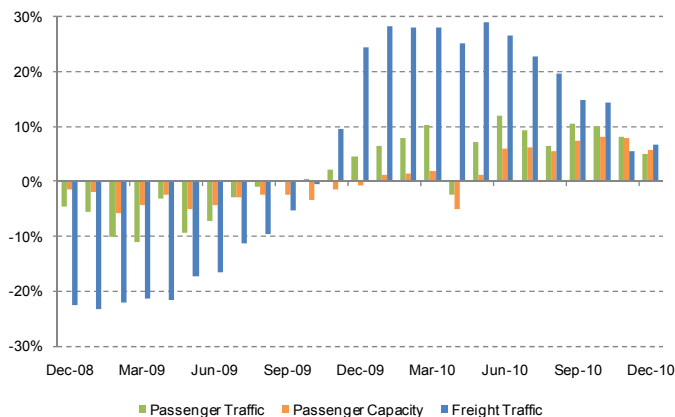
OEM Deliveries vs. Backlog / Delivery Ratio⁽²⁾



ROBUST BACKLOGS AND REDUCED CYCLICALITY IMPROVE SECTOR OUTLOOK

The commercial aerospace rebound will be further strengthened in 2011 and beyond by strong OEM backlogs, driven by calculated undersupply of the market by Boeing and Airbus during the 2004 – 2007 order cycle. Both manufacturers exercised conservative production policies, under delivering demand to reduce business cyclicity and smooth production rates. Many suppliers' comments in earnings calls have suggested OE-levered growth in excess of 15 – 20% in 2011.

Airline Traffic Data: Percent Change Y-o-Y



POSITIVE AIRLINE TRAFFIC GROWTH EXPECTED TO CONTINUE

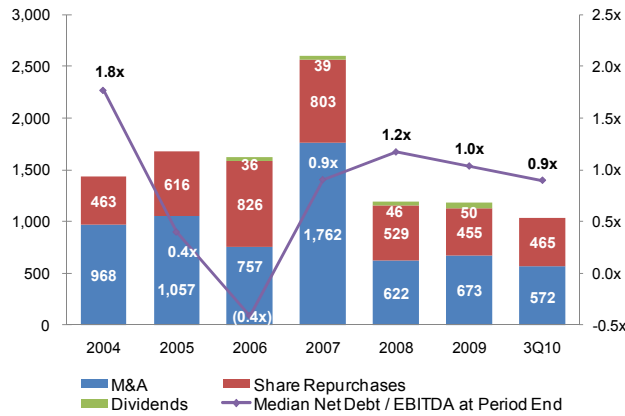
Passenger and freight traffic posted an increase on a year-over-year basis every month in 2010, except April which was dampened by the Icelandic volcano eruption that halted air travel over parts of Europe. In December 2010, passenger traffic grew 4.9% over December 2009, while total passenger traffic growth for all of 2010 was up 8.2%. Industry estimates are calling for approximately a 5.5% traffic increase in 2011, a healthy signal for aftermarket suppliers.

(1) Source: KippsDeSanto research.

(2) Source: Company filings and KippsDeSanto research.

Government Services Update

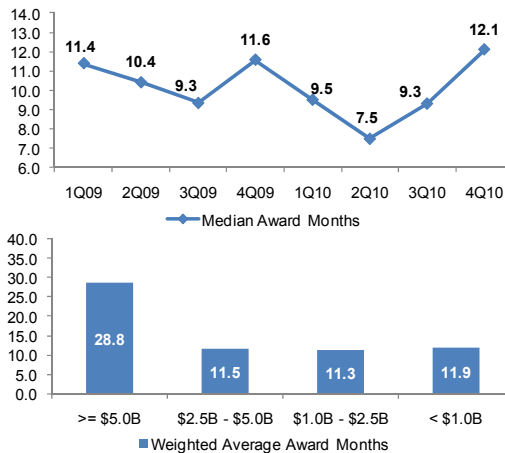
Cash Deployment by Government Services Firms⁽¹⁾
(\$ in millions)



GOVERNMENT SERVICES CONTINUES M&A AND SHARE REPURCHASES

Net debt to EBITDA multiples for public government services firms have declined substantially in 2009 / 2010 following increases in the 2007 / 2008 timeframe. Companies have utilized strong balance sheets to either improve their strategic positioning via targeted M&A or enhance earnings per share and share price through buybacks. Through 3Q10, total share repurchases exceeded those during full-year 2009. Acquisitions for 2010 exceed 2008 and 2009 levels, as the combination of organic growth pressures and strong balance sheets have and are expected to continue to whet acquisition appetites.

