



# AEROSPACE & DEFENSE AND MISSION-CRITICAL INDUSTRIALS

Quarterly M&A Update

July 2025

Larry Gelwix  
Head of Industrials  
+1.312.324.7449  
larry.gelwix@solomonpartners.com

Guy Rozentsveig  
Managing Director  
+1.312.718.2834  
guy.rozentsveig@solomonpartners.com

Parker Teufel  
Vice President  
+1.312.324.7467  
parker.teufel@solomonpartners.com



# Current M&A Market Trends in A&D and MCI

## M&A Market Outlook

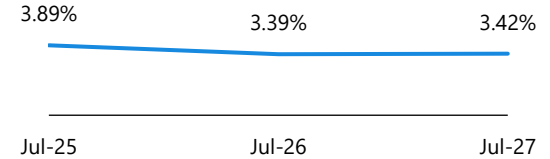
### Markets Learning to Navigate Economic Uncertainty

- Markets seem to be increasingly easing into the macroeconomic and geopolitical uncertainty, with an eye past the short term. As a result, M&A activity has begun to pick up, but it is still plagued with delays
- The U.S. fiscal outlook is weighing on the dollar, though the USD has shown some signs of recovery in early July
- SOFR forward curve is expected to remain flat amid U.S. inflationary concerns
- With ample dry powder to deploy in a muted M&A environment, private debt providers are competing for quality deals with narrowing spreads and improving terms

### Cautious Optimism as M&A Activity Defies Outlook Uncertainty

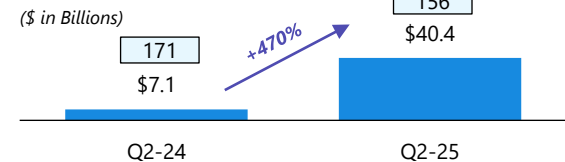
- The market has level set its expectations for M&A activity in 2025
- Corporates have defied the threat of tariffs and uncertainty and are expected to continue pruning portfolios and executing on strategic transformations while leaning into opportunistic acquisitions and consolidation deals
- Financial sponsors expected to remain discerning amidst the interest rate environment and macro uncertainties, but limited partner distribution demand and emerging capital needs will support activity
- We expect a continuation of the trend for high-quality businesses experiencing significant acquisition demand at attractive values, with everything else on a case-by-case basis

SOFR Forward Curve<sup>(1)</sup>  
(3-Month Forward Term SOFR)



U.S. and Canada Q2 M&A Volume and Deal Count<sup>(2)</sup> – A&D and MCI

Driven by a few large transactions, though overall deal count declined YoY



## Key Observations and Themes in Our Core Markets

### Commercial Aerospace

- Aftermarket “supercycle” expected to continue with backdrop of high passenger traffic and labor and production challenges slowly easing at OEMs
- New aircraft production rates, although improving, remain constrained by supply chain challenges and uncertainty around potential tariffs
- In addition to spending on R&D and organic growth, Tier 1 suppliers are reserving capital for strategic M&A to augment portfolios and position themselves to win content on next-gen platforms

### Defense and Space

- The recently passed “One Big Beautiful Bill Act” includes a one-time defense spending uptick of \$150 billion, pushing the FY26 budget close to \$1 trillion
- Meanwhile, NATO has committed to higher defense spending, ramping up to 3.5% of GDP by 2035<sup>(3)</sup>
- Europe and Canada are looking to diversify their defense spending away from the U.S. even as their total defense spend increases
- Silicon Valley defense tech firms continue to play an outsized role in developing next-gen solutions
- Successful Voyager IPO suggests investors’ confidence in continued funding of the emerging space economy

### Mission-Critical Industrials

- After kicking off 2025 with two months of expansion, U.S. manufacturing dipped back into contraction in March and has remained there since, with the Purchasing Managers Index (PMI) at 49% in June
- Manufacturing businesses tend to be hardest-hit by the threat of higher tariffs and lack of clarity as to how reshoring activity may reshape market dynamics
- Corporate buyers are expected to opportunistically pursue M&A opportunities while progressing strategic transformation processes
  - For example, ABB announced a spin-off its Robotics division

1. Pensford SOFR data as of July 2025.

2. Source: Dealogic; reported based on announced transactions; U.S. and Canada M&A based on activity involving a U.S. or Canadian target, respectively; Note: \$ Volume only includes deals with publicly disclosed transaction values.

