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Canaccord Genuity - Aerospace/Defense Research

MRO Asia: Economic Impacts on MRO panel discussion

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See important disclosures in appendix

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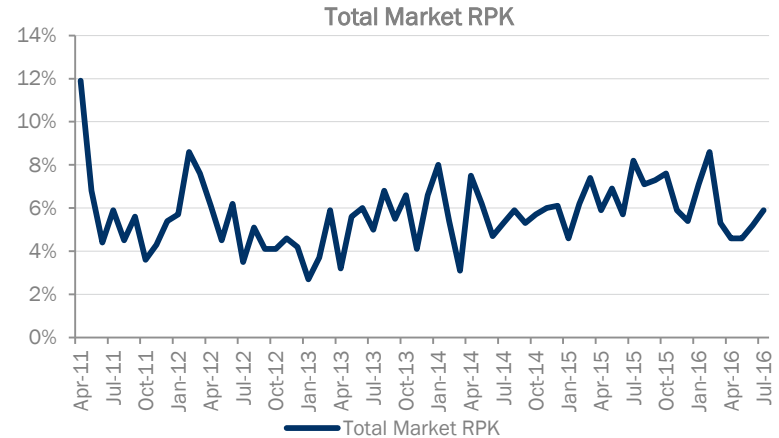
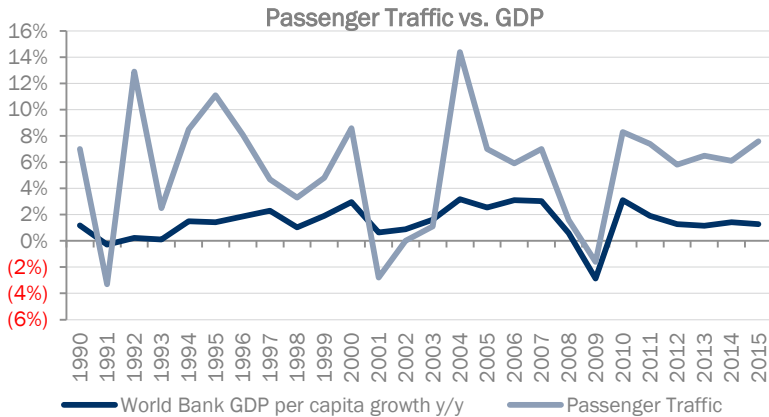
 <p>DLH \$39m</p> <p>Financial advisor on the debt financing and acquisition of Danya International</p> <p> May 2016 </p>	 <p>Maxwell TECHNOLOGIES \$21m</p> <p>Financial advisor on the divestiture of its microelectronics product line to Data Device Corp.</p> <p> Apr 2016 </p>	 <p>COM DEV C\$125m</p> <p>Financial advisor on its spin-out of exactEarth</p> <p>Nov 2015 </p>	 <p>COM DEV C\$455m</p> <p>Sale of Equipment Business to Honeywell International</p> <p> Nov 2015 </p>	 <p>DP Aircraft \$102m</p> <p>Follow-On Offering Sole Placing Agent</p> <p>Jun 2015 </p>	 <p>COM DEV £13m</p> <p>Acquired MESL Microwave Ltd.</p> <p> Dec 2014 </p>	 <p>GENERAL DYNAMICS Advanced Information Systems Advanced Systems Business Ypsilanti, Michigan</p> <p>Undisclosed Acquired by MacDonald, Dettwiler & Associates</p> <p> Oct 2014 </p>
 <p>RTI International Metals, Inc.</p> <p>Undisclosed Sale of its Bow Steel subsidiary to Service Steel</p> <p> Feb 2014 </p>	 <p>SAFRAN Snecma</p> <p>Undisclosed Financial advisor to Safran in the JV Albany Safran Composites</p> <p> Nov 2013 </p>	 <p>RTI International Metals, Inc.</p> <p>Undisclosed Sale of its Pierce-Spafford Metals subsidiary to Titanium Industries</p> <p> Apr 2013 </p>	 <p>RTI International Metals, Inc.</p> <p>\$403m Convertible Senior Notes Senior Co-Manager</p> <p>Apr 2013 </p>	 <p>CORNERSTONE CAPITAL HOLDINGS</p> <p>Undisclosed Acquired Keystone Engineering, a United Technologies Corp. Business</p> <p> Mar 2013 </p>	 <p>DILIJENT SOLUTIONS, LLC</p> <p>Undisclosed Certain assets acquired by KEYW Corporation exclusive financial advisor</p> <p> Nov 2012 </p>	 <p>KEYW™</p> <p>\$100m Follow-on offering Co-Manager</p> <p>Sep 2012 </p>
 <p>Discovery Air</p> <p>\$70m Financial advisor to the Company on its debt refinancing process</p> <p>Sep 2011 </p>	<p>FLIGHT LANDATA</p> <p>\$30m Acquired by KEYW Corporation exclusive financial advisor</p> <p> Aug 2011 </p>	<p>MOELIS CAPITAL PARTNERS</p> <p>Undisclosed Acquired CyberCore Technologies Exclusive Financial Advisor</p> <p> Jul 2011 </p>	<p>EADS</p> <p>\$625m Financial advisor on acquisition of Vector Aerospace</p> <p> Mar 2011 </p>	 <p>Air Canada</p> <p>\$163m Secondary Offering of Common Shares held by ACE AVIATION</p> <p> Dec 2010 </p>	 <p>RTI International Metals, Inc.</p> <p>\$230m Convertible Senior Notes Joint Bookrunner</p> <p>Dec 2010 </p>	 <p>KEYW™</p> <p>\$105m IPO Senior Co-Manager</p> <p>Sep 2010 </p>

