

AEROSPACE & DEFENSE



FLIGHT PLAN

Moss Adams Flight Plan

JUNE 2020



MOSSADAMS

Flight Plan At-a-Glance - June 2020

What You Need to Know

Pandemic has Crushed Demand for Air Travel ... and for Aircraft

- Demand will not recover to pre-Covid levels for five years or more.
- Valuations for nearly all companies serving the commercial aerospace segment have fallen far more than SP500.
- The Moss Adams Aerospace Index (mid-caps) is down 36% since January 1, compared to 12% for SP500 (5/18/20).
- Boeing is down 59% since start of year. Spirit, a supplier heavily reliant on Boeing, is down 71% (5/18/20).
- The market is not expecting a fast recovery for aerospace ... as it appears to expect for the SP500 at large.

We Must Reimagine the Future of the Supply Chain

- Adapting to new work environments and employee safety needs will define successful companies.
- The decline in production and aftermarket demand will force consolidation within the supply chain.
- A healthy balance sheet and access to capital will define the leading companies in the recovery.
- Suppliers with customer diversification have seen their valuations hold strong or increase in most cases.

A New Yardstick is Required ... to Forecast and Predict Future Demand, and Consolidation

- Standard and traditional methods of forecasting and valuation will no longer apply.
- New forecasting methods will detect patterns and trends that evolve from the crisis.
- Valuation will derive from preparedness and configuration for the future work environment, not trailing earnings.

Actions to Take Now

- Revisit forecasts and projections, establishing realistic revenues and the costs of adapting to a new workplace.
- Understand your capital alternatives and ability to access capital ... possibly from non-bank sources.
- Be prepared for potential consolidation transactions ... as a Buyer or a Seller.
- Evaluate Alternative Sources of Debt ... including CARES-Act and Non-Traditional Sources of Debt



Aerospace Stocks: Hit Hard by Covid

Selected Public Companies

(\$US in millions, except where noted and per share amounts)

Company Name	Market Cap	Enterprise Value	TTM Data			EV Multiple	
			Sales	EBITDA	Margin	TTM Sales	TTM EBITDA
Moss Adams Small/Mid Cap Aerospace Index							
TransDigm Group Incorporated	20,035	36,407	5,970	2,623	43.9%	6.1x	13.9x
Spirit AeroSystems Holdings, Inc.	2,235	3,481	6,973	742	10.6%	0.5x	4.7x
Hexcel Corporation	2,536	3,596	2,287	541	23.7%	1.6x	6.6x
Teledyne Technologies Incorporated	12,106	12,862	3,203	625	19.5%	4.0x	20.6x
Triumph Group, Inc.	282	1,709	3,076	296	9.6%	0.6x	5.8x
Moog Inc.	1,508	2,561	3,026	381	12.6%	0.8x	6.7x
Curtiss-Wright Corporation	3,939	4,829	2,511	533	21.2%	1.9x	9.1x
HEICO Corporation	10,940	11,734	2,096	560	26.7%	5.6x	21.0x
AAR Corp.	610	859	2,218	143	6.5%	0.4x	6.0x
Astronics Corporation	272	446	722	67	9.3%	0.6x	6.6x
Ducommun Incorporated	327	633	722	88	12.2%	0.9x	7.2x

Median	\$3,481	\$2,511	\$533	12.6%	0.9x	6.7x
Average	\$7,193	\$2,982	\$600	17.8%	2.1x	9.8x

