



AEROSPACE & DEFENSE AND MISSION-CRITICAL INDUSTRIALS

Quarterly M&A Update

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October 2025



Current M&A Market Trends in A&D and Mission-Critical Industrials

Large strategic transactions drove YoY deal volumes higher in Q3, but deal count largely remained flat

M&A Market Outlook

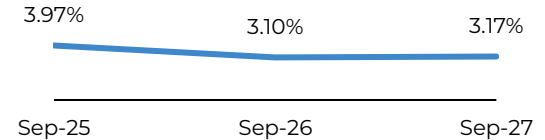
Markets Learning to Navigate Economic Uncertainty

- CEO confidence is recovering as more clarity emerges around tariffs, taxes, and the regulatory environment; as a result, M&A activity has begun to pick up, but it is still taking longer to complete transactions
- The Federal Reserve lowered interest rates in September and signaled the potential for further cuts in 2025, but the market maintains a cautionary stance
- Economic uncertainty, exacerbated by the Autumn 2025 government shutdown, is weighing on the dollar, creating opportunities for foreign acquirors of U.S. assets
- With ample dry powder to deploy for M&A, private debt providers are competing for quality deals with narrowing spreads and improving terms

Cautious Optimism as M&A Activity Defies Outlook Uncertainty

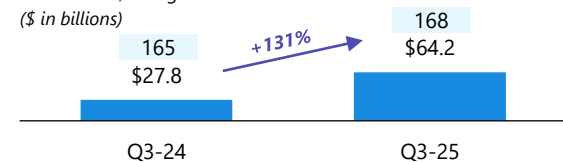
- The market has level set its expectations for M&A activity in 2025
- Corporates have defied the threat of tariffs and uncertainty and are expected to continue pruning portfolios and executing on strategic transformations while leaning into opportunistic acquisitions and consolidation opportunities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

SOFR Forward Curve⁽¹⁾
(3-Month Forward Term SOFR)



U.S. and Canada Q3 M&A Volume and Deal Count⁽²⁾ – A&D and MCI

Significant dollar volume increase driven by a few large transactions, though overall deal count was flat 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 easing at OEMs
- New aircraft production rates are improving, although supply chain challenges and other uncertainties persist
- Private equity buyers have begun actively pursuing assets across the OEM supply chain, anticipating that 2026 will represent a healthy delivery year
- 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 “One Big Beautiful Bill Act” pushes the U.S. defense budget in FY26 close to \$1 trillion
- NATO has committed to higher defense spending, ramping up to 3.5% of GDP by 2035⁽³⁾
- Europe and Canada are looking to diversify their defense spending away from the U.S. as they increase their total defense spend, resulting in a smaller slice of a larger pie; likely a net positive for U.S. exporters
- Silicon Valley defense tech firms continue to play an outsized role in developing next-gen solutions
- A long-term resistance to defense investment by PE is significantly moderating as investors are showing much more interest

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 September
- 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 opportunistically pursuing M&A opportunities while progressing strategic transformation processes
- Automation, electrification, industrial software, and industrial tech are among the most sought-after end markets

