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AEROSPACE & DEFENSE AND MISSION-CRITICAL INDUSTRIALS QUARTERLY M&A UPDATE

JANUARY 2025

AN AFFILIATE OF



SOLOMON IS ANCHORED IN A LEGACY OF INTEGRITY AND WISDOM

CULTURE OF GROWTH AND EXCELLENCE WITH SECTOR EXPERTS PROVIDING PREMIER SERVICE

WE ARE

the go-to advisors in the sectors we cover, bringing unmatched expertise to every transaction

170+
Investment Bankers

35+
Partners & MDs

\$300B+
Transaction Volume ^(a)

5x+
Growth Since 2016 ^(b)

OUR PEOPLE

live and breathe the services and sectors they advise on, providing unparalleled analysis, understanding and access

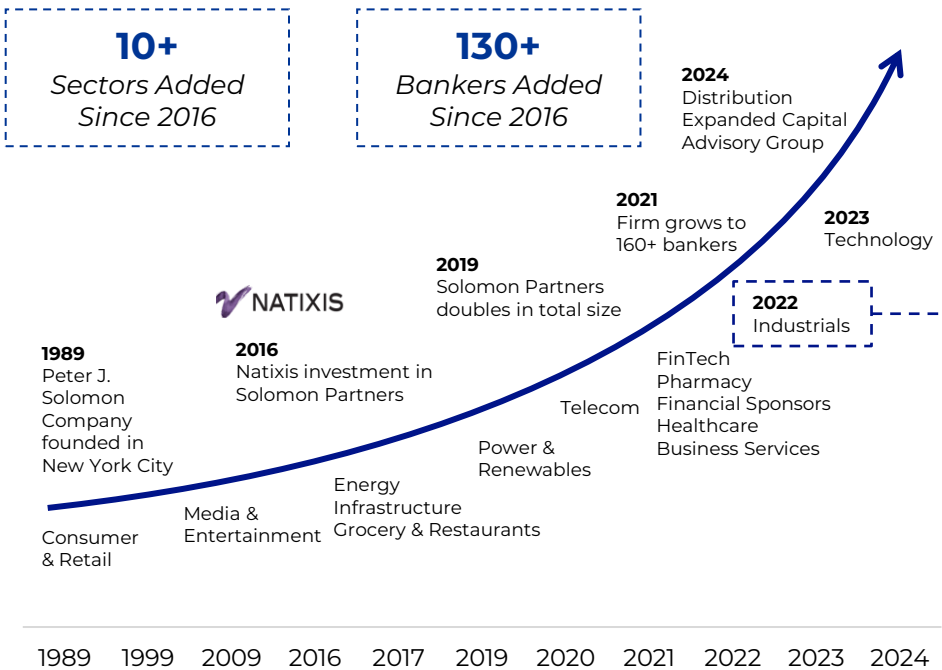
OUR PRIORITY

is tailored client service rooted in honesty and integrity

OUR REACH

is global through our partnership with Natixis, with access to coverage in Europe, the Americas, the Middle East, Asia and Australia

STRATEGIC EVOLUTION WITH INVESTMENT IN DEEP SECTOR EXPERTISE



OUR INDUSTRIALS CORE FOCUS AREAS

- Aerospace and Aviation Services
- Capital Goods, Automation and Electrical Equipment
- Defense and Space
- Government Services
- Industrial Services
- Industrial Technology and Software
- Motion and Flow Control
- Transportation

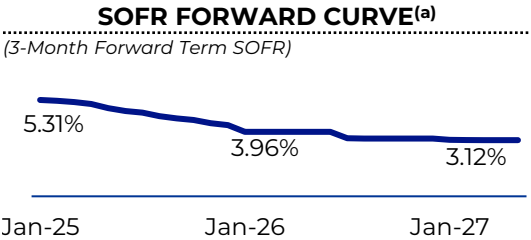
a) Includes transaction volume completed by Solomon Partners bankers at their prior firms
b) Growth since 2016 measured by Solomon Partners banker headcount

CURRENT M&A MARKET TRENDS IN A&D AND MCI

M&A MARKET OUTLOOK

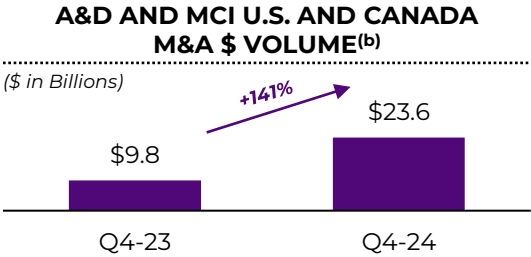
Macro-Economic Conditions Improving

- SOFR forward curve, a key inflation measure, is dropping, leading to increased optimism around deal activity
- Improving deal economics for leveraged buyouts and overall market sentiment against the backdrop of decreasing benchmark rates and loosening regulatory policies
- With ample dry powder to deploy, private debt markets continue their rally and compete for quality deals with narrowing spreads and improving terms