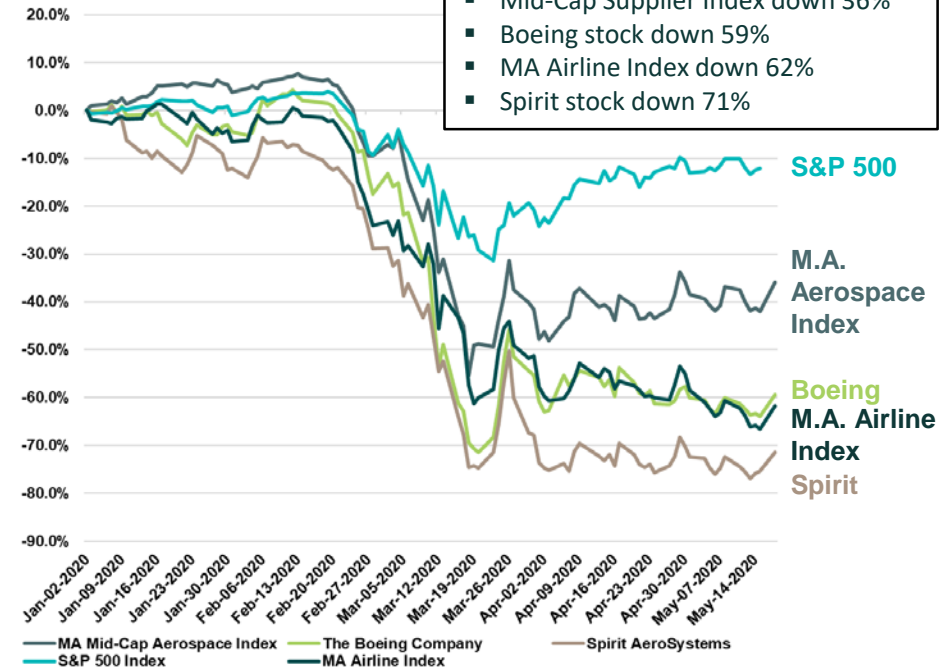
As of May 18, 2020

Moss Adams Index of 11 Mid-Cap Aerospace Suppliers

- Most segments of Aerospace down 300% to 500% more than the SP500.
- EBITDA multiples median has dropped to 6.7x.
- Boeing dependent suppliers hit the hardest.
- Market predicting an uncertain recovery over a long period ... as compared to SP500.

YTD Stock Performance

- S&P 500 Index down 12%
- Mid-Cap Supplier Index down 36%
- Boeing stock down 59%
- MA Airline Index down 62%
- Spirit stock down 71%



Stock Prices as of May 18, 2020

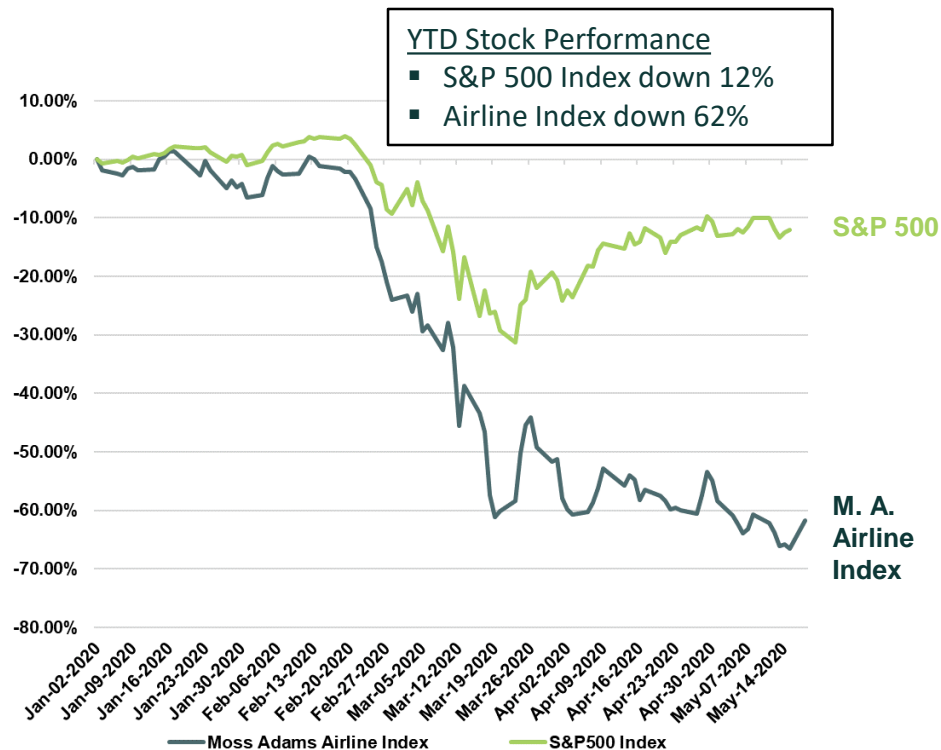
Airline Stocks Reflect the 90% Fall in Passenger Traffic

Selected Public Companies

(\$US in millions, except where noted and per share amounts)