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Macro uncertainty contributing to market volatility

Traffic growth since the Great Recession continues to surprise to the upside

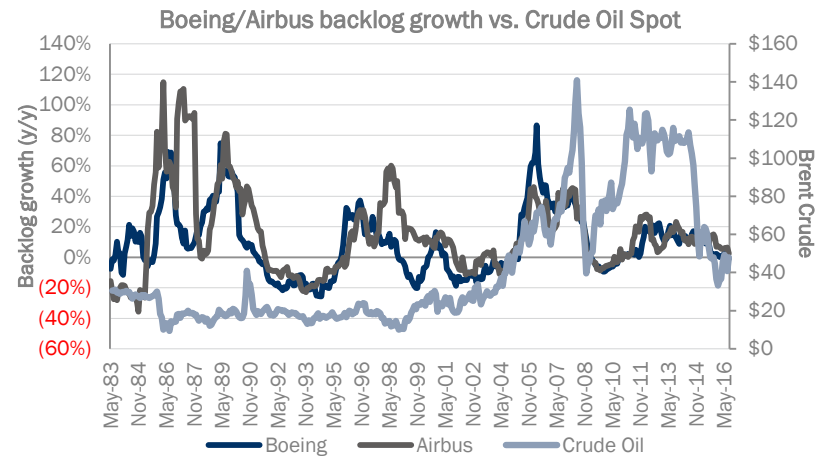
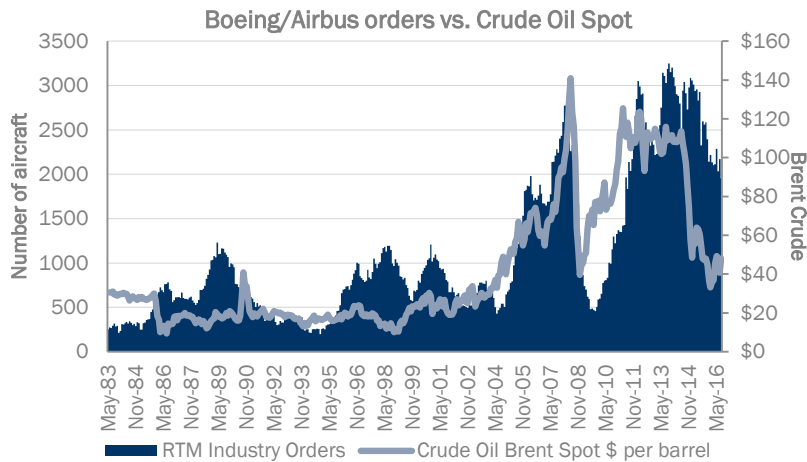
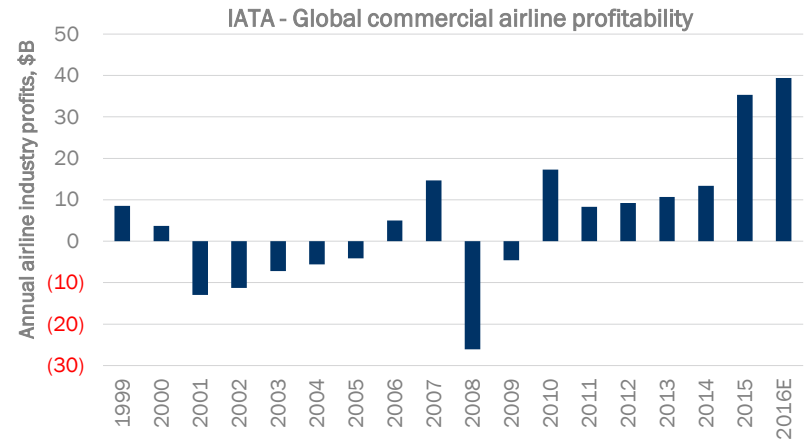
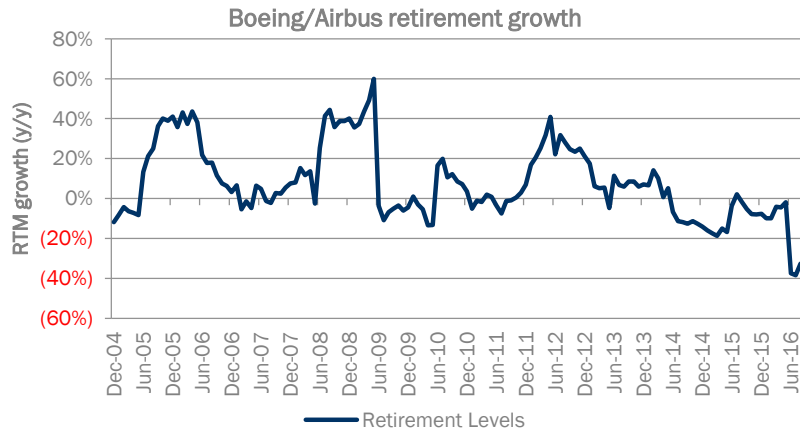
- Traffic growth continues to exceed expectations, driven largely by emerging market strength, but lower economic growth outlook into H2/16 and 2017 impacting airline outlook, capacity decisions



