



MERIDIAN CAPITAL
INVESTMENT BANKERS



Aerospace & Defense Update – UAV and Drone Spotlight

Summer 2020

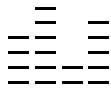


UAV AND DRONE MARKET INSIGHTS



Early Stage Private Equity and Venture Capital Remains Active

- M&A has decreased 12.5% from Q1 to Q2 2020 while the number of fundraising deals doubled due to companies seeking cash infusions to weather the pandemic
- Drone industry is still maturing, with early stage investments accounting for 51% of completed transactions YTD 2020*
- The Drone industry has raised a total of \$1.3B in venture capital funding in YTD 2020, already surpassing the total amount of \$994M in 2019
- Both VC mega rounds in YTD 2020 went to drone manufacturers. Joby Aviation raised a \$590M Series C and Skydio raised a \$100M Series C. Joby's Series C makes it the second highest funded Drone company, behind DJI Innovations



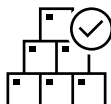
Commercial and Civil Markets Gain Traction

- The commercial sector is the fastest growing drone market with farming and agriculture, media and telecommunications, insurance, construction, and mining all benefiting from usage of drones
- The commercial drone market is anticipated to grow significantly as FAA regulations in the US continue to loosen and government agencies adopt new technologies
- Recreational drone use has risen as input prices continue to decline



Global Spending on Drones Expected to be Driven by Defense

- Global defense research and development and procurement spending on drones is expected to rise from a projected \$11.1B in 2020 to \$14.3B by 2029
- Despite early usage of drone systems primarily focusing on intelligence, surveillance, and reconnaissance, militaries are now expanding usage for armed missions



Drone Deliveries Gain Momentum During the Pandemic

- Mentions of autonomous and contactless deliveries have soared on public company earnings calls as businesses look for ways to minimize contact amid the pandemic
- There have been several recent partnerships, such as CVS' partnerships with Nuro and UPS to deliver prescriptions as well as Rouses Markets' partnership with Deuce Drone

WHAT WE'RE READING

Drone deliveries are making their case in a crisis – engadget

Takeaway: Drone deliveries are shining and proving their value during the pandemic as companies seek to minimize the spread of infection.

Autonomous drone maker Skydio shifts to military and enterprise with its first folding drone – The Verge

Takeaway: Skydio, long known for its consumer drones, is entering the commercial drone market with the release of its new X2 model drone; the move showcases that drones are much more than hobby toys and have a plethora of use cases.

The infusion of artificial intelligence into drones opens up a whole new world of opportunities – eWeek

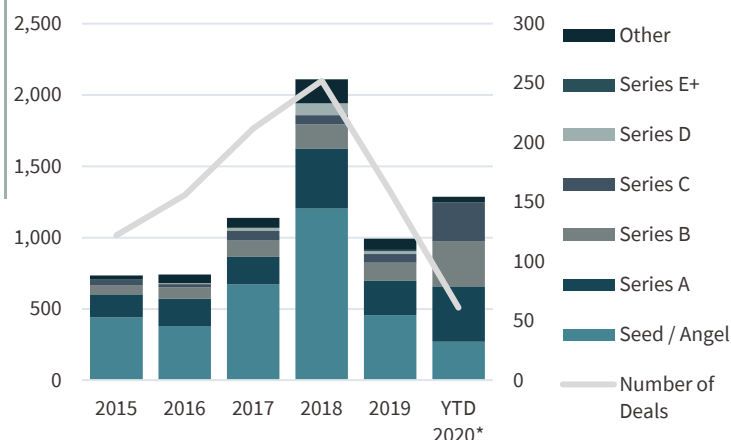
Takeaway: During the past couple of years, the rise of more intelligent drones has expanded their use cases. For example, adding automation software allows businesses with large-scale operations to use drones to collect data while adhering to compliance and safety regulations.