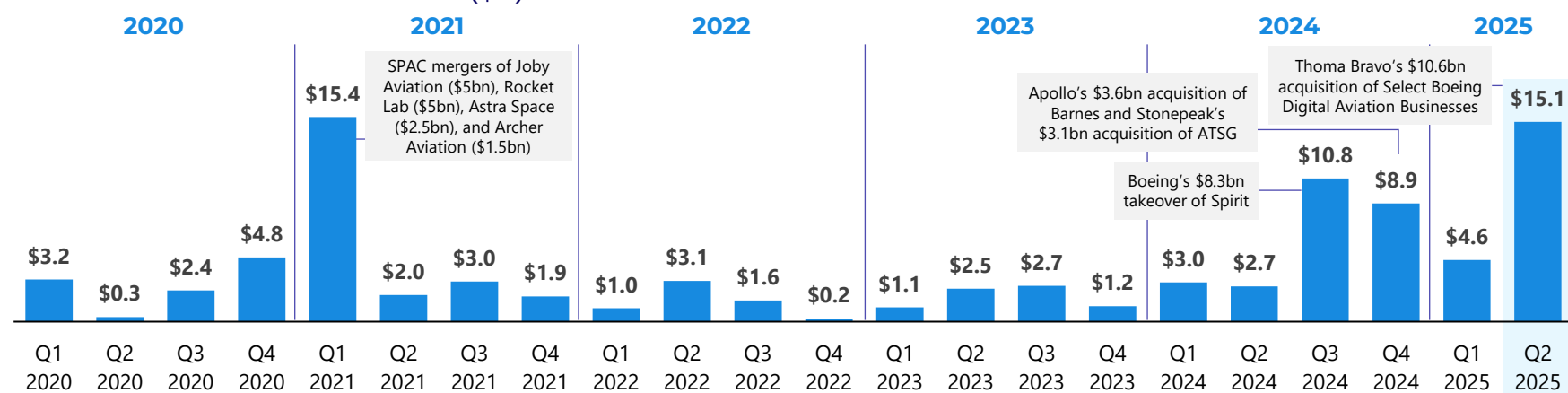
3. Allies agreed to allocate 3.5% of GDP for core defense requirements; an additional 1.5% in nonlethal spending on defense and critical infrastructure was also agreed upon.

# **Q2 2025 RECAP**

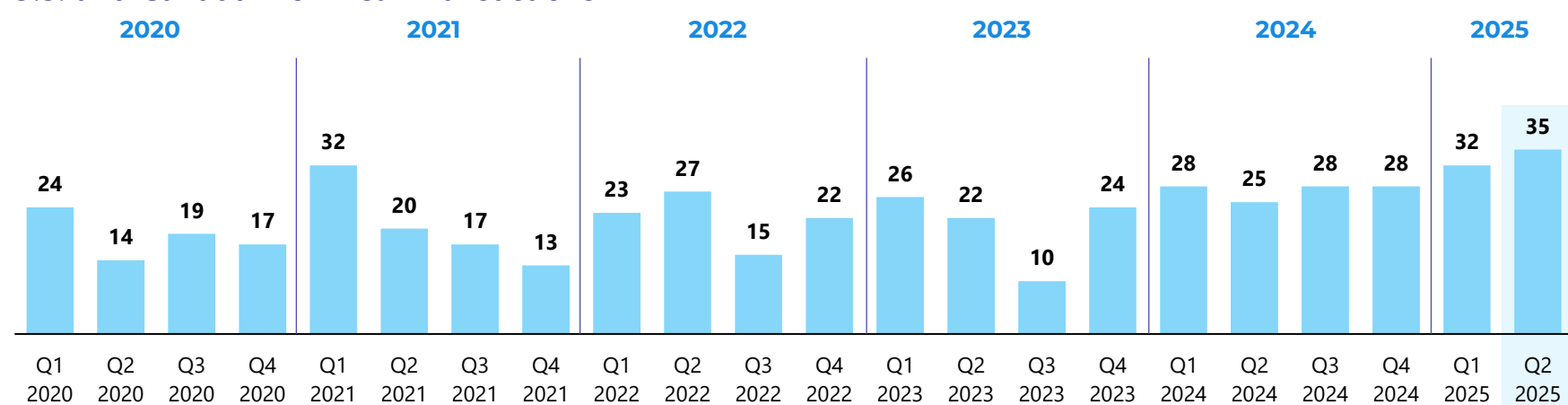
# Aerospace

Aerospace M&A activity and volume up YoY and QoQ, partially driven by Thoma Bravo's acquisition of select Boeing digital aviation businesses (see pg. 9)