Increasing Levels of M&A Activity

- Corporates expected to continue pruning portfolios, aiming to shed non-core assets while leaning into and continuing to make acquisitions within core competencies
- Financial sponsors expected to remain discerning amidst interest rate environment and macro uncertainties, but limited partner distribution demand and other factors expected to lead to increased exit activity
- Investors and capital providers have an increased focus on bridging the supply / demand imbalance between LP distributions and successful M&A with minority-control-focused structured equity investments



KEY OBSERVATIONS AND THEMES IN OUR CORE MARKETS

Commercial Aerospace

- Strong aftermarket demand expected to continue against backdrop of high passenger traffic and labor and production challenges at OEMs
- Constrained production rates and supply chain challenges continue to impact new aircraft manufacturing but outlook and sentiment improving

Defense and Space

- U.S. defense budget has continued to grow amidst heightened global tensions
- Silicon Valley defense tech firms continue to play an outsized role in developing next-generation solutions
- Continued funding of the space economy will drive industry growth

Mission Critical Industrials

- U.S. manufacturing moved closer to recovery in December, with production rebounding and new orders rising further, but it marked the ninth consecutive month that the Purchasing Managers Index (PMI) remained below the 50 threshold (a PMI reading below 50 indicates contraction in the manufacturing sector)
- Outlook uncertain amid threat of higher tariffs and clarity as to how reshoring activity reshapes market dynamics

Ongoing improvement of underlying market fundamentals points to heightened M&A activity in 2025 and beyond

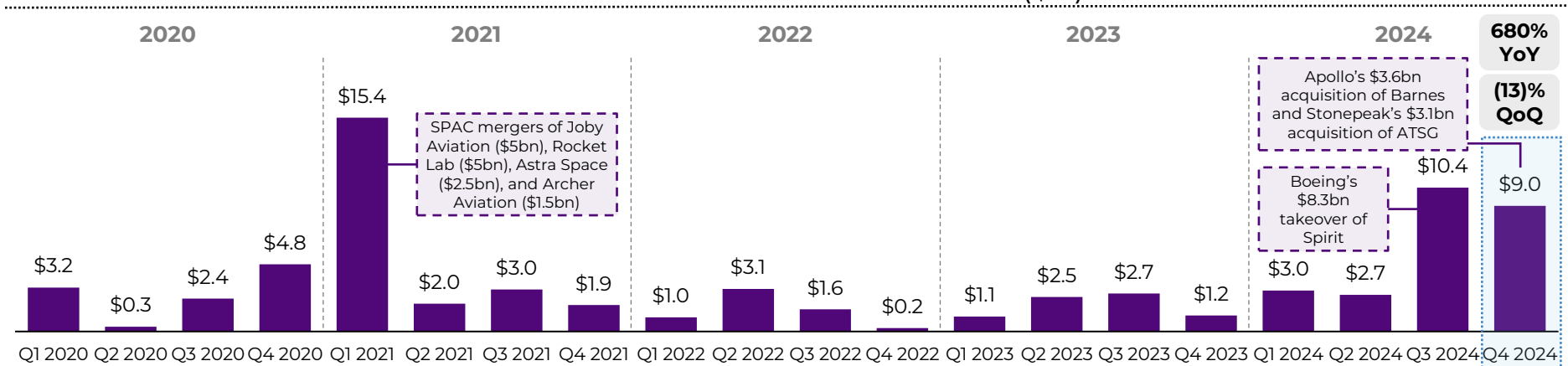
a) Pensford SOFR data as of January 2025
 b) Dealogic; reported based on announced transactions; U.S. M&A based on activity involving a U.S. target; Note: \$ Volume only includes deals with publicly disclosed transaction values

Q4 2024 RECAP

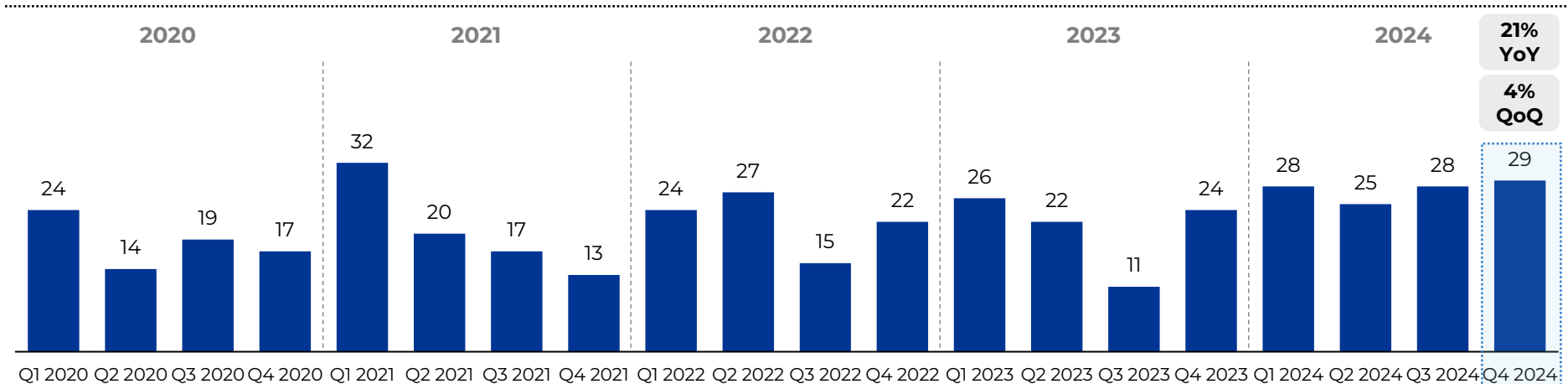
AEROSPACE

AEROSPACE DEAL COUNT STAGNANT IN 2024 VS. 2023 BUT \$ VOLUME SIGNIFICANTLY UP DRIVEN BY BOEING'S ANNOUNCED TAKEOVER OF SPIRIT AEROSYSTEMS AND MULTIPLE LARGE CAP DEALS IN Q4 (SEE PAGE 11)