* 2020 YTD is the year-to-date period from Jan. 1 to Jul. 22, 2020

Source: CB Insights, U.S. Small Business Administration, PitchBook Data, IBISWorld, Company Press Releases

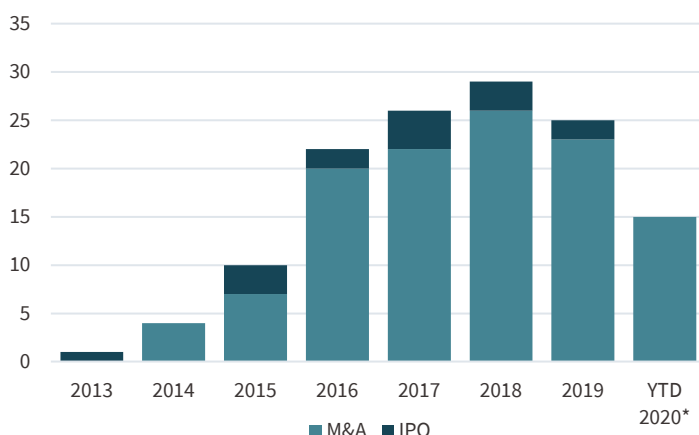


DRONE ANNUAL FINANCING AMOUNT (\$M) AND SHARE BY STAGE



- Joby Aviation's \$590M Series C round in January leads the pack with the largest funding round, giving 2020 levels a significant lift from 2019
- Early stage Seed and Series A rounds represent 51% of all deals YTD 2020, indicating that the industry is still maturing

DRONE ANNUAL M&A & IPO DEAL COUNT



- M&A activity has slowed down in Q2 as timelines and diligence processes have extended due to the pandemic
- M&A is likely to pick up in Q4 2020 and Q1 2021 as VC and private investors in well-funded drone companies seek to realize their investments

SELECT DRONE PUBLIC COMPANY VALUATIONS

\$M, except for share price data

Company Name	Price as of	% of 52-	Market Cap.	Enterprise Value	LTM			FY 2020E			EV / Revenue			EV / EBITDA		
	7/22/2020	week high			Revenue	EBITDA	Margin	Revenue	EBITDA	Margin	LTM	FY 2020E	FY 2021E	LTM	FY 2020E	FY 2021E
FLIR Systems	\$42.83	72%	\$5,604	\$6,135	\$1,893	\$328	17%	\$1,895	\$437	23%	3.2x	3.2x	3.1x	18.7x	14.0x	13.0x
AeroVironment	\$85.81	99%	\$2,065	\$1,772	\$367	\$58	16%	\$356	\$58	16%	4.8x	5.0x	4.4x	30.7x	30.7x	27.6x
Ambarella	\$46.01	63%	\$1,580	\$1,178	\$236	(\$28)	-12%	\$229	(\$13)	-6%	5.0x	5.2x	5.5x	NM	NM	NM
EHang	\$9.90	61%	\$542	\$511	\$19	(\$6)	-32%	\$68	NA	NA	27.3x	7.5x	1.7x	NM	NA	NA
Autonomous Control Systems Laboratory	\$20.77	55%	\$216	\$181	\$12	\$2	20%	\$13	NA	NA	15.4x	14.0x	12.7x	76.4x	NA	NA
Parrot Drones	\$3.46	67%	\$103	(\$26)	\$85	(\$32)	-38%	\$95	(\$31)	-33%	NM	NM	NM	0.8x	0.9x	NM

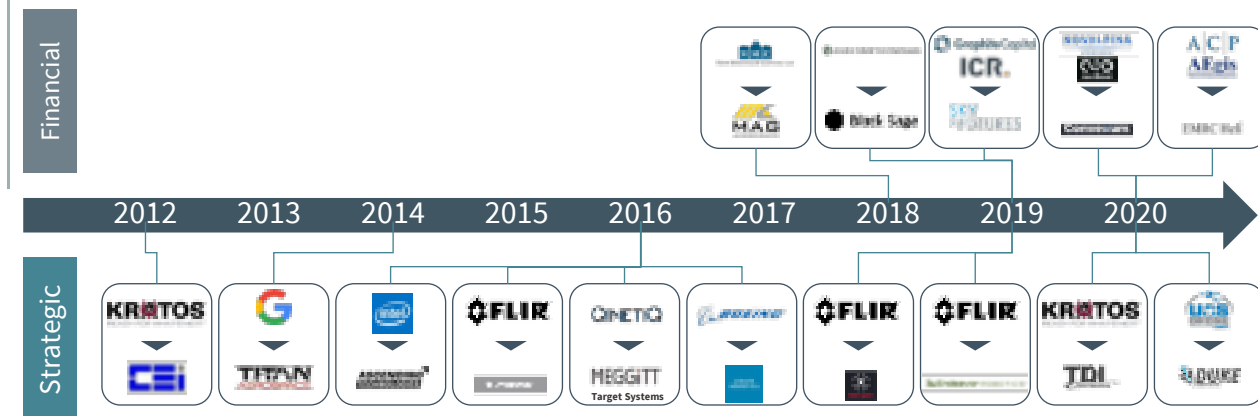
Terms: NA = "Not Available" NM = "Not Meaningful" LTM= "Last Twelve Months"