## U.S. and Canada M&A Volume (\$B)



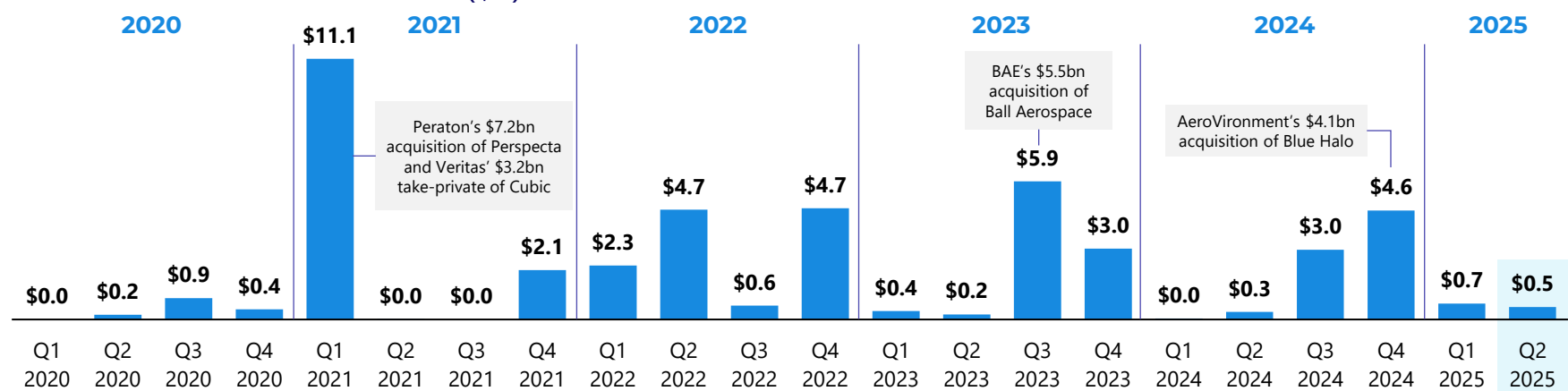
## U.S. and Canada # of M&A Transactions



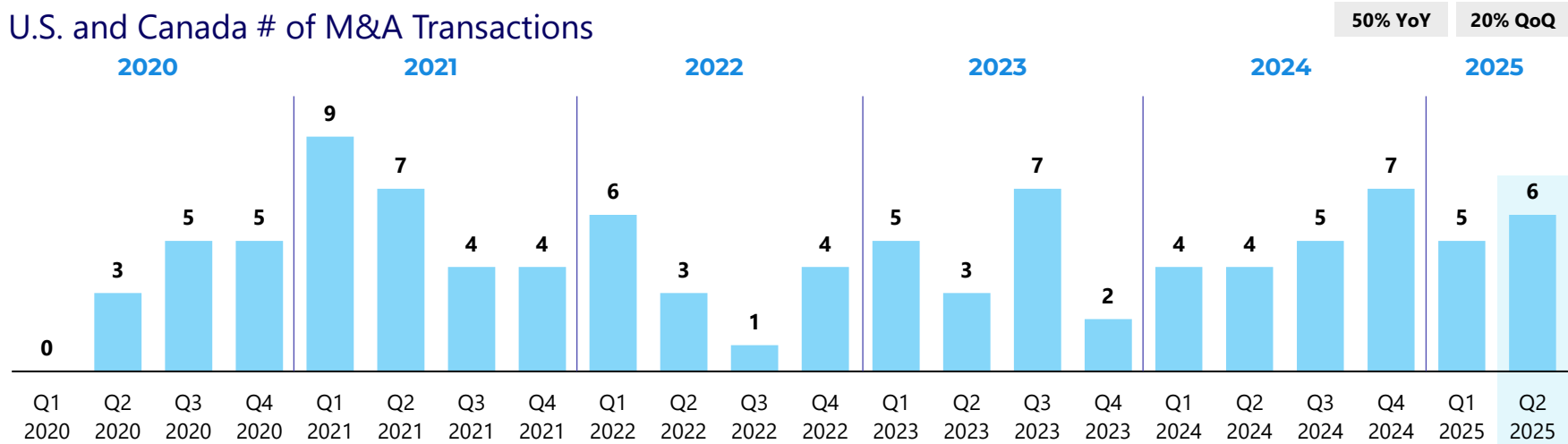
# Defense

Defense-related M&A activity has been stagnant, although H1 2025 exceeds H1 2024 on both volume and number of transactions

