



Summer 2023

M&A Spotlight on

Aerospace

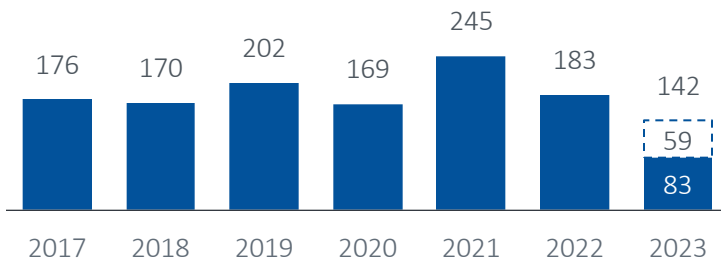
At Origin Merchant Partners (“Origin”), we pride ourselves on developing creative and strategic solutions tailored to the unique objectives of every client. As a founder-led team of entrepreneurs, we understand the distinctive needs of business leaders.



SLIGHT TURBULENCE, BUT CLEARER SKIES AHEAD

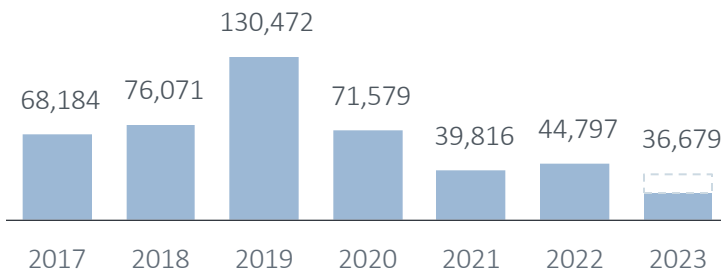
In the face of a challenging market, aerospace M&A in North America has proven its mettle. While transaction volumes aligned with the broader market decline, at its current 2023 run rate, the sector's total transaction value is displaying impressive resilience, falling only ~18% compared to a ~44% decrease in the overall market. Moreover, the industry's average transaction value continues to climb, evidence that investors are willing to make sizeable investments in the sector, despite tighter credit markets. With consumer demand remaining robust and supply chain and labor issues gradually resolving, the outlook for deal activity is positive.

TOTAL NUMBER OF TRANSACTIONS^{1,2}



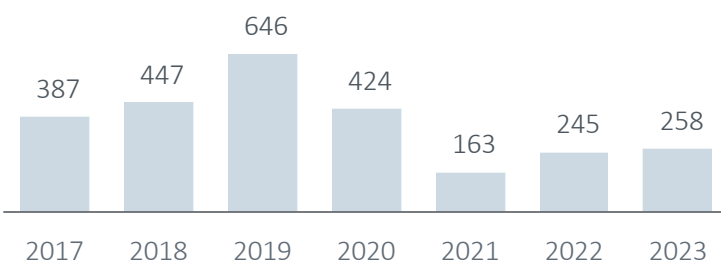
At the current run rate, we expect transaction volume in 2023 to be down ~22% vs. 2022, roughly in line with the broader slowdown in M&A volume

TOTAL TRANSACTION VALUE (C\$M)^{1,2,3}



However, transaction values tell a relatively better story, with 2023 on track to be down only ~18% vs. 2022, compared to the ~44% contraction in global M&A by value over the same period

AVERAGE TRANSACTION VALUE (C\$M)^{1,3}



Average deal value continued to tick upwards, suggesting that while buyers are being more selective, they are willing to make sizeable investments in the sector, despite tighter credit markets

1. Data for targets from United States and Canada, taken from Capital IQ Pro, as of July 31st, 2023.
 2. Dotted portion represents annual run rate based on data up to July 31st, 2023.
 3. Only publicly disclosed transaction values presented.



AEROSPACE INDEX PERFORMANCE

- Aerospace stocks tracked by Origin materially outperformed the S&P 500 over the past year reflecting the rebound in activity across the aerospace industry
- All of Origin’s Aerospace sub-sector indices outperformed the S&P 500’s 11.1% annual return, with sub-sector returns ranging from 25.8% for Machined & Cast Parts to 53.9% for Engines & Engine Systems, the latter reflecting the strong rebound of companies such as Rolls-Royce Holdings PLC, which approached penny stock territory during the pandemic, and is now benefitting from burgeoning demand for its engines alongside a pandemic-triggered focus on improving profitability across its operations



Source: Capital IQ Pro

AEROSPACE PUBLIC COMPANY PERFORMANCE (CONT'D)

PUBLIC COMPANY COMPARABLES¹

Aerospace Industry Universe²

Figures as of July 31, 2023 market close; in CAD millions, unless noted otherwise

