

## The Aerospace & Defense Forum

**Welcome to our SCV & SB Joint Chapter Meeting**  
June 9, 2021

**SCV Chapter Host and Sponsor**      **South Bay Chapter Host and Sponsors**







[scvedc.org](http://scvedc.org)

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## The Aerospace & Defense Forum

### Who We Are...

- A 11-year-old global aerospace and defense leadership community of over 2,400 professionals that facilitates communication, collaboration, and commerce relative to the business of A&D
- Eight chapters – Los Angeles, San Fernando Valley, Santa Clarita Valley, South Bay, Orange County, San Diego, Ventura, Arizona and Dallas-Ft. Worth
- Conduct monthly meetings with presentations, panels and tours with industry leaders focused on some aspect of the business of A&D








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## The Aerospace & Defense Forum

### Webinar Guidelines

- Turn off camera video  Alt+V      ⌘+Shift+V
- Mute audio  Alt+A      ⌘+Shift+A
- Active Speaker View Alt+F1      ⌘+Shift+W
- Questions in Chat  addressed to Everyone

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## The Aerospace & Defense Forum

### M&A Trends in the Aerospace Industry and Guidance for Small to Medium Sized companies and How to be Prepared

Presenters:

**Paul Croci**  
Managing Director  
Head of Aerospace and Defense Investment Banking  
Wells Fargo Investment Bank  
New York

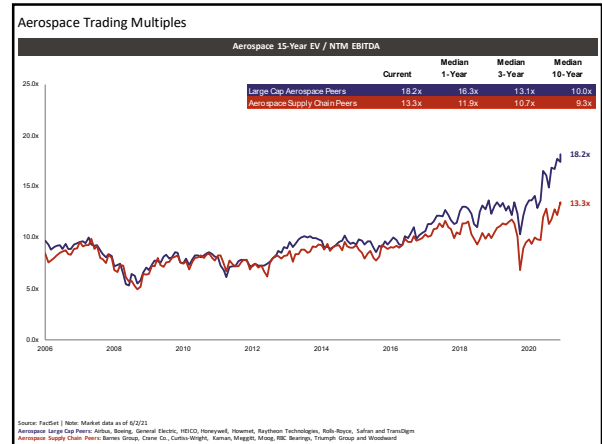
**Scott Dragicevich**  
Director  
Southern California Investment Banking  
Wells Fargo Investment Bank  
Los Angeles

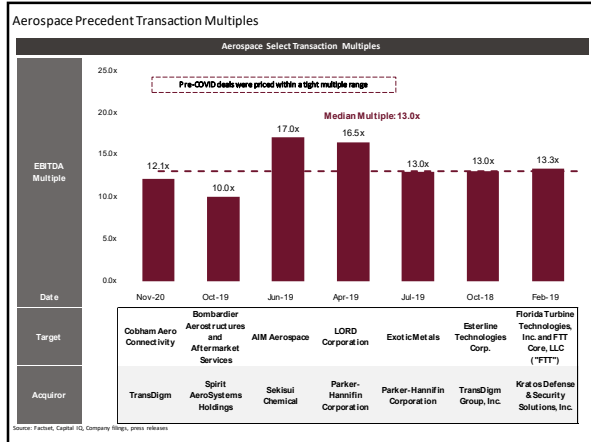

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## Commercial Aerospace Industry Update

