



Alderman & Company<sup>®</sup>

Aerospace and Defense Investment Bankers  
Representing Middle Market Sellers Since 2001

**AVIATION WEEK**  
NETWORK

**Commercial Aviation  
Suppliers Conference**

Beverly Hills  
March 2, 2022

# Mergers & Acquisitions Activity

*Impact on Suppliers*

# AGENDA

I. Our Sources of Data

II. The Data

III. What the Data Tells Us

IV. How this Impacts You

The following is a partial list of some of our past work, as of February 27, 2022

- *Public disclosures made on select transactions; click the bold text for details*
- *Numerous transactions are excluded from the list below, for privacy reasons*

**Aerox Oxygen**

**Aerotron AirPower**

**AGC Incorporated**

**Accessory Technologies Corporation**

Acorn Growth Equity Capital

**Aviation Repair Technologies**

College Airways

Commuter Air Technologies

Dixie Aerospace

Dyna Empire

**Dynamic Signals**

ESCO

**Electro-Optical Industries**

**Firan Technology Group**

Fortress Capital

**GenMech Aerospace**

Goodrich Corporation

HBV Capital

Hoffman Engineering

Hughes Bros. Aircrafters

**John Hassal**

Kratz Wilde

**LCR Embedded Systems**

Leading Edge Aviation Services

Marathon Asset Management

Mason Capital

Metalcraft Technologies

Nasco Aircraft Brake

Orn Capital

**Perfect Point**

**PHS/MWA**

**Phyre Technologies**

Precision Machine Works

**Quest Aviation**

**Rada Electronic Industries**

Reimer & Rosenthal

Ritchie Capital

S & L Aerospace

Safire Aircraft

Sandell Asset Management

**Shaw Aero Devices**

**Soundair Aftermarket**

**Soundair Repair**

Strategic Value Partners

TecoMetrix

TL Investments

**Transaero CAL**

**Ultimate Aircraft**

Universal Aerospace

UFC Aerospace

Valair Aviation

VSMPO

Wynnefield Capital

Zolo Technologies

## Sources of Data



Publicly  
available data,  
via subscription



Transaction  
experience

I. Founded 2001

II. Exclusively A&D

III. Exclusively M&A