U.S. AND CANADA M&A VOLUME (\$B)



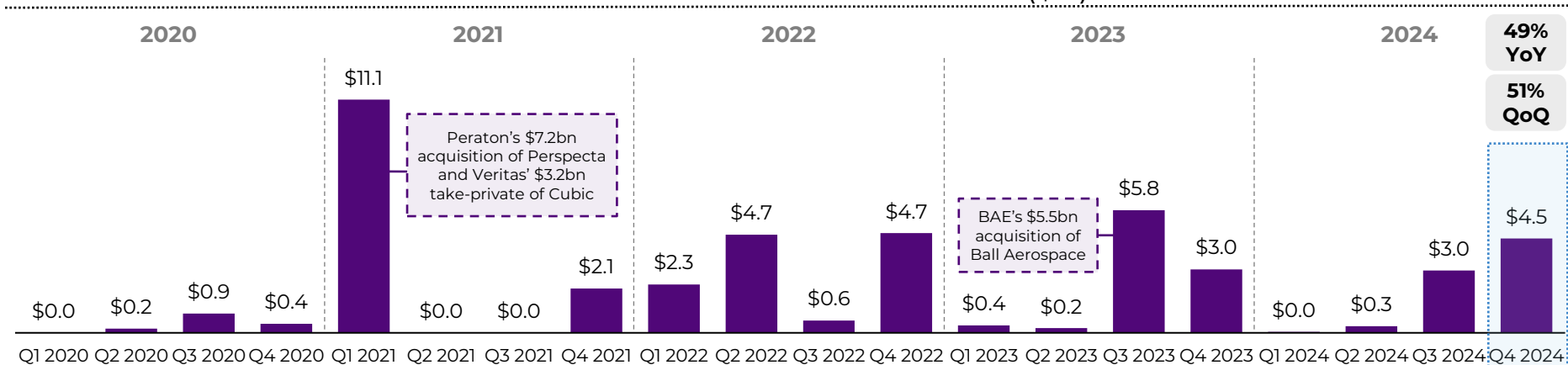
U.S. AND CANADA # OF M&A TRANSACTIONS



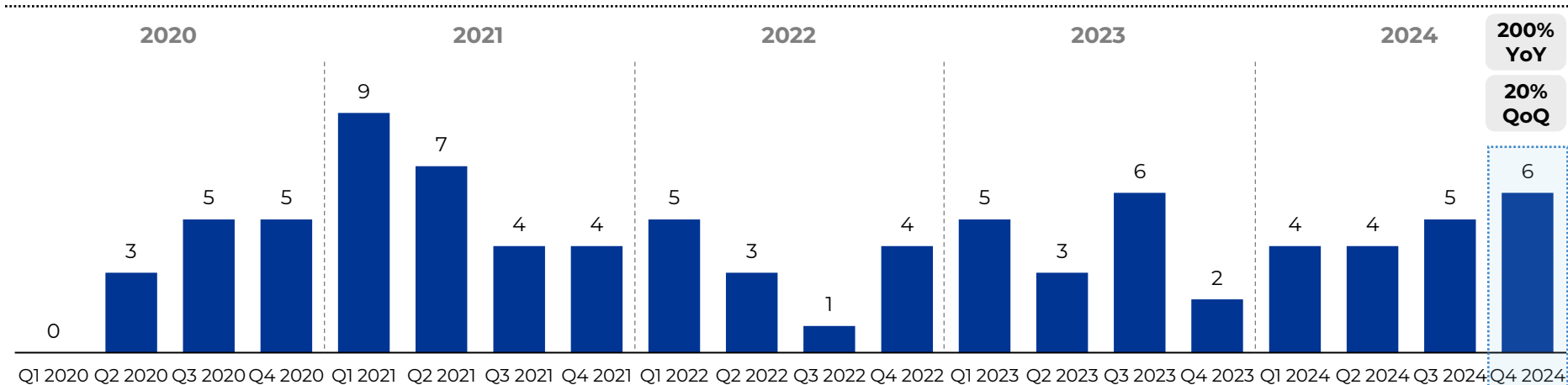
DEFENSE

THE NUMBER OF DEFENSE-SPECIFIC TRANSACTIONS HAS BEEN CONSISTENT YOY, BUT \$ VOLUME IS DOWN FOLLOWING BAE'S ACQUISITION OF BALL AEROSPACE IN 2023

