

Aerospace and Defense Update

Deloitte Corporate Finance LLC



Investment Banking Advisory Services

- Sale & Divestiture
- Acquisition, Joint Venture & Alliance
- Capital Raising
- Corporate Development Advisory

Transaction Highlight



American Piping Products, Inc.

has sold a majority equity interest to

the edgewater funds

**Edgewater Growth Capital
Partners II, L.P.**

The undersigned acted as exclusive financial advisor to American Piping Products, Inc.

Deloitte.

Deloitte Corporate Finance LLC

Deloitte Corporate Finance LLC (“DCF”) is pleased to announce its role as the exclusive financial advisor to American Piping Products, Inc. (“APP”) regarding the sale of a majority of equity interest to The Edgewater Funds (“Edgewater”). The majority stock sale transaction positions APP for continued growth by providing capacity for expanding its product offering and investing further in scalable operating assets. The transaction is another example of DCF’s role as a leading middle market, sell-side financial advisor within the Metals sector.

About APP and Edgewater

American Piping Products is a rapidly growing distributor of specialty steel pipe, fittings, and valves to global infrastructure customers in the energy, manufacturing, and construction industries.

The Edgewater Funds is a private equity firm specializing in middle market growth capital investments.

Additional Recent Transactions



MARKOR

**Markor International Furniture
Co., Ltd.**

has acquired the
assets of

SCHNADIG

Schnadig Corporation

The undersigned acted as exclusive financial advisor to Markor International Furniture Co., Ltd.

Deloitte.

Deloitte Corporate Finance LLC



Icon Systems, Inc.

has been acquired by

SAIC
From Science to Solutions

**Science Applications
International Corporation**

The undersigned acted as exclusive financial advisor to Icon Systems, Inc.

Deloitte.

Deloitte Corporate Finance LLC



a wholly-owned subsidiary of
Rank Group Limited

has sold its
Medical Packaging Business
to

**BRENTWOOD
INDUSTRIES**

The undersigned acted as financial advisor to Reynolds Packaging Group

Deloitte.

Deloitte Corporate Finance LLC

Industry Trends

Aerospace & Defense Industry Trends

On February 26, 2009, President Obama released his summary defense budget proposal for fiscal year 2010. The budget provides \$533.7 billion in discretionary authority, which represents a four percent increase over the \$513.3 billion enacted level for fiscal year 2009. In addition to the \$533.7 billion budget, the Administration has requested \$75.5 billion in supplemental appropriations in 2009 and \$130.0 billion in 2010 to support ongoing “overseas contingency operations” – the Administration’s preferred term to replace the previous “global war on terror”. Importantly, while the summary budget proposal does not indicate what defense funding will look like beyond FY 2010, it nevertheless represents an increase over FY 2009 and signifies a continued focus on the military’s efforts abroad (though resource allocations may shift from Iraq toward Afghanistan). Although the detailed budget proposal is not expected until May, Defense Secretary Gates recommended in a statement released on April 6 that the budget increases include funding allocated to increasing troop size in key combat areas and capabilities related to the F-35 Joint Strike Fighter, Littoral Combat Ship, Unmanned Aerial Vehicles and proven missile defense systems. Meanwhile, recommended reductions to the budget include less funding for the F-22 Raptor and for Future Combat Systems, citing that the latter does not directly address immediate concerns regarding the conflict in Afghanistan. The proposed budget may find resistance in Congress, however, as lawmakers balance the interest of the Administration with constituents affected by the potential job losses associated with certain program cuts.

Once a FY 2010 budget is finalized and passed through Congress, the visibility it provides on the Administration’s program priorities may drive increased levels of M&A activity in the defense sector. Many large industry players currently have strong balance sheets and may seek growth by acquiring providers who are focused on areas expected to benefit (or at least be relatively protected from any potential future funding decreases) as a result of those priorities. While the 1990’s saw a massive wave of consolidation among the largest players in the industry in the face of budget reductions at that time, the limited number of very large companies at the top of the food chain today means acquisitions are most likely to revolve around small and medium sized niche businesses.