## U.S. and Canada M&A Volume (\$B)



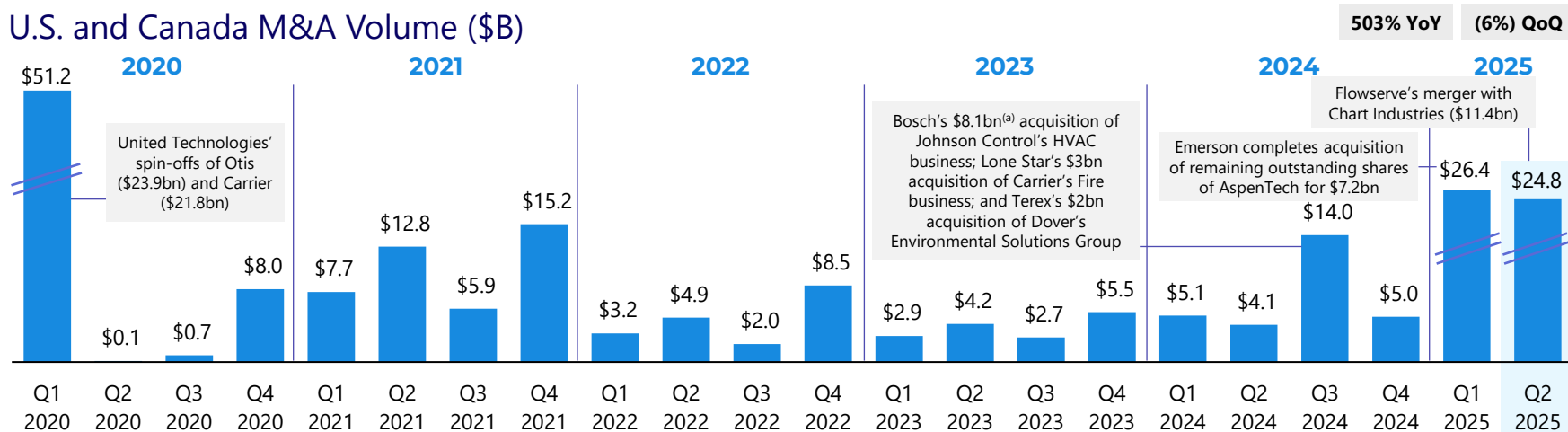
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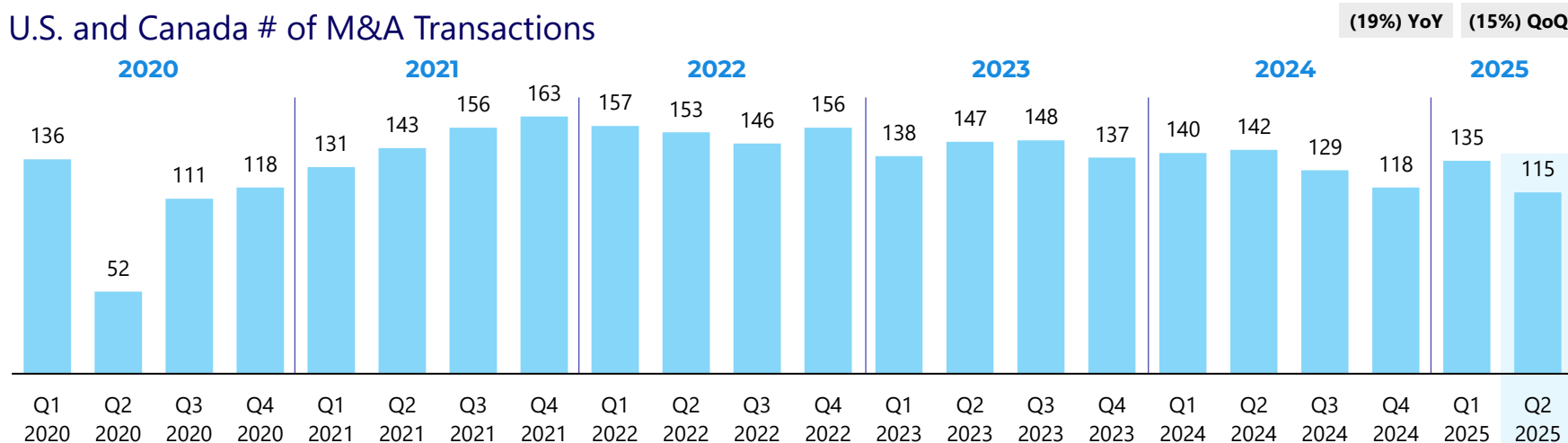
# Mission-Critical Industrials

YTD mission-critical industrials M&A volume has been driven by large cap strategic deals such as the merger of Flowserve Corp. and Chart industries (see pg. 10)

