



Capstone Partners

Investment Banking Advisors

MILITARY COMMUNICATIONS

Q4 2015

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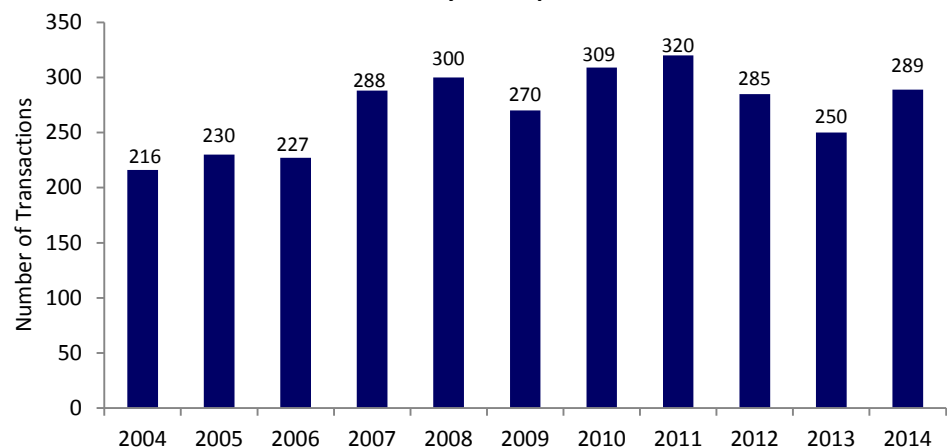
MERGER & ACQUISITION ACTIVITY

Merger and acquisition activity in the military communications industry significantly improved through 2014 and into 2015 after an uninspiring level of activity in 2013. M&A activity among small industry players were a significant component driving the increase in deal volume as organizations continue to consolidate their supply chain operations in an effort to reduce costs and increase operational efficiencies. Financial buyers continue to show strong interest in the military communications sector as they look to invest in emerging technologies with massive commercial potential. High valuations have driven a wave of divestitures and spin-offs as well as an increase in the amount of cross boarder deals.

INDUSTRY OUTLOOK

Emerging technologies, including Ka-band and AEHF band satellite communication, are expected to drive demand and bolster M&A action in the industry through the current business cycle. Technologies like Software Defined Radio and Cognitive Radio are facilitating communication in new and dynamic ways, and the military's emphasis on increasing situation awareness continues. Further, UAVs are continuing to grow at a sustained clip despite heavy political and budgetary headwinds. As military communications equipment becomes increasingly sophisticated, Capstone notably expects power sources to arise as an area of innovation and increased importance. Organizations that focus on solar power, fuel cell technology, and battery innovation will play a major role in the M&A climate of the military communications sector moving forward. In addition to the emergence of new technologies and operating conditions, replacement of aging equipment will be a significant factor driving growth in the marketplace.

M&A Activity: Aerospace & Defense



Source: PricewaterhouseCoopers, 2014

SELECTED DEAL BRIEFS

Harris Corporation acquires Exelis (May 2015) – Harris Corporation acquired Exelis in late May 2015 at an enterprise value of \$4.56 billion. Each outstanding share of Exelis common stock converted into the right to receive \$16.625 in cash and 0.1025 of a share of Harris common stock. Harris shareholders own 85 percent of the combined company and Exelis shareholders own 15 percent. "The Exelis acquisition is transformative for our company and marks a major milestone in Harris' 120-year history," said William M. Brown, chairman, president and chief executive officer of Harris. "With about \$8 billion in combined pro forma revenue, the acquisition creates significantly greater scale, bringing together two engineering-driven companies and workforces with similar cultures that value technology leadership. Together, the two companies' complementary technologies and capabilities strengthen core franchises and provide new opportunities for innovation to solve our customers' most complex challenges." The lack of anti-trust issues allowed the process to run smoothly, as no conflicts of interests were identified.