U.S. AND CANADA M&A VOLUME (\$B)



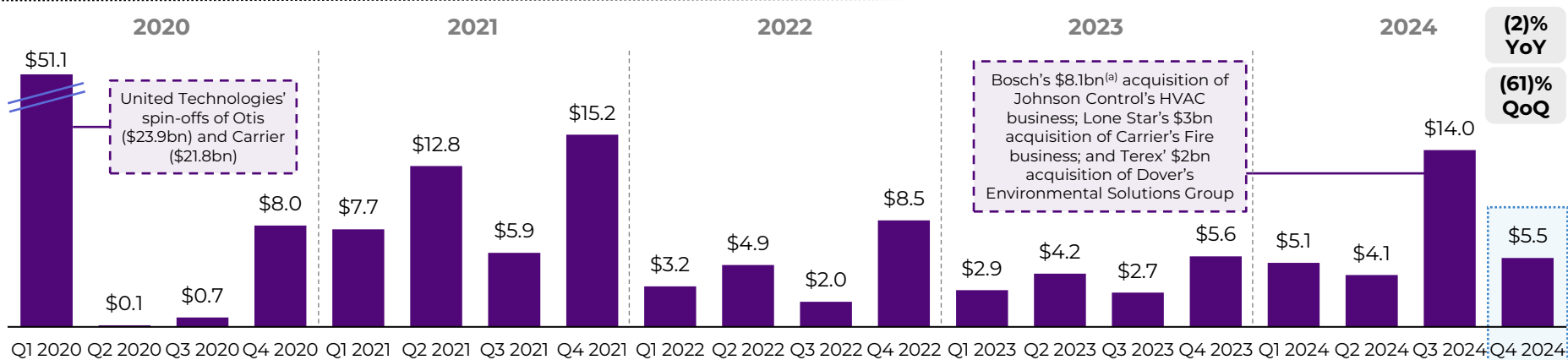
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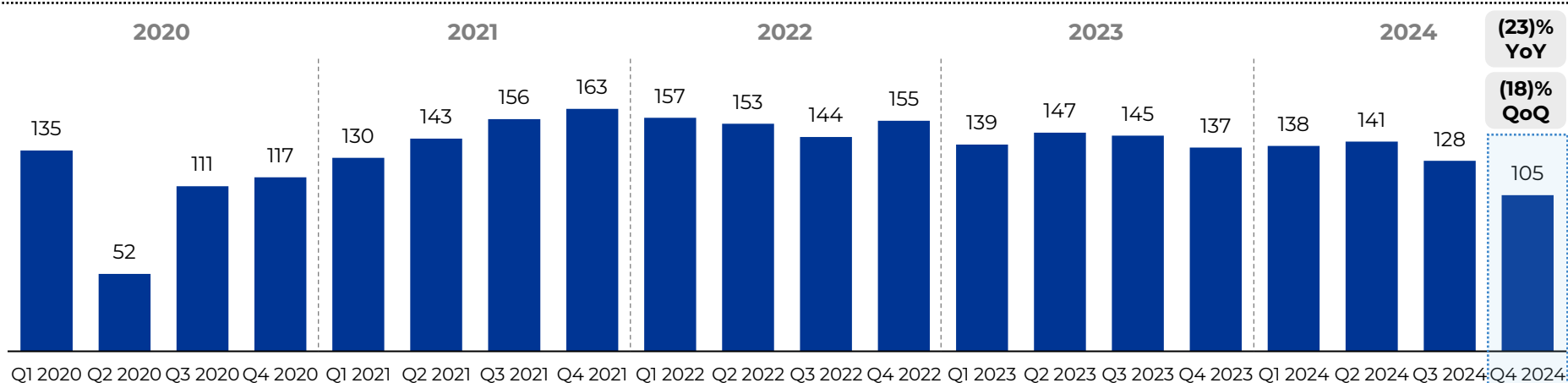
MISSION CRITICAL INDUSTRIALS

AFTER A STRONG Q3, MISSION CRITICAL INDUSTRIALS \$ VOLUME NORMALIZED IN Q4 AS THE OVERALL NUMBER OF TRANSACTIONS DECREASED

U.S. AND CANADA M&A VOLUME (\$B)



