

Aerospace & Defense 2010 : **Back in Black?**

Prepared for American Institute of Aeronautics and Astronautics – Enterprise Chapter of
Los Angeles Section

January 26, 2010

Welcome

With all the news lately about the subzero weather and snow that the midwest and east coast are experiencing, we shouldn't forget that Southern California has its share of devastating weather also.

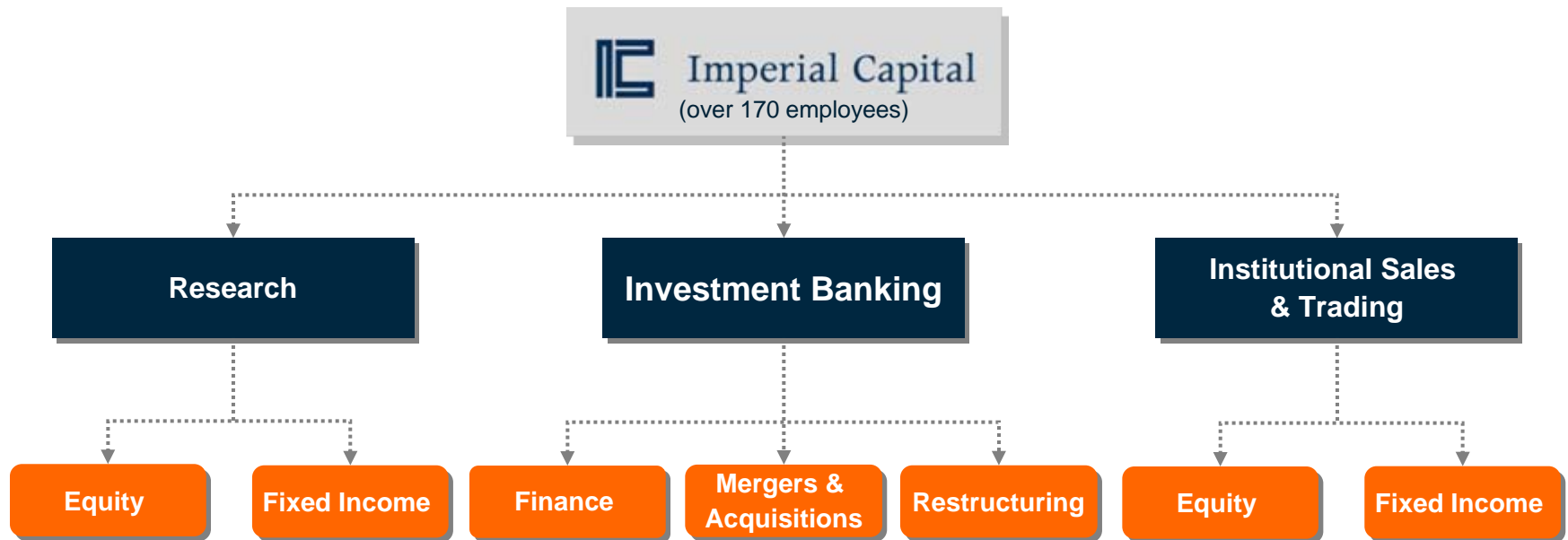
Below is a photo illustrating the excessive damage caused to a home from a west coast storm that passed through the Los Angeles area last week.



Imperial Capital

Firm Overview

Imperial Capital is a nationally recognized full service investment bank with an integrated platform

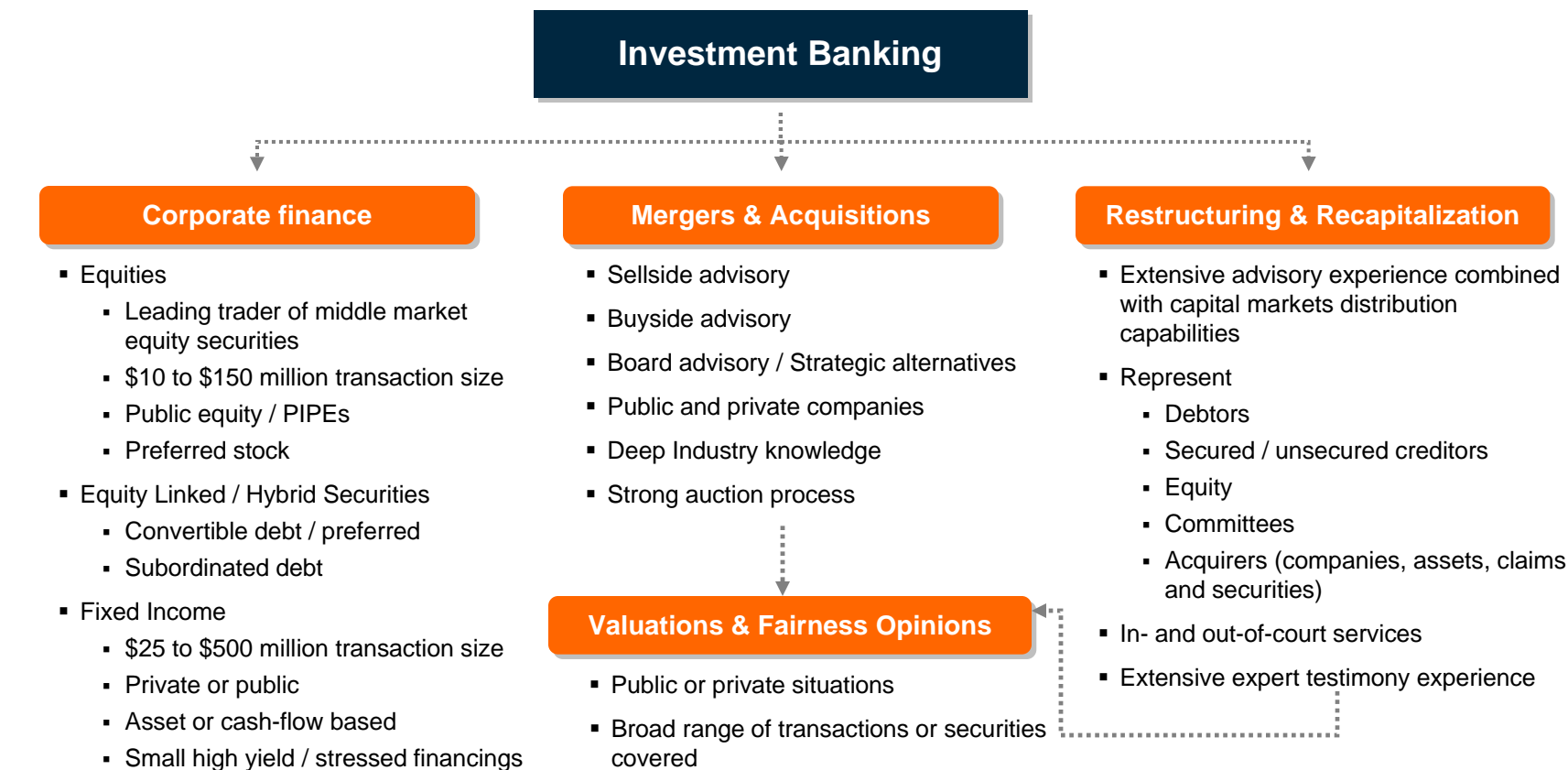


- Full Service Investment Bank
- National Presence

- Leading Advisory Firm
- Comprehensive Sales & Trading Capabilities

- **Boston**
- **Houston**
- **Los Angeles**
- **New York**
- **San Francisco**
- **Minneapolis**

Imperial Capital



Industry Groups

- Aerospace & Defense
- Business Services & Technology
- Consumer
- Energy / Power
- Financial Services
- Gaming & Leisure
- General Industrial
- Healthcare
- Media
- Real Estate
- Security
- Transportation

Imperial Capital

Recent Engagements

AVIATION AFTERMARKET PARTS COMPANY

Has Been Acquired

Financial Advisor to
the Buyer

Pending

\$230,000,000



Equity Investment by
Leonard Green & Co.