1. Pensford SOFR data as of October 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.

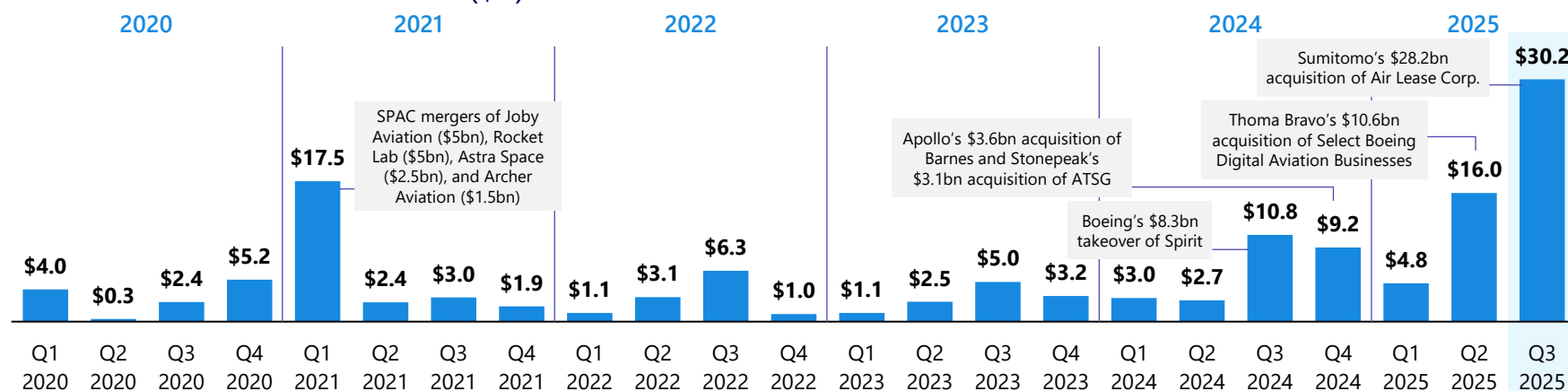
3. Allies agreed to allocate 3.5% of GDP for core defense requirements; an additional 1.5% in nonlethal spending on defense and critical infrastructure was also agreed upon.

Q3 2025 RECAP

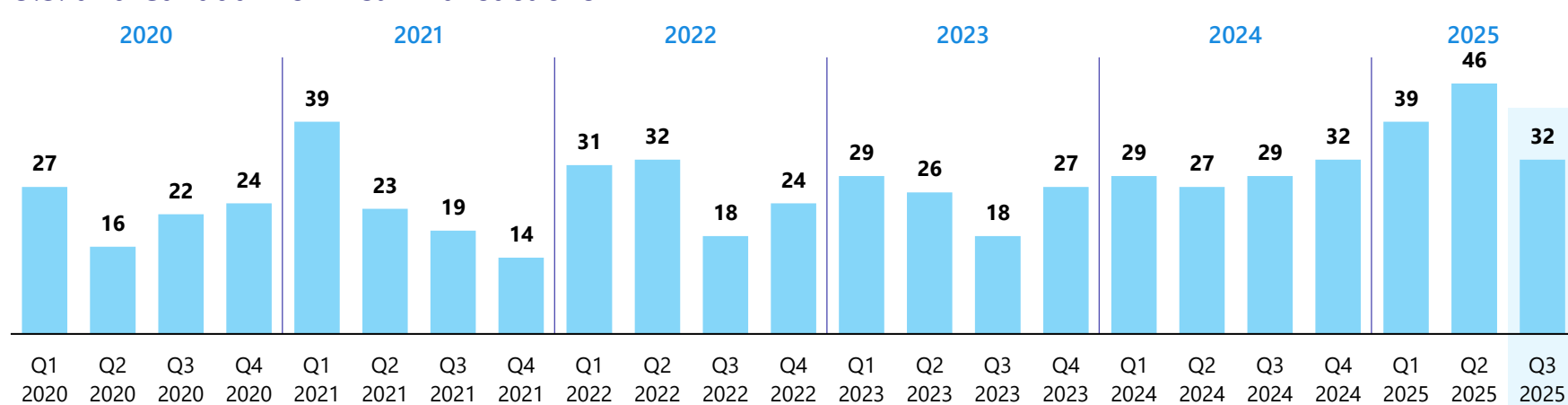
Aerospace

Q3 2025 Aerospace M&A count down QoQ albeit at much higher YTD levels compared to Q3 2024; M&A dollar volume up and driven by Sumitomo's acquisition of Air Lease Corp. (see pg. 9)