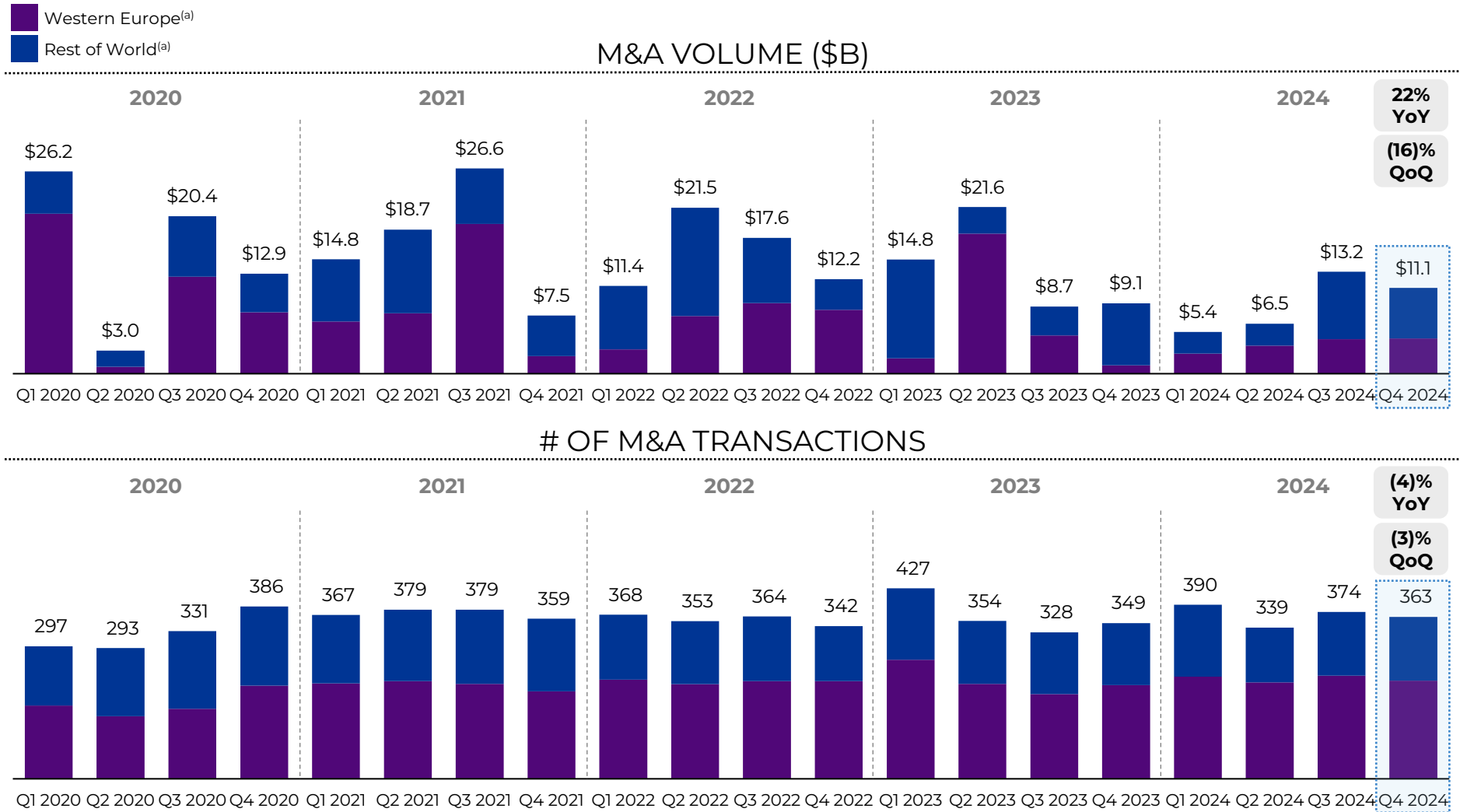
U.S. AND CANADA # OF M&A TRANSACTIONS



Source: Dealogic as of 1/14/2025 – based on announced transactions; U.S. M&A based on activity involving a U.S. target
 Note: Transactions limited to targets involved in air conditioning/heat products and machinery pertaining to general industrial, machine tools, material handling and electrical activities; \$ Volume only includes deals with publicly disclosed transaction values
 a) Of which \$4.6bn for the U.S.-related business is counted towards the total North American deal volume