Months from Solicitation to Award by Quarter and Size⁽²⁾

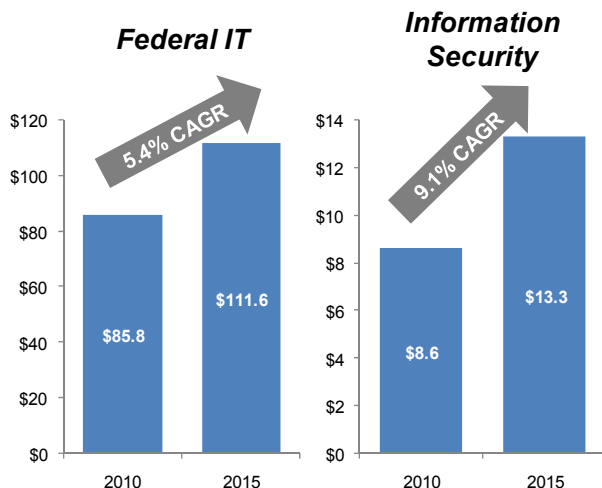


DELAYS IN MAJOR PROCUREMENTS IMPACTING SERVICES CONTRACTORS

Contracts awarded in 4Q10 showed an increased time from solicitation to award over the second and third quarter periods, though only slightly higher than recent peaks. In addition, larger procurements are realizing significant delays in comparison to smaller solicitations.

Strained acquisition workforces, frequent requirement changes, and attempts to pre-empt grounds for protest, have all influenced these award delays. The impact of procurement challenges can be seen in flattening revenue growth, declining backlogs, and higher total outstanding bid values for public government services contractors.

Contracted Federal Spending
(\$ in billions)



EINSTEIN 3 AWARD APPROACHING

The latest piece of DHS' cybersecurity initiative to secure government IT infrastructures is expected to be released in 2011. DHS introduced the EINSTEIN program in 2004 as an intrusion detection system to enable situational awareness and promote cross-governmental information sharing. EINSTEIN 1 provided sharing on malicious worms, anomalous activity, and traffic threats. Agency adoption was weak, and complaints arose about its "backward-looking" approach and slow updates. In response, EINSTEIN 2, was introduced in 2008, adding real-time monitoring and alerting. Now in its third phase, expectations for EINSTEIN 3 are high, and demonstrate the government's continued investment in improving cybersecurity. It is expected to leverage NSA-developed technology and add intrusion prevention, enabling automatic detection and real-time threat response.

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

(2) Source: INPUT; based on a sample of 106 contracts awarded in 2009 and 2010 with a ceiling value over \$500 million.

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

Defense Primes	Stock Price 02/18/11	% of 52 Week High	Market Cap	Enterprise Value	CY 2011E			CY 2012P			EV / CY 2011E		EV / CY 2012P	
					Rev.	EBITDA	Margin	Rev.	EBITDA	Margin	Rev.	EBITDA	Rev.	EBITDA
Boeing Co.	\$73.04	96.1%	\$53,779.1	\$55,779.1	\$69,418.2	\$6,959.4	10.0%	\$79,087.6	\$8,423.0	10.7%	0.80x	8.0x	0.71x	6.6x
General Dynamics Corp.	78.11	98.9%	29,112.0	29,702.0	33,706.9	4,525.5	13.4%	35,102.4	4,714.1	13.4%	0.88x	6.6x	0.85x	6.3x
Lockheed Martin Corporation	81.81	93.8%	28,306.3	30,548.3	46,503.0	4,672.5	10.0%	47,500.8	5,304.7	11.2%	0.66x	6.5x	0.64x	5.8x
Northrop Grumman Corporation	69.11	95.3%	20,132.6	21,192.6	35,568.5	3,908.7	11.0%	36,152.2	3,965.0	11.0%	0.60x	5.4x	0.59x	5.3x
Raytheon Co.	52.16	86.8%	19,014.6	19,122.6	26,016.1	3,207.0	12.3%	26,437.4	3,412.7	12.9%	0.74x	6.0x	0.72x	5.6x
BAE Systems plc	5.56	87.9%	18,966.3	20,482.1	35,391.8	4,298.2	12.1%	35,900.6	4,364.3	12.2%	0.58x	4.8x	0.57x	4.7x
Median		94.6%	\$24,219.5	\$25,447.3	\$35,480.1	\$4,411.9	11.6%	\$36,026.4	\$4,539.2	11.7%	0.70x	6.3x	0.67x	5.7x