Company Name	Market Cap	Enterprise Value	TTM Data			EV Multiple	
			Sales	EBITDA	Margin	TTM Sales	TTM EBITDA
Moss Adams Small/Mid Cap Defense Index							
Delta Air Lines, Inc.	13,886	31,988	45,127	7,627	16.9%	0.7x	4.2x
American Airlines Group Inc.	4,174	34,671	43,699	4,512	10.3%	0.8x	7.7x
United Airlines Holdings, Inc.	7,008	25,216	41,649	5,403	13.0%	0.6x	4.7x
Alaska Air Group, Inc.	3,561	5,339	8,541	1,301	15.2%	0.6x	4.1x
Southwest Airlines Co.	15,966	16,837	21,513	3,389	15.8%	0.8x	5.0x
	Median	\$25,216	\$41,649	\$4,512	15.2%	0.7x	4.7x
	Average	\$22,810	\$32,106	\$4,446	14.2%	0.7x	5.1x

As of May 18, 2020



Moss Adams Index of Five Airlines

- EBITDA multiples median and average have declined to 4.7x and 5.1x, respectively.
- Sales down significantly due to restrictions and risks related to travel.
- Market expects demand for air travel to recover slowly over five years.

Stock Prices as of May 18, 2020

How Long Will it Take ?

How long it will take for the industry to return to some level of normalcy ?



Boeing and Airbus production will remain lower for years.



The new 737Max Fleet is parked.



Airlines have parked a majority of their active Fleet.



Reimagining the Future ... Every Supplier Must Do This Now

- The industry will not return to its pre-COVID configuration, economics, or demand levels.
- The traditional methods of employing workers, occupying facilities and engaging customers will change.
- Adapting to new work environments will influence the level of engagement and orders with customers.
- The Supply Chain will be reconfigured by consolidation, partnering and shared risks.
- Consolidation, capital infusions, valuation shifts, and increased M&A will commence in Q3 and Q4.

We Need a New Yardstick

Standard and traditional forecasting models no longer apply.

OEM Production Rates, Long-Term Agreements, and Trailing Revenue and EBITDA are no longer predictive of the next few years.

When the turmoil in the airline industry does stabilize, "the commercial market will be smaller, and our customers' needs will be different." ... Boeing CEO David Calhoun. (April 27, 2020)

"There's a lot of pain to come yet, and a very lot of tough decisions on production volumes" ... Greg Hayes, Raytheon Technologies CEO, on the potential 50% decline of both commercial aircraft and aftermarket sales. (May 8, 2020)



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Finding a New Yardstick for Suppliers to Plan the Future

- Each supplier must look at the situation from a far-reaching perspective to see underlying patterns or long-term trends that will likely emerge from the apparent chaos.
- Scenario modeling that derives inputs from future trends and patterns will replace traditional models that rely on prior year performance for underlying support.
- New forecasting tools will draw input from multiple sources, detecting patterns, trends and regulatory requirements that will define new future air travel.