IV. Exclusively Sell-Side



**William Alderman**  
President



**Brian Ansbikian**  
Senior Associate



**Kevin Gould**  
Managing Director,  
Aerospace



**Ryan Kirby**  
Associate



**Bruce Andrews**  
Managing Director,  
Defense



**Alexander Camaev**  
Analyst

# Client Demographics

## Clients by Business Model



## Clients by Sector

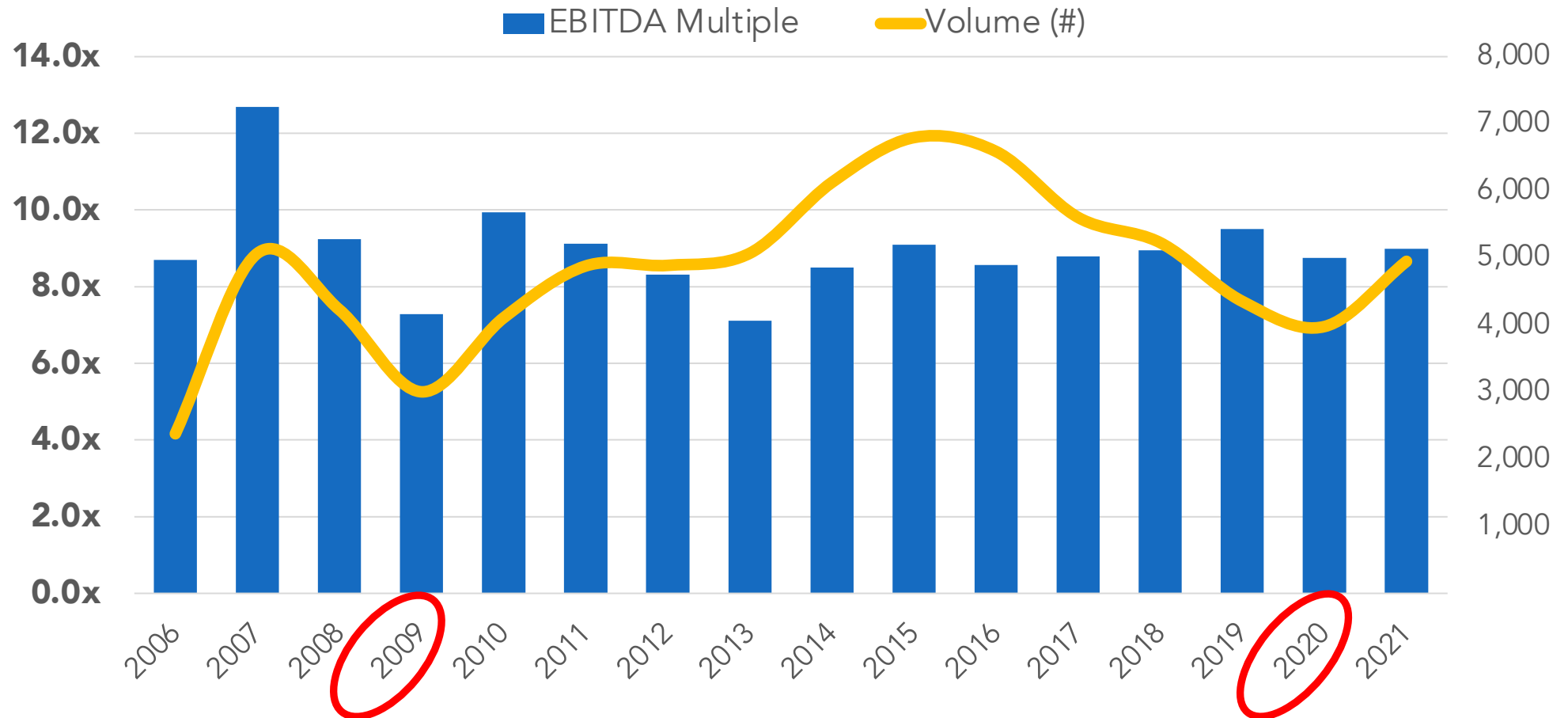


## Clients by Geography



## M&A – All Industries

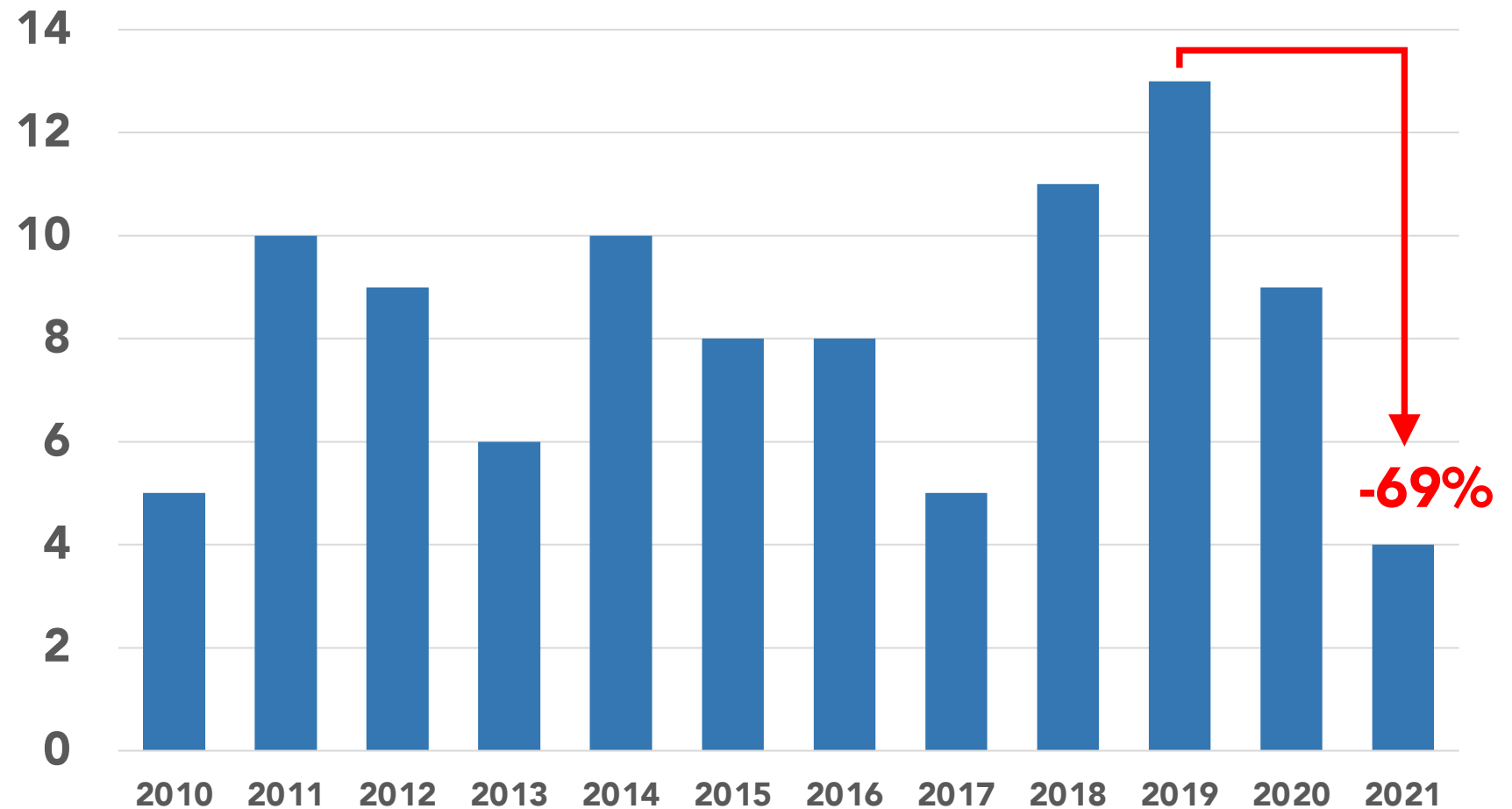
- COVID-19 had a limited impact on overall M&A
- Values and volume fell further in the Great Recession



Source: PitchBook. All announced M&A deals, all sizes, all industries

## M&A Volume - Commercial Aviation

- **Commercial Aviation Volume Fell by 69%**  
(number of disclosed deals)
- A direct result of COVID-19 and the drop in passenger traffic and industry revenues



Source: [PitchBook](#). All private middle market Commercial Aviation M&A deals with disclosed financial information.

