

Quazar Report – Aerospace & Defense Industry

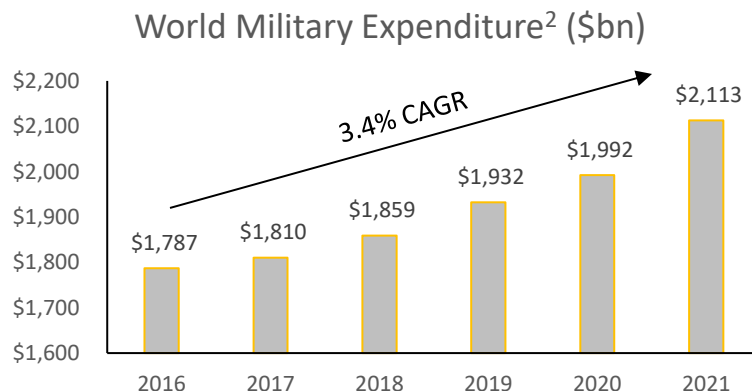
Q3 2022

Estimated Read Time: 4 minutes

The Aerospace and Defense Industry is comprised of several segments, including: Commercial and Military Aviation, Space Systems, Ground Defense, and Shipbuilding. The Commercial Aviation segment, which accounts for roughly two-thirds of total aircraft being manufactured, is primarily driven by airline activity as well as air cargo transportation providers. The other segments are largely driven by worldwide military expenditure.¹

Recently, businesses in this industry have benefitted from a pickup in overall demand for aircraft. Prior to the pandemic, the commercial aviation segment had slowed down in activity due to weakening economic growth from emerging market countries causing new aircraft orders and deliveries to fall. This softer environment was extended into 2020 by the decline in worldwide air travel caused by Covid-19 pandemic. This decline caused many industry suppliers to seek out consolidation opportunities in the M&A market. However, since 2020, this segment has seen a significant rebound in activity with industry revenue rising 12.2% in 2021 and an anticipated increase of 16.4% in 2022 due to a normalization in consumer travel and a demand for newer more fuel efficient aircraft from the major airlines¹.

The other major Aerospace and Defense demand driver has been world military expenditure, which has grown at a 3.4% CAGR from 2016 – 2021 topping \$2 trillion in 2021². Defense spending is expected to see continued growth due in large part to the invasion of Ukraine. Several European countries in particular have already announced significant increases to their defense budgets.



Sources:

1. "Aircraft, Engine & Parts Manufacturing in the US." Error, <https://my.ibisworld.com/us/en/industry/33641a/industry-performance>.
2. World Military Expenditure, SIPRI Milex, <https://milex.sipri.org/sipri>. Accessed 18 May 2022.
3. "Diverse Suppliers Bring Big Value to Boeing and Their Communities." Boeing, <https://www.boeing.com/features/2020/07/diverse-suppliers-bring-big-value-to-boeing-and-their-communities.page>
4. "Lockheed Martin Recognizes Outstanding Suppliers." Lockheed Martin, 21 Sept. 2020, <https://www.lockheedmartin.com/en-us/news/features/2020/lockheed-martin-recognizes-outstanding-suppliers.html>
5. "Suppliers." BAE Systems | United States, <https://www.baesystems.com/en-us/what-we-do/suppliers#>.
6. Transparency in Supply Chains Preventing Human Trafficking. <https://www.l3harris.com/sites/default/files/2020-08/L3Harris-Human-Trafficking-Statement.pdf>.
7. Lawler, Dave. "Global Military Spending Tops \$2 Trillion for First Time, Led by U.S." Axios, 25 Apr. 2022, <https://www.axios.com/2022/04/25/countries-highest-military-spending-us-china>.
8. "Budget Basics: National Defense." Peter G. Peterson Foundation, 2 Aug. 2021, <https://www.pgpf.org/budget-basics/budget-explainer-national-defense>.