Defense Stocks Track Closely with S&P 500

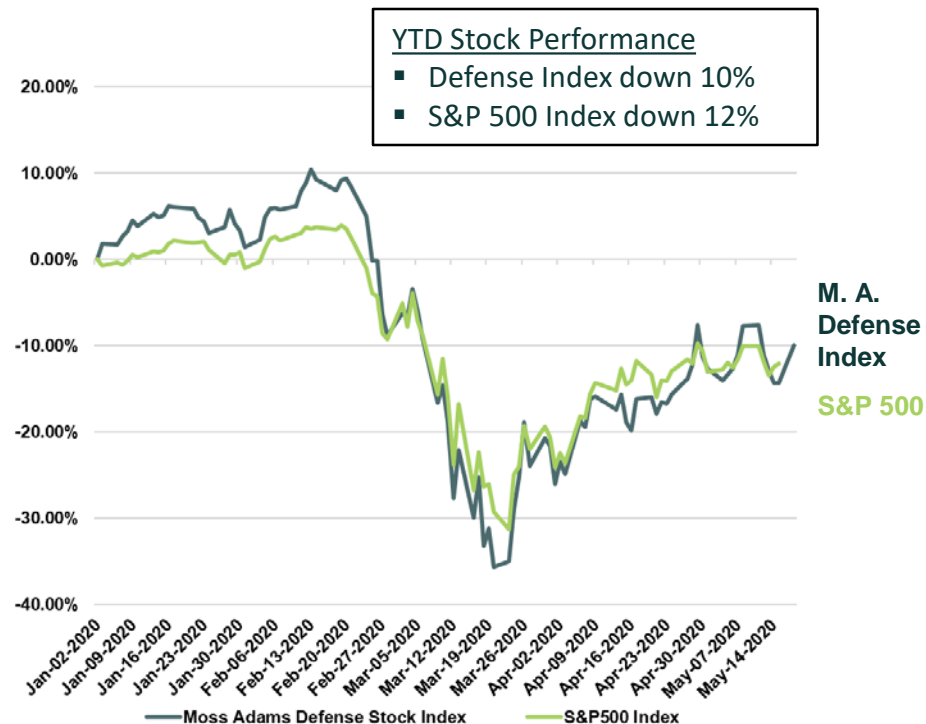
Selected Public Companies

(\$US in millions, except where noted and per share amounts)

Company Name	Market Cap	Enterprise Value	TTM Data			EV Multiple	
			Sales	EBITDA	Margin	TTM Sales	TTM EBITDA
Moss Adams Small/Mid Cap Defense Index							
FLIR Systems, Inc.	6,023	6,591	1,893	392	20.7%	3.5x	16.8x
Aerojet Rocketdyne Holdings, Inc.	3,123	2,899	1,966	277	14.1%	1.5x	10.5x
Kratos Defense & Security Solutions, Inc.	1,810	2,045	726	62	8.5%	2.8x	33.3x
AeroVironment, Inc.	1,558	1,288	320	45	13.9%	4.0x	28.9x
Cubic Corporation	1,128	2,019	1,504	120	8.0%	1.3x	16.8x
Comtech Telecommunications Corp.	435	582	679	76	11.3%	0.9x	7.6x
Mercury Systems, Inc.	4,738	4,605	756	140	18.5%	6.1x	32.8x
Teledyne Technologies Incorporated	12,106	12,862	3,203	625	19.5%	4.0x	20.6x
OSI Systems, Inc.	1,319	1,605	1,197	160	13.4%	1.3x	10.0x

Median	\$2,045	\$1,197	\$140	13.9%	2.8x	16.8x
Average	\$3,833	\$1,361	\$211	14.2%	2.8x	19.7x

As of May 18, 2020



Moss Adams Index of 9 Mid-Cap Defense Companies

- EBITDA multiples median and average have recovered to around 17x and 20x, respectively.
- Cybersecurity continues to receive highest valuations.
- Defense index keeps pace with broader S&P 500.

Stock Prices as of May 18, 2020

Financing is Strategic. Debt is Strategic.

How you finance the Company is a crucial strategic decision.

The implications of financing decisions will affect operations, future growth, consolidation, shareholder value, and possibly even survival.

In today's capital market, there are many different forms of debt capital available, and the cost of capital is .

Evaluating the alternatives ... and being ready to access capital, is an important strategic activity.

CARES Act presents new debt alternatives for companies of all sizes.