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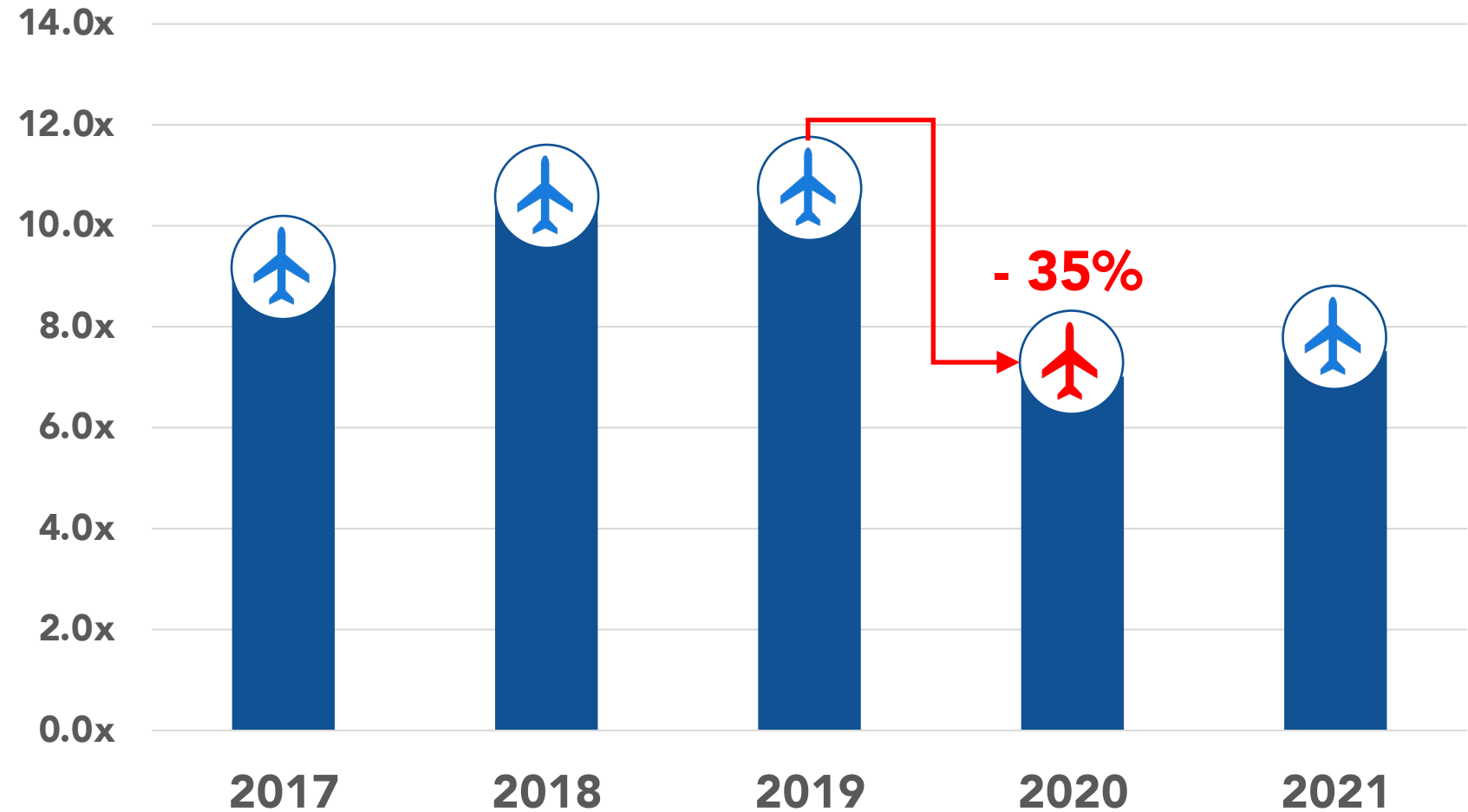
## Question 1



**What was the change in the average EBITDA multiple, due to COVID-19, for middle market commercial aviation suppliers?**

## M&A Multiples - Commercial Aviation

- Commercial Aviation private **multiples fell 35%** in 2020
- A direct result of COVID-19 and the drop in passenger traffic and industry revenues



Source:  PitchBook. All announced Commercial Aviation M&A, private companies, < \$250 million transaction value

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## Question 2



**When will multiples  
return to Pre-  
Pandemic levels,** for  
middle market  
commercial aviation  
suppliers?

## Example: Value of HEICO

- **Public Markets react much faster than private markets**
  - Because public investors trade daily
  - Whereas private prices are only set when entire companies are acquired
- As one example, **HEICO** – its value has recovered from decline in 2020 due to COVID-19