Defense Systems	Stock Price 02/18/11	% of 52 Week High	Market Cap	Enterprise Value	CY 2011E			CY 2012P			EV / CY 2011E		EV / CY 2012P	
					Rev.	EBITDA	Margin	Rev.	EBITDA	Margin	Rev.	EBITDA	Rev.	EBITDA
ITT Corporation	\$59.84	93.5%	\$10,986.6	\$11,319.6	\$11,423.1	\$1,680.0	14.7%	\$11,860.7	\$1,767.0	14.9%	0.99x	6.7x	0.95x	6.4x
Rockwell Collins Inc.	66.87	98.3%	10,370.5	10,634.5	4,964.6	1,093.0	22.0%	5,316.7	1,208.5	22.7%	2.14x	9.7x	2.00x	8.8x
L-3 Communications Holdings Inc.	80.85	82.7%	9,151.1	12,772.1	15,796.9	1,924.5	12.2%	15,939.9	1,920.1	12.0%	0.81x	6.6x	0.80x	6.7x
FLIR Systems, Inc.	32.29	96.2%	5,121.0	4,927.9	1,669.7	481.8	28.9%	1,839.9	535.8	29.1%	2.95x	10.2x	2.68x	9.2x
Cobham plc	3.63	80.3%	4,189.8	4,749.2	3,214.2	675.2	21.0%	3,330.4	690.8	20.7%	1.48x	7.0x	1.43x	6.9x
Alliant Techsystems Inc.	72.74	86.6%	2,430.0	3,581.6	4,720.1	625.2	13.2%	4,855.8	646.0	13.3%	0.76x	5.7x	0.74x	5.5x
Ultra Electronics Holdings plc	29.34	95.0%	2,011.6	2,038.0	1,204.4	208.0	17.3%	1,261.5	219.7	17.4%	1.69x	9.8x	1.62x	9.3x
Teledyne Technologies Inc.	52.37	98.2%	1,901.0	2,093.2	1,899.5	253.9	13.4%	1,998.2	269.8	13.5%	1.10x	8.2x	1.05x	7.8x
Cubic Corporation	50.75	97.1%	1,356.9	1,105.3	1,337.2	138.5	10.4%	1,486.0	154.0	10.4%	0.83x	8.0x	0.74x	7.2x
AeroVironment, Inc.	29.43	98.3%	642.3	484.9	320.1	59.3	18.5%	308.2	51.8	16.8%	1.51x	8.2x	1.57x	9.4x
Force Protection Inc.	5.63	83.4%	395.5	290.1	688.3	56.9	8.3%	730.8	66.5	9.1%	0.42x	5.1x	0.40x	4.4x
Median		95.0%	\$2,430.0	\$3,581.6	\$1,899.5	\$481.8	14.7%	\$1,998.2	\$535.8	14.9%	1.10x	8.0x	1.05x	7.2x

Defense Electronics / Comm.	Stock Price 02/18/11	% of 52 Week High	Market Cap	Enterprise Value	CY 2011E			CY 2012P			EV / CY 2011E		EV / CY 2012P	
					Rev.	EBITDA	Margin	Rev.	EBITDA	Margin	Rev.	EBITDA	Rev.	EBITDA
Harris Corp.	\$48.65	89.3%	\$6,224.0	\$7,386.0	\$6,156.2	\$1,218.2	19.8%	\$6,188.7	\$1,231.7	19.9%	1.20x	6.1x	1.19x	6.0x
ViaSat Inc.	41.25	89.7%	1,715.9	1,999.4	941.3	205.8	21.9%	1,144.8	265.0	23.1%	2.12x	9.7x	1.75x	7.5x
Comtech Telecommunications Corp.	28.62	85.7%	786.4	383.7	544.6	97.1	17.8%	614.7	114.7	18.7%	0.70x	4.0x	0.62x	3.3x
Mercury Computer Systems, Inc.	18.89	91.0%	530.4	442.3	241.8	39.0	16.1%	285.2	50.6	17.7%	1.83x	11.3x	1.55x	8.7x
Herley Industries Inc.	18.95	99.8%	266.4	260.0	202.6	35.8	17.6%	220.4	39.5	17.9%	1.28x	7.3x	1.18x	6.6x
Integral Systems Inc.	12.30	91.8%	217.2	247.8	203.0	20.1	9.9%	NA	NA	NA	1.22x	12.4x	NA	NA
Median		90.3%	\$658.4	\$413.0	\$393.2	\$68.0	17.7%	\$614.7	\$114.7	18.7%	1.25x	8.5x	1.19x	6.6x