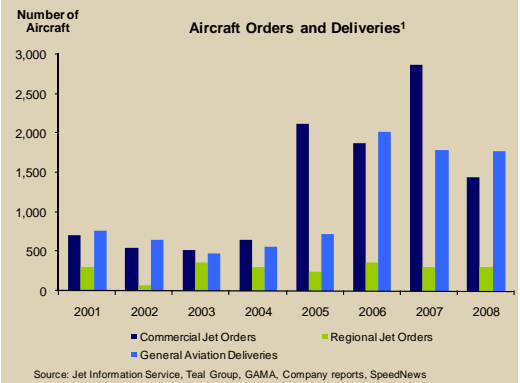
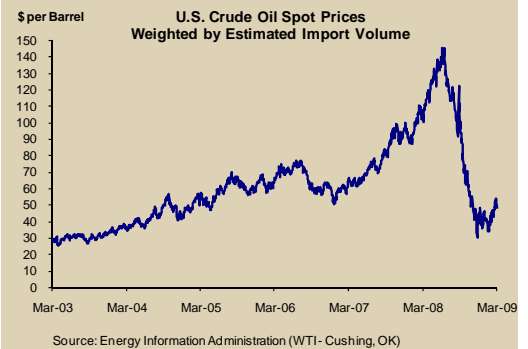
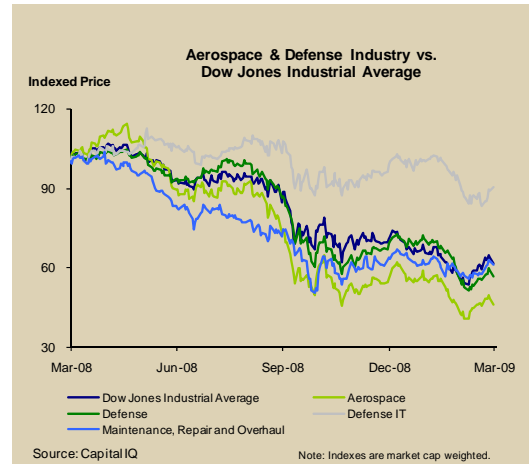
General Economic Trends

Rising unemployment, sharp declines in industrial production, deteriorating financial performance in virtually all sectors of the U.S. and global economies continued to dominate news headlines in the first quarter of 2009. These unsettling factors continued to increase investor uncertainty, significantly impacting M&A activity. In the first quarter of 2009, U.S. middle market transaction multiples fell to 5.5x Enterprise Value/EBITDA from 10.1x during all of 2008. In terms of deal volume, middle market transactions in the first quarter were on pace for an 18% annual decline compared to 2008. This decline, while significant, was much less than the larger deal volume decline. Distressed deals are up globally to \$3 billion from \$1.1 billion in the fourth quarter of 2008, but still below first and second quarter 2008 levels. The total value of cross-border transactions fell 70% relative to the first quarter of 2008 due primarily to the uncertainty with the market in the U.S., the currency impact, and foreign companies paying attention to their local markets during the economic crisis.

Despite historically low interest rates and aggressive monetary policy designed to stimulate the economic activity and lending, financing remains a significant challenge for buyers. This challenge is particularly cumbersome for private equity investors. The share of private equity transactions relative to total enterprise value of transactions fell from 7.5% during 2008 to only 4.9% in the first quarter of 2009. More dramatic is the drop from 2007, the private equity record year of 31.5 percent of deal value. In addition, after four years of financial buyers paying higher median enterprise value to EBITDA multiples than strategic buyers, the first quarter of 2009 multiples paid by strategic buyers equaled those paid by financial buyers(1).

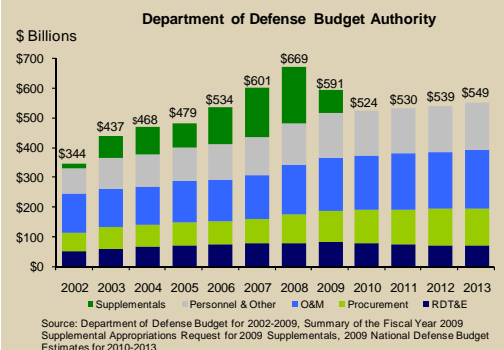
In the midst of the economic downturn, there were some first quarter indicators that hinted at stability. Positive indicators included an uptick in new factory orders in February and a rally in the equity markets in March. Additionally, in its most recent Beige Book report on current economic conditions, the Federal Reserve observed that economic activity in three of the twelve regions (Boston, Cleveland and Richmond) was mixed or steady, rather than negative. Positive areas cited include exports, tourism and residential real estate activity. If these metrics are viewed optimistically as indications of stability of top and bottom lines, potential buyers, expecting valuations to solidify, may come off the sidelines to consolidate and broaden business platforms.

1) Based on analysis of Thomson data for the respective periods.

