

# Multiples Survey

January 16, 2021

Alderman & Company<sup>®</sup>

Aerospace & Defense  
Investment Bankers

Representing Middle Market Sellers Since 2001

# A&D Private Companies EBITDA Multiples

## Our Latest Survey

	Historical				Expected		
	2019	2020	Change		2020	Post-Pandemic	Change
Average	8.3	6.8	-1.5	Average	6.8	7.9	1.1
Buyer	7.8	6.1	-1.7	Buyer	6.1	7.3	1.2
Seller	8.7	7.5	-1.2	Seller	7.5	8.5	1.0
Spread	0.93	1.43	<b>54%</b>	Spread	1.43	1.20	-16%

### Survey details:

- Alderman & Company proprietary survey of historical and expected multiples, conducted January 6 – 14, 2021
- n > 30; n < 300
- A&D deals during past 24-months with EBITDA under \$10MM
- EBITDA, valuation and multiples as reported by respondents
- Independent verification not conducted by Alderman & Company

**Buy/Sell Spread up 54% in 2020**

# Public Valuations

## SPDR S&P Aerospace & Defense ETF

12/31/2017 - 01/07/2021



**Sector Stock Prices Have Recovered**

# A&D Public Companies EBITDA Multiples

**XAR Top Holdings** (Overall 50.2% Aero / 49.8% Defense)

			EV/EBITDA	
Symbol	Holding	%	21-Jan	20-Jan
<u>AJRD</u>	Aerojet Rocketdyne Holdings, Inc.	4.5%	13.22	13.24
<u>SPR</u>	Spirit AeroSystems Holdings, Inc.	4.0%		6.63
<u>HWM</u>	Howmet Aerospace Inc.	4.0%	9.16	9.30
<u>MRCY</u>	Mercury Systems, Inc.	4.0%	28.45	31.55
<u>MAXR</u>	Maxar Technologies, Inc.	3.9%	8.30	8.26
<u>CW</u>	Curtiss-Wright Corporation	3.9%	12.01	11.95
<u>HEI</u>	HEICO Corporation	3.8%	40.92	39.15
<u>CUB</u>	Cubic Corporation	3.8%	24.20	23.72
<u>IXI</u>	Textron Inc.	3.7%	15.62	15.60
<u>NOC</u>	Northrop Grumman Corporation	3.7%	13.34	13.96
			<b>16.52</b>	<b>17.34</b>

<https://ycharts.com/companies> 01/09/21 ; <https://finance.yahoo.com/quote/XAR/profile?p=XAR> 01/09/21

-5%

**Sector Multiples Are Approaching Recovery**

# Why it's different this cycle

While this is the first pandemic in 100 years....

- There have been exogenous shocks to A&D before
  - 9/11
  - SARS
  - Budget Control Act of 2011
- What is different this time?
  1. 9/11 led to a decline in commercial aviation and a spike in defense spending
  2. SARS was contained within Asia; not a global phenomenon
  3. Budget Control Act was during a time of economic expansion and growth in commercial aviation

**First time commercial aviation has declined this dramatically and defense spending has not increased**

# What to expect in 2021

- **Commercial Aviation:** the supply chain will start to recover
  1. Line Maintenance
  2. Component MRO
  3. Heavy Maintenance
  4. Narrow body production lines
  5. Widebody production lines
- **Defense:** spending levels in 2021 are uncertain, at the moment
  - ? Unknown homeland spending to defend against domestic terrorism
  - ? Unknown increases in DoD spending, to counter opportunistic threats
  - ? Budgetary constraints due to cost of Covid19 response
  - ? Changes in legislative priorities

## Our Current 2021 Forecast

- The Commercial Aviation Industry will start to recover
- Defense spending changes are difficult to predict

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