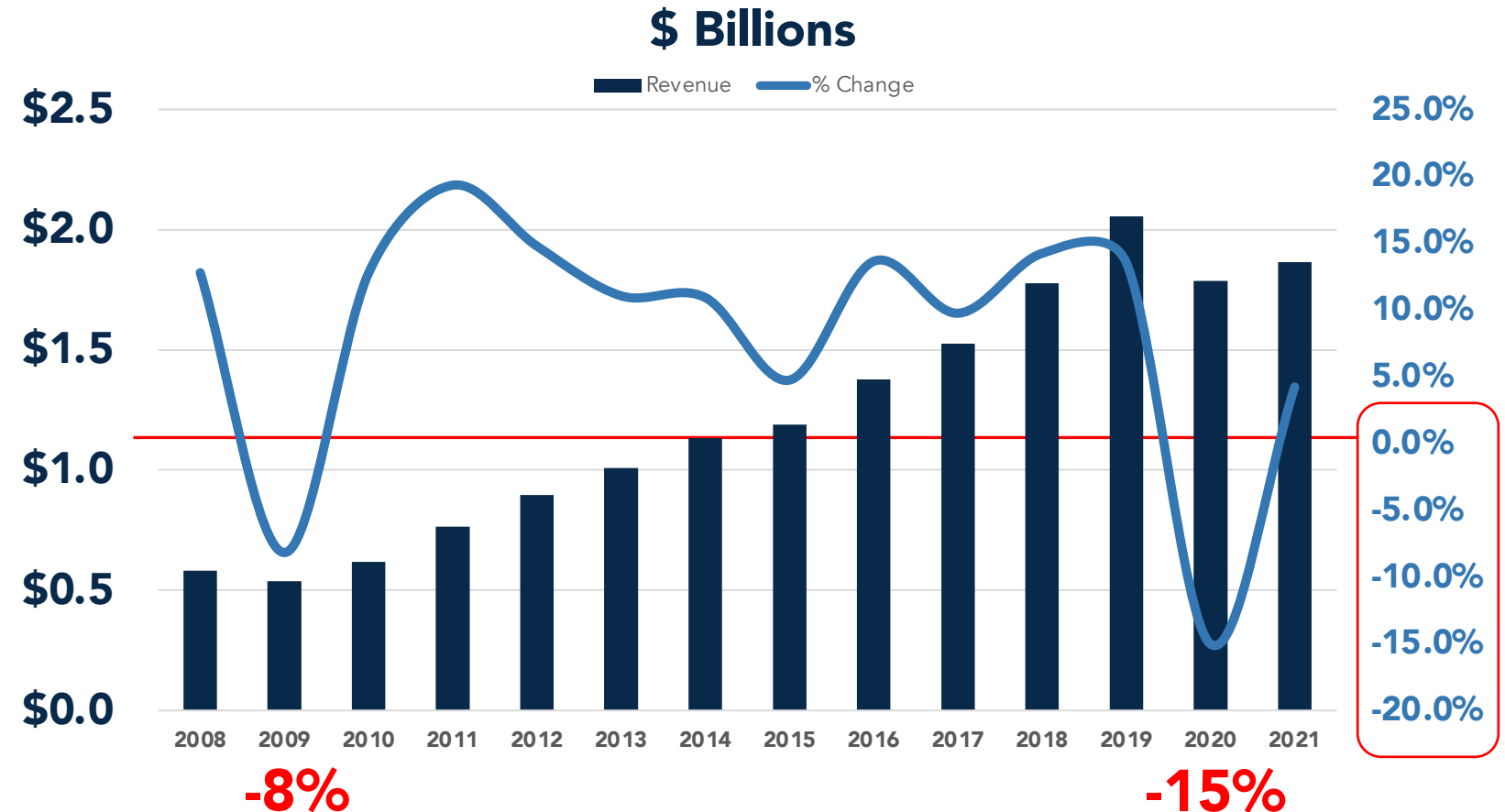
Source: [PitchBook](#). HEI closing prices 2008 – February 25, 2022

## Example: HEICO Revenue Since 2008

Heico's value is up....