Financial Advisor to AerSale

January 2010

GENCORP

Restructuring Advisor
to the Company

2009

DiaPhorm™

TECHNOLOGIES LLC

Has Been Acquired by:

 **ceradyne, inc.**
(NASDAQ: CRDN)

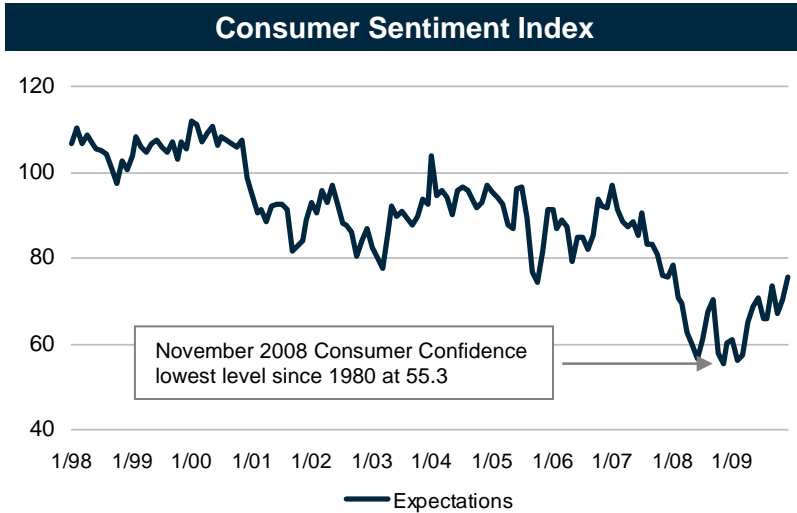
Financial Advisor
to the Seller

June 2009

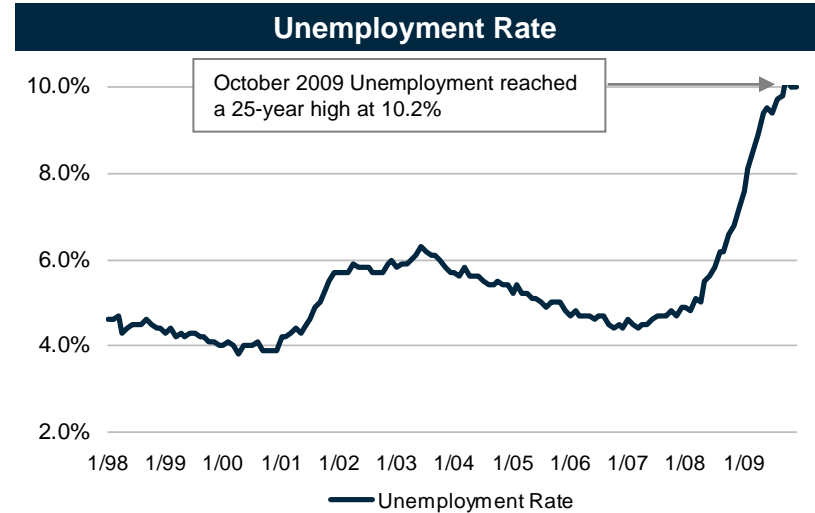
This announcement is not an offer to sell or a solicitation of an offer to buy the securities of these companies. This announcement appears as matter of record only. Any investments that are offered through Imperial Capital, LLC., registered broker dealer and member of NASD and SIPC, are not FDIC insured.