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



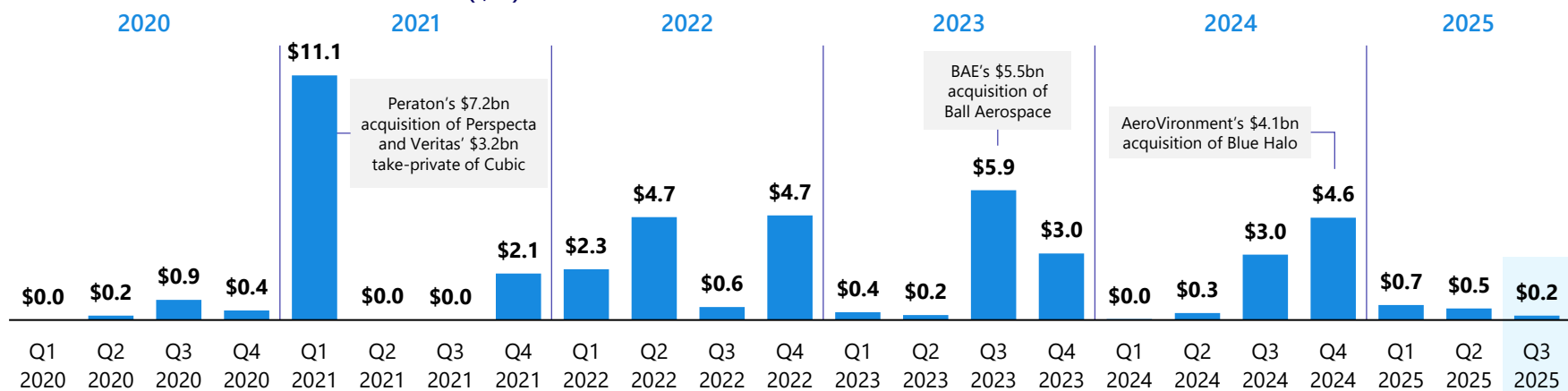
U.S. and Canada # of M&A Transactions



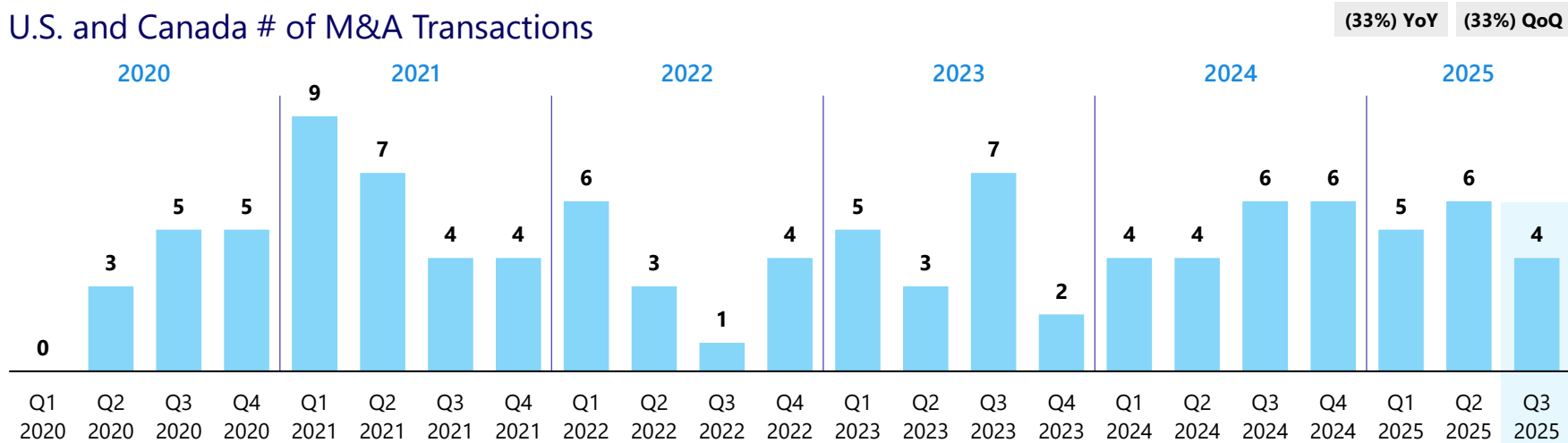
Defense

Defense M&A activity has been stagnant, with limited M&A dollar volumes given no large-scale transactions YTD in the defense-only category