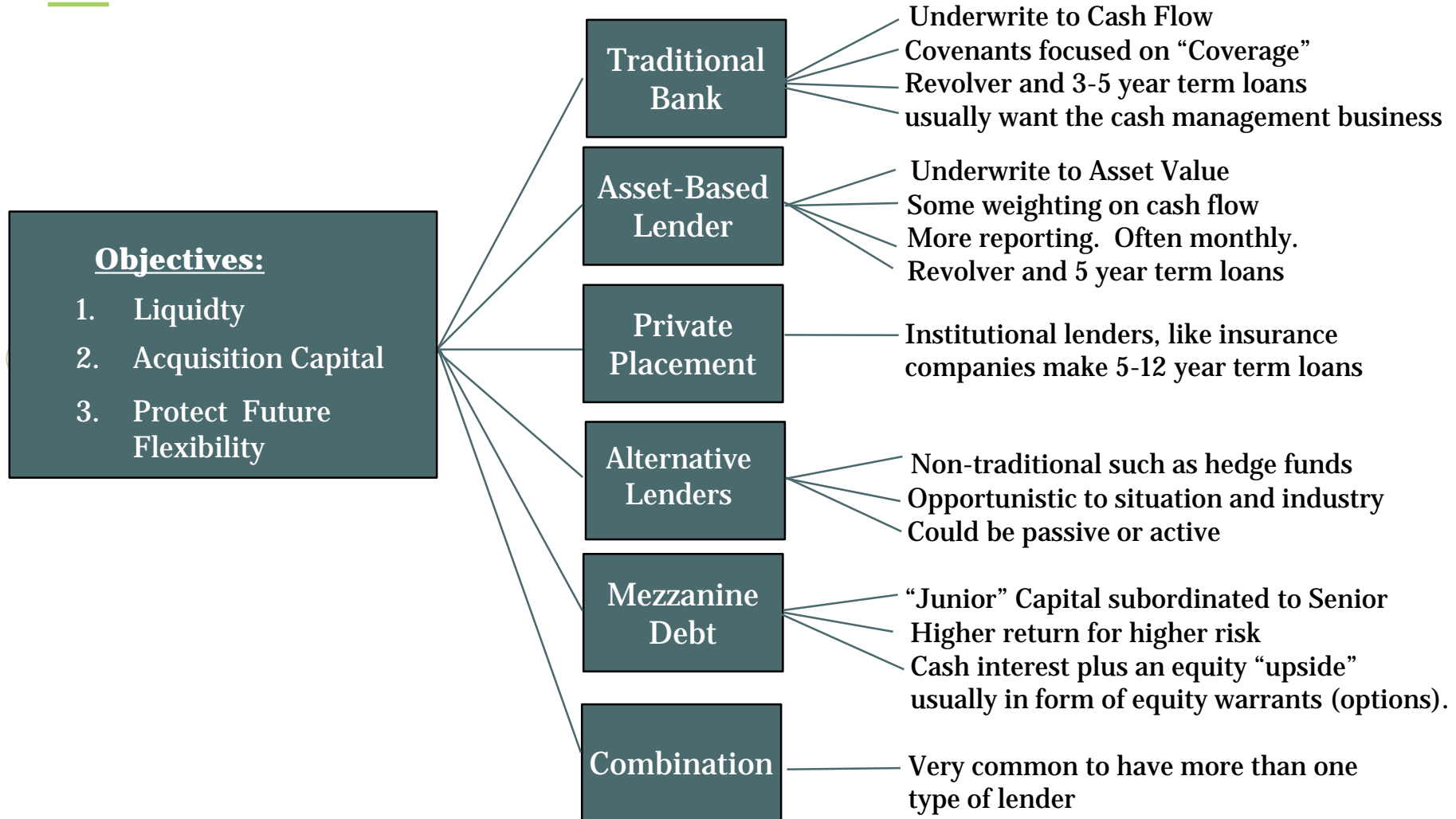


CARES Act Creates New Debt Alternatives

- SBA 7(A) Loan Expansion and Paycheck Protection Program (PPP)
- SBA Economic Injury Disaster Loan Program (EIDL)
- Federal Reserve Bank Main Street Lending Program
- Traditional Commercial Bank Lenders
- Non-Traditional Lenders and Specialty Lenders
- Junior & Mezzanine Debt Providers
- “Structured Equity” and Preferred “Quasi-Equity” Investors