Economy and Financing

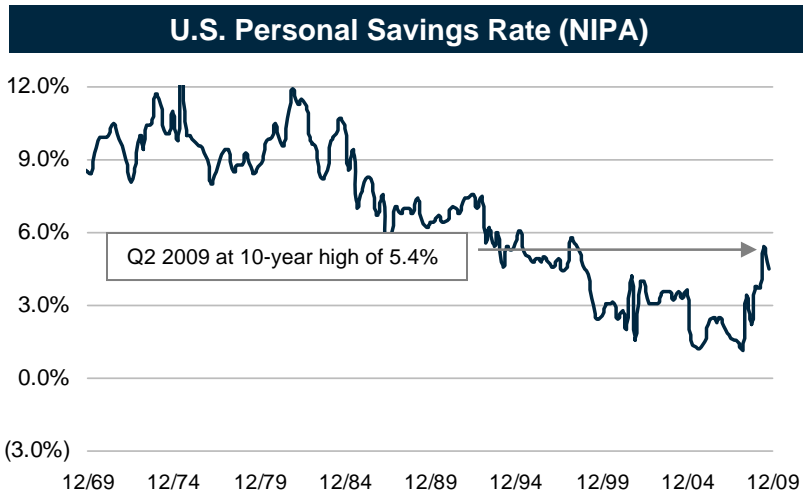
Current U.S. Economic Conditions



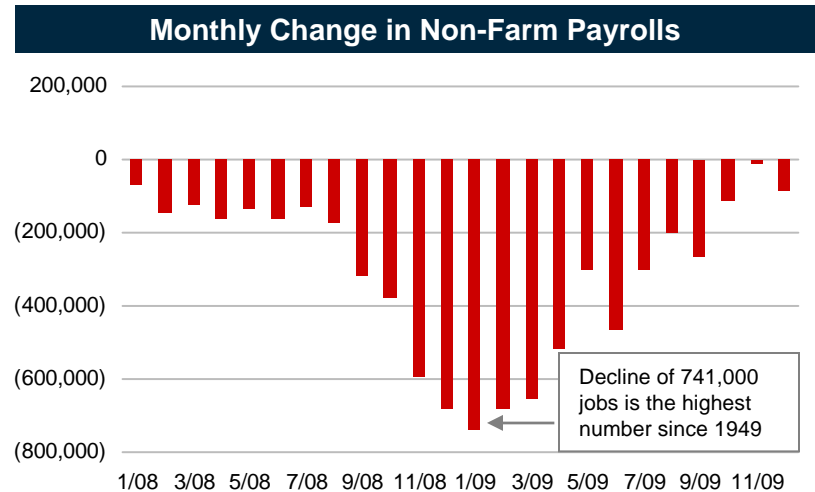
Source: University of Michigan



Source: U.S. Department of Labor



Source: Bureau of Economics Analysis

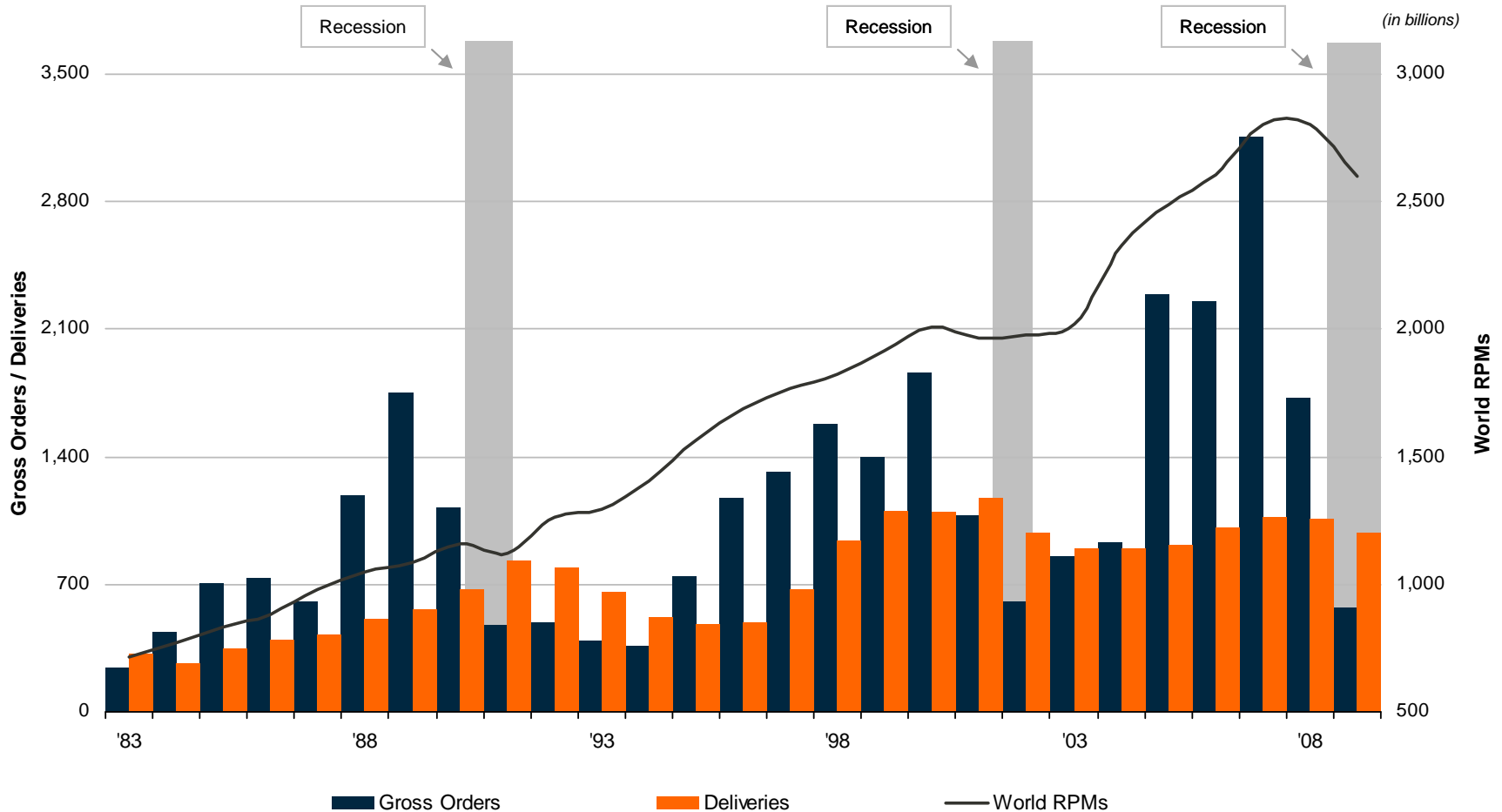


Source: U.S. Bureau of Labor

Historical Orders and Deliveries

Its Not Different This Time, But it is Worse

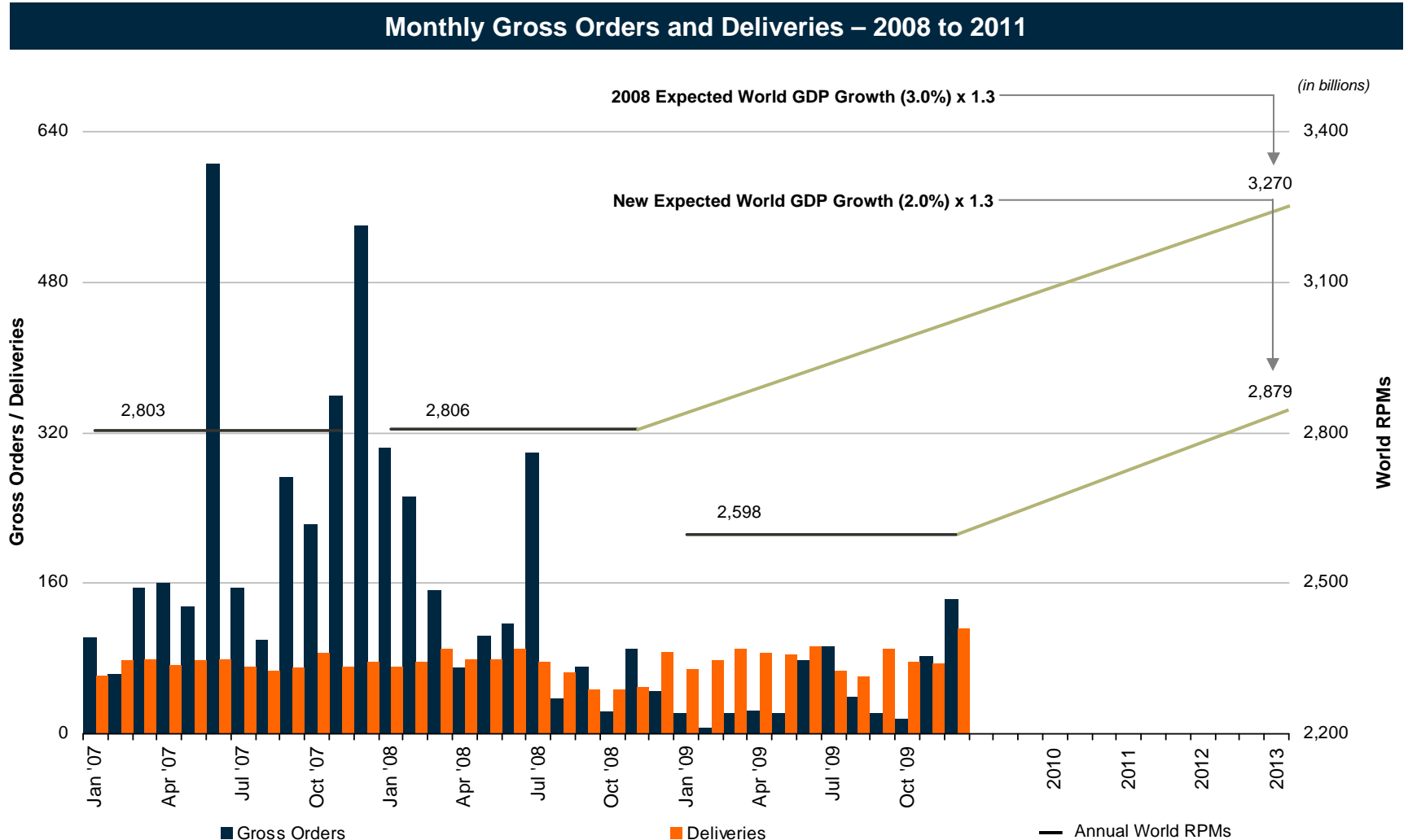
Historical Gross Orders and Deliveries – 1983 to 2009



Source: The Airline Monitor, Aerospace Market News and Imperial Capital Estimates

Monthly Orders and Deliveries

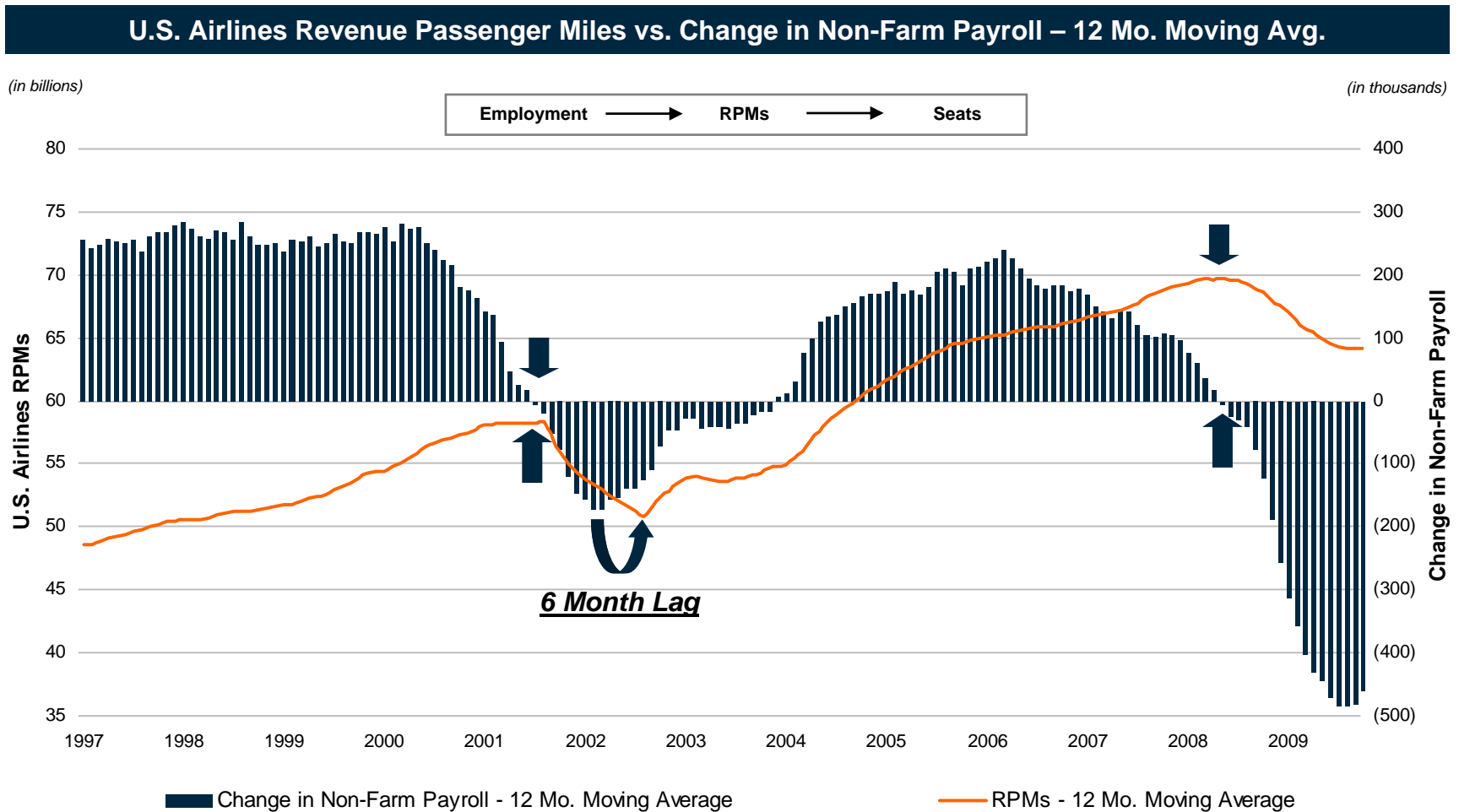
The Great Recession and The Paradigm Shift



Source: The Airline Monitor and Aerospace Market News
 (1) Based on a sample set of approximately 65% of the world.

