

Deal of the Week: Woodward and Hexcel Combine in \$6.4B Merger of Equals

Announcement Date	<ul style="list-style-type: none"> January 12, 2020 	
Acquirer	<ul style="list-style-type: none"> Woodward, Inc. (NASDAQ: WWD) 	
Acquirer Description	<ul style="list-style-type: none"> Designs, manufactures, and services control solutions for the aerospace and industrial markets worldwide via its Aerospace and Industrial segments. The Aerospace segment offers fuel pumps, metering units, actuators, air valves, specialty valves, fuel nozzles, and thrust reverser actuation systems for turbine engines and nacelles. The Industrial segment designs, produces, and services systems and products for the management of fuel, air, fluids, gases, motion, combustion, and electricity Founded in 1870 and headquartered in Fort Collins, CO 	
Acquirer Financial Statistics	<ul style="list-style-type: none"> Mkt Cap: \$4.4 billion EV: \$5.4 billion LTM Revenue: \$3.0 billion 	<ul style="list-style-type: none"> LTM EBITDA: \$494.6 million LTM EV / Revenue: 1.8x LTM EV / EBITDA: 10.8x
Target Company	<ul style="list-style-type: none"> Hexcel Corporation (NYSE: HXL) 	
Target Description	<ul style="list-style-type: none"> Develops, manufactures, and markets structural materials for use in commercial aerospace, space and defense, and industrial markets. It manufactures and distributes aerospace composite materials and aircraft structures and components worldwide Founded in 1946 and headquartered in Stamford, CT 	
Target Financial Statistics	<ul style="list-style-type: none"> Mkt Cap: \$3.7 billion EV: \$4.7 billion LTM Revenue: \$2.4 billion 	<ul style="list-style-type: none"> LTM EBITDA: \$566.9 million LTM EV / Revenue: 2.0x LTM EV / EBITDA: 8.2x
Acquirer Advisor	<ul style="list-style-type: none"> J.P. Morgan 	
Target Advisor	<ul style="list-style-type: none"> Goldman Sachs 	
Price / Consideration	<ul style="list-style-type: none"> \$6.4 billion 	<ul style="list-style-type: none"> Stock
Rationale	<ul style="list-style-type: none"> The combined company expects to spend approximately \$250 million on research and development in the first full year post-closing and will have greater resources to invest in emerging technologies to support customer needs Annual cost synergies of more than \$125 million are expected to be realized by the second full fiscal year post-closing The transaction combines complementary cultures and operating philosophies as well as provides opportunities for revenue synergies through cross selling with a combined 2019 pro forma revenue of \$5.3 billion, over \$1.1 billion EBITDA, and 21% EBITDA margin Tom Gendron, Chairman, Chief Executive Officer and President of Woodward said, "Through our combined scale and strong cash flow profile, we will be even better positioned to accelerate innovation in aerodynamics and propulsion efficiencies and support evolving customer needs" 	
Deal Points	<ul style="list-style-type: none"> Hexcel shareholders will receive a fixed exchange ratio of 0.625 shares of Woodward common stock for each share of Hexcel common stock, and Woodward shareholders will continue to own the same number of shares of common stock in the combined company as they do immediately prior to closing Upon completion of the merger, existing Woodward shareholders will own approximately 55% and existing Hexcel shareholders will own approximately 45% of the combined company on a fully diluted basis 	
Of Note	<ul style="list-style-type: none"> The combined company intends to pursue an investment grade rating, a competitive dividend yield with an initial target of 1%, and deploy cash toward acquisitions and share repurchases, including executing on an expected \$1.5 billion share repurchase program within 18 months of closing 	