## U.S. and Canada M&A Volume (\$B)



## U.S. and Canada # of M&A Transactions



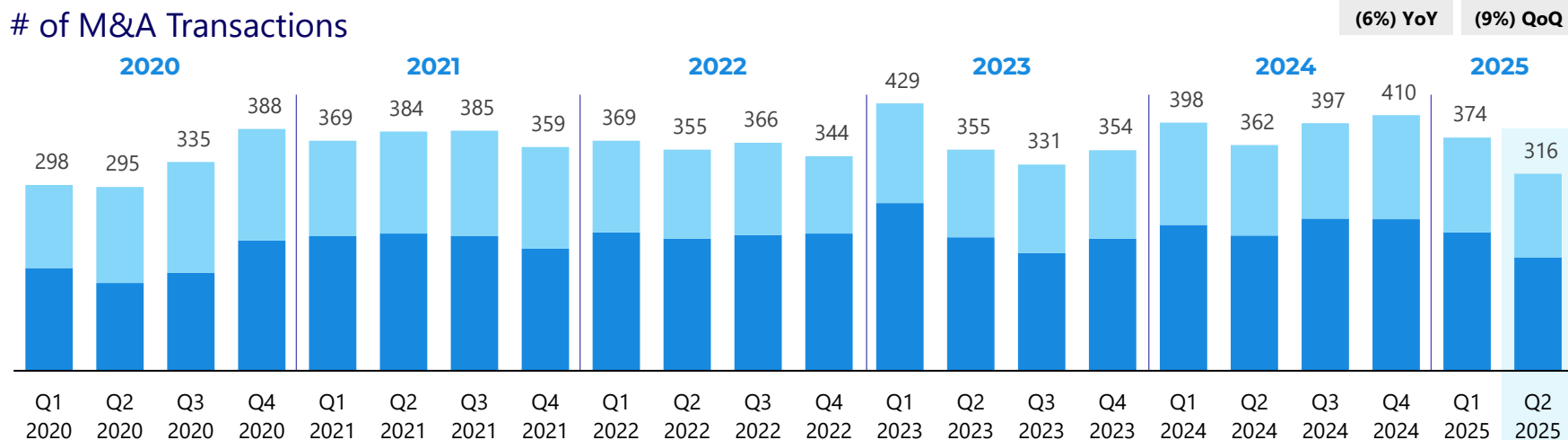
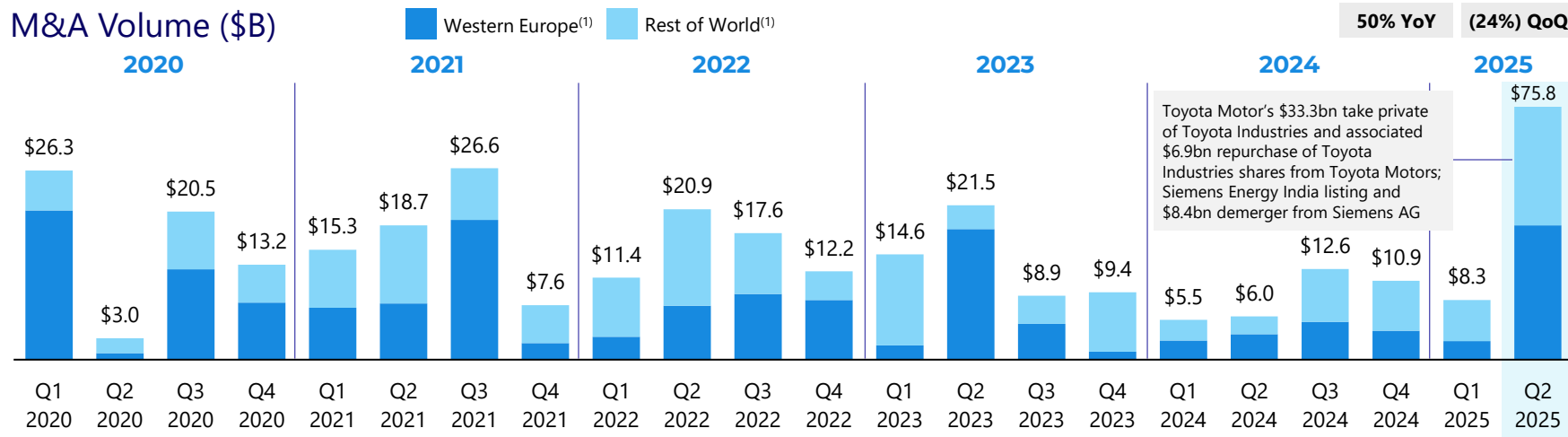
Source: Dealogic as of 6/30/2025 – based on announced transactions; U.S. M&A based on activity involving a U.S. target.

Note: Transactions limited to targets involved in air conditioning/heating products and machinery pertaining to general industrial, machine tools, material handling, and electrical activities; \$ Volume only includes deals with publicly disclosed transaction values.

1. 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

Western Europe and Rest of the World have seen a surge in M&A Dollar volume from corporate buyers despite a slight dip in deal count



Source: Dealogic as of 6/30/2025 – 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/heating products and machinery pertaining to general industrial, machine tools, material handling and electrical activities; \$ Volume only includes deals with publicly disclosed transaction values.