Homeland Security	Stock Price 02/18/11	% of 52 Week High	Market Cap	Enterprise Value	CY 2011E			CY 2012P			EV / CY 2011E		EV / CY 2012P	
					Rev.	EBITDA	Margin	Rev.	EBITDA	Margin	Rev.	EBITDA	Rev.	EBITDA
Smiths Group plc	\$22.36	95.0%	\$8,751.3	\$10,072.3	\$4,801.5	\$1,032.4	21.5%	\$5,075.3	\$1,116.3	22.0%	2.10x	9.8x	1.98x	9.0x
Mine Safety Appliances Co.	34.89	99.7%	1,267.4	1,349.4	1,075.0	137.8	12.8%	1,120.8	161.7	14.4%	1.26x	9.8x	1.20x	8.3x
L-1 Identity Solutions Inc.	11.92	99.7%	1,116.0	1,577.0	732.5	102.7	14.0%	691.0	99.0	14.3%	2.15x	15.4x	2.28x	15.9x
American Science & Engineering Inc.	93.55	99.8%	849.3	700.5	300.1	74.2	24.7%	308.3	72.1	23.4%	2.33x	9.4x	2.27x	9.7x
OSI Systems, Inc.	39.41	98.5%	746.1	714.3	676.5	75.1	11.1%	745.8	84.7	11.4%	1.06x	9.5x	0.96x	8.4x
Analogic Corporation	54.16	99.2%	694.0	518.2	472.0	63.2	13.4%	490.7	70.6	14.4%	1.10x	8.2x	1.06x	7.3x
Federal Signal Corp.	6.94	67.4%	431.8	645.1	813.2	68.6	8.4%	902.5	85.9	9.5%	0.79x	9.4x	0.71x	7.5x
Median		99.2%	\$849.3	\$714.3	\$732.5	\$75.1	13.4%	\$745.8	\$85.9	14.4%	1.26x	9.5x	1.20x	8.4x

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

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

Aerospace Systems Suppliers	Stock Price 02/18/11	% of 52 Week High	Market Cap	Enterprise Value	CY 2011E			CY 2012P			EV / CY 2011E		EV / CY 2012P	
					Rev.	EBITDA	Margin	Rev.	EBITDA	Margin	Rev.	EBITDA	Rev.	EBITDA
Goodrich Corp.	\$91.31	97.0%	\$11,469.1	\$13,069.5	\$7,768.2	\$1,441.7	18.6%	\$8,416.1	\$1,593.6	18.9%	1.68x	9.1x	1.55x	8.2x
Meggitt plc	5.65	89.5%	4,313.8	5,593.1	2,135.7	652.5	30.6%	2,393.5	753.0	31.5%	2.62x	8.6x	2.34x	7.4x
TransDigm Group Incorporated	81.50	95.5%	4,046.4	6,993.5	1,317.6	578.4	43.9%	1,394.1	642.6	46.1%	5.31x	12.1x	5.02x	10.9x
BE Aerospace Inc.	36.76	90.1%	3,759.1	5,040.5	2,412.2	471.3	19.5%	2,710.3	547.0	20.2%	2.09x	10.7x	1.86x	9.2x
Esterline Technologies Corp.	73.12	99.5%	2,222.2	2,416.4	1,665.7	300.1	18.0%	1,787.1	314.6	17.6%	1.45x	8.1x	1.35x	7.7x
Triumph Group, Inc.	90.25	92.8%	2,186.8	3,460.5	3,422.4	498.2	14.6%	3,558.1	555.4	15.6%	1.01x	6.9x	0.97x	6.2x
HEICO Corp.	54.70	92.7%	1,815.4	1,963.8	696.3	144.3	20.7%	786.6	151.5	19.3%	2.82x	13.6x	2.50x	13.0x
Curtiss-Wright Corp.	38.00	97.6%	1,751.9	2,080.4	1,954.9	280.8	14.4%	2,101.9	307.6	14.6%	1.06x	7.4x	0.99x	6.8x
AAR Corp.	28.82	99.2%	1,143.5	1,511.1	1,864.0	213.6	11.5%	2,005.9	260.0	13.0%	0.81x	7.1x	0.75x	5.8x
Median		95.5%	\$2,222.2	\$3,460.5	\$1,954.9	\$471.3	18.6%	\$2,101.9	\$547.0	18.9%	1.68x	8.6x	1.55x	7.7x

