



# The Canadian Aerospace and Defence Market

**Conditions are ideal for  
more M&A activity**

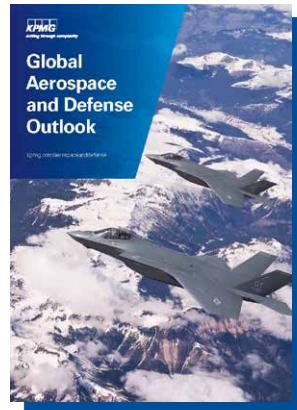
With ideal conditions for increased merger and acquisition (M&A) activity in the Aerospace & Defense (A&D) sector, we expect continued consolidation in the sector driven by the following factors:

- OEMs and Tier 1 players are forcing their suppliers to accept more risk and innovate as supply chain reorganization is high on the agenda
- Larger companies are looking to refocus their portfolios with new products, services and technologies
- The depreciation of the Canadian dollar vis-à-vis the US dollar
- The availability of equity capital and debt financing in a sustained low interest rate environment

There are approximately 700\* A&D companies in Canada including many manufacturers and service providers who are under pressure to grow, reduce costs and innovate. Our market intelligence suggests that R&D spending is increasing.

**"A&D organizations know they need to innovate in order to remain competitive in the long term,"** says Doug Gates, KPMG Global Head of Aerospace & Defense and Industrial Manufacturing.

For further insights and discussion of issues currently facing A&D organizations, refer to KPMG's 2015 *Global Aerospace and Defense Outlook* at [kpmg.ca/globalaerospace2015](http://kpmg.ca/globalaerospace2015)



## VALUATIONS OF PUBLICLY-TRADED A&D COMPANIES (ranked by Enterprise Value in Canadian dollars)

Company	Country	Capitalization		LTM Multiples				NTM Multiples			
		Market Cap.	Enterprise Value	EV/Revenue	EV/EBITDA	EV/EBIT	P/E	EV/Revenue	EV/EBITDA	EV/EBIT	P/E
United Technologies Corporation	United States	106,501	131,750	1.5x	8.6x	10.3x	13.7x	1.7x	9.1x	11.0x	14.8x
The Boeing Company	United States	122,190	118,536	1.0x	10.0x	12.6x	18.6x	1.0x	8.7x	10.4x	16.1x
Honeywell International Inc.	United States	97,299	98,159	1.9x	10.1x	11.6x	16.0x	1.9x	9.0x	10.0x	14.8x
Lockheed Martin Corporation	United States	84,977	91,787	1.5x	11.4x	13.1x	17.8x	1.6x	10.3x	12.1x	17.4x
Airbus Group SE	Netherlands	64,160	63,586	0.7x	9.8x	17.5x	16.9x	0.7x	6.7x	10.2x	16.1x
General Dynamics Corporation	United States	59,221	58,442	1.5x	10.0x	11.2x	16.4x	1.4x	9.6x	10.7x	15.5x
Northrop Grumman Corporation	United States	42,501	48,265	1.6x	10.8x	12.4x	17.1x	1.6x	10.5x	12.0x	17.3x
Precision Castparts Corp.	United States	41,372	46,636	3.8x	13.3x	15.1x	23.1x	3.5x	11.6x	13.1x	18.0x
Safran SA	France	42,403	45,161	1.9x	10.5x	14.6x	NM	1.7x	9.6x	12.8x	18.0x
BAE Systems plc	United Kingdom	28,685	32,442	1.0x	10.4x	13.8x	20.9x	0.9x	7.9x	9.2x	11.7x
Rolls Royce Holdings plc	United Kingdom	24,757	26,201	1.0x	7.9x	10.4x	NM	1.0x	6.5x	10.5x	13.3x
TransDigm Group Incorporated	United States	15,069	24,444	7.8x	17.5x	19.0x	29.0x	6.0x	14.0x	14.8x	20.8x
Dassault Systemes SA	France	25,931	24,356	6.7x	NM	NM	NM	5.6x	16.3x	18.4x	29.6x
Finmeccanica SpA	Italy	10,094	18,129	0.9x	8.6x	13.2x	NM	1.0x	7.0x	10.5x	16.0x
Rockwell Collins Inc.	United States	14,297	16,948	2.6x	11.4x	13.6x	17.1x	2.4x	10.2x	12.3x	15.9x
Textron Inc.	United States	13,829	16,663	1.0x	8.2x	11.6x	16.5x	0.9x	7.7x	9.3x	14.2x
Bombardier Inc.	Canada	3,510	10,703	0.4x	7.9x	10.5x	NM	0.4x	7.6x	13.2x	12.1x
Spirit AeroSystems Holdings, Inc.	United States	8,658	8,902	1.1x	6.7x	7.9x	17.3x	1.0x	6.4x	8.1x	12.1x
Embraer S.A.	Brazil	6,487	8,583	1.4x	13.1x	16.5x	NM	1.1x	7.7x	11.5x	12.9x
B/E Aerospace Inc.	United States	6,018	8,301	2.5x	14.0x	16.0x	NM	2.3x	10.3x	12.4x	14.1x
Hexcel Corp.	United States	5,647	6,388	2.6x	12.0x	14.8x	17.8x	2.4x	10.6x	13.2x	17.5x
CAE Inc.	Canada	3,892	4,950	2.2x	11.2x	17.9x	19.0x	2.0x	8.7x	13.4x	17.1x
Triumph Group, Inc.	United States	2,687	4,571	0.9x	9.9x	11.9x	12.4x	0.9x	5.7x	7.3x	7.5x
Macdonald Dettwiler & Associates Ltd.	Canada	2,764	3,563	1.7x	11.5x	15.1x	NM	1.6x	9.2x	13.7x	12.6x
Barnes Group Inc.	United States	2,707	3,226	2.1x	9.5x	13.3x	16.9x	1.9x	8.4x	11.5x	14.3x
Magellan Aerospace Corp.	Canada	1,054	1,272	1.5x	9.9x	13.1x	15.8x	1.3x	8.1x	10.6x	13.5x
Heroux-Devtek Inc.	Canada	436	551	1.5x	11.7x	19.2x	NM	1.3x	9.3x	15.6x	NA
COM DEV International Ltd.	Canada	403	449	2.0x	19.0x	NM	NM	1.8x	8.8x	14.0x	18.2x