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



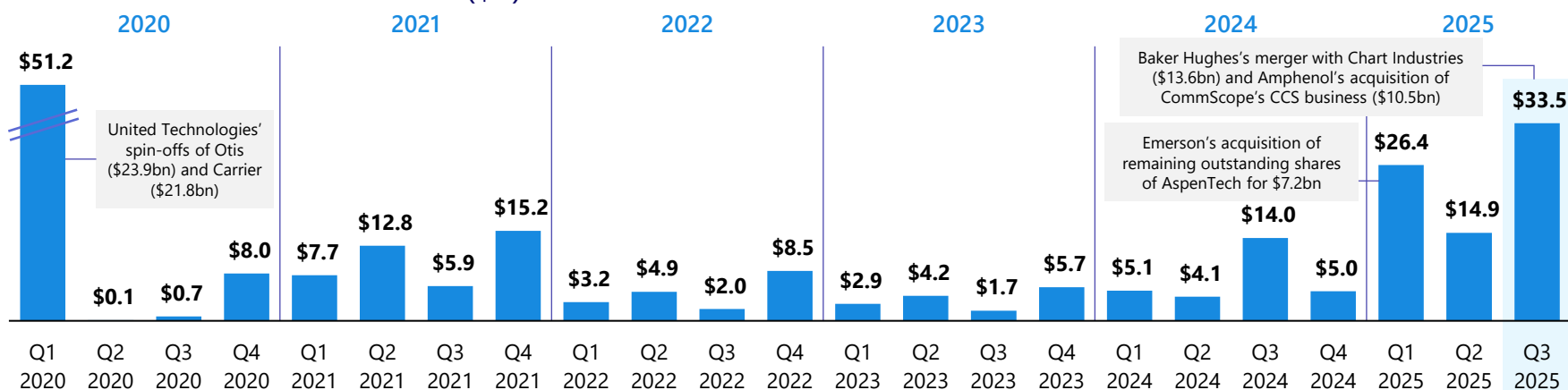
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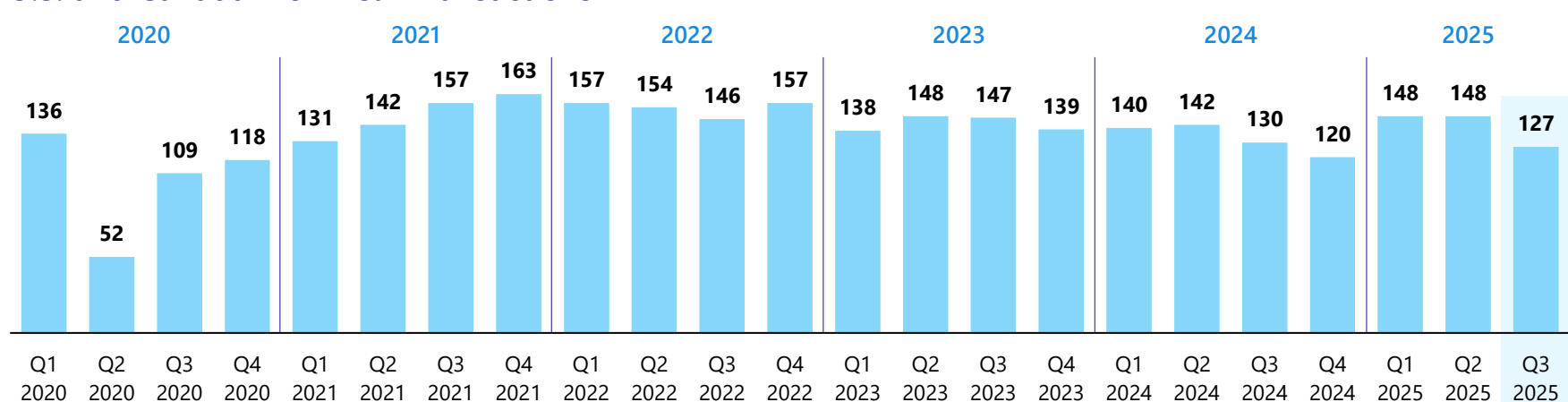
Mission-Critical Industrials