Key Trends/Industry Data Points

- The US based Aerospace and Defense prime contractor industry is a mature and concentrated market with a few large players consuming a large percentage of market share. However, these prime contractors typically rely on a vast and fragmented market of suppliers in order to fulfill projects :
 - Boeing Supplier Network³: 12,000+ companies
 - Lockheed Martin Supplier Network⁴: 15,800+ companies
 - BAE Systems Supplier Network⁵: 20,000+ companies
 - L3Harris Supplier Network⁶: 9,400+ companies
- Share of world military expenditure in 2021⁷:
 - United States: 38.0%
 - NATO (non-U.S) 16.7%
 - China: 14.0%
 - India: 3.6%
 - Russia: 3.1%
 - Other: 24.6%
- US Department of Defense budget percentage by spending category for 2020⁸:
 - Operation and Maintenance: 41.0%
 - Military Personnel: 23.0%
 - Procurement: 20.0%
 - R&D, Testing, and Evaluation: 14.0%

Quazar Contacts

Nicole Behm-Koep

Managing Partner

nicoleb@quazarinc.com

Tom Hansen

Associate

tomh@quazarinc.com

Kelly Bergman

Executive Assistant

kbergman@quazarinc.com

Adam Webb

Managing Partner

adamw@quazarinc.com

Clay Bergvain

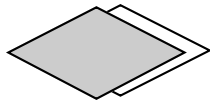
Associate

clayb@quazarinc.com

Bill Sharpe

Senior Advisor

bills@quazarinc.com



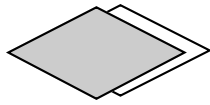
Quazar

3535 Plymouth Blvd. ▪ Suite 210 ▪ Minneapolis, MN 55447 ▪ Phone: (763) 550-9000 ▪ Fax: (763) 550-9109
Web Address: www.quazarinc.com E-mail: info@quazarcapital.com

Selected Transactions: Recent Industry M&A Activity

All Transactions Announced Date	Target/Issuer	Total Transaction Value (\$USDmm)	Buyers/Investors
05/03/2022	Cyalume Technologies Holdings, Inc.	\$ 35.0	Cadre Holdings, Inc. (NYSE:CDRE)
04/14/2022	Deep Trekker Inc.	\$ 47.6	Halma plc (LSE:HLMA)
01/03/2022	Nook Industries, Inc.	\$ 135.3	Thomson Industries, Inc.
12/21/2021	Allegient Defense, Inc.	\$ 10.4	NowVertical Group Inc. (TSXV:NOW)
12/13/2021	SolAero Technologies Corporation	\$ 80.0	Rocket Lab USA, Inc. (NasdaqCM:RKLB)
11/18/2021	Networks Electronic Company LLC	\$ 15.2	ESCO Technologies Inc. (NYSE:ESE)
11/03/2021	SA PHOTONICS, INC.	\$ 275.0	CACI International Inc (NYSE:CACI)
09/08/2021	Component Solutions Group, Inc.	\$ 36.0	Bufab AB (publ) (OM:BUFAB)
09/08/2021	Oqton, Inc.	\$ 190.5	3D Systems Corporation (NYSE:DDD)
08/23/2021	Spear Power Systems, LLC	\$ 130.0	Sensata Technologies Holding plc (NYSE:ST)
08/12/2021	Macfab Manufacturing Inc.	\$ 8.8	Exchange Income Corporation (TSX:EIF)
08/12/2021	IEC Electronics Corp.	\$ 242.5	Creation Technologies International Inc.
08/03/2021	Stellant Systems, Inc.	\$ 185.0	Arlington Management Employees, LLC
07/28/2021	Integrated Microwave Corporation	\$ 80.8	Knowles Precision Devices, Inc.
06/21/2021	Raven Industries, Inc.	\$ 2,137.0	CNH Industrial N.V. (NYSE:CNHI)
06/07/2021	Apollo Fusion, Inc.	\$ 135.0	Astra Space, Inc. (NasdaqGS:ASTR)
06/01/2021	Barber-Nichols, Inc.	\$ 70.1	Graham Corporation (NYSE:GHM)
05/25/2021	Carlisle Brake & Friction, Inc.	\$ 375.0	CentroMotion
05/04/2021	Nearfield Systems Inc.	\$ 230.0	AMETEK, Inc. (NYSE:AME)
04/28/2021	Thermal Dynamics International, Inc.	\$ 7.6	A4 Defense Systems, Inc.
03/05/2021	Senior Operations LLC	\$ 73.2	PCX Aerostructures, LLC
03/02/2021	Ramco Electric Motors, Inc.	\$ 34.4	Arnold Magnetic Technologies Corporation
02/25/2021	Qualtek MFG, Inc.	\$ 1.9	IDEX Corporation (NYSE:IEX)
02/18/2021	Horizon Aircraft, Inc.	\$ 32.0	Astro Aerospace Ltd. (OTCPK:ASDN)
02/11/2021	Colt Defense LLC	\$ 256.2	Colt CZ Group SE (SEP:CZG)
01/04/2021	InterTronic Solutions Inc.	\$ 19.3	Calian Group Ltd. (TSX:CGY)
01/04/2021	SMTC Corporation	\$ 273.0	H.I.G. Capital, LLC
11/17/2020	Impossible Aerospace Corp	\$ 5.9	Alpine 4 Holdings, Inc. (NasdaqCM:ALPP)
10/28/2020	High Precision Devices, Inc.	\$ 16.9	FormFactor, Inc. (NasdaqGS:FORM)
01/29/2020	Consolidated Aerospace Manufacturing, LLC	\$ 1,500.0	Stanley Black & Decker, Inc. (NYSE:SWK)
12/27/2019	SEMCO Aerospace, LLC	\$ 21.0	SK AeroSafety Group