U.S. RPMs and Non-Farm Payroll

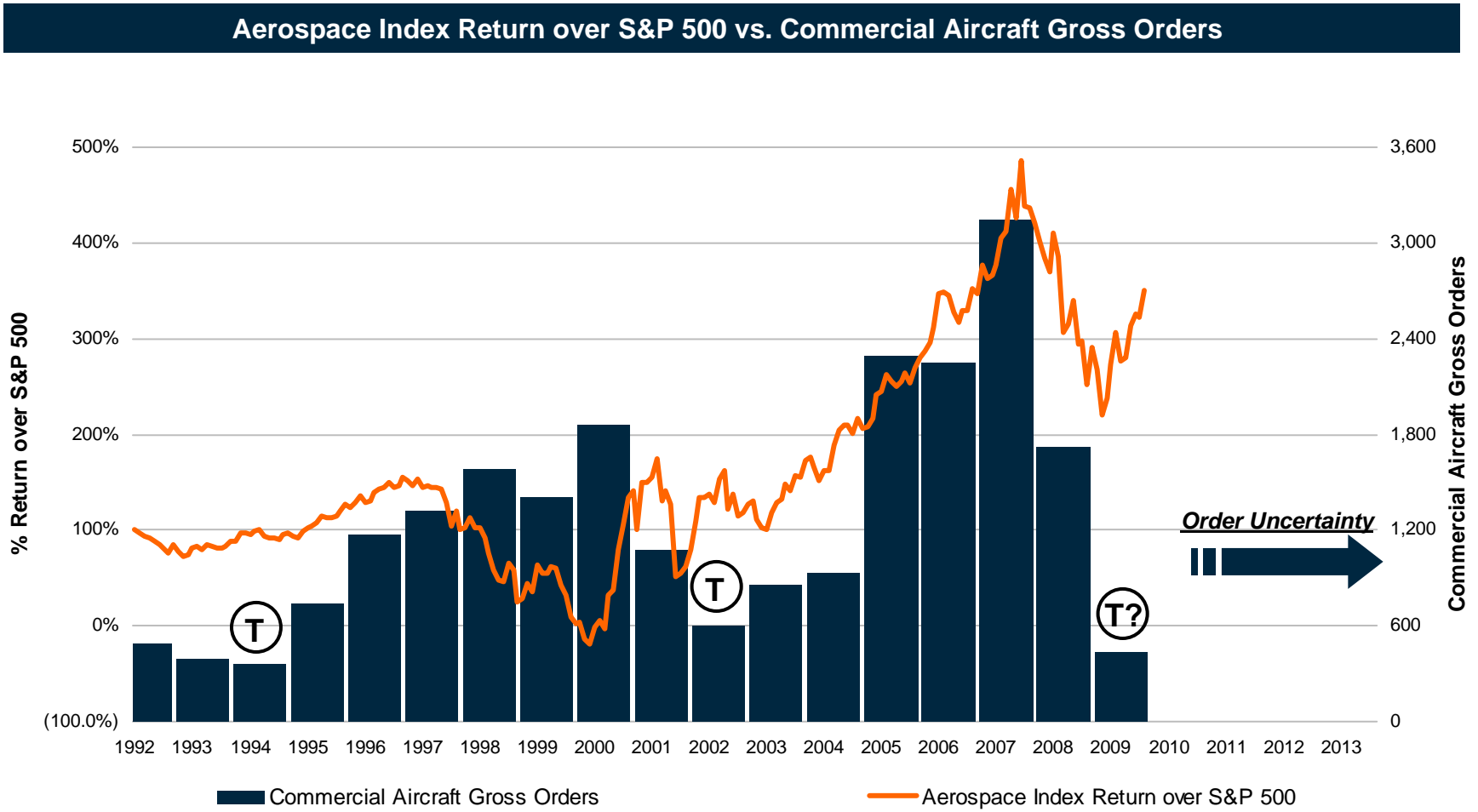
Spare Parts, Lease Rates, Aircraft Values – It's All About Jobs



Source: U.S. Bureau of Labor Statistics and Bureau of Transportation Statistics and the Airline Monitor

Relative Total Return and Orders

For Investors, Anticipate the Trough

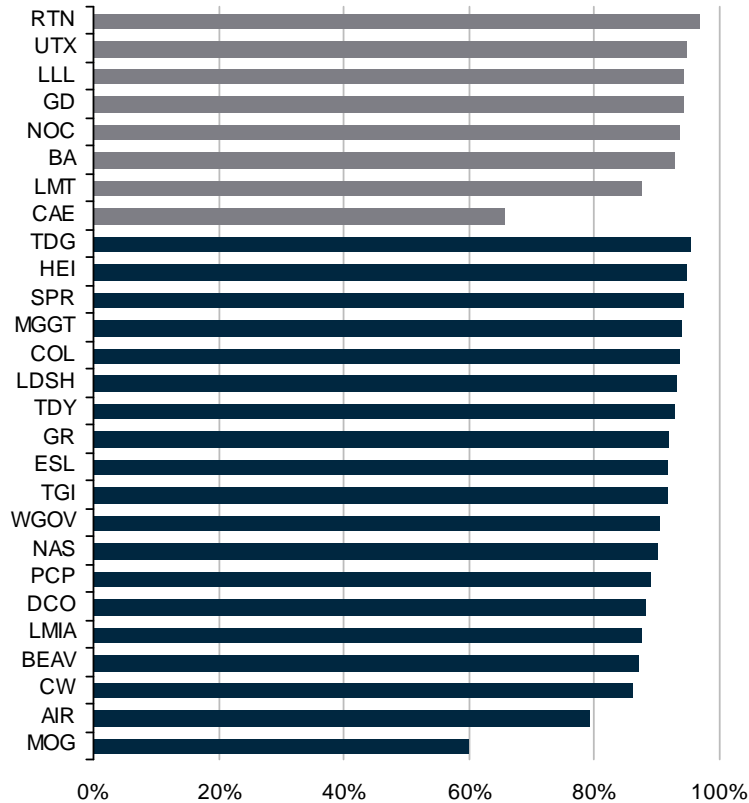


Source: CapIQ and The Airline Monitor

Note: Aerospace Index includes AAR Corp., BE Aerospace, Curtiss-Wright Corp., Esterline Technologies, Goodrich, Moog, Precision Castparts, Rockwell Collins, Teledyne Technologies, and Triumph Group.