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

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

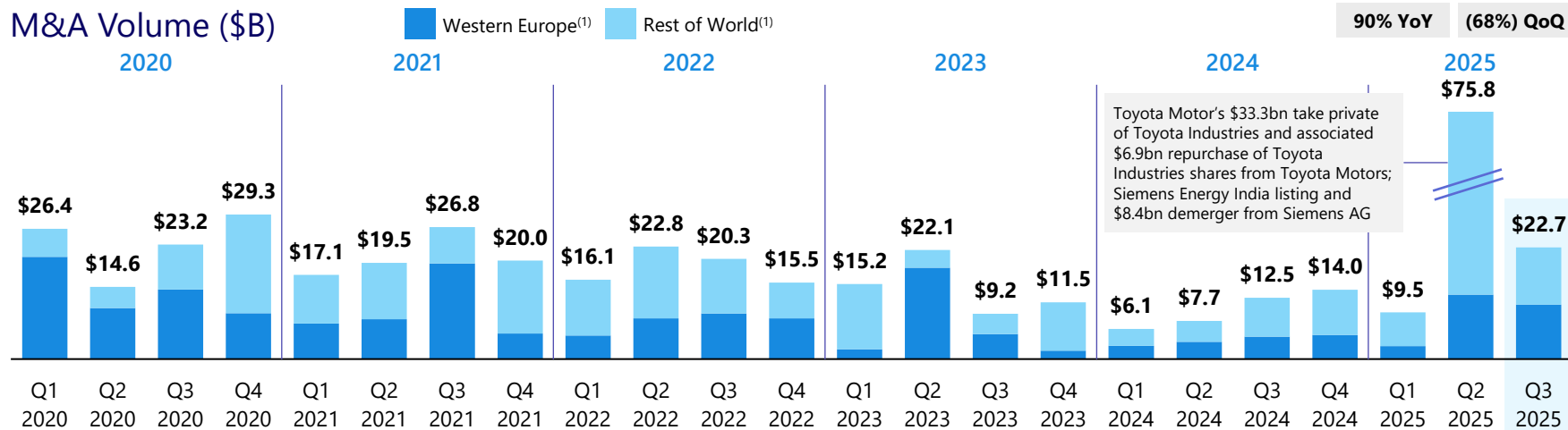


U.S. and Canada # of M&A Transactions

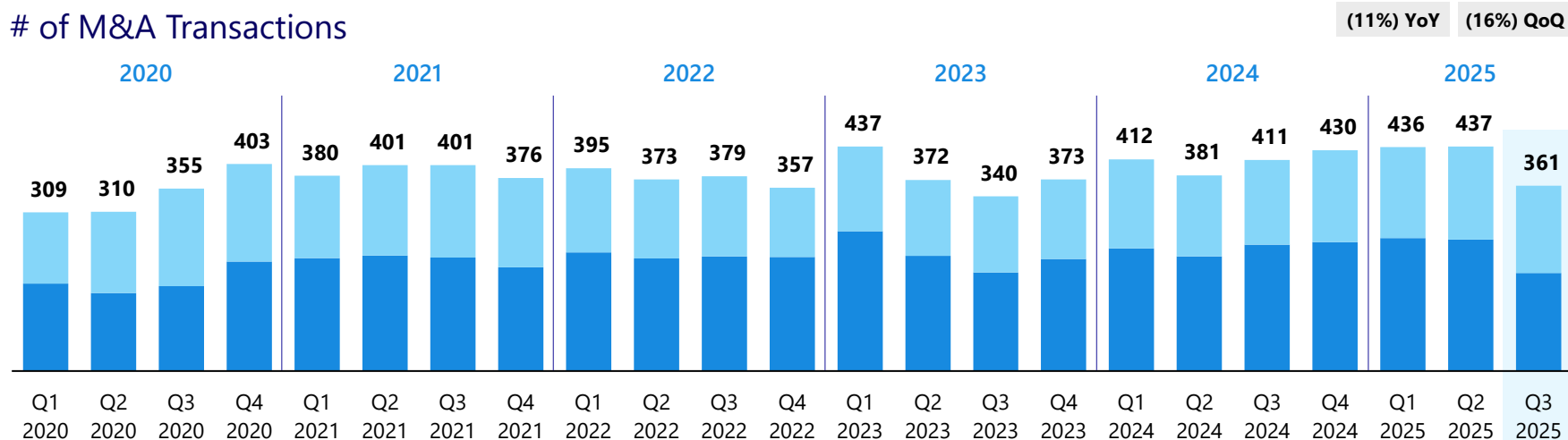


Western Europe and Rest of World