* 2020 YTD is the year-to-date period from Jan. 1 to Jul. 22, 2020

Source: CB Insights, PitchBook Data



NOTABLE DRONE M&A TRANSACTIONS



SELECT RECENT DRONE M&A TRANSACTIONS

Date	Target	Buyer	Target Description	EV (\$M)
Jul-20	Duke Robotics	UAS Drone	Provider of an advanced military UAS drone with stabilization technology.	ND
Jun-20	DataWing Global	B3Bar Holdings	Provider of unmanned air system information services.	ND
Jun-20	Effective Space	Astroscale	Manufacturer of space drones and life extension systems.	ND
May-20	Tethers Unlimited	Amergint	Developer of new products and technologies for space, sea, and air applications.	ND
Apr-20	Dronelogics Systems	Draganfly	Provider of integrator solutions for custom robotics.	\$1
Apr-20	EMRC Heli	Aegis Technologies Group (Arlington Capital Partners)	Manufacturer of small unmanned aerial systems designed for government and commercial customers.	ND
Apr-20	AeroVista Innovations	DroneUp	Provider of drone aerial mapping and imagery training solutions.	ND
Mar-20	Hybroid	HII Technical Solutions	Manufacturer of Autonomous Underwater Vehicles (AUVs).	ND
Mar-20	Viking UAS	Skyfire Consulting	Provider of aircraft engineering services for aircraft and drone industry.	ND
Mar-20	RoBird	AERIUM Analytics	Provider of unmanned aircraft systems and specializes in bird control and aerial inspections.	ND
Mar-20	Neva Ridge Technologies	General Atomics	Provider of Synthetic Aperture Radar (SAR) data processing technology and services.	ND
Feb-20	Technical Directions	Kratos Defense & Security Solutions	Developer of expendable turbojet engine applications and other UAVs.	\$10
Feb-20	Flight Pros	ISight RPV Services	Provider of drone services designed to manage projects efficiently.	ND
Feb-20	Convexum	NSO Group Technologies (Novalpina Capital)	Developer of a cyber-security platform designed for taking over and landing rogue or malicious drones.	\$60
Jan-20	Wesii	DXT Commodities	Developer of drone technology with multispectral sensors and processing algorithms.	ND
Dec-19	PAE ISR	American Aerospace Technologies	Provider of UAS and has significant experience in system integration and evaluation.	ND
Dec-19	Asteria Aerospace	Reliance Industries	Developer of drone-based solutions intended to provide actionable intelligence from aerial data.	\$21
Dec-19	Measure UAS	Aerodyne Group	Operator of a first and largest Drone as a Service company in the United States.	ND
Nov-19	VR Technologies	Tawazun Economic Council	Manufacturer and designer of helicopters and unmanned aerial vehicles.	\$887
Sep-19	Prismatic	BAE Systems	Developer of autonomous aerospace and space products.	\$7