### Valuation Multiples Summary

Minimum				0.4X	6.7X	7.9X	12.4X	0.4X	5.7X	7.3X	7.5X
Median				1.5X	10.4X	13.2X	17.1X	1.6X	8.9X	11.7X	15.5X
Average				2.0X	10.9X	13.7X	17.9X	1.8X	9.1X	11.9X	15.6X
Maximum				7.8X	19.0X	19.2X	29.0X	6.0X	16.3X	18.4X	29.6X
Lower quartile				1.0X	9.6X	11.7X		1.0X	7.7X	10.5X	13.4X
Upper quartile				2.1X	11.6X	15.1X		1.9X	10.2X	13.2X	17.3X

Source: Capital IQ

\*Canada's Aerospace Industry – Industry Statistics, <http://www.aiac.ca/canadas-aerospace-industry/industry-statistics/>

## CANADIAN M&A ACTIVITY IN THE A&D SECTOR (Canadian acquirer or target only)

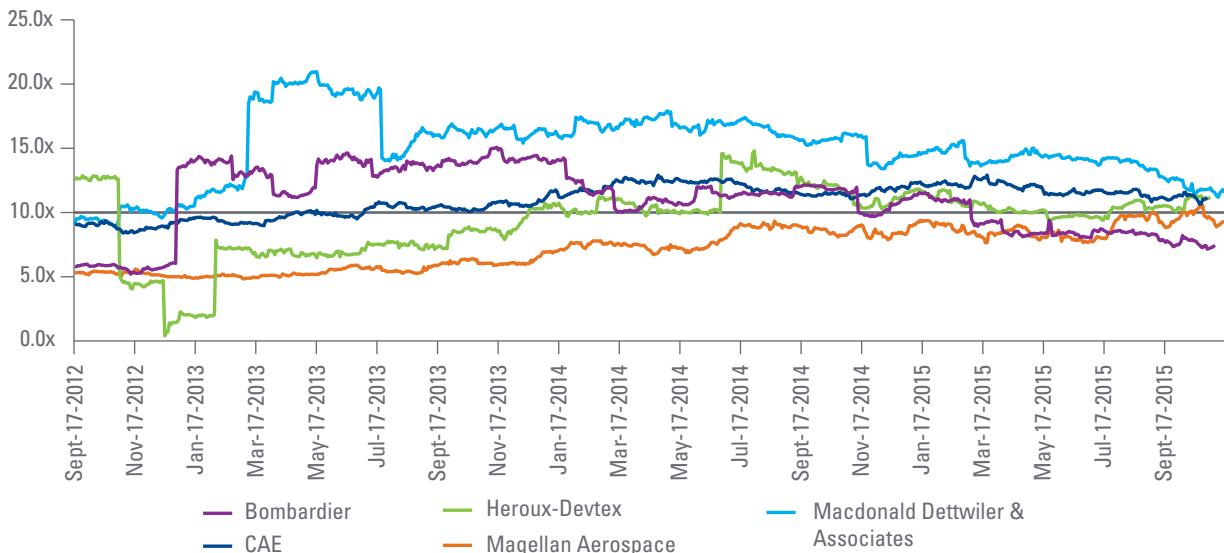
### Precedent Transactions Featuring Acquirers and Targets (CAD millions)