Aerospace Structures Suppliers	Stock Price 02/18/11	% of 52 Week High	Market Cap	Enterprise Value	CY 2011E			CY 2012P			EV / CY 2011E		EV / CY 2012P	
					Rev.	EBITDA	Margin	Rev.	EBITDA	Margin	Rev.	EBITDA	Rev.	EBITDA
Precision Castparts Corp.	\$148.63	97.8%	\$21,321.1	\$20,738.3	\$6,806.3	\$1,902.4	28.0%	\$7,661.5	\$2,233.3	29.1%	3.05x	10.9x	2.71x	9.3x
Spirit AeroSystems Holdings Inc	25.78	99.5%	3,663.3	4,379.0	4,674.1	612.1	13.1%	5,468.4	727.1	13.3%	0.94x	7.2x	0.80x	6.0x
Hexcel Corp.	20.69	99.0%	2,017.8	2,232.8	1,271.7	224.2	17.6%	1,413.2	261.5	18.5%	1.76x	10.0x	1.58x	8.5x
Ducommun Inc.	22.39	92.1%	235.1	254.6	437.6	47.1	10.8%	457.9	48.8	10.7%	0.58x	5.4x	0.56x	5.2x
LMI Aerospace Inc.	17.40	89.2%	204.8	205.0	257.0	36.2	14.1%	277.5	43.6	15.7%	0.80x	5.7x	0.74x	4.7x
Median		97.8%	\$2,017.8	\$2,232.8	\$1,271.7	\$224.2	14.1%	\$1,413.2	\$261.5	15.7%	0.94x	7.2x	0.80x	6.0x

Government Services	Stock Price 02/18/11	% of 52 Week High	Market Cap	Enterprise Value	CY 2011E			CY 2012P			EV / CY 2011E		EV / CY 2012P	
					Rev.	EBITDA	Margin	Rev.	EBITDA	Margin	Rev.	EBITDA	Rev.	EBITDA
SAIC, Inc.	\$16.52	83.6%	\$6,142.4	\$6,602.4	\$11,414.7	\$1,033.1	9.1%	\$11,643.6	\$1,036.1	8.9%	0.58x	6.4x	0.57x	6.4x
Booz Allen Hamilton Inc.	19.22	92.7%	2,457.6	3,229.1	6,004.3	450.1	7.5%	6,594.8	503.8	7.6%	0.54x	7.2x	0.49x	6.4x
CACI International Inc.	58.78	99.1%	1,787.0	2,150.5	3,722.0	304.5	8.2%	3,963.7	329.9	8.3%	0.58x	7.1x	0.54x	6.5x
SRA International Inc.	27.62	89.6%	1,583.0	1,522.4	1,879.1	174.5	9.3%	2,018.0	188.0	9.3%	0.81x	8.7x	0.75x	8.1x
ManTech International Corporation	42.74	82.5%	1,554.7	1,602.6	2,976.9	262.4	8.8%	3,120.3	268.9	8.6%	0.54x	6.1x	0.51x	6.0x
QinetiQ Group Plc	2.12	90.9%	1,401.0	1,925.0	2,671.4	289.6	10.8%	2,683.1	292.2	10.9%	0.72x	6.6x	0.72x	6.6x
ICF International Inc.	24.79	88.1%	481.9	575.4	850.9	80.9	9.5%	927.7	88.6	9.6%	0.68x	7.1x	0.62x	6.5x
Kratos Defense & Security Solutions, Inc.	14.27	91.7%	327.2	500.9	534.2	58.1	10.9%	550.0	60.0	10.9%	0.94x	8.6x	0.91x	8.3x
NCI, Inc.	22.16	72.4%	302.9	320.1	600.7	48.8	8.1%	614.5	53.0	8.6%	0.53x	6.6x	0.52x	6.0x
Global Defense Technology & Systems, Inc.	16.95	91.9%	155.0	146.5	320.9	29.3	9.1%	341.3	31.5	9.2%	0.46x	5.0x	0.43x	4.6x
Dynamics Research Corp.	14.72	98.5%	147.8	139.6	286.8	28.1	9.8%	306.9	29.9	9.7%	0.49x	5.0x	0.45x	4.7x
Median		90.9%	\$1,401.0	\$1,522.4	\$1,879.1	\$174.5	9.1%	\$2,018.0	\$188.0	9.2%	0.58x	6.6x	0.54x	6.4x

Engineering & Construction	Stock Price 02/18/11	% of 52 Week High	Market Cap	Enterprise Value	CY 2011E			CY 2012P			EV / CY 2011E		EV / CY 2012P	
					Rev.	EBITDA	Margin	Rev.	EBITDA	Margin	Rev.	EBITDA	Rev.	EBITDA
Jacobs Engineering Group Inc.	\$51.55	92.5%	\$6,515.1	\$5,565.4	\$10,662.5	\$647.8	6.1%	\$10,940.5	\$678.5	6.2%	0.52x	8.6x	0.51x	8.2x
URS Corporation	47.38	89.0%	3,920.5	4,251.1	10,120.1	746.5	7.4%	10,775.9	774.7	7.2%	0.42x	5.7x	0.39x	5.5x
AECOM Technology Corporation	29.87	96.6%	3,546.4	4,384.4	8,631.4	575.5	6.7%	9,427.4	676.6	7.2%	0.51x	7.6x	0.47x	6.5x
Shaw Group Inc.	40.60	97.6%	3,453.5	2,851.3	6,849.2	407.1	5.9%	7,564.3	450.3	6.0%	0.42x	7.0x	0.38x	6.3x
Tetra Tech Inc.	23.34	85.9%	1,454.0	1,531.7	1,730.8	198.8	11.5%	1,902.8	217.9	11.5%	0.88x	7.7x	0.80x	7.0x
Median		92.5%	\$3,546.4	\$4,251.1	\$8,631.4	\$575.5	6.7%	\$9,427.4	\$676.6	7.2%	0.51x	7.6x	0.47x	6.5x