....Because earnings  
are recovering

...Because revenues  
are recovering



Source: PitchBook. HEI annual revenue as reported in SEC Filings.

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## Question 3



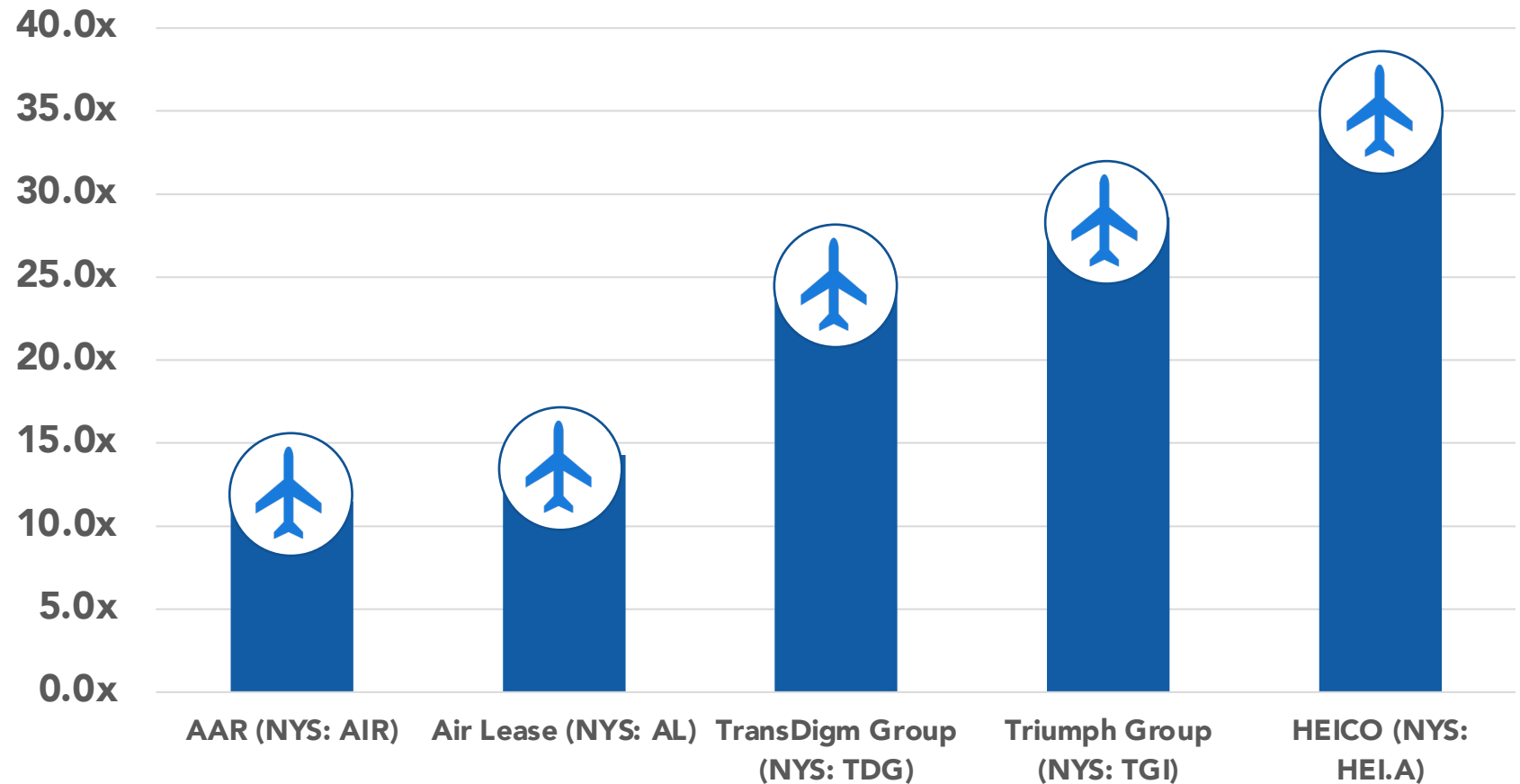
**What is HEICO's  
Current EBITDA  
Multiple, on a  
trailing year basis?**