M&A Dollar volume in Western Europe and Rest of World has normalized but remains at an elevated level, primarily driven by large-cap deals by corporate buyers



of M&A Transactions



Source: Dealogic as of 9/30/2025 – 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

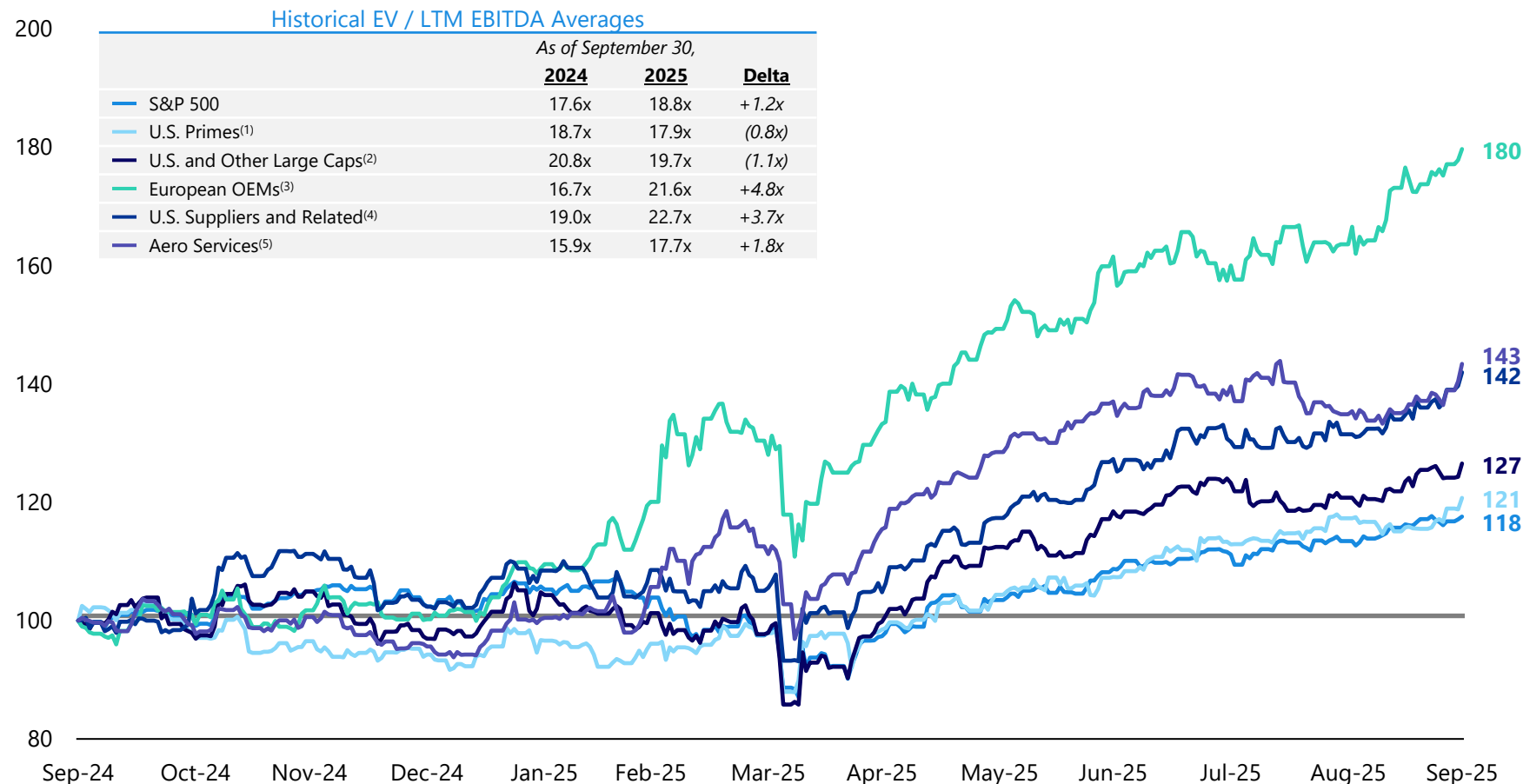
disclosed transaction values.