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

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
02/11/11	Veritas Capital	CPI International, Inc.	Provides microwave, radio frequency, power, and control solutions for critical defense, communications, medical, scientific, and other applications	\$524.9	\$356.3	\$59.0	16.6%	1.47x	8.9x	
02/07/11	Cobham plc	Corp Ten International Inc.	Develops software to manage multiple tracking and surveillance devices in a single system, allowing real-time sharing of data and other communications through satellite, cellular, and radio frequency providers	11.5	NA	NA	NA	NA	NA	
02/07/11 (A)	Kratos Defense & Security Solutions, Inc.	Herley Industries Inc.	Provides microwave and millimeter wave systems and other electronic components to military aircraft and missile platforms	268.8	189.4	29.8	15.7%	1.42x	9.0x	
02/02/11	Ultra Electronics Holdings plc	3e Technologies International Inc.	Provides military grade wireless local area network access points, mesh networks, security software, and encryption technologies for military, government, and commercial markets	30.0	29.1	4.4	15.1%	1.03x	6.8x	
01/31/11 (A)	Alcoa, Inc.	TransDigm Group Incorporated's Fastener Business	Designs and manufactures fasteners, fastening systems, and bearings for commercial, military, and general aviation aircraft	240.0	NA	16.0	NA	NA	15.0x	
01/31/11	Raytheon Company	Applied Signal Technology, Inc.	Provides variety of advanced intelligence, surveillance and reconnaissance products, systems, and services that protect and enhance global security	516.2	225.2	32.5	14.4%	2.29x	15.9x	
01/31/11	TeleCommunication Systems, Inc.	Trident Space & Defense, LLC	Provides parts, procurement services, and engineering solutions for space, military, and industrial markets worldwide	NA	40.0	6.0	15.0%	NA	NA	
01/28/11	Assa Abloy, Inc.	LaserCard Corporation	Provides secure identity solutions, including magnetic stripe cards, contactless chips, radio frequency identification tags, optical security media, and biometric identification	42.5	50.9	6.5	12.8%	0.83x	6.5x	
01/24/11	Norsat International Inc.	Sinclair Technologies, Inc.	Provides antenna and RF conditioning products, systems, and coverage solutions for public safety, defense, and private wireless networks	19.3	19.5	3.0	15.4%	0.99x	6.4x	
01/21/11 (A)	BAE Systems, Inc.	Fairchild Imaging, Inc.	Specializes in solid-state electronic imaging components, cameras and systems for aerospace, industrial, medical, and scientific imaging applications	86.0	NA	NA	NA	NA	NA	
01/21/11	API Technologies Corp.	SenDEC Corporation	Provides comprehensive electronic manufacturing services, including high quality design, PCB layout, prototyping, test engineering, and supply chain management services	NA	90.0	NA	NA	NA	NA	
01/19/11	Cobham plc	Telerob GmbH	Manufactures medium and heavyweight explosive ordnance device robots and response vehicles designed to deal with nuclear, biological, and chemical threats primarily for homeland security markets	101.0	NA	NA	NA	NA	NA	
01/18/11 (A)	Meggitt plc	Danaher Corporation, Pacific Scientific Aerospace Business	Supplies electric power, electric linear actuation, safety, and security products to both the commercial and military aerospace markets	625.0	378.0	79.0	20.9%	1.65x	7.9x	
01/12/11	Mercury Computer Systems, Inc.	LNx Corporation	Designs and builds next generation RF receivers for signals intelligence, communications intelligence as well as electronic attack applications	31.0	NA	NA	NA	NA	NA	
01/11/11	Vigor Industrial, LLC	Todd Shipyards Corp.	Provides repair and maintenance, new construction, and industrial fabrication services for commercial and defense vessels in the Company's shipyards in Washington state	90.0	249.3	26.5	10.6%	0.36x	3.4x	
01/07/11	DRS Sonar Systems, LLC	Advanced Acoustic Concepts, Inc.	Provides sonar systems, sonar signal processing, acoustic training systems, and open architecture system and software integration	NA	50.0	NA	NA	NA	NA	
01/07/11	Curtiss-Wright Corp.	Predator Systems, Inc.	Provides motion-control components and subsystems for ground defense, ordnance guidance, and aerospace applications	13.3	8.0	NA	NA	1.66x	NA	
12/31/10	Ultra Electronics Holdings plc	Adaptive Materials, Inc.	Provides solid oxide fuel cell systems that efficiently convert propane directly into electrical energy for soldier power packs and equipment, UAVs, UGVs, and remote sensors	23.0	NA	NA	NA	NA	NA	
12/31/10	TransDigm Group Incorporated	Telair International Inc. (Actuation Business)	Provides electromechanical products and other components for commercial and military aircraft	94.0	25.0	NA	NA	3.76x	NA	
12/30/10	Esterline Corporation	Eclipse Electronic Systems, Inc.	Provides signals intelligence and communications intelligence receiver hardware to the airborne intelligence, surveillance, and reconnaissance market	120.0	NA	12.0	NA	NA	10.0x	
12/17/10	ITT Corporation	EchoStorm Worldwide, LLC	Provides full motion video management solutions that provide situational awareness and actionable video intelligence data to decision makers in DoD, DHS, and the IC	NA	NA	NA	NA	NA	NA	
12/15/10	Elbit Systems Ltd.	M7 Aerospace LP	Provides full suite of aviation services including aerostructures manufacturing, government logistics support, MRO services, engineering services, aircraft parts and support, supply chain management, and purchasing	85.0	NA	NA	NA	NA	NA	
12/14/10 (A)	AVIC International Holding Corporation	Teledyne Continental Motors, Inc. and Teledyne Mattituck Services, Inc.	Manufactures piston engines, spare parts, and components, used in small propeller-driven general aviation aircraft; overhauls piston engines and supplies aftermarket support to the general aviation market	186.0	137.0	NA	NA	1.36x	NA	
12/10/10	Kaman Corporation	Global Aerosystems, LLC	Provides aerospace engineering design analysis and FAA certification services to the aerospace industry	NA	20.0	NA	NA	NA	NA	
12/07/10	Kratos Defense & Security Solutions, Inc.	Southside Container & Trailer, LLC	Provides various products, shelters, and solutions used primarily by the warfighter and first responder in fulfilling their respective national security missions	12.5	9.0	2.5	27.8%	1.39x	5.0x	