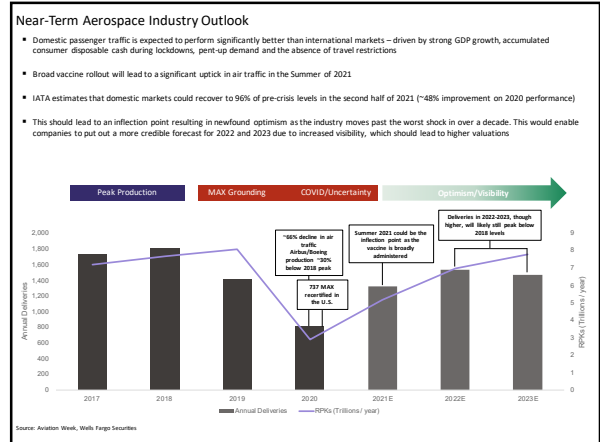
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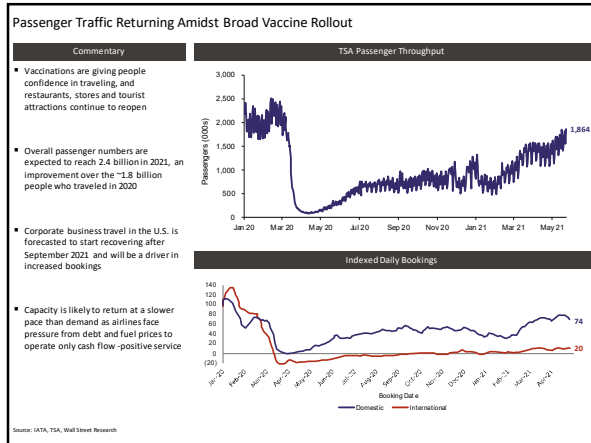
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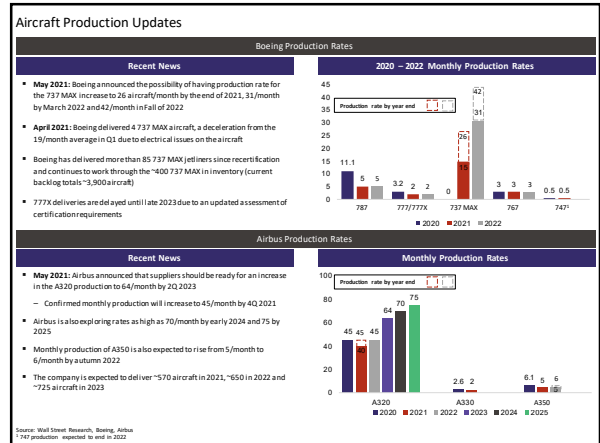
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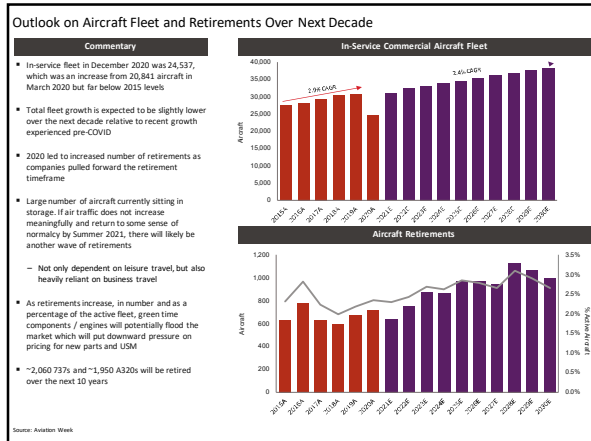
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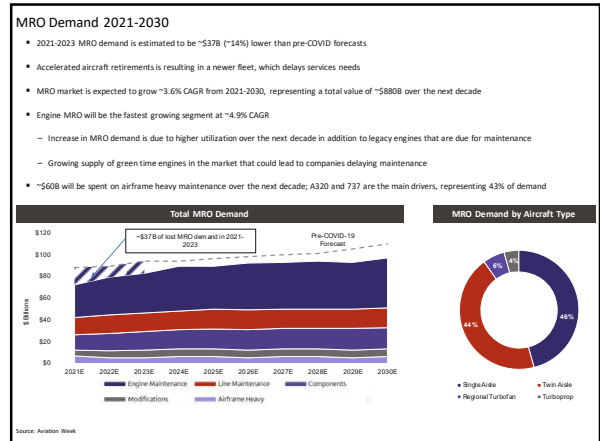
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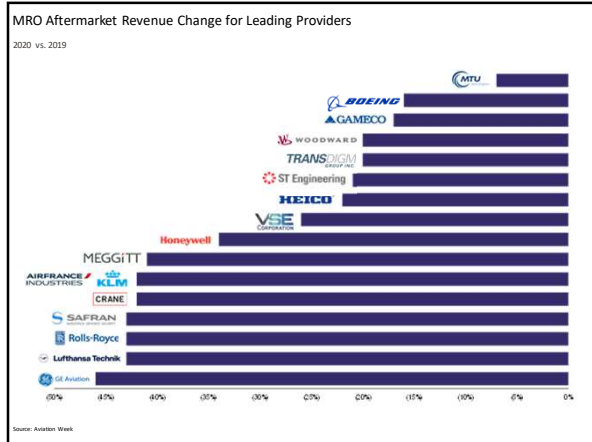
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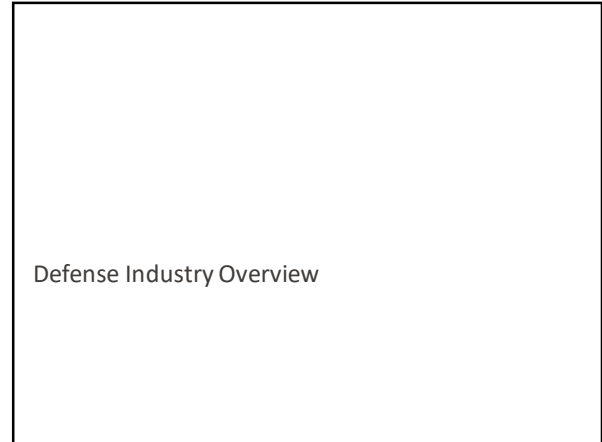
