



# Defense technology business soars to new heights

DEAL FLASH | AEROSPACE & DEFENSE | SEPTEMBER 2021

## DEAL SNAPSHOT

**The shareholders of TMD Holdings Limited (TMD) have sold the company to Odyssey-backed Communications & Power Industries (CPI).**

TMD is a world-leading designer and manufacturer of technologically advanced microwave, radio frequency and high voltage equipment for radar, electronic warfare, communications, medical, EMC testing and scientific applications.

CPI is a global developer and manufacturer of electronic components and subsystems used in the generation, amplification, transmission and reception of microwave signals for commercial and military applications.

With offices in New York and Los Angeles, Odyssey Investment Partners, LLC is a leading private equity investment firm with more than 20 years' experience of partnering with skilled managers to transform middle-market companies with strong growth profiles. Currently investing out of its sixth fund totaling US\$3.25 billion, Odyssey has invested in over 50 platform companies and executed approximately 200 add-on acquisitions.

“Appointing the Oaklins team was crucial in running an international process. Their hands-on approach and deal experience was key to overcoming challenges during the process, and the team always went the extra mile to help us achieve our objectives. The shareholders are very pleased with the outcome and wish the parties well for the future.”

**PETER BUTCHER  
AND HOWARD SMITH**  
JOINT SHAREHOLDERS  
TMD HOLDINGS LIMITED, UK

## OAKLINS PLAYED A MAJOR ROLE FACILITATING THIS DEAL

Oaklins Smith & Williamson, based in the UK, with further support from Oaklins' aerospace & defense (A&D) specialist in California, worked with the shareholders of TMD to deliver a successful sale to CPI.



## MARKET TRENDS & DEAL DRIVERS

Despite some trading challenges continuing in parts of the commercial aerospace sector, the broader aerospace & defense industry continues to see strong M&A activity. Consolidation continues, particularly in those countries that have a polarized supply chain. Cross-border activity also remains high among both private equity firms and strategic acquirors.

In the defense market, strong deal flow has been met with increased scrutiny from regulators and the potential of government intervention. For example, in August 2021, the British Government opened a formal investigation into the planned US\$3.6 billion takeover of UK-based defense specialist Ultra Electronics by a rival (Cobham) owned by a US private equity house, citing national security concerns.

## M&A VALUATION ASPECTS

The average TEV/EBITDA multiple over the last 13 quarters across A&D transactions was 11.5x. Of the more than 1,300 deals tracked by Oaklins over this period, only 85 reported TEV/EBITDA multiples. As expected, multiples vary widely by segment, with cybersecurity, intelligence services and homeland defense (15.7x), prime defense contractors (12.1x) and satellite, electronics manufacturing and harnessing (8.3x) comprising the highest, median and lowest segments.

Valuations in the defense electronics sector remain strong, averaging 11.6x over the same period due to continued robust defense budgets and growing technology requirements throughout all domains. Recent transactions to note specifically in the defense electronics sector include Advent's acquisition of Cobham in July 2019, which was carried out at a multiple of 14.4x EBITDA. More recently, Leonardo's [BIT: LDO] acquisition of a 25% stake in Hensoldt [ETR: HAG] in April 2021 was agreed at a 17.0x valuation, whilst the announced proposed takeover of Ultra Electronics [LON: ULE] by Cobham is reported to be at a 17.3x multiple. Competing bids from US buyers, Parker-Hannifin and TransDigm, over Meggitt PLC [LSE: MGGT] are also being watched with much anticipation.

## TALK TO OUR ADVISORS

### ✉ AMANDA PHILLIPS

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Amanda has completed numerous transactions over a variety of sectors, including aerospace & defense, as well as providing strategic advice on discrete projects. Amanda has recently advised ADDEV Materials on identifying strategic A&D clients in the UK. Her previous experience includes working with A&D businesses such as Titan Airways, Airbus, BAE Systems and British Airways.

### ✉ STEPHEN PERRY

Managing Director and A&D Specialist  
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Stephen leads Oaklins' aerospace & defense team and is the managing director and co-founder of Oaklins' A&D specialist member firm in Irvine. He has completed over 50 aerospace & defense M&A transactions valued at over US\$5 billion. Notable clients include Frontier Systems, in connection with its sale to the Boeing Company, as well as industry legend Burt Rutan in connection with the sale of Scaled Composites to Northrop Grumman. More recent transactions include the acquisition of Thomson Aerospace & Defense, a subsidiary of Meggitt PLC (LSE: MGGT), by UmbraGroup S.p.A; the sale of Matrix Composites to ITT Inc. (NYSE: ITT); and the sale of IntelliPower to AMETEK, Inc. (NYSE: AME).

## OAKLINS HAS CLOSED 75 TRANSACTIONS IN AEROSPACE & DEFENSE

Oaklins is the world's most experienced mid-market M&A advisor, with over 850 professionals globally and dedicated industry teams in more than 45 countries. We have closed 1,700 transactions in the past five years.

# Oaklins

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