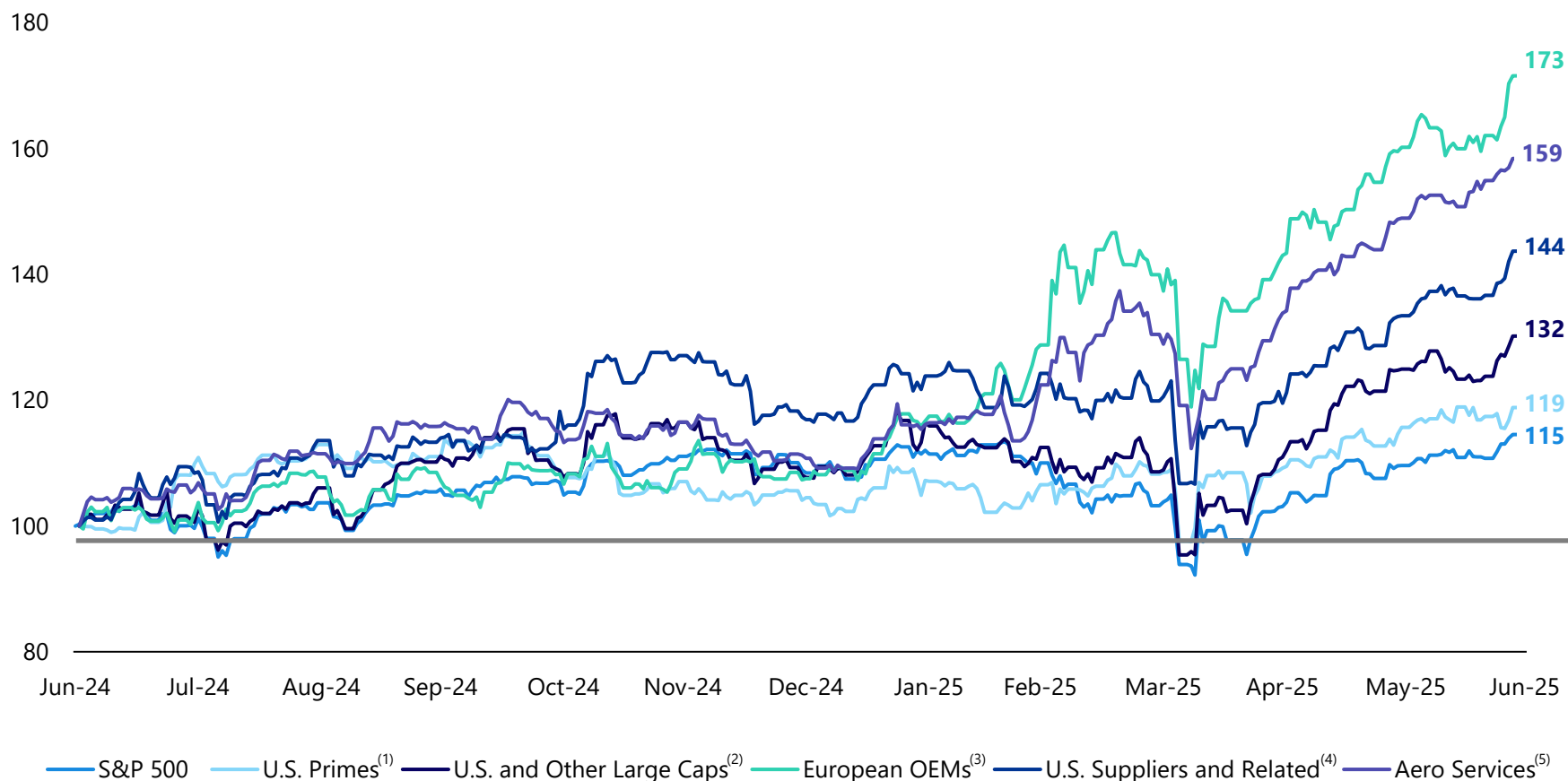
disclosed transaction values.

1. 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 A&D indices have overperformed the S&P in the past 12 months, overcoming a volatile Q1 2025, with European OEMs and Aerospace Services leading the gains

(Indexed to 100)



Source: CapitalIQ as of 6/30/2025.

1. U.S. Primes includes Boeing, General Dynamics, Lockheed Martin, Northrop Grumman, RTX.

2. U.S./Other Large Caps includes Eaton, General Electric, Honeywell, L3Harris, Parker-Hannifin, Textron, TransDigm.

3. European OEMs includes Airbus, BAE Systems, Dassault Aviation, Leonardo, Rolls-Royce, Saab, Safran.

4. 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.