RF Micro Devices and TriQuint Semiconductor merge as Qorvo (January 2015) – The merger between RFMD and TriQuint is expected to achieve at least \$150 million in cost synergies; \$75 million in annualized synergies exiting the first year after closing and an additional \$75 million exiting the second year. The transaction is expected to be accretive to non-GAAP EPS in the first full fiscal year following the merger. "This is an important milestone for our Company, employees, customers, shareholders and our industry," said Qorvo President and CEO Bob Bruggeworth. "Qorvo brings under one roof all the critical RF building blocks needed to simplify design, reduce size and conserve power, while improving system performance across mobile, infrastructure, and aerospace and defense applications. Our goal is to build the most valuable company in our space, and the global Qorvo team is eager to deliver the value our stakeholders expect."

Rockwell Collins acquires International Communications Group (August 2015) – Rockwell Collins acquired International Communications Group at an initial purchase price of \$50 million. "This acquisition broadens our portfolio of information-enabled avionics by adding ICG's latest generation of Iridium® satcom terminals and smart routers to our existing flight deck and cabin connectivity offerings," said Kent Statler, executive vice president and chief operating officer, Commercial Systems for Rockwell Collins. "When coupled with our broad array of network solutions, including our ARINC aviation networks and other satellite communication services, it accelerates our vision of being a leader in end-to-end information management solutions for airlines and business jet operators."

Source: PR Newswire

SELECT MILITARY COMMUNICATIONS M&A TRANSACTIONS

Date	Target	Acquiror	Target Business Description	Enterprise Value (mm)	EV / LTM	
					Revenue	EBITDA
09/23/15	AtHoc	BlackBerry	Provides network-centric interactive crisis communication systems.	-	-	-
08/27/15	Novetta Solutions	The Carlyle Group	Provides advanced analytics software to protect high value networks.	-	-	-
08/17/15	Airbus DS SatCom Government	Satcom Direct Communications	Provides satellite communications services to civilian and military agencies.	-	-	-
08/10/15	Cobham	Meggitt Polymers & Composites	Design, manufacture, and markets communication systems and navigation antennas.	\$200.0	2.5x	-
08/06/15	International Communications	Rockwell Collins	Designs communications systems and solutions for aviation and military sectors.	\$64.0	-	-
07/13/15	MTN Satellite Communications	Emerging Markets Communications	Provides very small aperture terminal satellite and terrestrial broadband communications.	-	-	-
06/30/15	Procom	Amphenol Corporation	Develops and supplies antennas, filters and combiner systems for wireless two-way radio communication.	-	-	-
06/10/15	Broadcast Microwave	StoneCalibre	Develops wireless microwave products for video and data transmission.	\$8.0	-	-
05/29/15	Exelis	Harris Corporation	Provides C4ISR electronics and systems in the United States and internationally.	\$4,509.8	1.4x	8.8x
05/08/15	REMEC Broadband Wireless	Moseley Associates	Designs integrated microwave and millimeter wave subsystem solutions.	-	-	-
05/01/15	Alliance Spacesystems	Solaero Technologies	Offers satellite bus and payload structures to aerospace and defense contractors.	-	-	-
04/23/15	Kutta Technologies	Sierra Nevada Corporation	Develops command-control-communications software applications.	-	-	-
03/31/15	Nearfield Systems	Quadrant Management	Manufactures antenna measurement and test systems for use in aerospace and defense sectors.	-	-	-
03/16/15	CyPhy Works	Motorola Solutions Venture Capital	Develops aerial robots and unmanned aerial vehicles for defense reconnaissance and communications.	-	-	-
03/05/15	Dytecna	Exsel Dytecna Engineering	Design electro-mechanical, electronic and communication systems.	-	-	-
02/09/15	Orbital Science	Orbital	Develops and manufactures small- and medium-class rockets and space systems.	-	-	-
01/22/15	Innovative Technical Solutions	Corning	Produces active and passive optical systems for reconnaissance and optical communications.	-	-	-
01/21/15	MITEQ	L-3 Narda-Miteq	Manufactures RF and microwave communication systems for military and commercial applications.	\$41.0	-	-
01/02/15	TriQuint Semiconductor	Qorvo	Provides radio frequency solutions for mobile, networks infrastructure, and defense & aerospace markets.	\$1,562.45	1.8x	17.0x