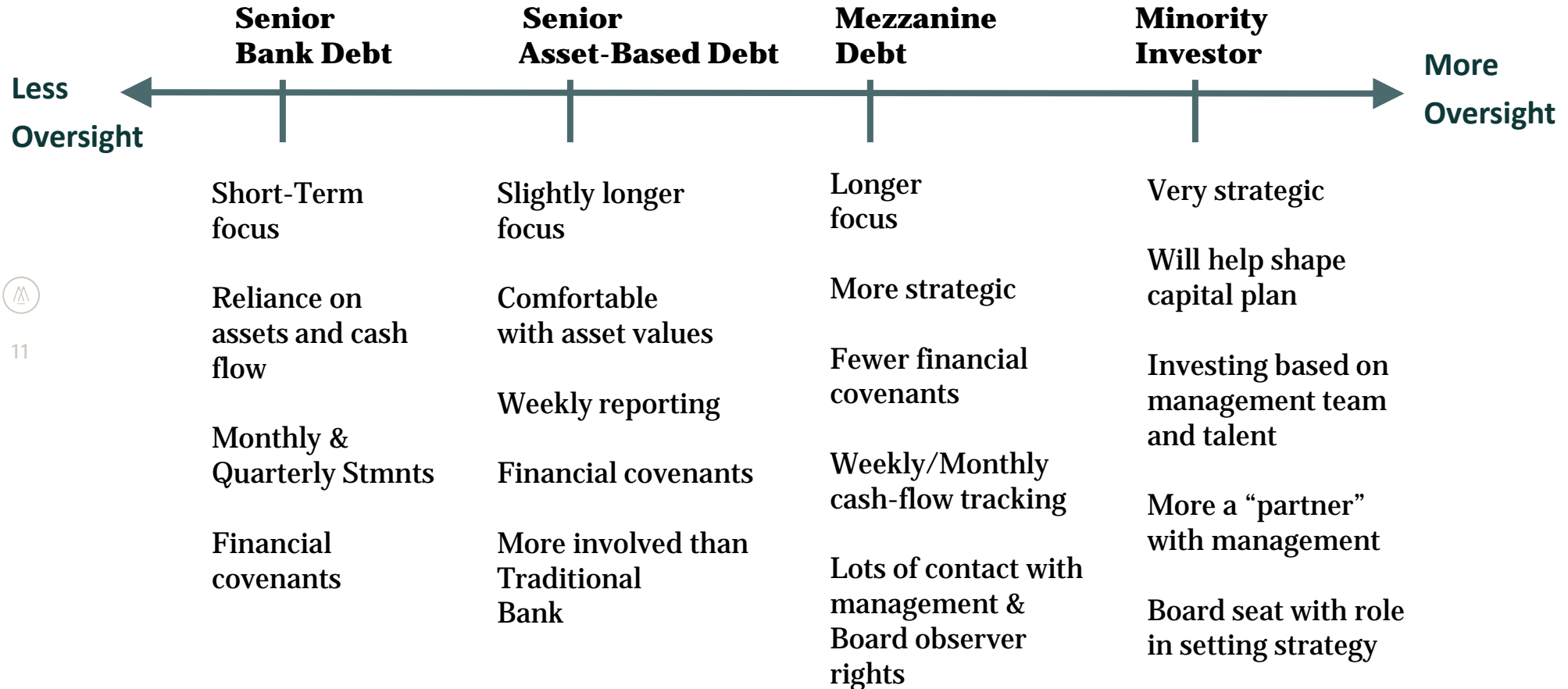


Liquidity: Alternative Sources of Capital



Accountability and Control

Different Lenders require different levels of oversight



Moss Adams: Your Aerospace Deal Partner

Regardless of your transaction size or geographic footprint, we're committed to helping you cultivate transaction value.

Timely, Decisive Support

The success of your transactions hinges on well-timed input.

We equip you with time-sensitive data and deal points to address issues and refine your strategy.

Single Point of Contact

When you're working with complex stakeholder teams, clear and constructive communication is vital.

A key leader on your Moss Adams engagement team will deploy resources where needed and serve as your frontline point person

Deal Flow

Keeping a pulse on prospective investments is imperative.

We can facilitate introductions to select client organizations whose operations we know firsthand, including many midsize companies.

A Life-Cycle Approach to Client Service

Your mission to create value is constant.

From acquisition to exit and all points between, we provide guidance to help you in each stage of the investment life cycle.