	TEV / EBITDA			EBITDA Margin			ROIC		
	LTM	2023E	2024E	LTM	2023E	2024E	LTM	2023E	2024E
Aircraft & Structural									
Average	16.0x	14.7x	9.7x	7.6%	11.2%	13.0%	4.0%	6.5%	10.6%
Median	14.1x	11.0x	8.4x	9.1%	11.7%	12.0%	4.3%	4.6%	9.8%
Engines & Engine Systems									
Average	13.5x	11.7x	10.2x	14.7%	16.7%	17.1%	10.6%	11.7%	14.6%
Median	15.1x	11.0x	9.8x	13.6%	17.5%	17.3%	10.0%	13.2%	14.9%
Machined & Cast Parts									
Average	11.8x	9.7x	7.8x	11.6%	12.9%	13.2%	5.5%	7.5%	9.1%
Median	11.8x	9.1x	7.5x	10.7%	12.0%	12.0%	6.1%	7.2%	8.3%
Diversified Systems and Components									
Average	17.0x	14.9x	13.5x	19.9%	21.2%	21.9%	8.9%	10.7%	12.0%
Median	14.4x	14.1x	13.3x	15.4%	16.2%	16.4%	9.6%	12.3%	13.7%

MACRO NEWS

- Global air travel continues to recover despite the macroeconomic uncertainty, with the IATA forecasting the total global revenue passenger kilometers (RPKs) to be up from 70% of 2019 levels last year to 85-90% this year, with parity expected by early 2024.
- The IATA also forecasts airline profitability in 2023 of US\$5 billion, reversing its US\$7 billion loss in 2022, and posting a substantial increase over 2021's US\$42 billion loss.
- The Asia-Pacific region has seen the strongest rebound, with 2023 revenues expected to exceed 2019 levels by 14%, while the 2022 US holiday season also surpassed pre-pandemic levels.
- Shipments from the US aerospace industry rose 13% in 2022, just 2% below their 2018 peak.
- Corporate private jet purchases reached a 10 year high in 2022 and are expected to grow further as an increasing number of companies focus on a full return to in-person interactions.
- Boeing and Airbus orders and deliveries also rebounded strongly, with nearly 1,600 new orders in 2022, which pushed their total backlog to more than 12,000 units, worth US\$720 billion.
- MRO recovery is also expected to stay steady through 2023, attributed primarily to increased commercial volumes on the back of travel making a strong comeback.

1. Data taken from Capital IQ Pro. EBITDA figures presented above have not been adjusted for the impacts of IFRS 16, wherever applicable.

2. Companies

- Aircraft & Structural*: Airbus SE, The Boeing Company, Bombardier Inc., Embraer S.A., FACC AG, Hexcel Corporation, Kaman Corporation, Leonardo S.p.a., Magellan Aerospace Corporation, Spirit AeroSystems Holdings, Inc., Textron Inc.
- Engines & Engine Systems*: General Electric Company, MTU Aero Engines AG, Rolls-Royce Holdings plc, Safran SA
- Machined & Cast Parts*: Arconic Corporation, ATI Inc., Barnes Group Inc., Lisi S.A., NN, Inc., Standex International Corporation, Senior plc
- Diversified System and Components*: AMETEK, Inc., CIRCOR International, Inc., Curtiss-Wright Corporation, Ducommun Incorporated, HEICO Corporation, Héroux-Devtek Inc., Moog Inc., Parker-Hannifin Corporation, Teledyne Technologies Incorporated, Thales S.A., TransDigm Group Incorporated, Triumph Group, Inc., Woodward, Inc.

OUR RECENT AEROSPACE EXPERIENCE

ORIGIN MERCHANT PARTNERS ADVISES DISHON LIMITED ON ITS SALE TO THRUST CAPITAL PARTNERS

The Company

- Dishon is a world class supplier of complex precision machine components and assemblies for North America, Europe and Asia, serving the aerospace, nuclear, sub-sea oil & gas and medical industries. The company has strong engineering and manufacturing capabilities, with manufacturing processes optimized to increase production flow rates. Dishon has over 35 years of expertise in complex machining and employs 70,000 square ft of space in Toronto, Canada and 14,000 square ft in Orlando, Florida.

Background

- With burgeoning demand for its expertise, Dishon was experiencing rapid growth, which had pushed the company to capacity at its existing facilities. Dishon sought a strategic partner with the resources to support its continued growth, and further solidify its position as a critical and leading player in the aerospace and space ecosystem.

Process and Outcome

- Origin ran a broad process, reaching out to strategic and financial buyers with an interest in the aerospace and metal fabrications industries. Dishon's stellar management team along with its excellent business performance and industry dynamics attracted numerous strong bids. Thrust Capital Partners, a private equity buyout firm exclusively focused on the Canadian aerospace industry and its supply chain, was ultimately selected because of its alignment in culture, focus on quality, and its team's deep experience in the aerospace industry. With this investment by Thrust, Dishon is well positioned to continue its rapid growth and further solidify its position as a critical and leading player in the aerospace and space ecosystem.