CAPSTONE PARTNERS: SELECTED GOVERNMENT CONTRACTOR TRANSACTIONS

Capstone Partners has represented numerous companies that serve the needs of federal, state and local or foreign governments, as well as the needs of civilian and defense-related agencies. We understand the nuances associated with sole-sourced, multi-year or subcontracted awards, the value of partnerships, GWACs, IDIQs and GSA schedules. We have completed transactions requiring complex CIFIUS filings, ITAR registrations and contract negotiations and those involving classified information. Our advisory work has spanned multiple industries and involved companies of diverse specialties, many of which sell in both the public- and private-sector markets. Capstone’s professionals have completed transactions and/or developed sector-specific expertise in the following areas:

- ▶ Battlefield Simulation Software
- ▶ Biometric Identification Software Systems
- ▶ C⁴ISR Products and Services
- ▶ Cryptography
- ▶ Data Communication Systems
- ▶ Educational Training of Defense/Government Personnel
- ▶ Enterprise IT Support
- ▶ Enterprise Software Systems for State Governments
- ▶ First Responder Public Safety Software
- ▶ Geospatial Information and Analysis
- ▶ High Level Consulting
- ▶ Infantry Back Packs
- ▶ Intelligence Data Processing/Decision Support
- ▶ Large Aperture, Deep-Space Antennas
- ▶ Military Infrastructure Construction
- ▶ Mobile and Flyaway VSAT Antennas
- ▶ Photogrammetry
- ▶ Post-Conflict/Disaster Support
- ▶ Remote Sensing Systems
- ▶ Satcom Antennas
- ▶ Tactical Data Linking and Remote Monitoring
- ▶ Testing Body & Vehicle Armor, Explosives & Ordnance
- ▶ Trailers and Shelters for the Military
- ▶ Workforce Automation and Efficiency Tools

<p>CONFIDENTIAL</p> <p><i>corporate sale (IN PROCESS)</i></p> <p>Simulation & Training</p>	<p>CONFIDENTIAL</p> <p><i>corporate sale (IN PROCESS)</i></p> <p>Military Simulation Training Systems</p>	<p>CONFIDENTIAL</p> <p><i>corporate sale (IN PROCESS)</i></p> <p>Audio/Video and IP Connectivity Products</p>	<p>ON POINT TECHNOLOGY, INC.</p> <p><i>has been acquired by</i></p> <p>cp Lakeshore Capital Partners</p>	<p>Yardney TECHNICAL PRODUCTS, INC.</p> <p><i>has been acquired by</i></p> <p>OM Group</p>	<p>HDM</p> <p><i>has been acquired by</i></p> <p>The First American Corporation</p>
<p>EEI</p> <p><i>has been acquired by</i></p> <p>ESSI</p>	<p>Autometric, Incorporated</p> <p><i>has been acquired by</i></p> <p>BOEING</p>	<p>ATSHOT Antenna Systems</p> <p><i>has been acquired by</i></p> <p>COBHAM Defense Electronic Systems</p>	<p>H.P. White Laboratory, Inc.</p> <p><i>has been acquired by</i></p> <p>Intertek</p>	<p>Vitronics</p> <p><i>has been acquired by</i></p> <p>WTH Technologies</p>	<p>INTEGRATED DEFENSE SYSTEMS</p> <p><i>controlling interest has been acquired by</i></p> <p>L-1 Investment Partners, LLC</p>
<p>ProLogic Incorporated</p> <p><i>has been acquired by</i></p> <p>Ultra ELECTRONICS</p>	<p>AMERICAN SENTINEL UNIVERSITY</p> <p><i>has been acquired by</i></p> <p>JLL</p>	<p>MSI MOBILIZED SYSTEMS INC.</p> <p><i>has been acquired by</i></p> <p>ESSI</p>	<p>Command System, Inc.</p> <p><i>has been acquired by</i></p> <p>GENERAL DYNAMICS <i>Strength On Your Side</i></p>	<p>TRITECH <i>DEFENSE SYSTEMS</i></p>	<p>MilesTek</p> <p><i>has been acquired by</i></p> <p>CASTLE ISLAND PARTNERS, LLC</p>