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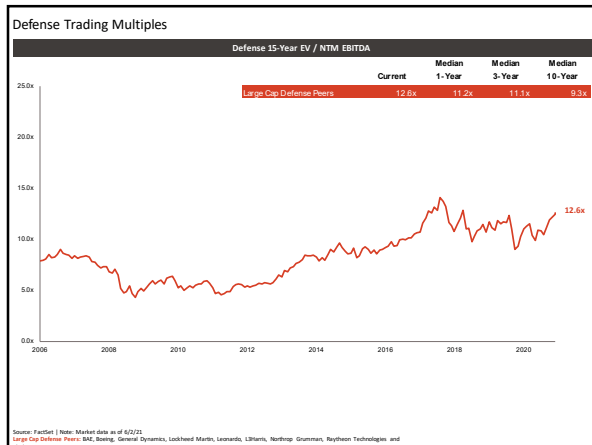
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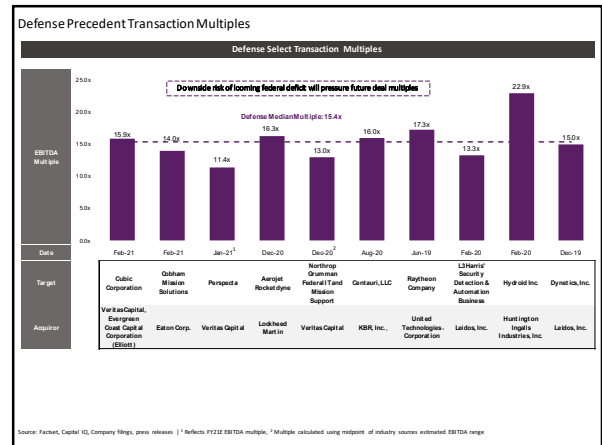
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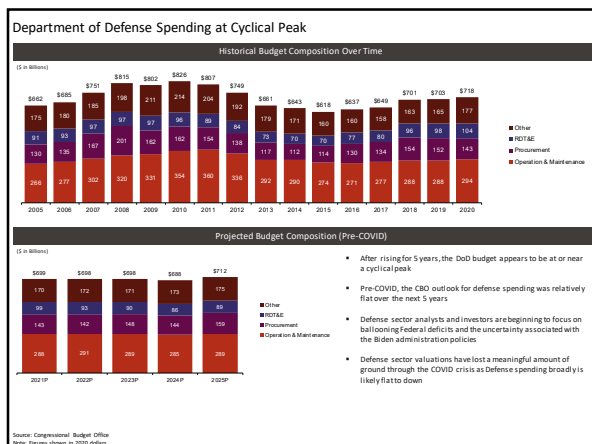
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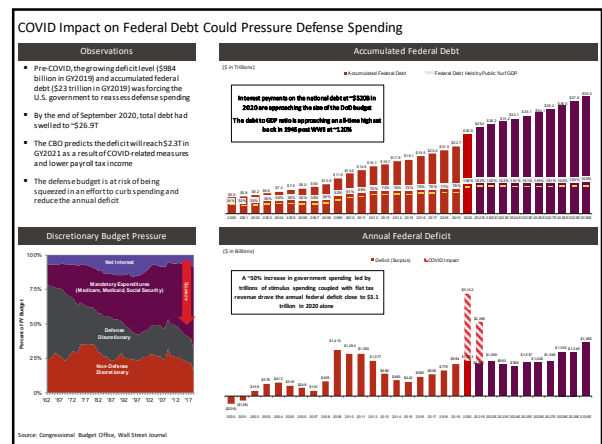
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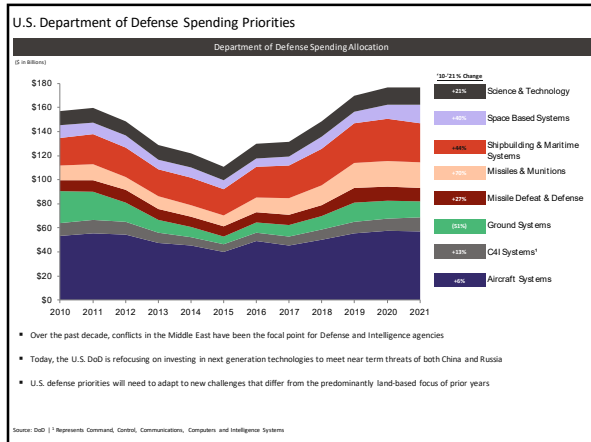
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## A&D Exit Strategies