Target	Acquirer	Country of Target	Country of Buyer	Status	Announce Date	Closed Date	Enterprise Value	EV/LTM Sales	EV/LTM EBITDA
<b>2015: Closed &amp; Announced M&amp;A Transactions</b>									
Noranco Inc.	Precision Castparts Corp.	Canada	U.S.A.	Announced	7/27/2015	NA	729.6	NA	NA
Customs Products, Inc. and CPI-Aero Services, LLC	FELLFAB Limited	U.S.A.	Canada	Closed	9/1/2015	9/1/2015	NA	NA	NA
Draganfly Innovations Inc.	Trace Live Network Inc.	Canada	U.S.A.	Closed	7/23/2015	7/23/2015	NA	NA	NA
Federal Resources Supply Company	Alaris Royalty Corp.	U.S.A.	Canada	Closed	7/1/2015	7/1/2015	NA	NA	NA
Deimos Imaging, S.L. and DOT Imaging, S.L.U.	UrtheCast International Corp.	Spain	Canada	Closed	6/22/2015	7/15/2015	103.9	NA	NA
Cassidan Test & Services	AirBoss-Defense Inc.	U.S.A.	Canada	Closed	6/17/2015	7/24/2015	82.8	2.7X	12.7X
BLS Textiles, Inc.	DEW Engineering and Development ULC	Canada	Canada	Closed	6/8/2015	6/8/2015	NA	NA	NA
Tecnickrome Aeronautique Inc.	SPP Canada Aircraft, Inc.	Canada	Canada	Closed	6/5/2015	6/5/2015	NA	NA	NA
Euravia Engineering & Supply Co. Ltd	Magellan Aerospace Corp.	U.K.	Canada	Closed	5/15/2015	5/15/2015	56.5	2.2X	NA
DW International Ltd.	Navtech, Inc.	U.K.	Canada	Closed	4/30/2015	4/30/2015	NA	NA	NA
Avborne Accessory and Sonic Industries and Sargent Aerospace & Defense and Sargent Aerospace Canada	Roller Bearing Company of America, Inc.	Canada	U.S.A.	Closed	3/26/2015	4/24/2015	623.6	2.6X	NA
Provincial Aerospace Ltd.	Exchange Income Corporation	Canada	Canada	Closed	11/12/2014	1/2/2015	246.0	1.3X	10.0X
<b>2014: Closed M&amp;A Transactions</b>									
CAE Melbourne Flight Training Pty Ltd.	Shanghai Eastern Flight Training Co. Ltd.	Canada	China	Closed	12/31/2014	12/31/2014	NA	NA	NA
Procesos Termicos S.A. DE C.V.	Noranco Inc.	Mexico	Canada	Closed	11/27/2014	11/27/2014	NA	NA	NA
80% of MSB Design Inc. and 80% of MSB Ressources Globales Inc.	Sogecclair Aerospace S.A.S	Canada	France	Closed	11/13/2014	11/14/2014	15.0	0.5X	NA
Stauffer Aero Limited	Pro Aero Aviation Ltd.	Canada	Canada	Closed	11/12/2014	11/12/2014	NA	NA	NA
Tactical Technologies Inc.	Selex ES S.p.A.	Canada	Italy	Closed	10/22/2014	10/22/2014	NA	NA	NA
Liberty Airport Systems Inc.	Safegate International AB	Canada	Sweden	Closed	10/20/2014	10/20/2014	NA	NA	NA
Bluedrop Performance Learning Inc.	Name 3 Capital Inc.	Canada	Canada	Closed	6/27/2014	6/27/2014	10.2	0.8X	NM