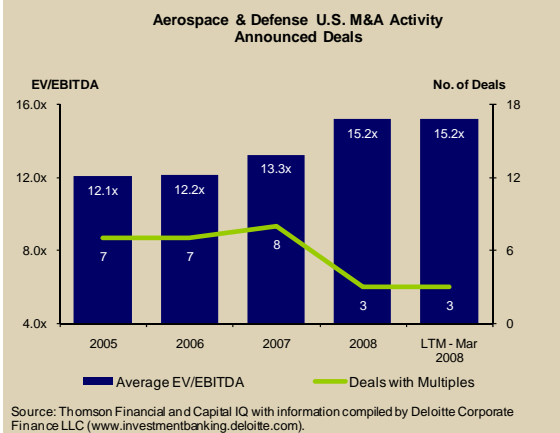
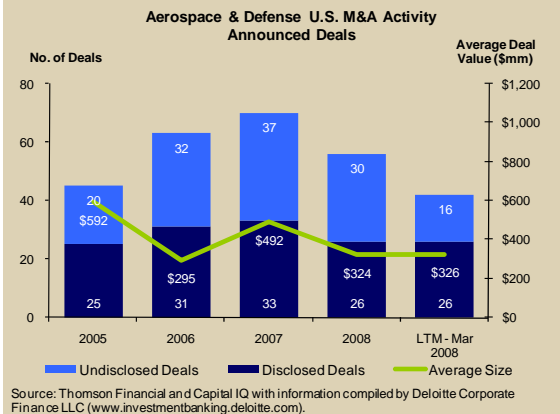
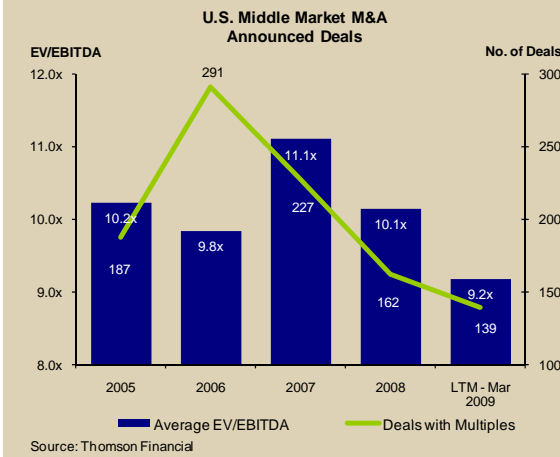
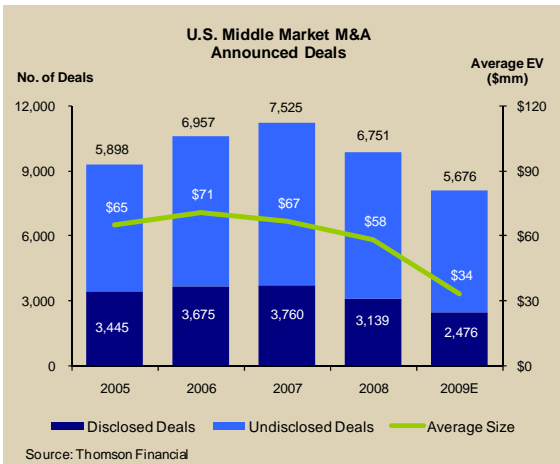


¹Commercial jets include Airbus and Boeing models, and data represents net orders. Regional jets include Embraer and Bombardier models. General aviation includes Cessna, Dassault, Gulfstream, Bombardier and Raytheon models.

Order and delivery figures represent data available as of the date of this report.