WESTERN EUROPE AND REST OF WORLD

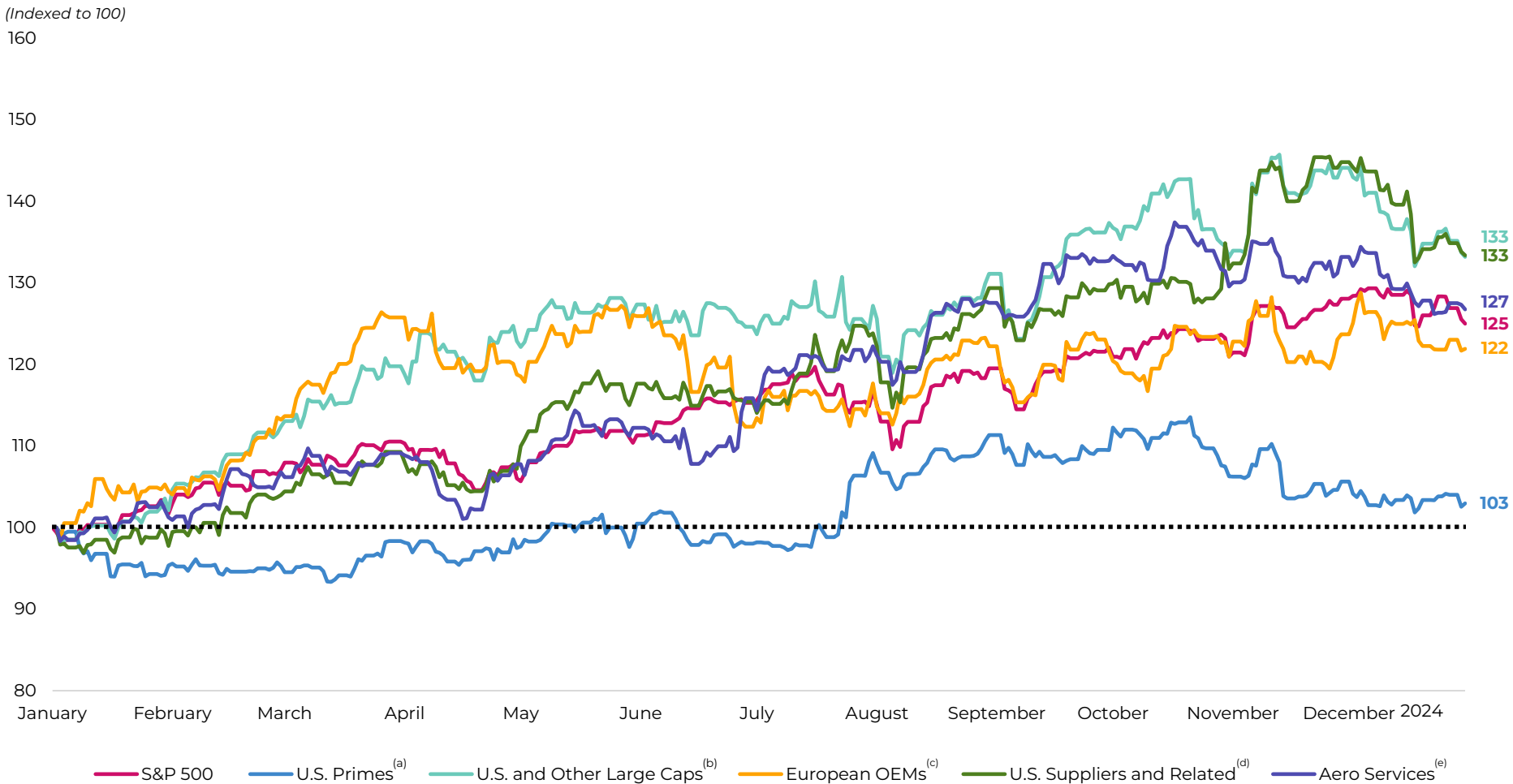
NORTH AMERICA HAS SEEN HIGHER \$ VOLUME IN 2024, PARTICULARLY IN H2, BUT FEWER DEALS THAN THE REST OF WORLD COMBINED



Source: Dealogic as of 1/14/2025 – based on announced transactions
 Note: Deals are the aggregate of aerospace, defense and mission critical industrials; Transactions limited to targets involved in aerospace, defense, air conditioning/heat products and machinery pertaining to general industrial, machine tools, material handling and electrical activities; \$ Volume only includes deals with publicly disclosed transaction values
 a) Western Europe includes European Union, Switzerland, Norway and the UK; Rest of world includes all other countries outside of Western Europe, the United States or Canada