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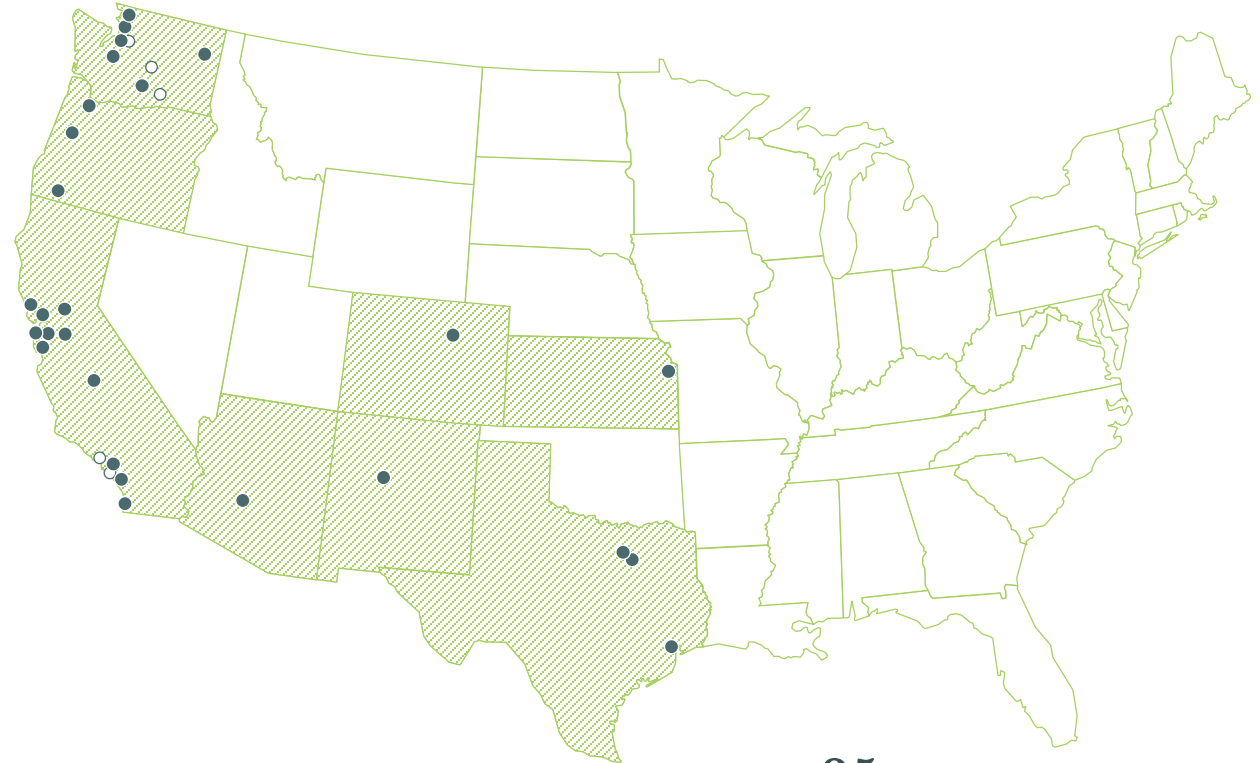


250+ Aerospace & Defense Clients

20+ Aerospace M&A transactions advised in 2019

- ARIZONA**
Phoenix
- CALIFORNIA**
Fresno
Los Angeles
Manhattan Beach
Napa
Orange County
Silicon Valley
Sacramento
San Diego
San Francisco
Santa Rosa
Stockton
Walnut Creek
Woodland Hills
- COLORADO**
Denver
- KANSAS**
Kansas City
- NEW MEXICO**
Albuquerque

- OREGON**
Eugene
Medford
Portland
- TEXAS**
Dallas
Houston
- WASHINGTON**
Bellingham
Everett
Issaquah
Seattle
Spokane
Tacoma
Tri-Cities
Wenatchee
Yakima



●	Moss Adams Location
○	Satellite

◀ **25+**
locations west of
the Mississippi



Praxity Partners: Access to Global Markets

Our Global Reach



▶ 100+
countries served
through Praxity, AISBL



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United States

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Bermuda
Brazil
Cayman Islands
Chile
Colombia
Costa Rica
Dominican Republic
El Salvador
Guatemala
Honduras
Jamaica
Mexico
Nicaragua
Panama
Peru
Puerto Rico
Uruguay
Venezuela

EUROPE

Austria
Azerbaijan
Belgium
Bosnia-Herzegovina
Croatia
Cyprus
Czech Republic
Denmark
Estonia
Finland
France
Germany
Greece
Hungary
Iceland
Ireland
Italy
Jersey
Luxembourg
Malta
Netherlands
Norway
Poland
Portugal
Romania
Russia
Serbia
Slovakia
Slovenia
Spain
Sweden
Switzerland
Turkey
United Kingdom
Ukraine

MIDDLE EAST

Bahrain
Israel
Jordan
Kuwait
Lebanon
Oman
Pakistan
Palestinian territories
Qatar
Saudi Arabia
Tajikistan
United Arab Emirates

AFRICA

Algeria
Angola
Benin
Botswana
Cameroon
Cape Verde
Djibouti
Egypt
Ghana
Ivory Coast
Kenya
Lesotho
Madagascar
Mauritius
Morocco
Namibia
Nigeria
Senegal
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AUSTRALASIA

Australia
New Zealand





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