AeroQuest Inc.	GAL Aerospace Corp.	United States	Canada	Closed	4/3/2014	4/3/2014	NA	NA	NA
Beechcraft Corporation	Textron Inc.	Canada	United States	Closed	12/26/2013	3/14/2014	1,475.4	NA	NA
Panacis Inc.	Revision Military, Inc.	Canada	U.S.A.	Closed	2/21/2014	2/21/2014	NA	NA	NA
LUXELL Limited	Star Navigation Systems Group Ltd.	Canada	Canada	Closed	2/20/2014	3/31/2014	1.4	NA	NA
<b>2013: Closed M&amp;A Transactions</b>									
Excalibur Crossbows, Inc.	Extreme Technologies, Inc.	Canada	U.S.A.	Closed	12/31/2013	12/31/2013	NA	NA	NA
Avcorp Industries Inc.	Panta Holdings B.V.	Canada	Netherlands	Closed	12/31/2013	12/31/2013	NA	NA	NA
Arnold Engineering, Inc.	Noranco Inc.	U.S.A.	Canada	Closed	12/30/2013	12/30/2013	NA	NA	NA
DialFonZo-Copter	RobotShop Distribution inc.	Canada	Canada	Closed	12/6/2013	12/6/2013	NA	NA	NA
Advanced Training Systems International, Inc.	Discovery Air Defence Services Inc.	U.S.A.	Canada	Closed	12/5/2013	12/17/2013	7.7	NA	NA
Mechtronix Systems Inc.	Textron Inc.	Canada	U.S.A.	Closed	11/22/2013	12/6/2013	NA	NA	NA
Atlantis Systems Corp.	Bluedrop Performance Learning Inc.	Canada	Canada	Closed	11/10/2013	12/31/2013	15.3	1.9X	NM
Allen-Vanguard Corp., Med-Eng Bomb Disposal Suit And Crew Survivability Group	Safariland, LLC	Canada	U.S.A.	Closed	9/23/2013	9/23/2013	NA	NA	NA
Bombardier Aerospace Corporation	Directional Aviation	Canada	U.S.A.	Closed	9/4/2013	12/4/2013	120.8	NA	NA
Equipement Militaire Mil-Quip, Inc (nka:Mil-Quip Groupe Tulmar)	Tulmar Group	Canada	Canada	Closed	8/22/2013	8/22/2013	NA	NA	NA
General Donlee Canada, Inc. (nka:Triumph Gear Systems – Toronto, ULC)	Triumph Aerospace Systems Group LLC	Canada	U.S.A.	Closed	8/14/2013	10/4/2013	114.0	2.2X	12.4X
CFN Precision Ltd.	SPP Canada Aircraft, Inc.	Canada	Canada	Closed	4/30/2013	4/30/2013	NA	NA	NA
Noranco Inc.	MidOcean Partners; Public Sector Pension Investment Board; MidOcean Partners III, L.P.	Canada	U.S.A.	Closed	4/2/2013	4/2/2013	NA	NA	NA
Regional One, Inc.	Exchange Income Corporation	U.S.A.	Canada	Closed	2/28/2013	4/12/2013	99.3	NA	NA
<b>Minimum</b>								<b>0.5X</b>	<b>10.0X</b>
<b>Median</b>								<b>2.0X</b>	<b>12.4X</b>
<b>Average</b>								<b>1.8X</b>	<b>11.7X</b>
<b>Maximum</b>								<b>2.7X</b>	<b>12.7X</b>

Source: Capital IQ

## CANADIAN M&A ACTIVITY IN THE A&D SECTOR (Canadian acquirer or target only)

### A&D EV/LTM EBITDA Performance (Last 3 Years)



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