

Deal of the Week: Northrop Grumman to Buy Orbital ATK for \$7.8B

Announcement Date	<ul style="list-style-type: none"> September 18, 2017 	
Acquirer	<ul style="list-style-type: none"> Northrop Grumman Corporation (NYSE: NOC) 	
Acquirer Description	<ul style="list-style-type: none"> Security company providing systems, products, and solutions in autonomous systems, cyber, strike, logistics and modernization, and command, control, communications, computers, intelligence, surveillance, and reconnaissance (C4ISR) to government and commercial customers worldwide Founded in 1939 and headquartered in Falls Church, Virginia 	
Acquirer Financial Statistics	<ul style="list-style-type: none"> Mkt Cap: \$49.1 billion EV: \$52.2 billion LTM Revenue: \$25.2 billion 	<ul style="list-style-type: none"> LTM EBITDA: \$3.8 billion LTM EV / Revenue: 2.1x LTM EV / EBITDA: 13.7x
Target Company	<ul style="list-style-type: none"> Orbital ATK, Inc. (NYSE: OA) 	
Target Description	<ul style="list-style-type: none"> Develops and produces aerospace, defense, and aviation-related products for the U.S. Government, allied nations, prime contractors, and other customers in the United States and internationally Operates via 3 segments: Flight Systems, Defense Systems, and Space Systems Founded in 2015 and headquartered in Dulles, Virginia 	
Target Financial Statistics	<ul style="list-style-type: none"> Mkt Cap: \$7.6 billion EV: \$7.8 billion LTM Revenue: \$4.5 billion 	<ul style="list-style-type: none"> LTM EBITDA: \$607 million LTM EV / Revenue: 1.7x LTM EV / EBITDA: 12.8x
Acquirer Advisor	<ul style="list-style-type: none"> Perella Weinberg Partners 	
Target Advisor	<ul style="list-style-type: none"> Citigroup 	
Price / Consideration	<ul style="list-style-type: none"> \$7.8 billion 	<ul style="list-style-type: none"> Cash
Rationale	<ul style="list-style-type: none"> The deal will give Northrop Grumman access to lucrative contracts with NASA and the U.S. Army The deal will also help Northrop increase its arsenal of missile defense systems and is a rare departure for the company, which has not made a large acquisition in several years “The acquisition of Orbital ATK is an exciting strategic step as we continue to invest for profitable growth. Through our combination, customers will benefit from expanded capabilities, accelerated innovation and greater competition in critical global security domains. Our complementary portfolios and technology-focused cultures will yield significant value creation through revenue synergies associated with new opportunities, cost savings, operational synergies, and enhanced growth,” said Wes Bush, chairman, chief executive officer and president of Northrop Grumman Northrop Grumman expects the transaction to be accretive to EPS and free cash flow per share in the first full year after the transaction closes, and to generate estimated annual pre-tax cost savings of \$150 million by 2020 	
Deal Points	<ul style="list-style-type: none"> Northrop will pay \$134.50 for each Orbital ATK share, a 22% premium to the closing price on Friday Including the assumption of \$1.4 billion in debt, the proposed transaction is valued at about \$9.2 billion 	
Of Note	<ul style="list-style-type: none"> Upon completion of the acquisition, Northrop Grumman plans to establish Orbital ATK as a new, fourth business sector to ensure a strong focus on operating performance and a smooth transition into Northrop Grumman 	