Source: Capital IQ



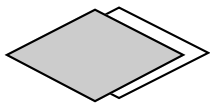
Quazar

3535 Plymouth Blvd. ▪ Suite 210 ▪ Minneapolis, MN 55447 ▪ Phone: (763) 550-9000 ▪ Fax: (763) 550-9109
Web Address: www.quazarinc.com E-mail: info@quazarcapital.com

Selected Transactions: Recent Industry M&A Activity (without disclosed value)

All Transactions Announced Date	Target/Issuer	Buyers/Investors
05/02/2022	Mistequay Group, Ltd.	Textron Aviation Inc.
04/18/2022	Norbert Industries, Inc.	American Industrial Acquisition Corporation
04/11/2022	Ferra Aerospace Inc.	Accurus Aerospace Corporation
04/07/2022	QDP Technologies, Inc.	Prather Capital Partners
03/25/2022	SMC Aerospace Ltd	G.S. Precision, Inc.
03/21/2022	Magnetic Component Engineering, Inc.	Dexter Magnetic Technologies, Inc.
03/03/2022	Paravion Technology, Inc.	Dart Aerospace Limited
02/24/2022	Firefly Aerospace Inc.	AE Industrial Partners, LP
02/19/2022	Velocity Aerospace Group, Inc.	Precision Aviation Group, Inc.
02/02/2022	Richlind Metal Fabricators	CGI Automated Manufacturing
01/13/2022	iRF - Intelligent RF Solutions, LLC	MITEQ Inc.
01/12/2022	Hydro Fitting Manufacturing Corporation	Novaria Holdings LLC
01/12/2022	Precision Plastics, Inc.	Titus International Ltd.
01/12/2022	Schoen Insulation Services, Inc.	EIS Legacy, LLC
01/10/2022	Jarvis Auto Machine, LLC	Arete, Ltd
01/05/2022	Federal Equipment Company	Fairbanks Morse Defense
12/16/2021	LCR Embedded Systems, Inc.	JLL Partners, LLC
12/15/2021	GK Mechanical Systems, LLC	Novaria Holdings LLC
11/30/2021	Will-Mor Manufacturing, Inc.	Global Precision Products, Inc.
11/29/2021	Unical Defense, Inc	Aircraft Fasteners International, LLC
11/22/2021	GWS Tool Holdings, LLC	Sandvik AB (publ) (OM:SAND)
11/17/2021	Metalcraft Technologies, Inc.	ALIGN PRECISION Corp.
11/17/2021	Island Components Group, Inc.	G.W. Lisk Company, Inc.
11/08/2021	Citadel Defense Company	BlueHalo
11/02/2021	Harvey Performance Company, LLC	Berkshire Partners LLC
10/21/2021	Micro-Fab LLC	Cass Precision Machining
10/04/2021	Pinnacle Molds, Inc.	Adler Industrial Solutions, Inc.
10/04/2021	Valley Tech Systems, Inc.	Voyager Space Holdings, Inc.
09/23/2021	Systima Technologies, Inc.	Karman Missile & Space Systems
09/17/2021	Machine Specialties, Inc.	Calvert Street Capital Partners, Inc.; Plexus Capital
09/14/2021	SEAKR Engineering, Inc.	Raytheon Intelligence & Space
09/13/2021	Systems 3 Inc.	Cassavant Machining, Inc.
09/09/2021	Transcon Technologies, Inc.	Quantic Electronics, LLC
09/09/2021	GLE Precision, LLC	Hyperion Materials & Technologies Inc.
09/01/2021	Major Tool & Machine, Inc.	Precinmac Precision Machining
08/23/2021	Eidemiller Precision Machining, Inc.	Kyowa Industrial Co., Ltd.
08/10/2021	Forrest Machining, Inc.	DVSM, LP
08/03/2021	Integral Aerospace, LLC	PCX Aerostructures, LLC