"We interviewed several investment banks when deciding to embark on this process. Origin, by far, was the most prepared, and professional in their pitch, learning about our business and end market prior to the initial meeting. We saw that same professionalism throughout the entire process and had 100% trust in Darren and team's advice and input. From navigating the CIM to understanding the legal and tax ramifications negotiating the SPA, Origin really provided a white glove service."

--Ilan Dishy, CEO; Adir Dishy, CFO

SELECT INDUSTRIALS TRANSACTIONS

 <p>has been acquired by</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p>  <p>A portfolio company of</p> 	 <p>has been acquired by</p>  <p>A subsidiary of</p> 	 <p>has been acquired by</p>  
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RECENT NORTH AMERICAN AEROSPACE DEAL ACTIVITY

- On July 13th, **CORE Industrial Partners**, a US-based manufacturing-focused PE firm, through its portfolio company, **GEM Manufacturing (“GEM”)**, a US-based provider of precision deep drawn metal components and mechanical assemblies, announced the acquisition of **Coining Manufacturing, LLC (“Coining”)** and **Precision Machine Products, Inc. (“PMP”)**, two US-based providers of specialty stamping and machining services to produce complex precision components, for an undisclosed amount. GEM will benefit from the complementary nature of Coining and PMP’s manufacturing capabilities and end market focus.
- On June 27th, **HC Private Investments**, a US-based manufacturing focused PE firm, through its portfolio company **Prince Industries (“Prince”)**, a US-based precision machining and sheet metal fabrication company, announced that it acquired **Vulcan Machine, Inc.**, a US-based provider of tight tolerance precision machined parts, for an undisclosed amount. The transaction will further bolster Prince’s aerospace and defense capabilities.
- On June 5th, **Auxo Investment Partners (“Auxo”)**, a US-based PE firm, announced that it has acquired **Avon Machining (“Avon”)**, a US-based precision manufacturer of complex machining solutions, for an undisclosed amount. Auxo will collaborate with Avon to help grow its exceptional gear grinding capabilities while also helping it develop other specialties.
- On May 2nd, **The Boler Company (“Boler”)**, a US-based manufacturer of automotive components, announced its acquisition of **Precision Machining Group (“PMG”)**, a US-based manufacturer of diversified CNC precision machined components, from **Trivest Partners**, a US-based PE firm, for an undisclosed amount. Boler’s industry expertise will help PMG grow its robust machining capabilities.
- On April 4th, **Sky Peak Capital**, a US-based PE firm, through its portfolio company **Excelus Manufacturing Solutions (“Excelus”)**, a US-based precision manufacturing platform, announced the acquisition of **Maclean Precision Machine**, a US-based manufacturer of tight tolerance parts, for an undisclosed amount. The acquisition will bolster Excelus’ aerospace materials handling and turning capabilities.
- On February 28th, **CORE Industrial Partners**, through its portfolio company **Cadrex Manufacturing Solutions (“Cadrex”)**, a US-based mechanical solutions provider, announced the acquisition of **D&R Machine Company**, a US-based provider of CNC precision machining solutions, for an undisclosed amount. The deal provides Cadrex with dedicated aerospace & defense manufacturing facilities on both coasts as well as in the Midwest.
- On February 14th, **CORE Industrial Partners (“CORE”)** announced the acquisition of **GEM Manufacturing (“GEM”)**, a US-based provider of precision deep drawn metal components and mechanical assemblies, for an undisclosed amount. CORE views the deal as a new platform investment and intends to support GEM through both strategic initiatives and complementary acquisitions.
- On February 2nd, **Metalcraft Industries, Inc.**, a US-based precision metalworking company, through its subsidiary **Northwest Metalcraft Inc. (“Metalcraft”)**, a US-based manufacturer specializing in the machining of commercial aerospace components, announced its acquisition of **Caliber Precision**, a US-based precision machining company, for an undisclosed amount. The acquisition will strengthen Metalcraft’s CNC machining capabilities.
- On January 17th, **The Heico Companies**, a US-based PE firm, announced its acquisition of **Precision Engineering**, a US-based manufacturer of sheet metal enclosures for global OEMs in the aerospace, defense and critical industrial sectors, for an undisclosed amount. The deal will help Heico’s Thermal Solutions Segment (TSS) expand into high precision sheet metal based thermal enclosures and peripherals.

ABOUT ORIGIN MERCHANT PARTNERS

ORIGIN MERCHANT PARTNERS is an independent North American investment bank that brings innovative thinking and extensive experience to every transaction. With offices in Toronto, Montreal, and Chicago, the firm provides mergers and acquisitions, capital raising, and finance advisory services delivered by a team of more than 50 professionals. Origin's 19 Principals each bring more than 20 years of investment banking and/or financial sector experience, with expertise across a broad range of industries. Since inception in 2011, Origin's investment banking team has completed more than 250 transactions with an aggregate deal value exceeding \$11 billion. For more information, please visit www.originmerchant.com

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