SELECT DRONE FUNDING TRANSACTIONS YTD 2020*

Date	Company	Amount (\$M)	Select Investors	Round	City	Country
Jul-20	Azur Drones	\$2.90	Undisclosed Investors	Series B - II	Merignac	France
Jul-20	Propeller Aerobotics	\$18.00	Sequoia Capital China, Blackbird Ventures	Series B	Surry Hills	Australia
Jul-20	Civdrone	ND	Drone Fund	Series A	Tel Aviv	Israel
Jul-20	Skydio	\$100.00	Playground Global, Accel, NVIDIA GPU Ventures, Andreessen Horowitz, Institutional Venture Partners	Series C	Redwood City	United States
Jul-20	SLAMcore	\$5.00	Amadeus Capital Partners, MMC Ventures, Octopus Ventures, Toyota AI Ventures, Mirai Creation Fund	Series B	London	United Kingdom
Jul-20	Anduril	\$200.00	Andreessen Horowitz, 8VC, Elad Gil, Founders Fund, General Catalyst, Human Capital, Lux Capital Management, Valor Equity	Series C	Irvine	United States
Jun-20	Wesii	\$1.12	LigurCapital, Innovation Holding	Seed VC	Chiavari	Italy
Jun-20	Neurala	\$4.88	360 Capital Partners, Pelion Venture Partners	Unattributed VC	Boston	United States
Jun-20	Blueye Robotics	\$1.06	Undisclosed Investors	Unattributed	Trondheim	Norway
Jun-20	CODE42.ai	\$12.38	KTB Network, Shinhan Financial Group, LIG Nex1	Seed	Seoul	South Korea
Jun-20	DroneBase	\$7.50	Razi Ventures, Upfront Ventures, Union Square Ventures, Hearst Ventures, Pritzker Group Venture Capital, and others	Series C	Los Angeles	United States
Jun-20	Aerones	\$1.60	Y Combinator, Change Ventures, Sensum	Series A	Riga	Latvia
Jun-20	Lilium Aviation	\$35.00	Baillie Gifford & Co.	Series C - II	Wessling	Germany
Jun-20	Betterview	\$7.50	Compound, Nationwide Mutual Insurance Company, Winklevoss Capital, Guidewire Software, and others	Series B	San Francisco	United States
Jun-20	Clearpath Robotics	\$29.00	RRE Ventures, Inovia Capital, Kensington Capital Partners, Export Development Canada, BMO Capital Partners	Series C	Kitchener	Canada
May-20	i-Kingtec	\$23.79	Guozhong Venture Capital Management, ZHRM Fund, BlueRun Ventures, Joinne MingYuan Venture Capital, Hongtai Capital	Series B	Beijing	China
May-20	Xwing	\$10.00	R7 Partners, Alven Capital, Thales Corporate Ventures, Eniac Ventures	Series A	San Francisco	United States
May-20	Aerobotics	\$5.56	Naspers	Series B	Cape Town	South Africa
May-20	NewSight Imaging	\$7.00	Infinity Group (China), George So	Series A	Ness Ziona	Israel
May-20	Aware Vehicles	ND	T-Mobile Accelerator	Incubator/Accelerator	Kansas City	United States
May-20	Regulus Cyber	\$4.00	Sierra Ventures, btov Partners, Technion Seed, F2 Capital, SPDG, Canaan Partners Israel	Series B	Haifa	Israel
Apr-20	DASH Systems	\$4.48	Undisclosed Investors	Unattributed	Hawthorne	United States
Mar-20	Slingshot Aerospace	\$1.50	U.S. Air Force	Series A	El Segundo	United States
Feb-20	Volocopter	\$40.00	Mitsui Sumitomo Insurance Venture Capital, TransLink Capital, DB Schenker, Lukasz Gadowski, and others	Series C - II	Bruchsal	Germany
Feb-20	CerbAir	\$6.04	Boundary Holding, Smart Move Holding, MBDA, Aube Management, TechnoFounders, and others	Series A	Boulogne-Billancourt	France
Jan-20	Airspace Link	\$4.00	Indicator Ventures	Seed VC - II	Plymouth	United States
Jan-20	Joby Aviation	\$590.00	Intel Capital, Capricorn Investment Group, Toyota, AME Cloud Ventures, and others	Series C	Santa Cruz	United States
Jan-20	Clobotics	\$10.00	Tiger Management Corp	Series A - IV	Shanghai	China
Jan-20	SOS LAB	\$8.00	KDB Capital, Shinhan Capital, Korea Development Bank, Shinhan Financial Group, and others	Series A - II	Gwangju	South Korea

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Source: CB Insights

Meridian's Aerospace & Defense Team

INDUSTRY EXPERIENCE

Meridian's Aerospace & Defense practice provides comprehensive access to top industry-wide strategic and financial sponsor relationships, deep sector expertise, and proven transaction experience to help maximize shareholder value.

TRANSACTION EXPERTISE

- Mergers & Acquisitions
- Growth Capital
- Strategic Advisory

TAILORED PROCESSES

- High-Touch Approach
- Multidisciplinary Deal Team
- End-to-End Services

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About Meridian Capital

Meridian Capital (www.meridianllc.com), a Seattle-based M&A advisory firm, has served as a trusted advisor to business owners on complex corporate finance, M&A, and strategic challenges for over 20 years. The firm differentiates itself through its deep industry insights, highly customized service approach, and end-to-end commitment to execution.

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