Macro uncertainty contributing to market volatility

Oil prices have been the leading story of the past 24 months

- Positive impact on the commercial aftermarket has been slower than expected to materialize
- Retirements down, airline profits up, support near-term aftermarket optimism

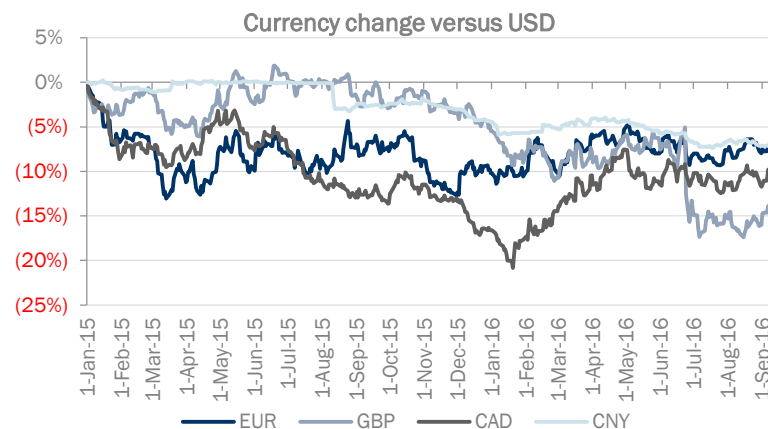
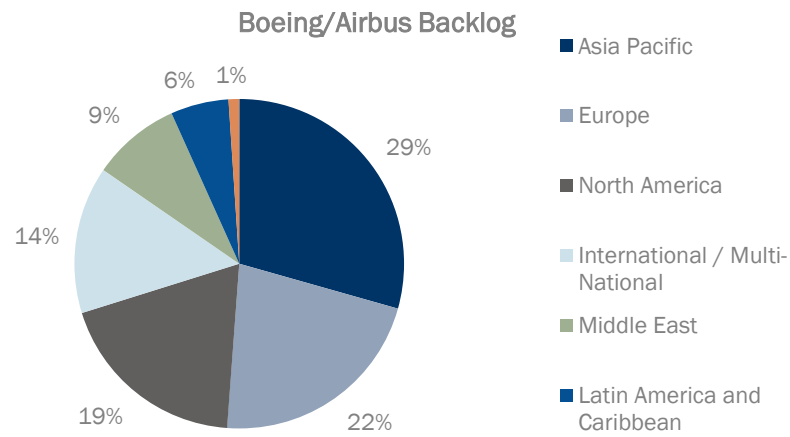