Source: Capital IQ



Quazar Advises Richlind Metal Fabricators in Its Sale to CGI Automated Manufacturing



Minneapolis, Minnesota – Quazar is pleased to announce Richlind Metal Fabricators (“Richlind”) has been acquired by CGI Automated Manufacturing (“CGI”), a portfolio company of CORE Industrial Partners (“CORE”). Quazar acted as Richlind’s exclusive financial advisor in the transaction. Eide Bailly provided accounting-related transaction advisory services, while Business Law Center served as legal counsel. The transaction closed on January 25, 2022, and terms of the transaction were not disclosed.

Owned collectively by brothers Chris Lind, Dan Lind, Dave Lind, and Mike Lind, Richlind has operated as a family-owned business since their father, Ken Lind, started the Company in 1963. Today, Richlind serves as a precision machining and fabricator primarily making components for the aerospace and defense industry. The four Lind brothers sought a strategic partner who would continue to grow the business, provide future opportunities for their employees, and allow them a path towards

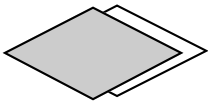
retirement.

“From the Company’s founding nearly 60 years ago to our current position as a best-in-class aerospace & defense precision manufacturing services provider, we’ve built our business through exemplary customer service and investment in state-of-the-art technology,” said Mike Lind, President of Richlind. “On behalf of myself, my brothers, Dan, Dave and Chris, and all Richlind employees, we’re looking forward to augmenting these core success factors with additional resources and support in partnership with CGI and CORE. We want to thank Quazar for their help and guidance throughout the whole transaction process.”

Matthew Puglisi, Partner at CORE, said, “Our acquisition of Richlind serves as the latest example of CORE’s deep experience partnering with multi-generation family-owned businesses. We believe the Company’s highly technical manufacturing capabilities and advanced technologies are an ideal fit, and we look forward to continuing to grow the CGI platform through similar complementary acquisitions.”

Richlind Metal Fabricators, LLC (richlindmetals.com) was founded in 1963 and is a provider of precision sheet metal fabrication and machining services specializing in complex, tight tolerance parts and assemblies primarily for the aviation, defense and space end markets. Richlind operates a 50,000 square foot facility outside Minneapolis in Chaska, Minnesota.

Experienced Investment Bankers



Quazar Capital Corporation

3535 Plymouth Blvd , Suite 210 ▪ Minneapolis, MN 55447 ▪ Phone: (763) 550-9000 ▪ Fax: (763) 550-9109
Web Address: www.quazarcapital.com E-mail: quazar-info@quazarcapital.com

CGI Automated Manufacturing (cgiautomatedmanufacturing.com) was founded in 1976 and is a leading provider of complex sheet metal and machined production parts, assemblies and weldments for a variety of end markets, including electrical transmission and distribution, warehouse automation, technology, aerospace, defense, medical, food, and industrials. Located in Illinois, Wisconsin, and Oklahoma, CGI offers numerous in-house manufacturing capabilities, including laser cutting, sheet metal fabrication, complex assembly, CNC punching, CNC machining, forming, robotic welding, stamping, fastener insertion, and tool and die manufacturing, to effectively serve customers with lights-out manufacturing capabilities for mid- to high-volume production. CGI was acquired by CORE Industrial Partners in August of 2021.

CORE Industrial Partners (coreipfund.com) CORE Industrial Partners is a Chicago-based private equity firm with \$700 million of capital commitments investing in North American lower middle-market manufacturing, industrial technology and services businesses. CORE's team is comprised of highly experienced former CEOs and investment professionals with shared beliefs, deep experience, and a proven track record of building market-leading businesses. Through our capital, insight, and operational expertise, CORE partners with management teams and strives to build best-in-class companies.

Quazar (quazarcapital.com) is a Minneapolis-based Investment Bank founded in 1990. Quazar specializes in working with privately-held businesses within various industries, including: Manufacturing, Distribution, Software, Technology, Financial Services, Construction, Agriculture, and Business Services. Quazar proudly serves the lower middle-market.

Experienced Investment Bankers