AEROSPACE & DEFENSE

ALL INDICES WERE UP IN 2024, THOUGH U.S. PRIMES LAGGED OTHER GROUPS



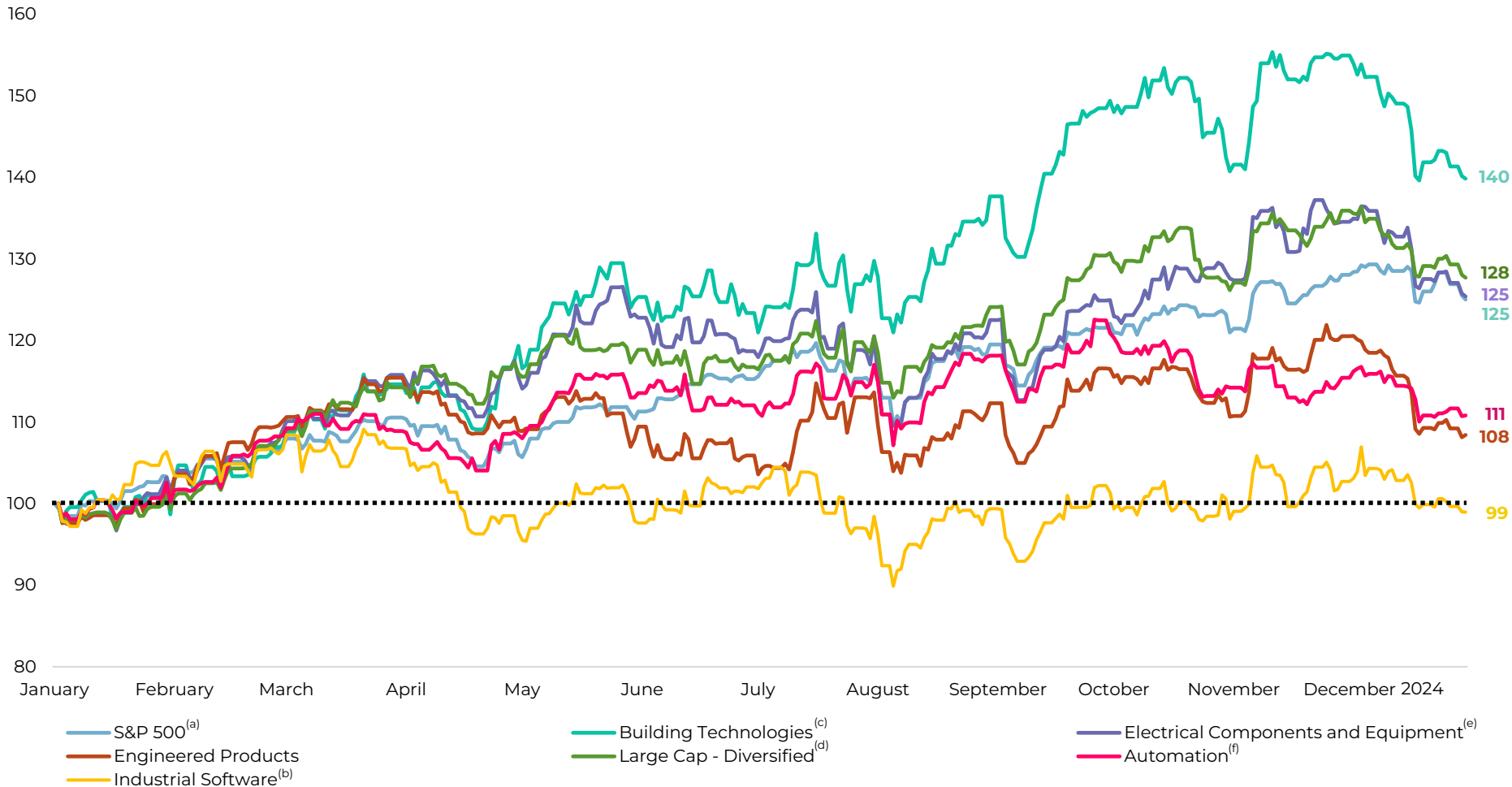
Source: CapitalIQ as of 1/10/2025

a) U.S. Primes includes Boeing, General Dynamics, Lockheed Martin, Northrop Grumman, RTX
b) U.S. / Other Large Caps includes Eaton, General Electric, Honeywell, L3Harris, Parker-Hannifin, Textron, TransDigm
c) European OEMs includes Airbus, BAE Systems, Dassault Aviation, Leonardo, Rolls-Royce, Saab, Safran
d) U.S. Suppliers and Related includes AeroVironment, Albany, Astronics, Barnes, Crane, Curtiss-Wright, Ducommun, Garmin, HEICO, ITT, Kratos Defense & Security, Leonardo DRS, Loar, Mercury Systems, Moog, Park Aerospace, RBC Bearings, Spirit AeroSystems, Teledyne Technologies, Triumph, Woodward
e) Aero Services includes AAR, AerSale, MTU Aero Engines, Singapore Technologies, StandardAero, VSE

MISSION CRITICAL INDUSTRIALS

MOST INDICES WERE UP IN 2024 WITH BUILDING TECHNOLOGIES LEADING THE WAY FOR MOST OF THE YEAR

(Indexed to 100)



Source: CapitalIQ as of 1/10/2025

a) Engineered Products includes A. O. Smith, Crane, Dover, ESCO Technologies, Enpro, Flowserve, Fortive, Franklin Electric, Gates Industrial, Graco, Helios, IDEX, ITT, Ingersoll Rand, Lincoln Electric, Nordson, Pentair, Regal Rexnord, Rotork plc, SPX Technologies, Stanley Black & Decker, Vontier, Watts Water Technologies, Xylem

b) Industrial Software includes Aspen Technology, Autodesk, Bentley Systems, Dassault Systèmes, Hexagon, PTC, Synopsys, Trimble

c) Building Technologies includes Carrier Global, Johnson Controls International, Trane Technologies plc

d) Large Cap - Diversified includes 3M, Eaton, General Electric, Honeywell, Illinois Tool Works, Parker-Hannifin, Siemens

e) Electrical Components and Equipment includes AMETEK, Amphenol, Atkore Inc., Belden, Bel Fuse Inc., Generac Holdings, Hubbell, Legrand SA, Littelfuse, nVent Electric, Prysmian, Sensata Technologies, TE Connectivity, Teledyne Technologies, Thermon, Vertiv

f) Automation includes ABB, Cognex, Danaher, Emerson Electric, Fanuc, Keyence, OMRON, Rockwell Automation, Schneider Electric, Yokogawa Electric, Zebra Technologies

SELECT Q4 AEROSPACE & DEFENSE DEAL HIGHLIGHTS

IN ADDITION TO SPONSOR ACTIVITY IN COMMERCIAL AEROSPACE, STRATEGICS HAVE BEEN TURNING THEIR FOCUS TO BUILDING OUT TECHNOLOGICAL CAPABILITIES