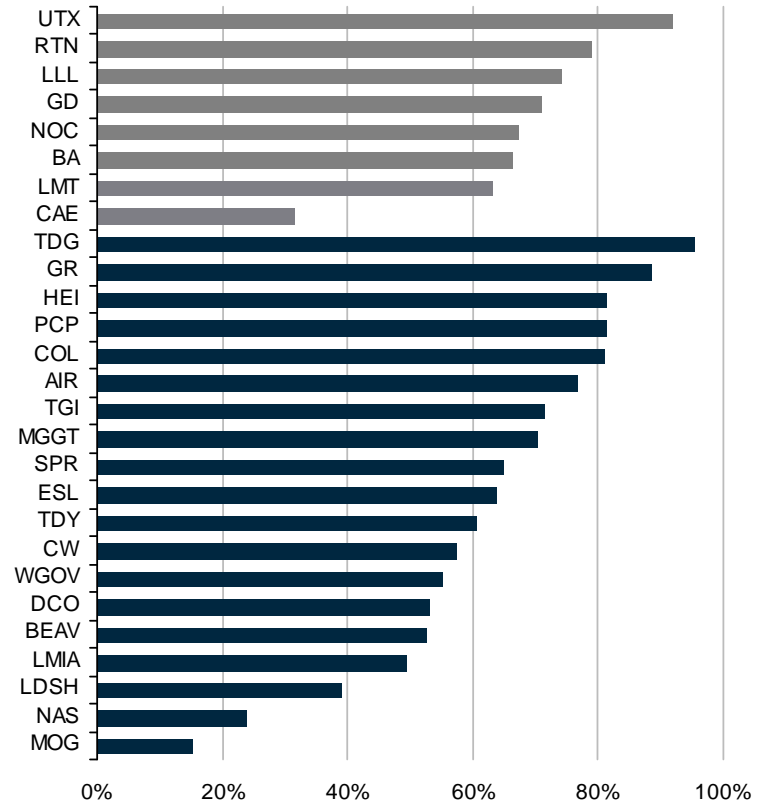
Share Price Performance

% of 52-Week High



■ Aerospace Suppliers

% of 104-Week High

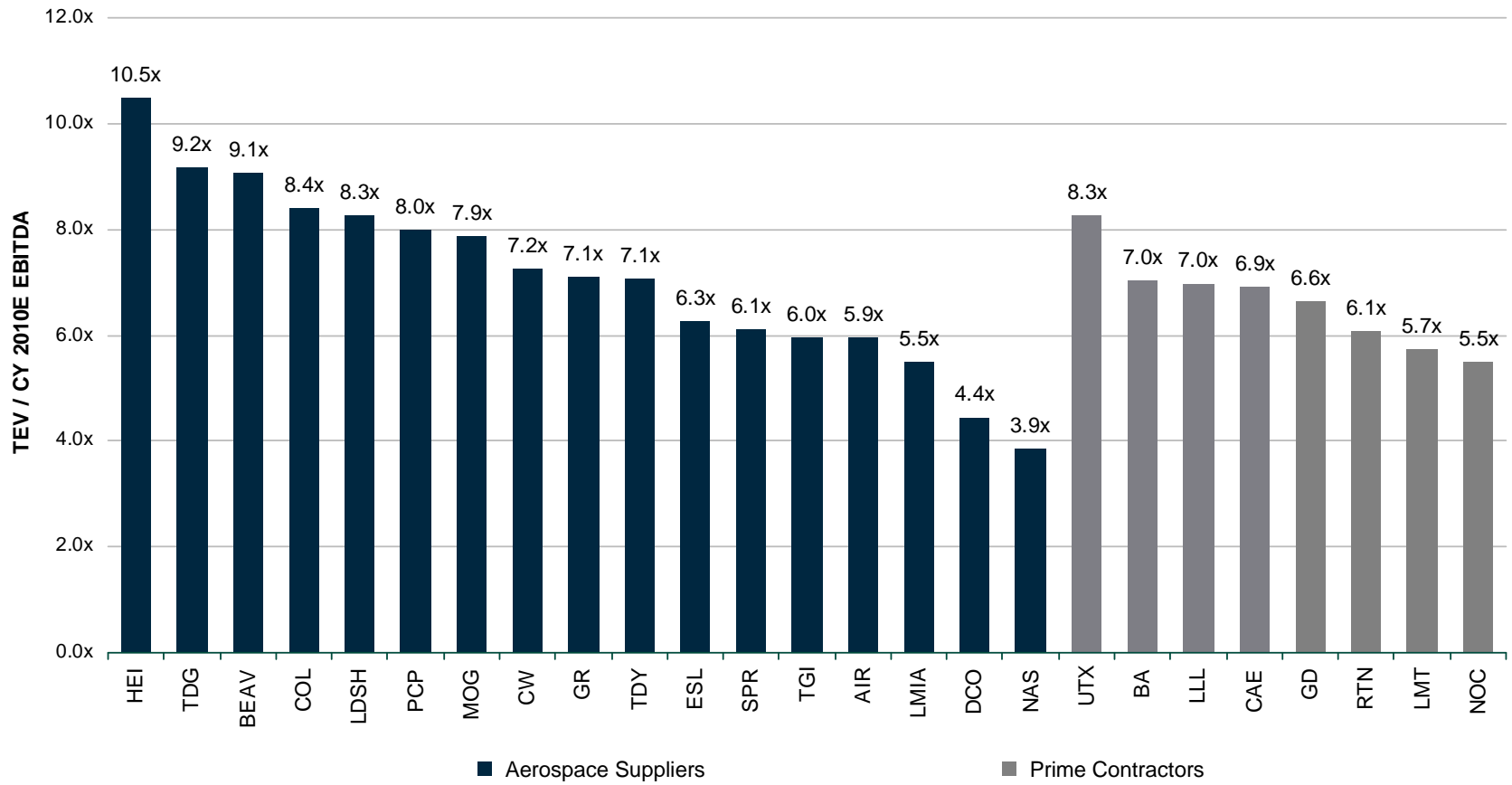


■ Prime Contractors

Source: Bloomberg and CapIQ.

Forward Multiples

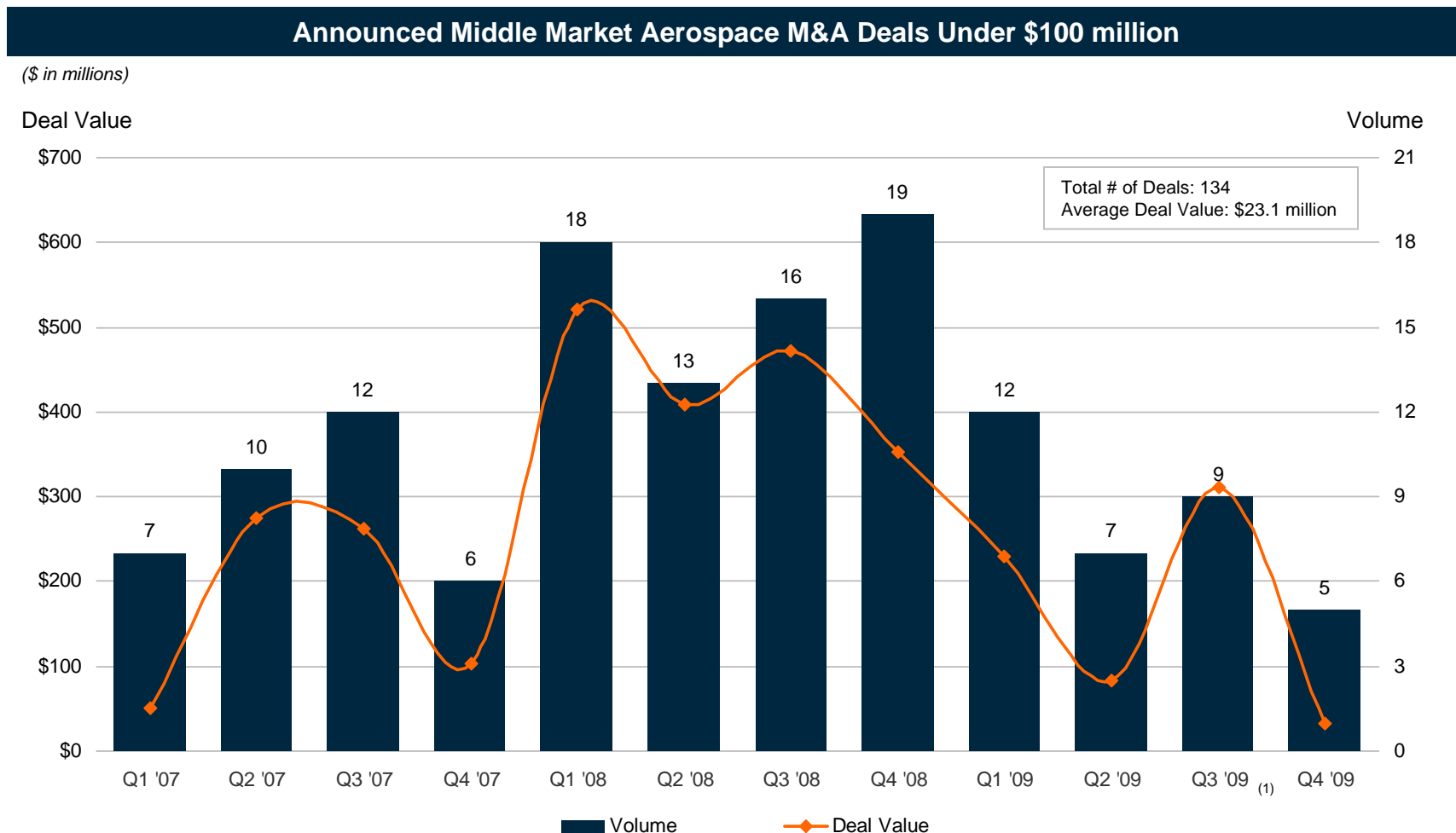
Total Enterprise Value / CY 2010E EBITDA



Source: Bloomberg and CapIQ.

M&A Trends – Smaller Transactions

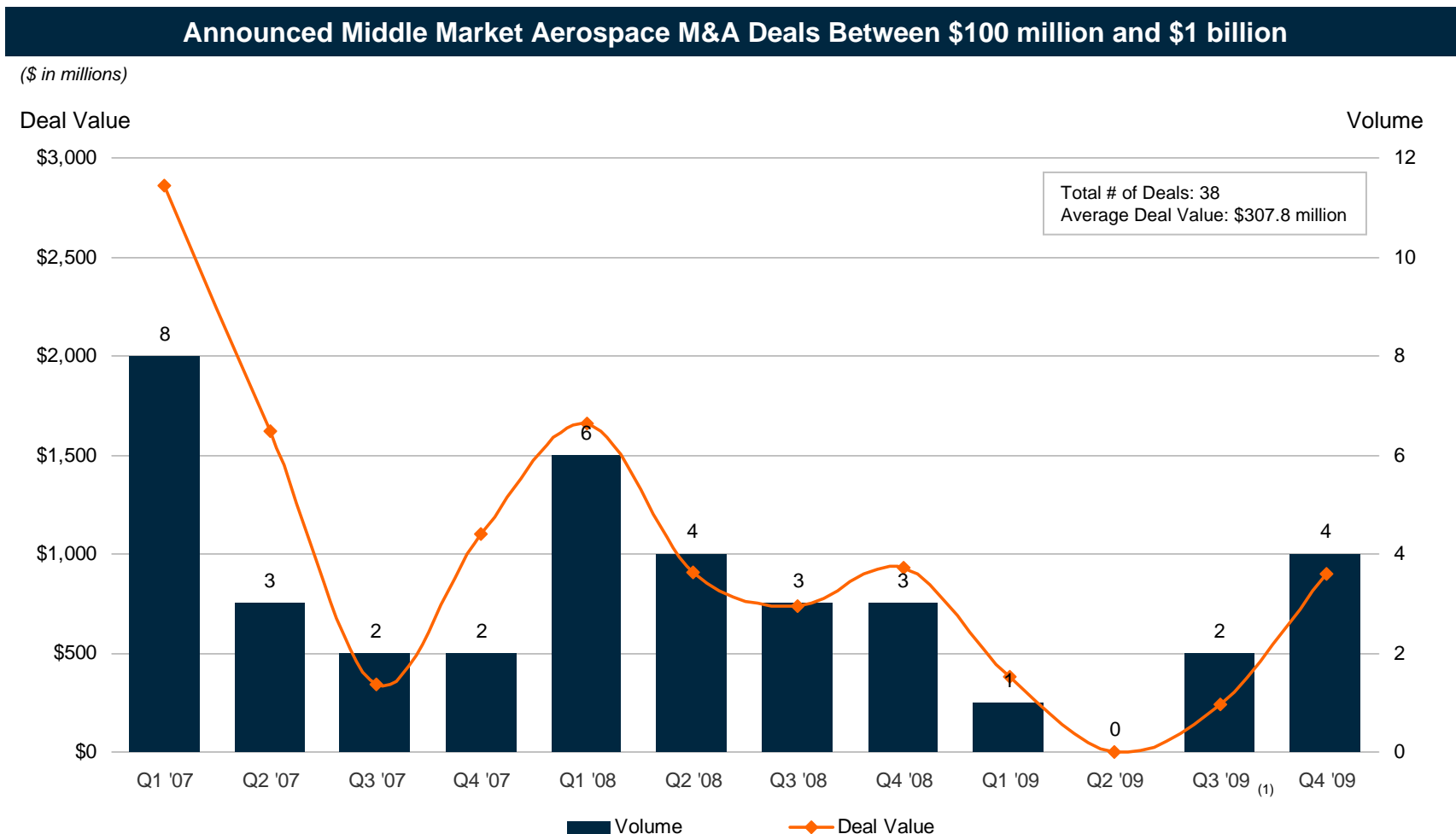
The Uncertain Outlook Now Dominates all Discussions



