Global Opportunities and Challenges for Aerospace, Defense and Government Services Companies

Tuesday, October 14th, 2014

FY15 DOD President’s Budget Request

• $556B Total
• $496B in Base Budget (consistent with Bipartisan Budget Agreement of 2013)
• $60B for Overseas Contingency Operations
• Deltas from FY14 by Budget Title
  • Personnel: - 2%
  • Operations and Maintenance: + 1.3%
  • Procurement: - 3.9%
  • RDT&E: - .05%
• Opportunity, Growth and Security Initiative - $26B
• Deputy Secretary Work - “$70B hole”
Sequester

- FY15 President’s Budget assumes sequester relief for FY16 and beyond
- FYDP is $116B over BCA and $168B over the 10-year period
- FY16 PB would be reduced by $36B
  - Procurement and RDT&E: - $20B
  - O & M: - $12B

Global Competitors in a Global Marketplace
(Source: SIPRI)

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<td>1 US 29%</td>
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<td>10 Israel 3%</td>
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<td>Others 10%</td>
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Geopolitical Constraints on US Companies

- Export Controls
- Sanctions
- Embargoes

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Presented by:
Jon Barney
Managing Director
Aerospace & Defense companies – expand globally

**Q:** Will foreign markets be of greater importance to your company in the coming years?

**YES! (93%)**
March 2013 Avascent survey of senior A&D leaders on international markets

$80B - $100B in annual opportunity space for A&D companies outside US
Source: Avascent Analytics

- **350 senior participants**
- **11 countries** led by US
- **18 questions**
**Competition increasing but leaders don’t feel ready**

**Assessment of Global Competitive Environment**

- Competitive Landscape will be more intense in next year: 80%
- Strongly agree my company can meet the challenge: 6%

*Source: Avascent and Fleishman Hillard Global Competitiveness Survey – July 2014*

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**Global competition – from many places simultaneously**

**Top 10**

1. China
2. Israel
3. India
4. Brazil
5. South Korea
6. Canada
7. Russia
8. Taiwan
9. Ukraine
10. Australia

*Source: Avascent and Fleishman Hillard Global Competitiveness Survey – July 2014*

*Ranking represents share of executives surveyed that rank country as competitive threat*
New threats and new models but limited response

- High growth markets facing greatest competitive threat: Unmanned, ISR, Air Traffic Management, Missiles, Satellites, Cyber

- New business models: “80% solutions at 20% cost”

- Home market support lacking: 7% strongly believe their govt provides effective global sales support

Source: Avascent and Fleishman Hillard Global Competitiveness Survey – July 2014

Competitive environment rapidly changing

“Sales models that worked even two years ago are no longer effective, and "rising" competitors with less restrictive export/compliance environments are winning at our expense,” American A&D Executive

Source: Avascent and Fleishman Hillard Global Competitiveness Survey – July 2014
1. Portfolio Analysis
2. Evaluate & Prioritize Markets
3. Develop Strategic Approach
4. Establish Market Presence
5. Value Capture
6. Program Execution

Survey Results

Optimal Company

Demonstrates capability consistently
Demonstrates capability partially
Rarely demonstrates capability

Source: Avascent and Fleishman Hillard Global Competitiveness Survey – July 2014

Thank You For Joining Us!

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