Highlighted Transactions



Deals Announced

- March 31, 2009 – **Triumph Group Inc. (NYSE:TGI)** agreed to acquire **Mexmil Co.** for an undisclosed amount. Mexmil Co. manufactures and supplies insulation blankets to airframe manufacturers, aircraft operators, and MROs, as well as offers a range of products to support commercial, regional, and military aircraft.
- March 31, 2009 – **Crossflo Systems Inc.** agreed to acquire the **Vigilys Product Portfolio of Kratos Defense & Security Systems** for an undisclosed amount. Kratos' Vigilys Product Portfolio is a tactical operations system that provides information between the field personnel and the operations center. The Vigilys products enable emergency personnel to see and share real time information on resource deployment and make assessments.
- March 18, 2009 – **Equus Resources Inc.** agreed to acquire **Quasar Aerospace Industries** for an undisclosed amount. Quasar Aerospace Industries offers aircraft manufacturing, flight instruction, aircraft leasing and selling, and other aerospace-related activities.
- March 13, 2009 – **Triumph Group Inc. (NYSE:TGI)** agreed to acquire **Merritt Tool Inc.** for an undisclosed amount. Merritt Tool manufactures aerospace equipment and machinery, specializing in complex, medium to large, conventional computer numerical control milling, turning, grinding and assembly machines. It serves customers in the aerospace, energy, and commercial industries.
- March 12, 2009 – **BAE Systems plc (LSE:BA)** agreed to acquire **Advanced Ceramics Research Inc.** for \$15 million. Advanced Ceramic Research provides ceramic products, laboratory milling products, water soluble tooling materials, cutting tools, custom mandrels, osteoconductive load bearing implant/bone scaffolds, fibrous monoliths and unmanned aerial vehicles.
- March 3, 2009 – **Nogales Investors Management LLC** agreed to acquire **DR Technologies Inc.** for an undisclosed amount. DR Technologies offers manufacturing services for industry clients in aerospace, transportation, and commercial markets. It serves aircraft structural components and sub-assemblies, structures and fairings for missile defense, lightweight, ballistically resistant structures, space structures, satellite structures and antenna reflectors, and dimensionally-stable optical benches for space telescopes and sensors markets, as well as government and industry clients.
- February 27, 2009 – **Woodward Governor Co. (NasdaqGS:WGOV)** agreed to acquire **HR Textron Inc.** for \$365 million. HR Textron manufactures and wholesales motion control systems for commercial and military aircraft, helicopters, missiles, spacecraft, marinecraft and ground vehicles.
- January 29, 2009 – **Astronics Corp. (NasdaqGM:ATRO)** agreed to acquire **DME Corp.** for \$51 million. DME Corp. manufactures electronic equipment and systems, specializing in aircraft safety, airport systems, test systems and other electronic/electromechanical assemblies.
- January 20, 2009 – **Ametek Inc. (NYSE:AME)** agreed to acquire **High Standard Aviation** for \$40 million. High Standard Aviation provides electrical, hydraulic and pneumatic repair services to the aerospace industry.
- January 14, 2009 – **MP2 Technologies Inc.** agreed to acquire **Weatherly Aircraft Nevada Inc.** for an undisclosed amount. Weatherly Aircraft Nevada manufactures single engine airplanes.
- January 7, 2009 – **Synchronous Aerospace Group** agreed to acquire **Helicomb International Inc.** for an undisclosed amount. Helicomb International manufactures commercial, military and space flight vehicles.