Source: Capital IQ
Middle market deals valued below \$100 million.

M&A Trends – Larger Transactions

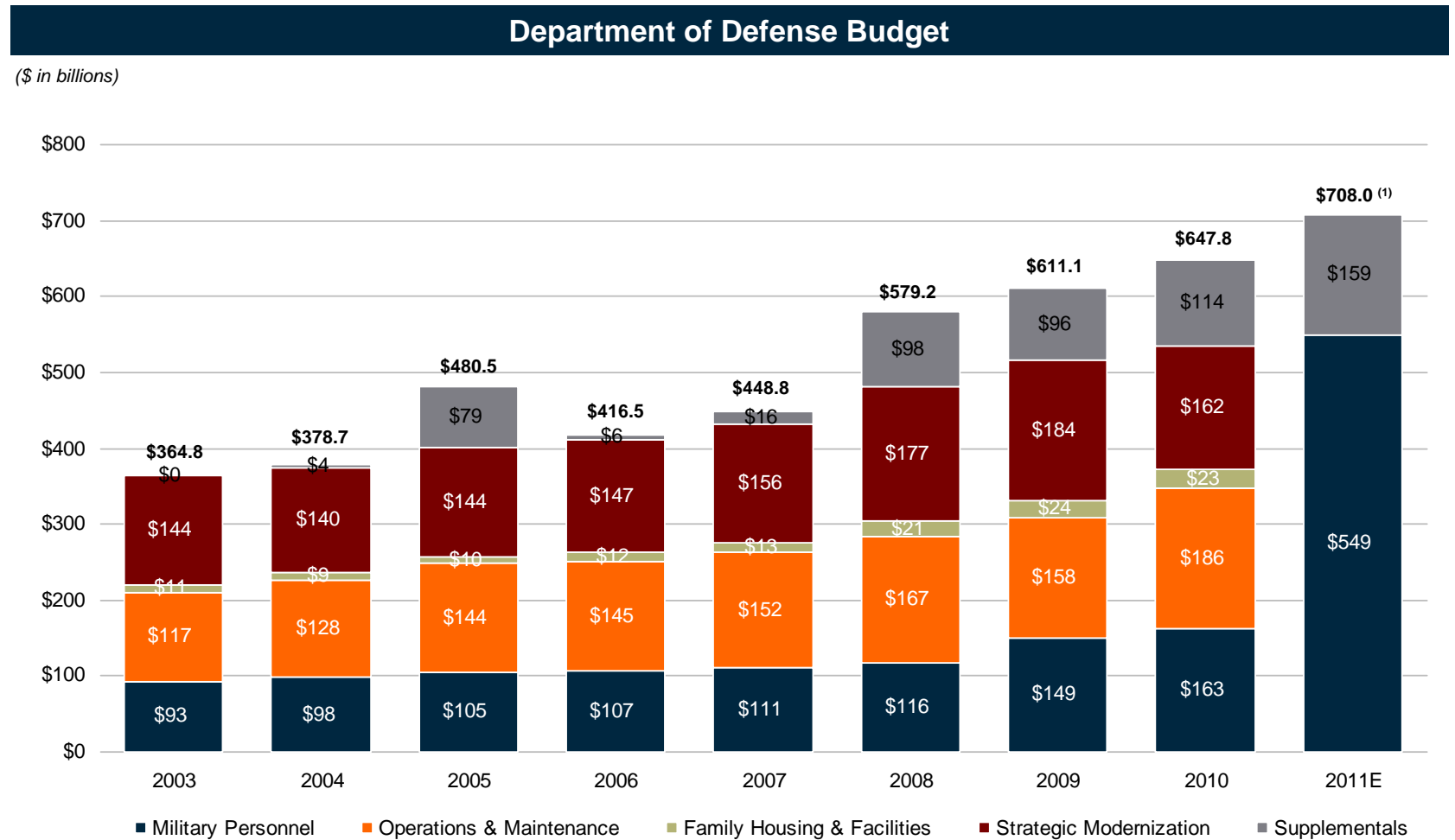
Financing Driven Decline



Source: Capital IQ
 Middle market deals valued above \$100 million and below \$1 billion.

DoD Budget with Supplemental Spending

George Obama

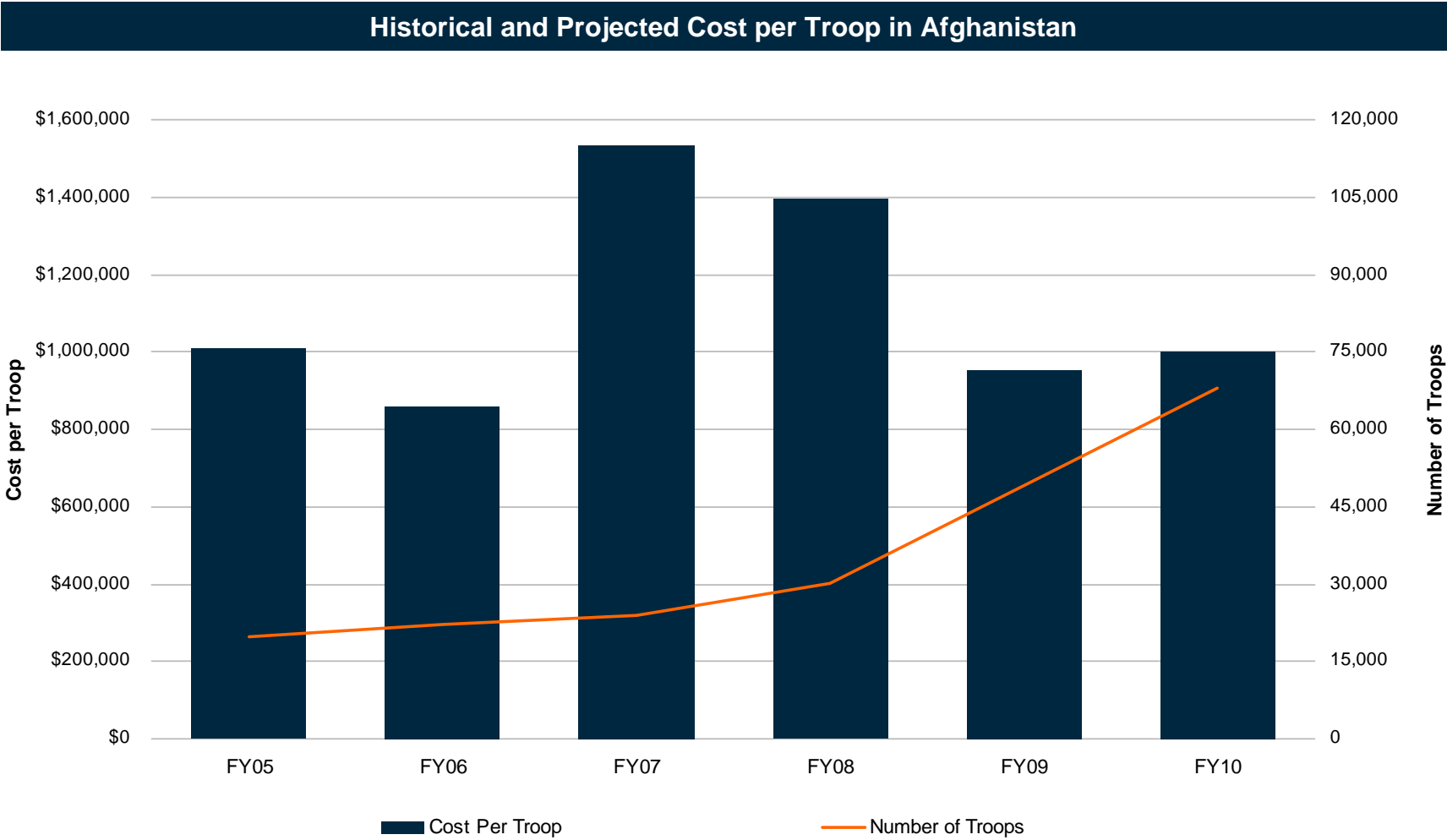


Source: DoD Budget and Estimates.