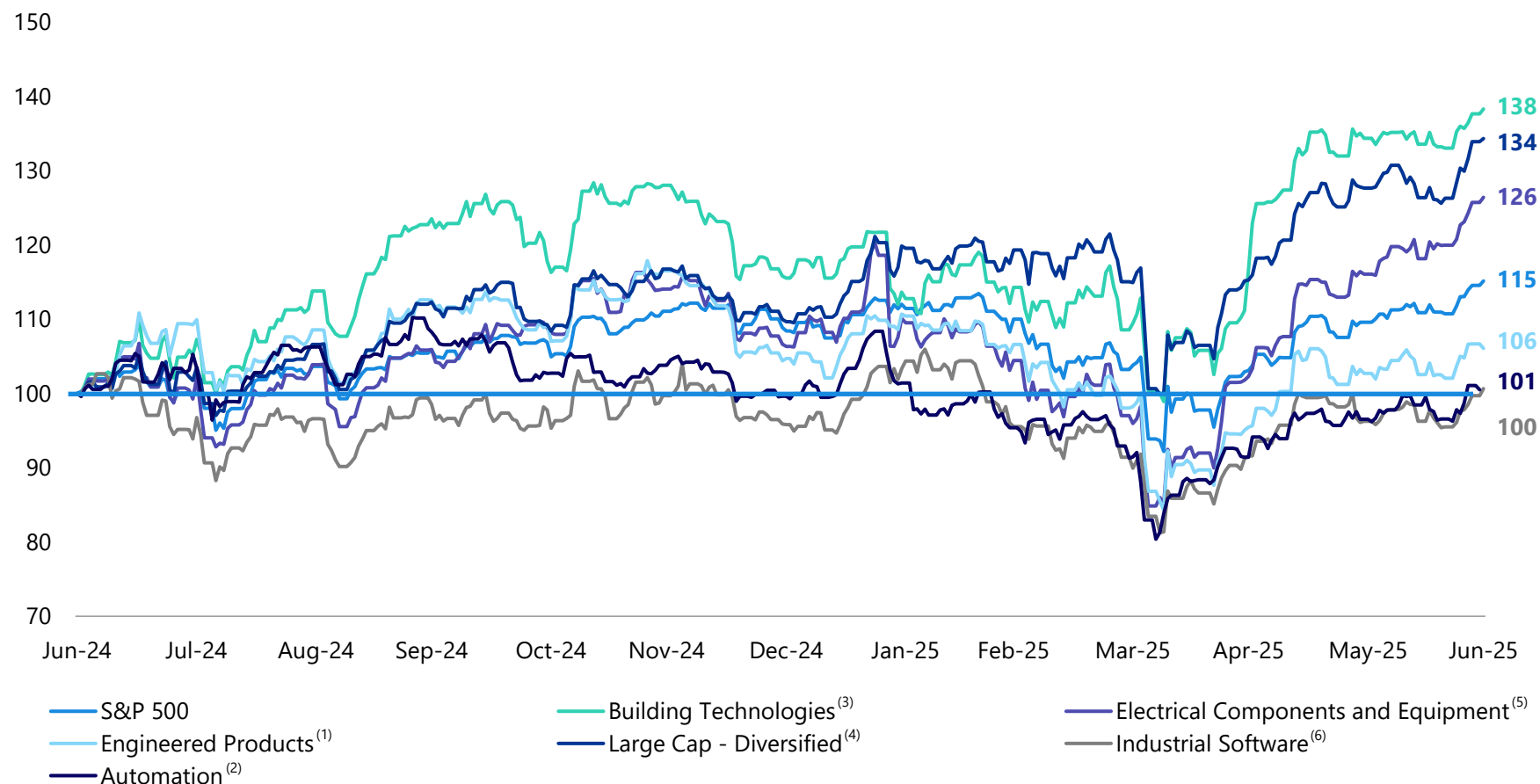
5. Aero Services includes AAR, AerSale, MTU Aero Engines, Singapore Technologies, StandardAero, VSE.



# Mission-Critical Industrials

Despite April losses from tariff uncertainty, all indices finished Q2 2025 flat or up compared to last year

(Indexed to 100)



Source: CapitalIQ as of 6/30/2025.

1. 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.

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

3. Building Technologies includes Carrier Global, Johnson Controls International, Trane Technologies plc.

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

5. 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.

6. Industrial Software includes Autodesk, Bentley Systems, Dassault Systèmes, Hexagon, PTC, Synopsys, Trimble.

# Select Q2 Aerospace & Defense Deal Highlights

In addition to sponsor activity in commercial aerospace, corporate buyers have been turning their focus to building out technological capabilities

June 16, 2025



Is Acquiring

ULTRA | PCS

\$1,600mm

- **Deal Synopsis:** Eaton has entered into a definitive agreement to acquire Ultra PCS Limited from Cobham Ultra Group. Ultra PCS is a U.K.-based provider of mission- and safety-critical electronic controls, sensing, stores ejection, and data processing solutions for military and commercial aerospace platforms. The transaction is expected to close in the first half of 2026
- **Rationale:** Eaton's acquisition of Ultra PCS strengthens its position in high-growth aerospace markets by integrating Ultra's mission- and safety-critical technologies into its existing portfolio. The transaction enhances Eaton's capabilities in electronic controls, sensing, and data processing for military and commercial platforms, while expanding its presence in both OEM and aftermarket channels
- **Financial Information:** \$1.6bn transaction value