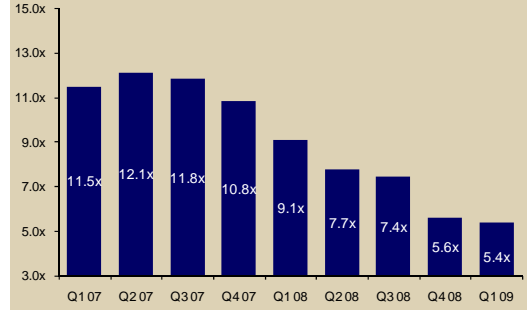
Source: Thomson Financial, Capital IQ

Market Snapshot

	Reported Date	Market Cap	Enterprise Value (EV)	Enterprise Value to:		EBITDA Margin	Reported P/L/T M E	Stock Performance	
				LTM Sales	LTM EBITDA			Quarter	LTM
Aerospace									
Astronics Corp.	12/31/08	\$118	\$130	0.7x	6.9x	10.8%	13.4x	33.5%	(43.1%)
BE Aerospace Inc.	12/31/08	\$876	\$1,831	0.9x	4.6x	18.7%	N.M.	26.9%	(75.2%)
Boeing Co.	12/31/08	\$24,899	\$29,132	0.5x	5.6x	8.5%	9.7x	(13.7%)	(52.2%)
Bombardier, Inc.	10/31/08	\$5,179	\$6,158	0.3x	3.5x	8.9%	4.5x	(35.7%)	(56.2%)
CAE Inc.	12/31/08	\$1,550	\$1,767	1.4x	5.9x	23.1%	9.7x	(6.3%)	(46.4%)
Curtiss-Wright Corp.	12/31/08	\$1,268	\$1,724	0.9x	6.4x	14.8%	11.4x	(11.5%)	(32.4%)
Dassault Aviation SA	12/31/08	\$4,174	\$3,382	0.6x	4.6x	14.1%	8.0x	(27.0%)	(49.6%)
Ducumun Inc.	12/31/08	\$152	\$179	0.4x	4.3x	10.4%	11.7x	(11.0%)	(47.5%)
EMBRAER - Empresa Brasileira de Aeronáutica	09/30/08	\$2,401	\$1,925	0.4x	3.0x	12.8%	11.5x	(14.9%)	(66.4%)
Esterline Technologies Corp.	01/30/09	\$599	\$1,028	0.7x	4.6x	15.5%	6.3x	(43.8%)	(59.9%)
European Aeronautic Defence and Space Co.	09/30/08	\$9,423	\$964	0.0x	0.2x	9.3%	5.0x	(29.1%)	(51.0%)
Goodrich Corp.	12/31/08	\$4,692	\$5,891	0.8x	4.3x	19.2%	7.0x	3.6%	(34.1%)
Hampson Industries plc	09/30/08	\$206	\$407	1.2x	6.4x	18.6%	6.8x	(15.6%)	(45.4%)
HEICO Corp.	01/31/09	\$642	\$678	1.2x	5.6x	20.9%	12.9x	(36.7%)	(50.2%)
Heroux-Devtek Inc.	12/31/08	\$100	\$141	0.5x	3.2x	16.2%	5.8x	38.7%	(59.1%)
Hexcel Corp.	12/31/08	\$634	\$978	0.7x	5.2x	14.3%	5.7x	(4.1%)	(65.6%)
Honeywell International Inc.	12/31/08	\$20,498	\$26,808	0.7x	6.0x	12.1%	7.4x	(14.5%)	(50.6%)
Innovative Solutions & Support Inc.	12/31/08	\$70	\$41	1.1x	N.M.	(46.2%)	N.M.	20.7%	(60.3%)
Jamco Corp.	12/31/08	\$130	\$366	0.8x	19.7x	3.9%	N.M.	41.4%	(34.8%)
Ladish Co. Inc.	12/31/08	\$115	\$229	0.5x	4.3x	11.3%	3.4x	(44.7%)	(79.8%)
LMI Aerospace Inc.	12/31/08	\$84	\$110	0.5x	3.1x	14.6%	5.3x	(29.8%)	(62.6%)
Meggitt plc	12/31/08	\$1,225	\$2,751	1.6x	6.8x	23.8%	8.4x	(23.7%)	(66.4%)
Moog Inc.	12/27/08	\$973	\$1,567	0.8x	6.0x	13.7%	8.0x	(31.9%)	(45.8%)
MTU Aero Engines Holding AG	12/31/08	\$1,144	\$1,516	0.4x	2.7x	14.9%	4.6x	(15.1%)	(44.6%)
Precision Castparts Corp.	12/28/08	\$8,382	\$8,417	1.2x	4.8x	24.9%	8.0x	3.0%	(41.3%)
Rolls Royce Group plc	12/31/08	\$7,816	\$5,610	0.4x	4.0x	10.6%	N.M.	(11.9%)	(47.3%)
Safran SA	12/31/08	\$3,720	\$5,583	0.4x	3.9x	9.9%	N.M.	(32.6%)	(54.6%)
Senior plc	12/31/08	\$155	\$360	0.4x	3.1x	14.4%	2.8x	(30.4%)	(80.4%)
SIFCO Industries Inc.	12/31/08	\$31	\$24	0.2x	2.0x	11.7%	5.1x	1.8%	(44.2%)
Societe Industrie d'Aviation Latecoere	06/30/08	\$46	\$673	0.8x	12.1x	6.6%	1.6x	(20.5%)	(74.1%)
Spirit AeroSystems Holdings Inc	12/31/08	\$1,367	\$1,739	0.5x	3.4x	13.7%	5.1x	10.4%	(55.0%)
Teledyne Technologies Inc.	12/28/08	\$961	\$1,274	0.7x	5.4x	12.5%	8.5x	(36.8%)	(43.2%)
Textron Inc.	01/03/09	\$1,397	\$10,825	0.8x	5.4x	14.2%	4.1x	(55.5%)	(89.6%)
TransDigm Group Incorporated	12/27/08	\$1,563	\$2,790	3.8x	8.1x	46.9%	10.9x	5.6%	(11.4%)
Triumph Group Inc.	12/31/08	\$633	\$993	0.8x	4.9x	16.1%	6.6x	(45.5%)	(32.9%)
Ultra Electronics Holdings plc	12/31/08	\$1,062	\$1,155	1.5x	9.5x	16.2%	N.M.	(5.7%)	(39.1%)
UMECO plc	09/30/08	\$81	\$251	0.4x	3.9x	9.4%	3.2x	(53.8%)	(83.8%)
Zodiac SA	08/31/08	\$1,410	\$2,514	0.8x	6.0x	14.1%	6.9x	(32.1%)	(48.4%)
Average Aerospace				0.8x	5.4x	13.3%	7.2x	(13.3%)	(53.3%)
Median Aerospace				0.7x	4.8x	14.1%	6.9x	(14.7%)	(50.4%)
Defense									
AeroVironment, Inc.	01/31/09	\$446	\$322	1.4x	8.6x	15.9%	17.6x	(41.0%)	2.2%
Alliant Techsystems Inc.	12/28/08	\$2,192	\$3,485	0.8x	6.3x	12.3%	8.8x	(20.1%)	(35.3%)