(1) 2011 Estimate from Bloomberg News, January 22, 2010.

Defense Industry Outlook

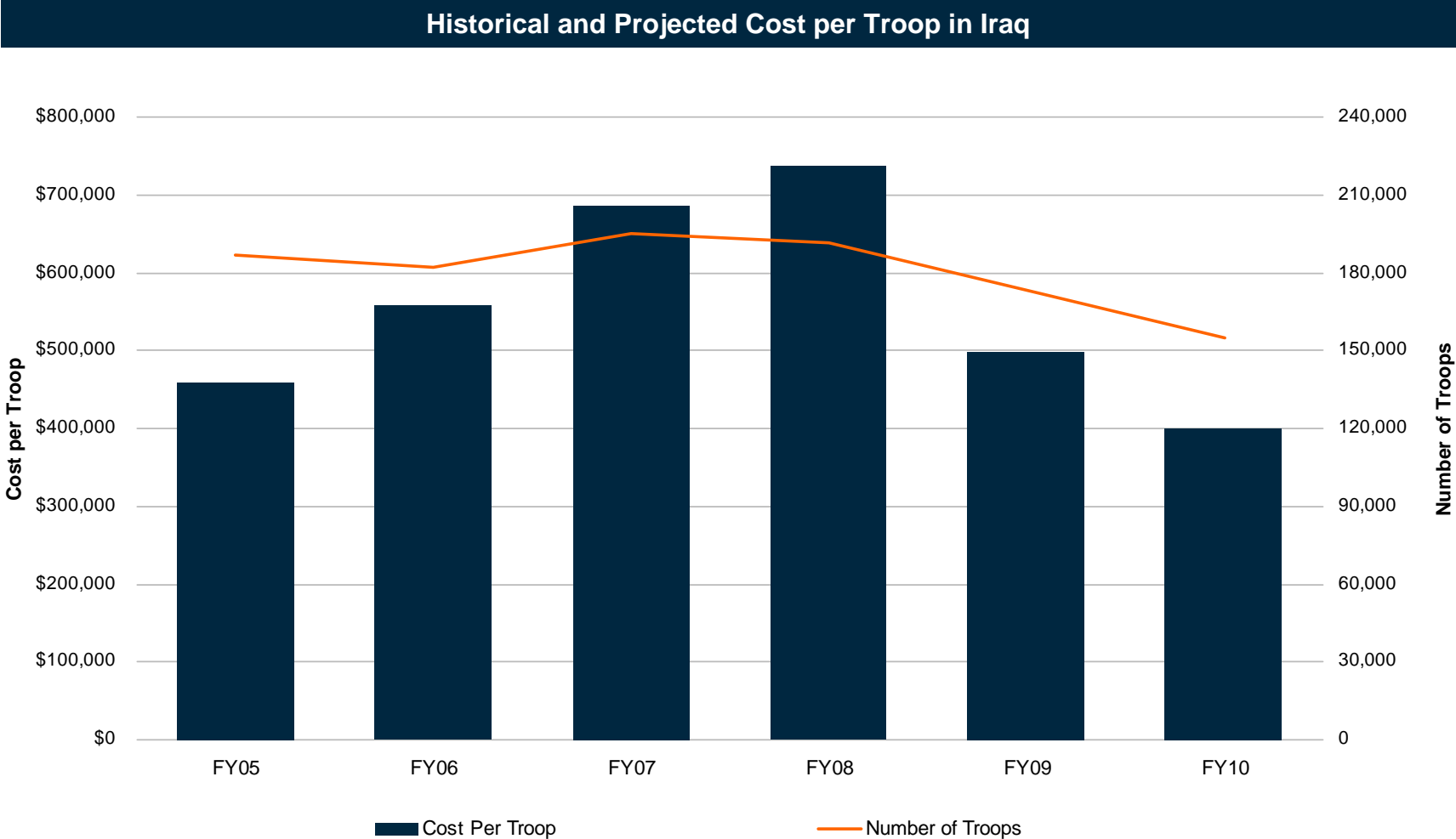
Cost per Troop in Afghanistan



Source: Center for Strategic and Budgetary Assessments, December 2009.

Defense Industry Outlook

Cost per Troop in Iraq



Source: Center for Strategic and Budgetary Assessments, December 2009.

Conclusion

Value Drivers

- 787 content
- Composite structures capability and capacity
- Military helicopters
- F-35 content
- Short term leases of good, used aircraft
- PMA parts
- ISR capability and capacity
- UAVs
- C-Series
- Lean
- Strong balance sheets

Value Destroyers

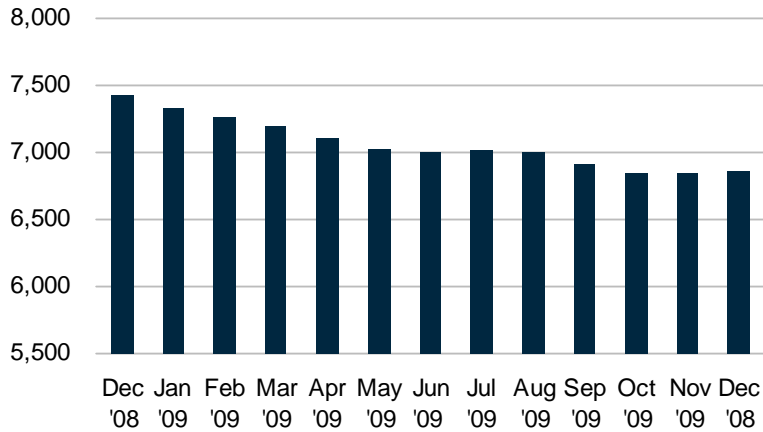
- Biz Av
- Small regional jets
- Sharing A380 risk
- A400M content
- Long term leases of new aircraft
- Airframe heavy maintenance
- Anything over-budget and behind schedule
- Customer concentration
- Denial
- High costs
- Leverage on a cyclical business