November 19, 2024



AeroVironment™

IS ACQUIRING



FROM



\$4,100mm

- **Deal Synopsis:** AeroVironment (NASDAQ: AVAV) entered into a definitive agreement to acquire BlueHalo, a provider of advanced engineering and technology solutions for the national security sector, including space, missile defense, C4ISR, and cybersecurity. The transaction is expected to close in the first half of 2025
- **Rationale:** The acquisition of BlueHalo will create a diversified defense tech company with a complementary portfolio spanning uncrewed systems, loitering munitions, counter-UAS, space technologies, electronic warfare and cyber solutions, driven by AI and autonomy. This merger is expected to enhance innovation, expand manufacturing capacity and leverage shared expertise to deliver next-generation technologies with significant military value, while achieving cost savings and operational efficiencies through synergies and best practices
- **Financial Information:** \$4.1bn transaction value, representing an estimated ~21x CY2025 EBITDA^(a)

November 4, 2024



IS ACQUIRING



\$3,100mm

- **Deal Synopsis:** Stonepeak entered into a definitive agreement to acquire Air Transport Services Group (NASDAQ: ATSG), a global leader in medium widebody freighter aircraft leasing, air transport operations, and support services. The transaction is expected to close in the first half of 2025
- **Rationale:** Stonepeak expects to leverage its expertise in transportation, logistics, and asset leasing for ATSG to expand its global air cargo leasing presence and enhance its service offerings. The partnership leverages ATSG's strong relationships with major e-commerce companies, robust fleet capacity, and focus on safety and reliability, positioning the company as a leader in supporting the growing global e-commerce sector
- **Financial Information:** \$3.1bn transaction value, representing an estimated ~6x TTM EBITDA

October 7, 2024



IS ACQUIRING



\$3,600mm

- **Deal Synopsis:** Apollo Funds (NYSE: APO) entered into a definitive agreement to acquire Barnes Group (NYSE: B) a global provider of highly engineered products, differentiated industrial technologies and innovative solutions. The transaction is expected to close before the end of Q1 2025
- **Rationale:** Apollo's acquisition of Barnes aims to accelerate the company's transformation and long-term growth. Building on Barnes' strong performance, innovative platforms, and leadership in aerospace and industrial sectors, the partnership will focus on expanding capabilities, broadening product offerings, and capitalizing on long-term aerospace demand trends and high-performance component needs, enabling Barnes to achieve sustainable growth as a private company
- **Financial Information:** \$3.6bn transaction value, representing ~11.5x TTM EBITDA

SELECT Q4 MISSION CRITICAL INDUSTRIALS DEAL HIGHLIGHTS

MAJOR INDUSTRIAL TRANSACTIONS WERE DRIVEN BY STRATEGICS' EFFORTS TO BUILD OUT CAPABILITIES AND STRENGTHEN COMPETITIVE POSITIONING

November 22, 2024



IS ACQUIRING

Honeywell
PPE Business

\$1,325mm

- **Deal Synopsis:** Protective Industrial Products (PIP), a portfolio company of Odyssey Investment Partners, entered into a definitive agreement to acquire Honeywell's Personal Protective Equipment (PPE) business, a global provider of protective equipment for industrial workers with a broad product portfolio and diverse customer base. The transaction is expected to close by late 2025 or early 2026
- **Rationale:** PIP's acquisition of Honeywell's PPE business positions the company for accelerated growth by broadening its product offerings, market presence, and geographic reach. For Honeywell, this divestiture aligns with its strategic focus on streamlining its portfolio to drive value creation, centered on three key megatrends: automation, the future of aviation and the energy transition
- **Financial Information:** \$1.3bn transaction value, representing ~8x TTM EBITDA^(a)

November 21, 2024



IS ACQUIRING

PST
PROCESS SENSING
TECHNOLOGIES

N/A

- **Deal Synopsis:** DwyerOmega, a portfolio company of Arcline Investment Management, entered into a definitive agreement to acquire Process Sensing Technologies (PST), a provider of measurement instrumentation and monitoring solutions for process-critical applications worldwide
- **Rationale:** DwyerOmega's acquisition of PST broadens its sensing and instrumentation product portfolio, enhancing its position in key markets and regions. By combining PST's advanced sensors, instruments, and gas analyzers with DwyerOmega's existing offerings, the acquisition intends to strengthen their ability to provide a comprehensive range of precision measurement solutions, supported by an expanded global network of resources
- **Financial Information:** Financial terms were not disclosed

October 17, 2024



IS ACQUIRING

motivair

\$850mm

- **Deal Synopsis:** Schneider Electric (ENXTPA: SU) entered into a definitive agreement to acquire an initial 75% controlling interest in Motivair, a company specialized in liquid cooling and advanced thermal management solutions for high performance computing systems. The transaction is expected to close in the coming quarters
- **Rationale:** Schneider Electric's acquisition of Motivair strengthens its position in the rapidly growing data center and AI markets by enhancing its portfolio of liquid cooling solutions. Motivair's expertise in high-performance cooling technologies, such as coolant distribution units and heat dissipation units, complements Schneider's existing offerings, positioning the company to meet the increasing demand for efficient thermal management in high-density computing environments.
- **Financial Information:** \$850mm transaction value for a 75% stake, representing an estimated ~5x EV/2025E Sales or ~25x EV/2025E EBITDA^(b)

Source: Company filings and press releases, Mergermarket, Wall Street broker research

a) Average of broker reported multiples. Assumed reported multiples were trailing

b) Estimates per Wall street broker research

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