Allied Defense Group Inc.	12/31/08	\$32	\$34	0.2x	8.7x	2.7%	N.M.	(29.2%)	(33.1%)
Applied Signal Technology, Inc.	01/30/09	\$263	\$220	1.2x	9.4x	12.4%	25.3x	17.8%	71.4%
Argon ST, Inc.	12/28/08	\$412	\$408	1.2x	10.0x	11.7%	19.4x	9.0%	11.5%
Axsys Technologies, Inc.	12/31/08	\$488	\$463	1.9x	10.1x	18.6%	17.7x	(17.7%)	(15.7%)
Babcock International Group plc	09/30/08	\$1,406	\$2,071	0.6x	7.2x	8.9%	10.3x	(12.2%)	(45.6%)
BAE Systems plc	12/31/08	\$16,937	\$17,166	0.7x	5.4x	13.1%	6.7x	(9.1%)	(50.2%)
Breeze-Eastern Corporation	12/28/08	\$62	\$84	1.1x	5.9x	18.6%	6.3x	(17.5%)	(39.4%)
Ceradyne Inc.	12/31/08	\$468	\$368	0.5x	1.7x	31.2%	4.5x	(12.0%)	(43.3%)
Chemring Group plc	10/31/08	\$960	\$1,149	2.0x	8.3x	24.3%	13.6x	(4.1%)	(44.2%)
Cobham plc	12/31/08	\$2,820	\$3,755	1.8x	9.5x	18.5%	20.6x	(14.8%)	(37.8%)
CPI Aerostructures Inc.	12/31/08	\$40	\$43	1.2x	10.5x	11.5%	15.2x	21.8%	(18.3%)
Cubic Corp.	12/31/08	\$677	\$611	0.7x	8.2x	8.1%	16.8x	(2.2%)	(10.9%)
DynCorp International Inc.	01/02/09	\$760	\$1,230	0.4x	6.1x	7.1%	12.6x	(12.4%)	(20.1%)
Eltiot Systems Ltd.	09/30/08	\$2,031	\$2,137	0.8x	5.7x	14.3%	15.5x	5.4%	(13.0%)
Fimecaspana SpA	12/31/08	\$7,192	\$12,867	0.8x	5.6x	10.9%	6.9x	(18.0%)	(63.2%)
GenCorp Inc.	02/28/09	\$124	\$404	0.7x	5.0x	13.2%	5.3x	(39.3%)	(79.4%)
General Dynamics Corp.	12/31/08	\$16,030	\$18,433	0.6x	4.5x	14.0%	6.7x	(26.3%)	(50.1%)
Harris Corp.	01/02/09	\$3,867	\$4,356	0.8x	4.6x	16.8%	12.5x	(22.6%)	(40.4%)
Herley Industries Inc.	02/01/09	\$162	\$170	1.0x	17.0x	6.2%	N.M.	5.0%	15.7%
Hi-Shear Technology Corp.	11/30/08	\$42	\$39	1.4x	3.6x	38.1%	10.3x	(35.5%)	(46.7%)
ITT Corporation	12/31/08	\$6,990	\$8,172	0.7x	5.2x	13.4%	9.0x	(14.7%)	(25.7%)
L-3 Communications Holdings Inc.	12/31/08	\$7,990	\$11,671	0.8x	6.5x	12.0%	8.7x	(6.2%)	(38.0%)
Lockheed Martin Corporation	12/31/08	\$27,129	\$28,705	0.7x	5.1x	13.1%	8.6x	(18.1%)	(30.5%)
Northrop Grumman Corporation	12/31/08	\$14,278	\$16,674	0.5x	4.5x	10.9%	5.8x	(1.9%)	(43.9%)
QinetiQ Group Plc	09/30/08	\$1,255	\$2,015	0.8x	6.2x	12.5%	12.7x	(18.1%)	(50.4%)
Raytheon Co.	12/31/08	\$15,581	\$15,631	0.7x	5.4x	12.5%	9.6x	(23.1%)	(39.7%)
Rockwell Collins Inc.	12/31/08	\$5,161	\$5,637	1.2x	5.3x	22.7%	7.7x	(14.2%)	(42.9%)
Thales	06/30/08	\$7,416	\$8,919	0.5x	4.7x	9.7%	7.5x	(9.5%)	(41.6%)
VT Group plc	09/30/08	\$1,209	\$1,550	0.8x	9.2x	8.9%	4.4x	(16.0%)	(48.0%)
Average Defense				0.9x	6.9x	14.3%	11.4x	(12.8%)	(30.5%)
Median Defense				0.8x	6.1x	12.5%	9.9x	(14.7%)	(39.4%)
Defense IT									
CACI International Inc.	12/31/08	\$1,092	\$1,626	0.6x	7.2x	8.6%	12.3x	(18.3%)	(19.9%)
Dynamics Research Corp.	12/31/08	\$70	\$101	0.4x	4.7x	8.9%	N.M.	(3.1%)	(28.4%)
ManTech International Corp.	12/31/08	\$1,487	\$1,527	0.8x	8.9x	9.1%	16.2x	(21.6%)	(7.6%)
SAIC, Inc.	01/31/09	\$7,555	\$7,735	0.8x	8.9x	8.6%	16.5x	(3.4%)	0.4%
SRA International Inc.	12/31/08	\$826	\$903	0.6x	6.6x	8.9%	13.2x	(9.6%)	(39.5%)
VSE Corp.	12/31/08	\$137	\$143	0.1x	3.9x	3.5%	7.1x	(31.5%)	(5.4%)
Average Defense IT				0.6x	6.7x	7.9%	13.1x	(14.6%)	(16.7%)
Median Defense IT				0.6x	6.9x	8.8%	13.2x	(14.0%)	(13.8%)
Maintenance, Repair and Overhaul									
AAR Corp.	02/28/09	\$485	\$892	0.6x	5.3x	11.7%	5.8x	(29.1%)	(54.0%)
Hong Kong Aircraft Engineering Co. Ltd.	06/30/08	\$1,432	\$1,399	2.2x	9.1x	24.2%	10.0x	6.6%	(47.8%)
Singapore Technologies Engineering Ltd.	12/31/08	\$4,863	\$4,906	1.3x	10.4x	12.7%	14.7x	(3.0%)	(33.9%)
Vector Aerospace Corporation	12/31/08	\$126	\$199	0.5x	5.0x	9.8%	6.2x	25.6%	(24.1%)
Average Maintenance, Repair and Overhaul				1.2x	7.5x	14.6%	9.2x	0.0%	(40.0%)
Median Maintenance, Repair and Overhaul				1.0x	7.2x	12.2%	8.1x	1.8%	(40.8%)