Appendix

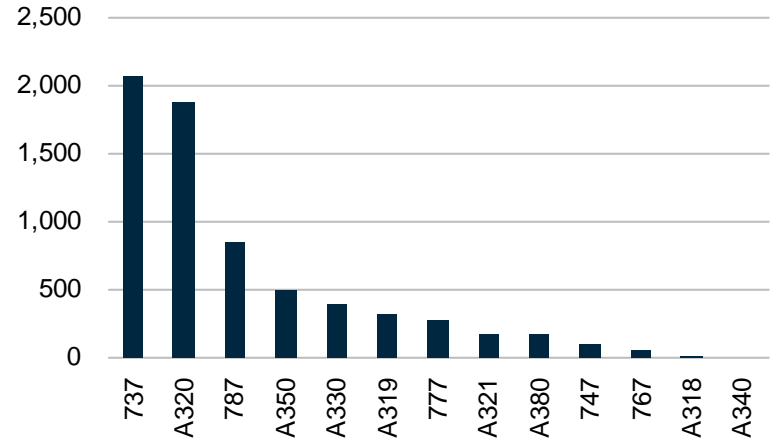
Fleet Statistics

Aircraft Orders

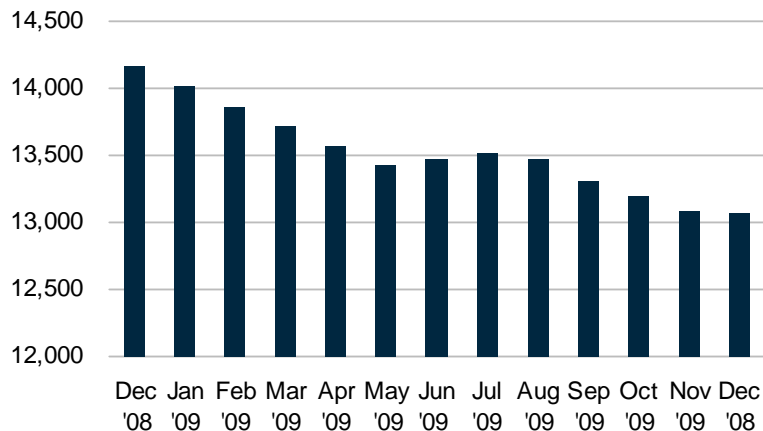
Large Commercial Jet Backlog



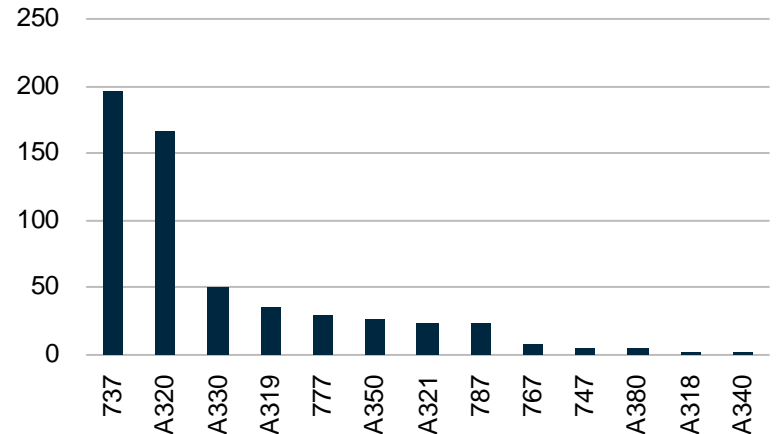
Large Commercial Jet Program Backlogs



The Firm Engine Order Book



The Order Intake in 2009

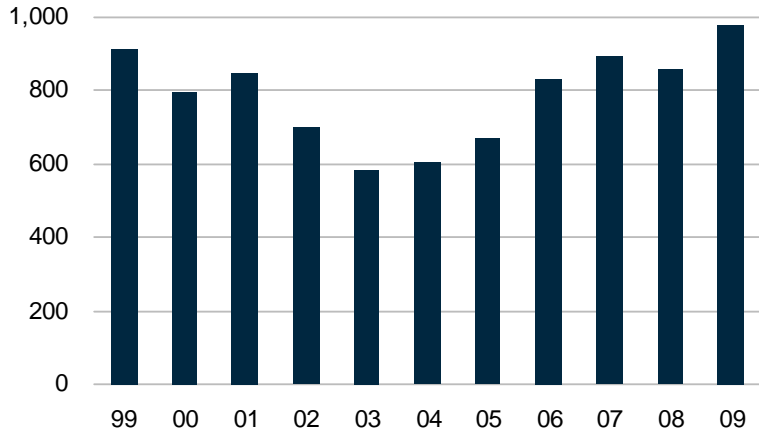


Source: Aerospace Market News

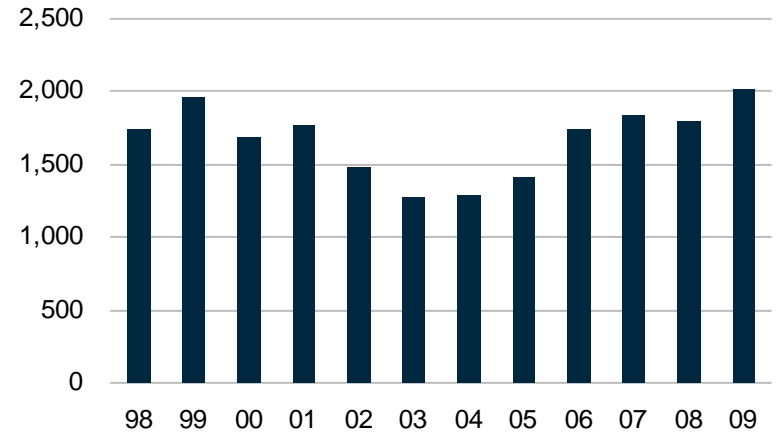
Fleet Statistics

Aircraft Deliveries

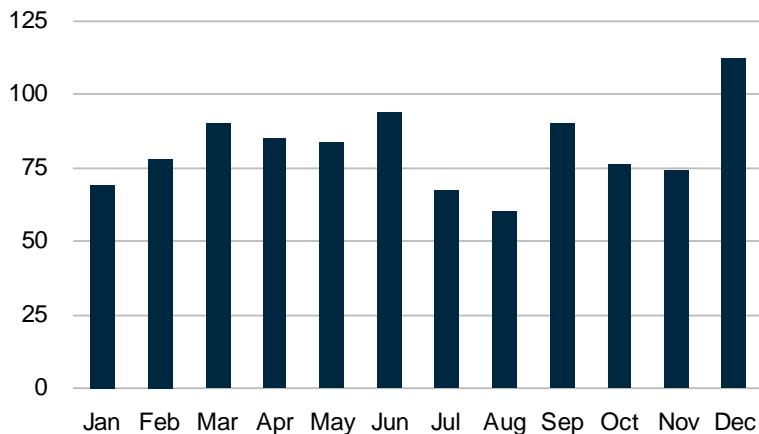
Annual Deliveries of Large Commercial Jets



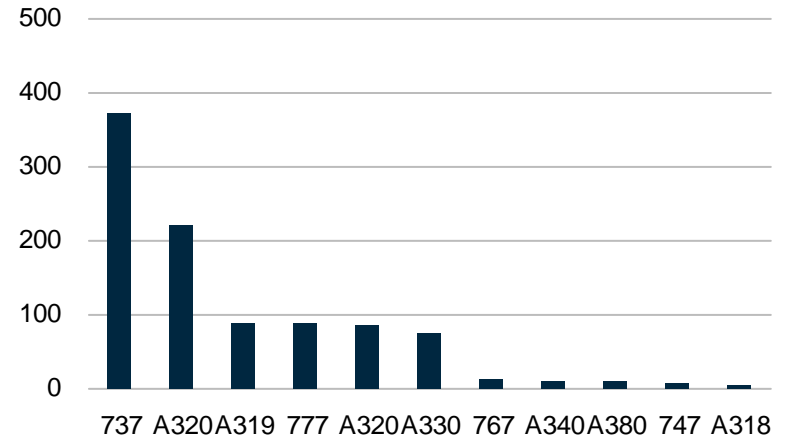
Annual Large Civil Engine Deliveries



Monthly Aircraft Deliveries in 2009



Major Program Deliveries in 2009



Source: Aerospace Market News

Team Biographies & Contact Information

Team Biographies & Contact Information

Michael McManus
Managing Director
Los Angeles

- **Michael McManus serves as Managing Director in the Los Angeles Office**
- Prior to joining Imperial in 2007, Mr. McManus served as Managing Director with USBX, Inc. While with USBX, Mr. McManus focused on such industries as security and government information technology services. In addition, Michael's experience includes founding SmallCap Corporate Advisors, LLC where he brought bulge bracket investment banking expertise to smaller companies that were underserved by large investment banks. Prior to this, Mr. McManus was with Jefferies Quarterdeck in both the Los Angeles and Washington D.C. offices. While with Jefferies, Mr. McManus focused on the aerospace, defense and government services sectors and specialized in public company merger, acquisition and financing transactions. Michael has also worked for CIBC World Markets and Donaldson, Lufkin & Jenrette. During his five years with DLJ, he gained broad experience with all product and advisory skill sets. Additionally, while with DLJ in London, Mr. McManus co-founded the European sell-side practice to focus on cross border, middle market sell-side transactions.
- Prior to attending business school, Mr. McManus served in the U.S. Army for over seven years, in various capacities including Tank Platoon Leader and Headquarters Company Executive Officer. Mr. McManus received a Bachelor of Science degree in Computer Science from the United States Military Academy at West Point and an M.B.A. with distinction (top 10%) from the S. C. Johnson Graduate School of Management at Cornell University. Michael is also an FAA licensed private pilot with an interest in aerobatics.

Robert Wagner
Managing Director
Los Angeles

- **Bob Wagner serves as a Managing Director in the Los Angeles Office**
- Prior to joining Imperial Capital in 2009, Mr. Wagner co-founded the Aerospace and Defense practice at Wachovia Securities where he led numerous buy-side and sell-side M&A advisory assignments and capital raising transactions for a broad range of aerospace and defense industry suppliers and prime contractors over the period from late 1999 through 2008. Key clients over this period of time included Armor Holdings, DRS Technologies, EDO Corporation, LMI Aerospace, Aeroturbine, Esterline Technologies, Gencorp and Orbital Sciences. Financing transactions included syndicated bank loans, 144A high yield bonds and convertible notes and underwritten common equity offerings. Prior to joining Wachovia, Mr. Wagner spent over 10 years with CIBC in New York and Los Angeles focusing on leveraged finance, sponsor focused, pre-workout recapitalization transactions and other domestic and international corporate finance transactions.
- Mr. Wagner earned his M.B.A. from the University of Southern California and a Bachelor's degree in Engineering from California State University, Northridge.

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