(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
02/14/11	ManTech International Corp.	TranTech Inc.	Provides information technology, networking, and cybersecurity services to DISA and other federal customers	NA	NA	NA	NA	NA	NA	NA
02/11/11	The GEO Group, Inc.	BI Incorporated	Provides compliance technologies, monitoring services, and evidence-based supervision and treatment programs for community-based parolees, probationers, and pretrial defendants	\$415.0	\$112.5	\$42.2	37.5%	3.69x	9.8x	
02/01/11	Jorge Scientific Corporation	Federal Concepts, LLC	Provides cybersecurity and network design, architecture, and engineering services to DoD and civilian agency customers	NA	NA	NA	NA	NA	NA	NA
01/18/11	BAE Systems, Inc.	stratsec.net Pty Ltd.	Provides common criteria evaluation, digital forensics, enterprise security architecture, penetration testing, governance, and training services	23.0	NA	NA	NA	NA	NA	NA
01/05/11	Pragmatics, Inc.	Innovative Solutions International, Inc.	Provides aviation-related satellite technologies with expertise in planning and implementing integrated communications, navigation, surveillance, and air traffic management systems for government and commercial customers	NA	NA	NA	NA	NA	NA	NA
01/05/11	ICF International Inc.	Marbek Resource Consultants Ltd.	Provides policy, program, technical, and management advisory services related to resource and environmental challenges to Canadian and international clients	NA	6.0	NA	NA	NA	NA	NA
01/04/11	Cubic Corporation	XIO Strategies, Inc.	Provides supply chain management, automatic identification technology deployment, consulting services, and RFID technology to DoD and commercial customers	NA	NA	NA	NA	NA	NA	NA
01/03/11	SM&A	Cardinal Technologies, Inc.	Provides program and project management and information technology support services to government and industry clients, specializing in software development and automated functional testing	NA	NA	NA	NA	NA	NA	NA
01/03/11	A-T Solutions, Inc.	Innovative Technology Systems Inc.	Provides systems engineering, software engineering, network engineering, information assurance, systems architecture, business process reengineering, and modeling, simulation, and analysis	NA	NA	NA	NA	NA	NA	NA
12/31/10	Tailwind Capital	Ericsson Federal Inc.	Provides wired and wireless broadband solutions, professional consulting, systems engineering and integration, program and project management, and network services to government customers	NA	NA	NA	NA	NA	NA	NA
12/23/10	Cubic Corporation	ABRAXAS Corporation	Provides software and systems development, data warehousing, information assurance, hardware engineering, digital forensics, and risk management services	124.1	NA	NA	NA	NA	NA	NA
12/22/10	ManTech International Corp.	MTCSC Inc.	Provides engineering and systems integration services, including systems and software engineering, logistics support, and program management services for defense and homeland security clients in the U.S.	75.0	83.0	NA	NA	0.90x	NA	NA
12/18/10	Global Defense & Technology Systems, Inc.	Signature Government Solutions, LLC	Provides sophisticated information technology, cybersecurity, and intelligence analysis services for high-priority mission systems and cybersecurity programs in the intelligence community	52.5	37.0	NA	NA	1.42x	NA	NA
12/17/10	J.H. Whitney & Co.	Jorge Scientific Corporation	Provides systems engineering, information technology, logistics, foreign military sales advisory, program management, intelligence support, and solutions integration and deployment services to DoD and national security customers	NA	NA	NA	NA	NA	NA	NA