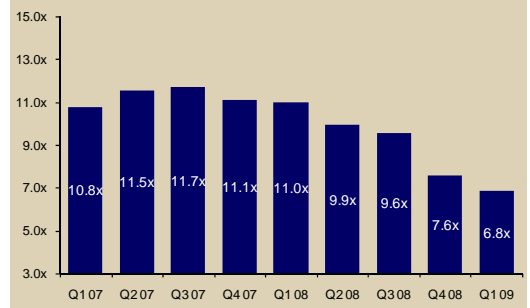
Source: Capital IQ

Aerospace Trading Multiples
Average Enterprise Value/EBITDA



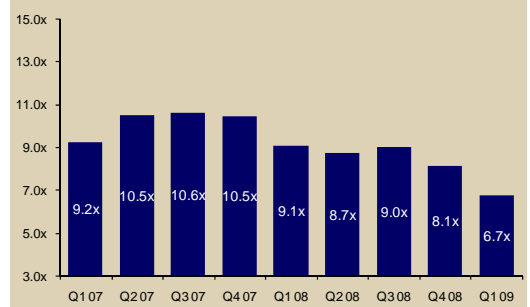
Source: Capital IQ with information compiled by Deloitte Corporate Finance LLC (www.investmentbanking.deloitte.com).

Defense Trading Multiples
Average Enterprise Value/EBITDA



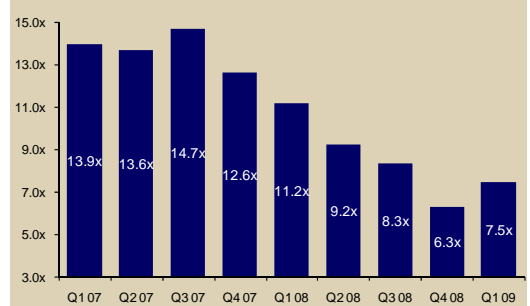
Source: Capital IQ with information compiled by Deloitte Corporate Finance LLC (www.investmentbanking.deloitte.com).

Defense IT Trading Multiples
Average Enterprise Value/EBITDA



Source: Capital IQ with information compiled by Deloitte Corporate Finance LLC (www.investmentbanking.deloitte.com).