May 21, 2025



GREENBRIAR

Acquired



Undisclosed

- **Deal Synopsis:** Greenbriar Equity Group has acquired West Star Aviation from The Sterling Group. West Star is a leading provider of maintenance, repair, and overhaul (MRO) services for business and private aviation, offering airframe and engine maintenance, avionics, paint, interior refurbishment, and parts distribution. Headquartered in East Alton, Illinois, the company operates a network of strategically located facilities across the U.S.
- **Rationale:** Greenbriar's acquisition of West Star Aviation aligns with its strategy of investing in market-leading transportation and aerospace services businesses. The transaction supports West Star's continued growth by providing access to additional capital and operational expertise. Greenbriar aims to accelerate West Star's expansion, both organically and through strategic acquisitions, while building on the company's strong customer relationships, highly skilled workforce, and reputation for high-quality, end-to-end MRO solutions
- **Financial Information:** Financial terms not disclosed

April 22, 2025




Is Acquiring



\$10,600mm

- **Deal Synopsis:** Thoma Bravo, a leading software investment firm, has entered into a definitive agreement to acquire portions of Boeing's Digital Aviation Solutions business, including its Jeppesen, ForeFlight, AerData and OzRunways assets. The divested assets include software and data analytics capabilities supporting flight operations, planning and scheduling, and maintenance optimization
- **Rationale:** Thoma Bravo's acquisition of Boeing's Digital Aviation Solutions assets provides a platform to build a leading standalone aviation software and analytics business. The transaction allows Thoma Bravo to leverage its experience in scaling software companies to enhance innovation, accelerate digital transformation, and expand the business's offerings to commercial and government aviation customers
- **Financial Information:** \$10.6bn transaction value

 Solomon Partners advised the seller on this transaction

# Select Q2 Mission-Critical Industrials Deal Highlights

Major industrial transactions were driven by corporate buyers' efforts to build out capabilities and strengthen competitive positioning

June 6, 2025



Acquired



Electrical Components  
International

\$1,900mm

- **Deal Synopsis:** Rosebank Industries (LON:ROSE) has acquired Electrical Components International ("ECI") from Cerberus Capital Management. ECI is a leading global manufacturer of wire harnesses, control boxes, and value-added interconnect solutions for diversified industrial end markets
- **Rationale:** Rosebank's acquisition of ECI advances its strategy of building a global portfolio of industrial businesses with strong positions in critical, high-growth applications. The transaction provides Rosebank with a platform in the electrical distribution and connectivity space, supported by ECI's global scale, longstanding OEM relationships, and exposure to attractive trends such as electrification and automation
- **Financial Information:** \$1.9bn transaction value, representing an estimated ~9.0x FY2025E EBITDA

June 4, 2025



To Merge With



\$11,400m

- **Deal Synopsis:** Flowserve Corp. (NYSE: FLO), a leading provider of fluid motion and control products and services and Chart Industries (NYSE: GTLS), a manufacturer of process technologies and equipment for gas and liquid molecule handling have entered into a definitive agreement to merge in an all-stock merger of equals, creating a combined industrial-process technology leader with an implied combined EV of ~\$19bn. The transaction is expected to close in Q4 2025
- **Rationale:** The merger of Chart and Flowserve delivers a comprehensive, integrated platform across flow and thermal process technologies, combining Chart's global capabilities in cryogenic, compression, and specialty thermal systems with Flowserve's deep expertise in pumps, valves, and flow management
- **Financial Information:** \$11.4bn transaction value, representing an estimated 11.8x LTM EBITDA as of March 2025

May 22, 2025



Is Acquiring



\$2,400mm

- **Deal Synopsis:** Honeywell (NYSE: HON) has entered into a definitive agreement to acquire Johnson Matthey's Catalyst Technologies business, a global leader in license-based catalyst manufacturing and process technology for refining, petrochemicals, and sustainable fuels. The deal is expected to close in H1 2026 and will be integrated into Honeywell's UOP and ESS segments
- **Rationale:** Honeywell's acquisition strengthens its Energy & Sustainability Solutions portfolio by combining Johnson Matthey's catalyst expertise with Honeywell UOP's established technology licensing capabilities. It enhances Honeywell's position across traditional refining and petrochemical markets while unlocking significant growth in lower-emission fuels such as sustainable aviation fuel, blue hydrogen, blue ammonia, and methanol
- **Financial Information:** \$2.4bn transaction value, representing an estimated ~11.0x FY2025E EBITDA

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