12/17/10	Forté Capital Advisors and Manhattan Partners	Xe Services, LLC	Provides protective security, military, and law enforcement training, construction, program management, and aircraft maintenance services to military organizations, federal agencies, and clients in the maritime industry	200.0	NA	NA	NA	NA	NA	NA
12/17/10	Computer Sciences Corporation	CenTauri Solutions, LLC	Provides technology systems and services, systems engineering and intelligence analysis, as well as ISR solutions that serve national security, homeland security, and IC customers	NA	NA	NA	NA	NA	NA	NA
12/16/10	GeoEye, Inc.	SPADAC Inc.	Provides geospatial predictive analytic solutions to clients in defense and intelligence, homeland security, oil and gas, transportation and logistics, federal civilian, and insurance markets in the U.S. and internationally	46.0	27.0	NA	NA	1.70x	NA	NA
12/13/10	KeyW Corporation	Everest Technology Solutions, Inc.	Provides IT services in the areas of geospatial intelligence, cloud computing, cybersecurity, and mission support to the IC	30.0	21.0	NA	NA	1.43x	NA	NA
12/07/10	Boeing Company	CDM Technologies, Inc.	Provides decision-support software and technology development, system analysis, application design, system installation, support and training services for military, government, and commercial customers	NA	NA	NA	NA	NA	NA	NA
11/30/10	GF Fund	Oasis Systems	Provides IT and advisory services, including net-centric, battle management, and C2ISR technical services, systems integration solutions, applications development, information assurance, and systems management services	NA	NA	NA	NA	NA	NA	NA
11/30/10	KEYW Corporation	Sycamore.US, Inc.	Provides software engineering, independent verification and validation, information assurance, software assurance, and systems engineering services	28.1	NA	NA	NA	NA	NA	NA
11/23/10	Veritas Capital	Lockheed Martin 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	
11/16/10	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	NA
11/11/10	SAIC, Inc.	AppTek Partners, LLC; Applications Technology, Inc.; and MediaMind, LLC	Provides machine translation and automatic speech recognition technologies and solutions such as media monitoring of broadcast and telephony speech as well as handheld and wearable speech-to-speech translation devices	NA	NA	NA	NA	NA	NA	NA
11/11/10	ITSolutions (Snow Phipps Group)	Peace Technology	Provides technical services in business process reengineering, information modeling, application development, database administration, and grants and contracts management	NA	NA	NA	NA	NA	NA	NA

(1) Source: Company filings and KippsDeSanto research.

Select Recent KippsDeSanto & Co. Advised Transactions

FedConcepts

has been acquired by

JORGE
SCIENTIFIC CORPORATION

February 2011


Adaptive Materials Inc.

has been acquired by

Ultra
ELECTRONICS

December 2010



has been acquired by

CSC

December 2010


Video and Data Management Technology

has been acquired by



December 2010

COMFRAME
precision software innovation

has been acquired by

NWN
NWN CORPORATION

December 2010



has been acquired by

CACI
EVER VIGILANT™

November 2010



has been acquired by

riverbed

November 2010

Novii Design

has been acquired by

Six3 Systems

September 2010


COMPUTER SYSTEMS & SERVICE, INC.

has been acquired by

VANGENT


September 2010



has been acquired by

Schafer

August 2010


ALION
SCIENCE AND TECHNOLOGY

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

\$25,000,000
Revolving Line of Credit

March 2010


DAO TECHNOLOGY SOLUTIONS
a portfolio company of
J.F. Lehman & Company

has been acquired by

Platinum Equity

January 2010

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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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