Macro uncertainty contributing to market volatility

FX risk seems to have moderated, for now

- Stronger US \$ should benefit non-U.S. MROs
- Easy credit and capital environment have also limited risk to commercial transport aircraft backlog
- Backlog exposure not yet a major concern, but a watch item

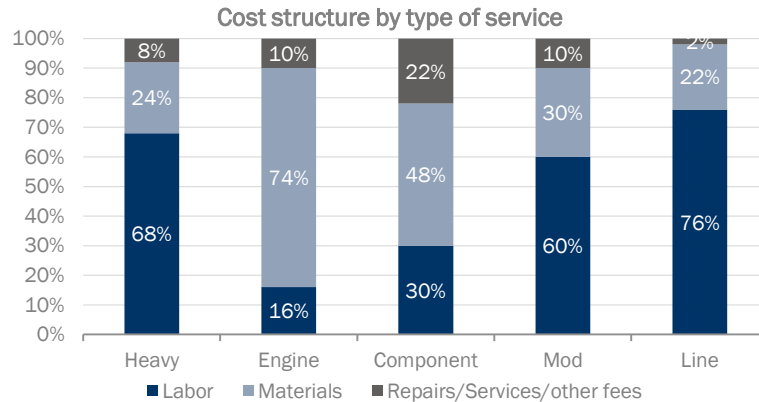
	Australia	China	Indonesia	India	Malaysia	Singapore	Japan
	AUD	CNY	IDR	INR	MYR	SGD	YEN
1-Jan-15	0%	0%	0%	0%	0%	0%	0%
1-Feb-15	(5%)	(1%)	(2%)	2%	(4%)	(2%)	2%
1-Mar-15	(4%)	(1%)	(4%)	2%	(3%)	(3%)	0%
1-Apr-15	(7%)	0%	(5%)	1%	(5%)	(3%)	0%
1-May-15	(4%)	0%	(4%)	(1%)	(2%)	(0%)	(0%)
1-Jun-15	(7%)	0%	(6%)	(1%)	(5%)	(2%)	(4%)
1-Jul-15	(6%)	0%	(7%)	(1%)	(7%)	(2%)	(2%)
1-Aug-15	(10%)	(0%)	(8%)	(2%)	(9%)	(3%)	(3%)
1-Sep-15	(14%)	(3%)	(12%)	(5%)	(16%)	(6%)	0%
1-Oct-15	(14%)	(2%)	(16%)	(4%)	(21%)	(7%)	0%
1-Nov-15	(13%)	(2%)	(10%)	(3%)	(19%)	(5%)	(1%)
1-Dec-15	(11%)	(3%)	(10%)	(5%)	(17%)	(6%)	(2%)
1-Jan-16	(11%)	(4%)	(10%)	(5%)	(19%)	(7%)	(0%)
1-Feb-16	(13%)	(6%)	(9%)	(7%)	(16%)	(7%)	(1%)
1-Mar-16	(13%)	(5%)	(7%)	(7%)	(16%)	(6%)	6%
1-Apr-16	(7%)	(4%)	(6%)	(5%)	(10%)	(2%)	7%
1-May-16	(7%)	(4%)	(6%)	(5%)	(10%)	(1%)	12%
1-Jun-16	(11%)	(6%)	(9%)	(6%)	(16%)	(4%)	9%
1-Jul-16	(9%)	(7%)	(6%)	(6%)	(13%)	(1%)	17%
1-Aug-16	(8%)	(7%)	(5%)	(5%)	(13%)	(1%)	17%
1-Sep-16	(8%)	(7%)	(7%)	(6%)	(14%)	(3%)	16%



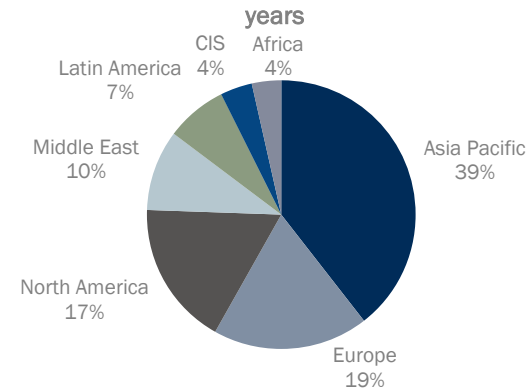
Macro uncertainty contributing to market volatility