THE GOVERNMENT & DEFENSE TEAM



Ted Polk, Managing Director

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Ted is Managing Director and Head of the Central Region at Capstone, based out of Chicago. Prior to Capstone, Ted ran the corporate finance practice in the Central region for Morgan Stanley Smith Barney's Capital Strategies Group and its predecessor, Citi Capital Strategies. He has over 20 years of experience, having completed strategic sale and recapitalization transactions across a variety of industries. Ted is a frequent public speaker on the topic of business exits and recapitalizations of privately owned businesses. In 2008, Ted was recognized by The M&A Advisor for the Cross-Border Middle-Market Deal of the Year. In 2009, another of his transactions was recognized as the Middle-Market M&A Financing Deal of the Year and in 2011 he was recognized for lead-managing the Middle-Market Deal of the Year. Previously, Mr. Polk worked at Valuometrics, Inc. and in the Corporate Banking Group at The Bank of New York. Ted received his BSBA degree from Georgetown University and MBA from the University of Chicago. He is a Chartered Financial Analyst (CFA), a Series 7 and 63 Registered Securities Representative, and a Series 24 Registered Securities Principal.



Lisa Tolliver, Director

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Lisa has 15 years of experience in the investment banking industry, primarily focused on advising private business owners in liquidity related transactions. Presently, Lisa is a Director in Capstone's Chicago office, supporting the management of the Central Region. Prior to Capstone, Ms. Tolliver worked in the Capital Strategies Group at Morgan Stanley Smith Barney, where she was involved in the evaluation, marketing and closing of numerous transactions across a wide range of industries. Specifically, Lisa has developed expertise within various industries including government & defense, software & technology, manufacturing and outsourced business services. Lisa received her BA on academic scholarship from Illinois State University and is a Series 7 and 63 Registered Securities Representative.



Daniel Schultz, Director of Business Development

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Dan oversees Capstone's national business development and industry coverage activities, working closely with current and prospective clients of the firm on matters related to corporate sales, recapitalizations, mergers & acquisitions and growth financings. In his role, Dan is able to deliver specific market intelligence to clients regarding M&A, financing, strategic, industry and competitive trends. Prior to spearheading the firm's business development and market initiatives, he was a Vice President in Capstone's M&A group, managing numerous successful transactions across a variety of industries. Dan also gained hands-on transaction experience as an investment banker at Headwaters MB. He started his career with Ernst & Young's National Professional AABS practice in New York and later worked in Assurance and Advisory Business Services in the Denver office. Dan received a BE in Biomedical Engineering with a Business Minor from Vanderbilt University. He earned an MBA and a Master of Accountancy from the Daniels College of Business at the University of Denver.

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ABOUT CAPSTONE PARTNERS

Capstone Partners LLC is a premier investment banking firm dedicated to serving the corporate finance needs of middle market business owners, investors and creditors. The firm provides M&A, corporate restructuring, private placement and financial advisory services. Headquartered in Boston, Capstone has offices in Chicago, London, Los Angeles, Philadelphia, San Diego, Silicon Valley and Tampa with an international presence that spans 450+ professionals in close to 40 countries.

For more information
about our expertise,
please visit
www.capstonellc.com



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