Maintenance, Repair and Overhaul Trading Multiples
Average Enterprise Value/EBITDA



Source: Capital IQ with information compiled by Deloitte Corporate Finance LLC (www.investmentbanking.deloitte.com).

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Deloitte LLP

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[2008 U.S. Top 20 Aerospace & Defense Company Performance Wrap-up](#)

2008 could have been a record-setting financial performance year

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- Successful continuance of current large-scale programs under contract
- Effective management of cost and schedule targets while achieving mission assurance for the customer
- How they execute strategic leverage in the acquisition space
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[Economic & Market Review: First Quarter 2009](#)

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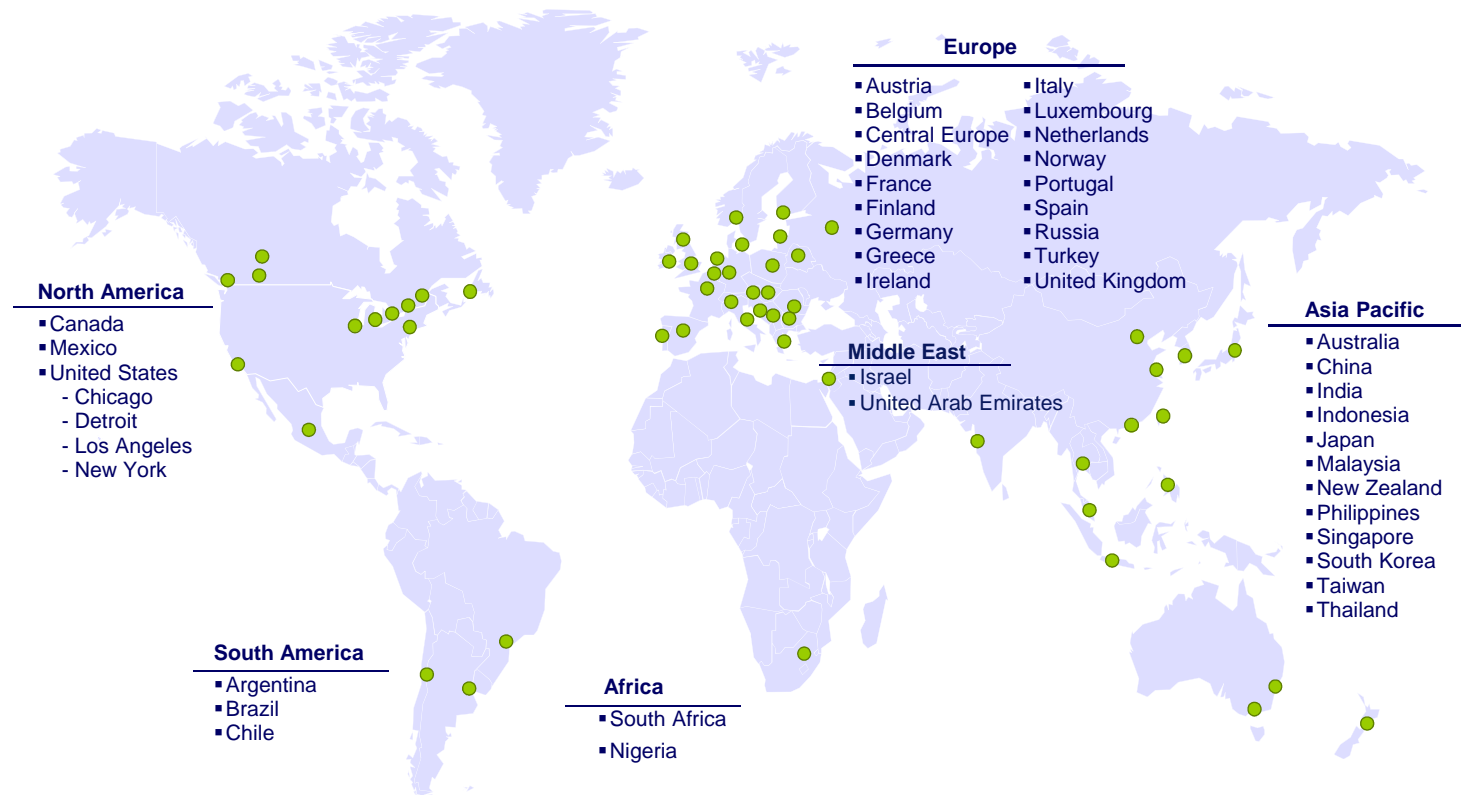
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