Labor a unique challenge for MRO

- Labor requirements—training, availability of skilled labor, growing a skilled workforce—remain key challenges for the industry
- Even with new technology aircraft and materials, Boeing projects ~700,000 new aircraft technicians required in next 20 years, with the greatest number in Asia Pacific, reflecting fleet growth



680,000 new aircraft technicians required over next 20 years



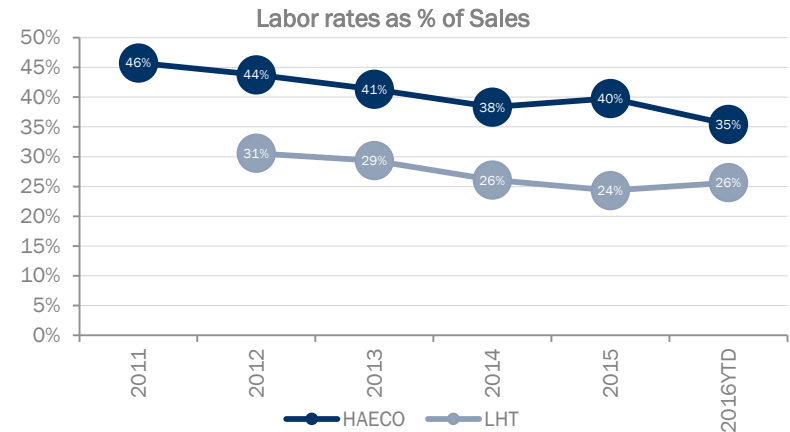
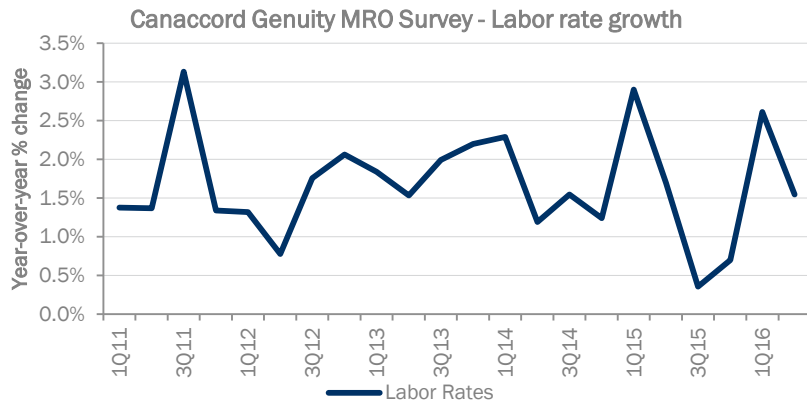
Labor Rates by Region (\$ per hr)

Region	2015	Comments
U.S. (captive)	\$65-\$80	Expect continued outsource, capacity reductions, but mergers slowing process
U.S. (3rd party)	\$50-\$60	Greater demand for outsourced services helping with price, expect further consolidation
China	\$35-\$45	Growth slowing but greater competition from other infrastructure efforts, lean represents opportunity
Latin America	\$40-\$50	Wage inflation, demand for skilled labor, reputation and macro challenges
East Asia (ex. China)	\$50-\$60	More mature economies that face price undercutting from cheaper MROs
Europe (captive)	\$70-\$90	Labor makes outsource more difficult, but increased cost pressure
Europe (3rd party)	\$50-\$70	Benefit from outsource, but being pressured by low-costs in ME, Eastern Europe