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 LTM Public Equity Performance

All A&D indices have outperformed the S&P in the past 12 months, overcoming a volatile Q1 2025, with European OEMs leading the gains

(Indexed to 100)



Source: CapitalIQ as of 9/30/2025.

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.

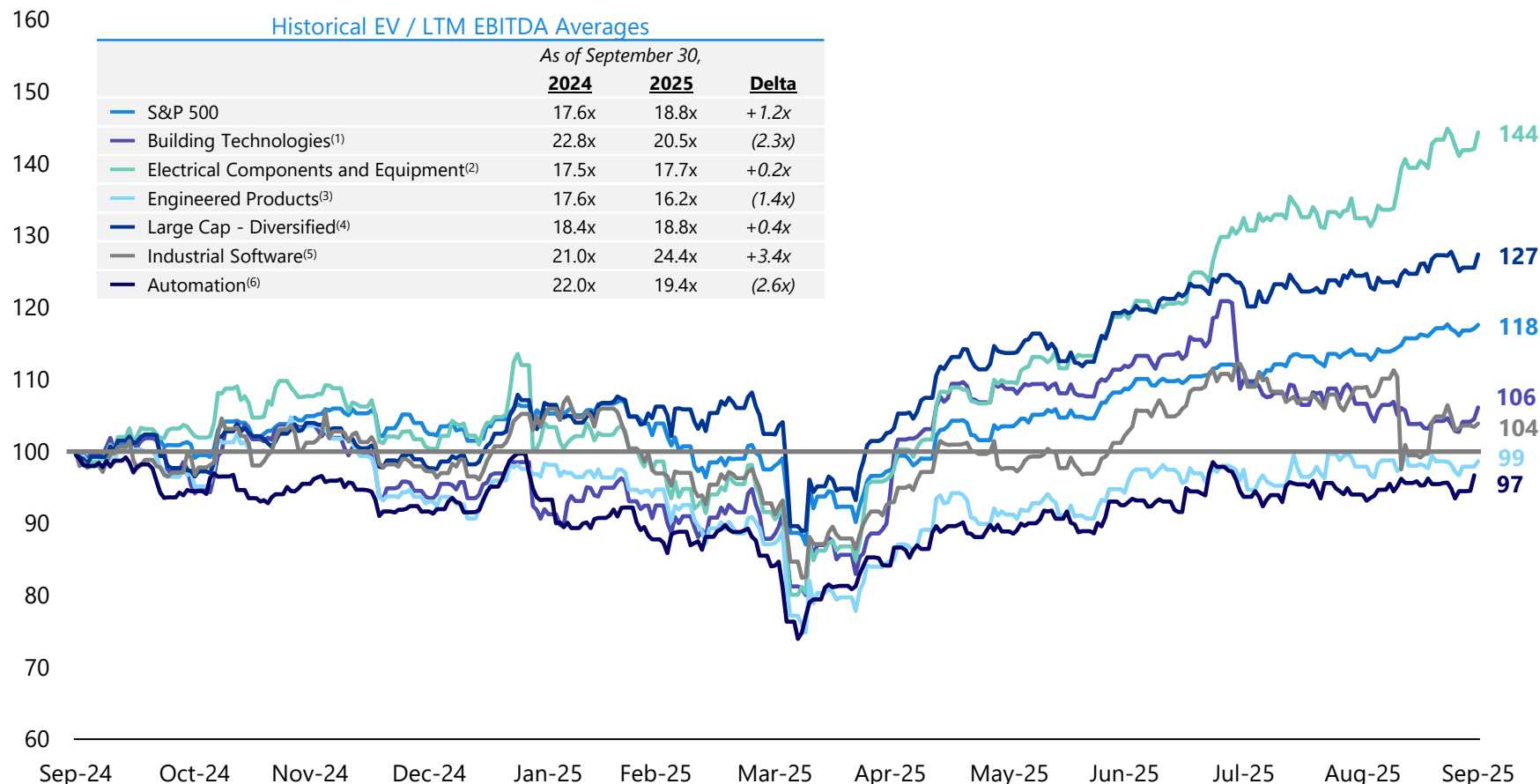
4. U.S. Suppliers and Related includes AeroVironment, Albany, Astronics, Barnes, Crane, Curtiss-Wright, Ducommun, Garmin, HEICO, ITT, Karman Holdings, Kratos Defense & Security, Leonardo DRS, Loar, Mercury Systems, Moog, Park Aerospace, RBC Bearings, Spirit AeroSystems, Teledyne Technologies, Woodward.