## Public Trading Multiples Commercial Aviation

Multiples for public companies are back to pre-pandemic levels

Average players: ~**13X**

Top Tier: **25X+**



Source: PitchBook. As of close February 25, 2022

## Commentary on UAM Multiples

- Over **\$6.3 Billion** raised in last 12-months
- EBITDA Multiples are literally **infinite**
- Technically - they cannot be calculated for any of these deals because none of these businesses generate earnings yet

Company	Deal Date	Deal Size (\$Millions)	EBITDA Multiple
BETA Technologies	05/24/21	\$426	Negative
Blade Urban Air Mobility (NAS: BLDI)	05/07/21	\$365	Negative
Eve (Air)	12/21/21	\$542	Negative
Joby Aviation (NYS: JOBY)	08/12/21	\$2,435	Negative
Paragon VTOL Aerospace	06/17/21	\$1,000	Negative
Skyyrse	10/25/21	\$200	Negative
Vertical Aerospace (NYS: EVTL)	10/27/21	\$594	Negative
Volocopter	03/03/21	\$243	Negative
Wisk	01/24/22	\$450	Negative
XTI Aircraft	09/22/21	\$100	Negative

**\$6,355**

Source:  PitchBook. Select UAM announced investments since March 2, 2021

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## Question 4

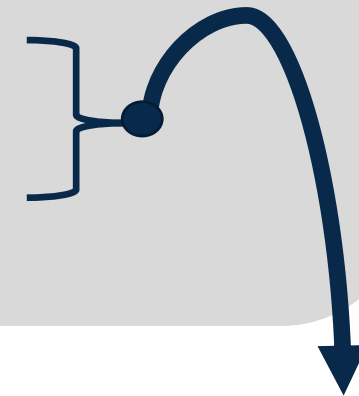


**When will Private  
company multiples  
recover** for middle  
market commercial  
aviation suppliers?

## Idiosyncrasies of Multiples

	2021	2022
Revenue	\$31.0	\$39.0
EBITDA Margin	5.0%	10.0%
EBITDA \$	\$1.6	\$3.9
<b>Value</b>	\$24.0	\$38.0
<b>Multiple</b>	15.5x	9.7x

58%  
-37%



Multiples data in a vacuum can be misleading

## What this means to Suppliers

**M&A Activity will increase**  
as the recovery accelerates

- Tier 1 activity very limited
- Tier 2 moderate activity
- **Tier 3** will become very active

Most of the acquired Tier 3 competitors will become **stronger**

- Expansion of **Sales & Marketing**
- Purchase new **PP&E**
- Expand customer **LTAs**
- Increased focus on **Lean**
- Some will become weaker due to **mismanagement** buyer integration

## What this means to Buyers

As the recovery accelerates

- **Deal Flow** will **increase** as the recovery continues
- **Multiples** will seem to **decrease** (see slide 14)
- **Prices** will **increase**

Deal Flow Will Increase As Prices Rise

## What this means to Sellers

As the recovery accelerates

- Your **Revenue** will **increase**
- Your **Earnings** will **increase**
- Your **Selling Price** will **increase**
- Your **Multiple** may actually **decline**

*“You can retire with money; you can’t retire on a multiple”*

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## Question 5



**Will M&A activity increase in the second half of 2022,**  
in the middle market  
of the commercial  
aviation supply  
chain?

## Contact Details



**William Alderman**

President

C: 914-414-4070

E: [wa@aldermanco.com](mailto:wa@aldermanco.com)

**Alderman & Company®**

35 Warrington Round

Danbury, Connecticut 06810 USA

[www.aldermanco.com](http://www.aldermanco.com)