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### "How to Prepare for Sale"

Key Steps for a Sale

- Clarify Objectives (Control, Growth and Liquidity) ✓
- Weigh Options (Straight Sale, IPO, Private Placement, SPAC) ✓
- Develop 5-Year Growth Plan ✓
- Resolve any Lingering Legal, Tax, Ownership and Accounting Issues ✓
- Complete 2-3 Years of Financial Audits ✓
- Consider Employment Agreements for Key Leaders and / or Onboarding Senior Staff with Helpful Experience (Legal, Finance, Accounting, Investment Relations and M&A) ✓
- Retain Investment Bank ✓

Source: Wells Fargo Securities

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### "Is Now a Good Time to Sell?"

	Current	Outlook
Financing	●	●
Capital Gains / Tax Considerations	●	●
Industry Outlook – Aerospace	●	●
Industry Outlook – Defense	●	●
Buyer Appetite – Strategic	●	●
Buyer Appetite – Financial Sponsor	●	●
Buyer Appetite – SPAC	●	●

Source: Wells Fargo Securities

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### "Special Purpose Acquisition Company (SPAC) Considerations"

What is this?	<ul style="list-style-type: none"> <li>Sponsor team raises a blind pool of money through an IPO for the purpose of acquiring an unspecified operating company</li> <li>Sales pitch: Reputable management with the experience and financial backing to effect an acquisition and run a public company</li> <li>Target company not identified at the time of IPO, target sector may or may not be identified, specified deadline for completion</li> <li>Deadline for business combination: Typically 18-24 months</li> </ul>
How does it work?	<ul style="list-style-type: none"> <li>SPAC identifies a private operating company (target)</li> <li>Negotiates a deal with the target to bring it public (merger in which cash is contributed in exchange for shares)</li> </ul>
What is a SPAC looking for?	<ul style="list-style-type: none"> <li>Current revenue</li> <li>Cash flow</li> <li>Outlook/growth plan</li> <li>Contracts / backlog</li> <li>Strong management team</li> </ul>
How long does it take?	<ul style="list-style-type: none"> <li>Preparation: 2 – 6 months</li> <li>Negotiation / diligence: 2 – 3 months</li> <li>Sign / close: 3 – 6 months</li> </ul>
Does the Seller lose control of the company?	<ul style="list-style-type: none"> <li>The Seller typically does not lose control of the company, retaining 50 – 80% of shares outstanding</li> </ul>
Can the Seller take cash out?	<ul style="list-style-type: none"> <li>Yes, but relatively modest amount (&lt;30%)</li> </ul>
Why do Sellers merge with SPACs?	<ul style="list-style-type: none"> <li>Retain control</li> <li>Raise growth capital</li> <li>Currency for M&amp;A</li> <li>Path to monetization</li> <li>Access to capital markets</li> <li>Premium valuation</li> </ul>
What is the catch?	<ul style="list-style-type: none"> <li>Sponsor promote</li> <li>Warrants</li> <li>Public company reporting</li> </ul>

Source: Wells Fargo Securities

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## The Aerospace & Defense Forum

### Upcoming Chapter Webinars/Meetings

Webinars start at 8:00am Pacific Time unless otherwise stated.

- June 11: "Defense and Aviation Markets: Navigating the Covid Aftermath"; Richard L. Aboulafia, Vice President, Analysis, Teal Group | [Ventura County Chapter](#)
- July 15: "The Future of the Wide-Body"; Jens Flottau, Executive Editor, Commercial Aviation, Aviation Week | [Santa Clarita Valley & San Fernando Valley Chapters](#)

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- August 26: Leon Alkalai, Co-Founder, Verrix, Founder/CEO, AstroLabs, Former JPL Tech Fellow | [Ventura County Chapter](#)
- September 23: "A Business Health Assessment – Whether Exiting or Not"; Larry O'Toole, Founder, Yosemite Associates | [Los Angeles Chapter](#)

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**The Aerospace & Defense Forum**

Recordings of over 250 chapter and webinar presentations are available for download by A&D Forum members (Individual Membership is \$350/year), in addition to free attendance at all A&D Forum meetings and webinars. Membership is free for those not located near one of the nine operating chapters.

You can join the mailing lists of any chapters for free, which will also provide you the monthly A&D Forum Newsletter.

Opportunities to sponsor chapters and to sponsor webinars are available.

*For more info:*  
<https://aerospacedefenseforum.org/>

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**The Aerospace & Defense Forum**

**Thank You**

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<https://aerospacedefenseforum.org/>

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