Macro uncertainty contributing to market volatility

Labor a unique challenge for heavy MRO

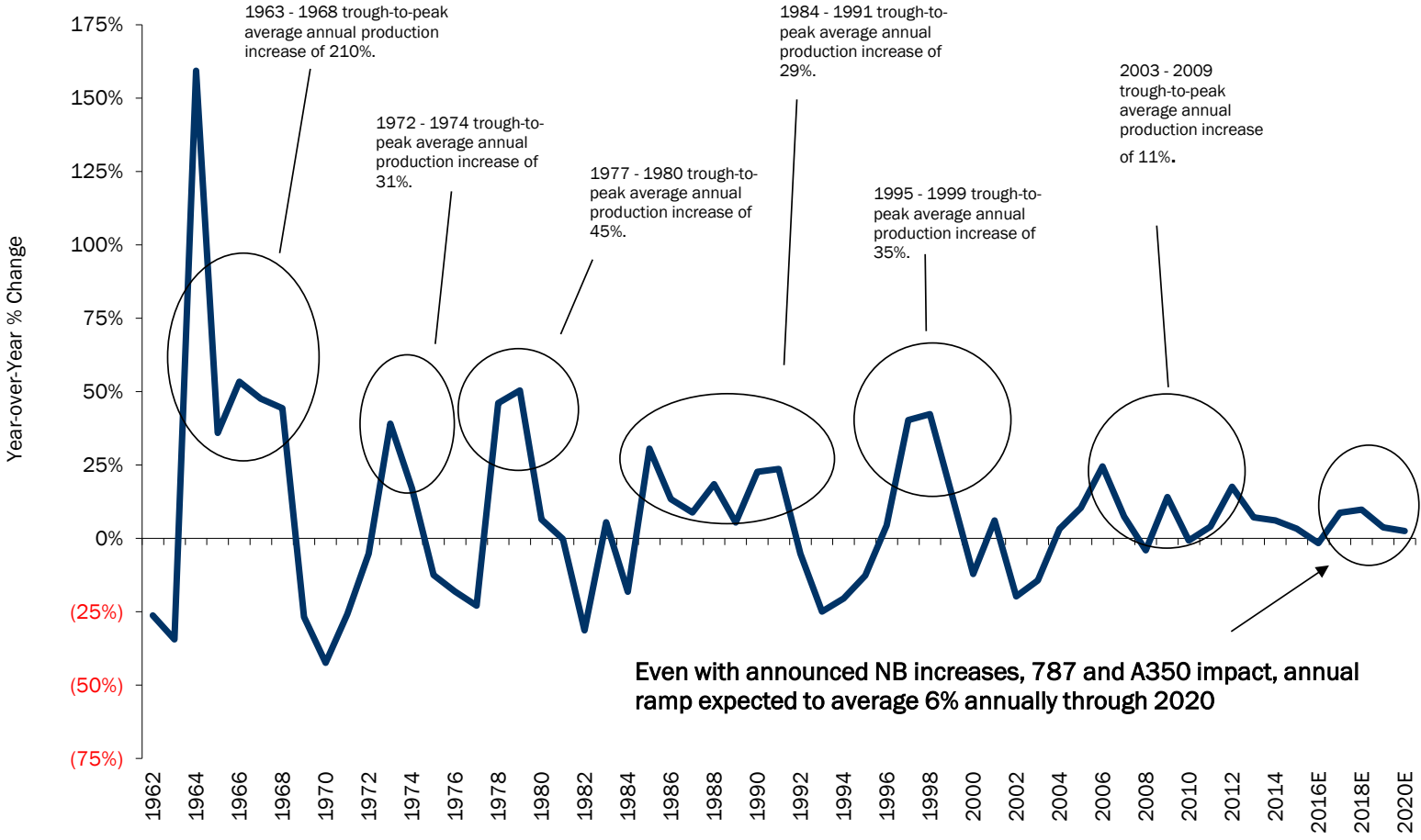
- Limited evidence of significant work migration between regions. China and Asia market increasingly focused on servicing regional fleets
- Focus for larger MROs is on cost reduction, very few barriers to entry on new heavy capacity except labor
- Little evidence to support real labor rate increases, incremental pressure on labor rates as OEMs look to take MRO share



OE production schedules reflect risk, but also optimism

Less volatility in new aircraft production, but supplier pressure escalating

Annual Boeing and Airbus Production



Source: Canaccord Genuity, Company reports

Capital markets at a crossroads

Growing pessimism about health of the OE cycle

- WB rate changes reflect more macro and capacity headwinds, NB challenges focused on the new aircraft introductions
- Still bullish on NB production rates (importance of cash generation), but WB rates have further to come down
- Recent concern about airline yields, profitability, adding to investor concerns
- Full impact of lower fuel not yet felt on original equipment (OE) cycle
- More interest in defense M&A, more risk associated with commercial cycle
- OEM push causing concern in MRO and aftermarket deals
- Macro factors still viewed as positive, especially in Asia region, but potential storm clouds are gathering

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Speculative Buy	57	6.33%	38	68.42%
	900*	100.0%		

*Total includes stocks that are Under Review

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