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

Mission-Critical Industrials LTM Public Equity Performance

Most indices, struggling with tariffs and economic uncertainty, underperformed the S&P in the last 12 months; large caps and electrical components and equipment manufacturers are notable exceptions

(Indexed to 100)



Source: CapitalIQ as of 9/30/2025.

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

2. 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.

3. 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.

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

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

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

Select Q3 Aerospace & Defense Deal Highlights

Air Lease represents by far the largest global A&D transaction to date when including debt obligations to be assumed or refinanced net of cash

September 2, 2025

Sumitomo Corporation
SMBC AVIATION CAPITAL
APOLLO
Brookfield

Are Acquiring



\$28,200mm

- **Deal Synopsis:** Air Lease (NYSE: AL), a leading global aircraft leasing company, announced that it has entered into a definitive agreement to be acquired by an investor group that includes Sumitomo Corporation, SMBC Aviation Capital, Apollo, and Brookfield. At the closing of the transaction, Air Lease stockholders will receive \$65.00 in cash for each share of Class A common stock of Air Lease, representing a total valuation of approximately \$7.4 billion, or approximately \$28.2 billion, including debt obligations to be assumed or refinanced net of cash
- **Rationale:** Through this transaction, Sumitomo Corporation Group will achieve greater scale and profitability, positioning its aircraft leasing business as one of the largest in the world by number of aircraft owned and serviced, strengthening its industry position and competitive advantage
- **Financial Information:** \$28.2bn transaction value, representing 0.8x Air Lease's total assets at 6/30/2025

July 30, 2025



Is Acquiring

I V E C O • G R O U P
Defence Business

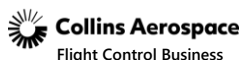
\$2,000mm

- **Deal Synopsis:** Leonardo (BIT: LDO), a leading, partially state-owned, Italian defense and security company, has signed an agreement to acquire Iveco Defence, a division of the Iveco Group (EXM: IVG) consisting of the IDV and ASTRA brands of military vehicles, for a EUR 1.7 billion cash consideration. The closing of the transaction is expected in the first quarter of 2026, subject to regulatory approvals
- **Rationale:** This strategic acquisition marks a significant step in Leonardo's plan to strengthen its role as a leading, fully integrated OEM in the land defense domain and a consolidation of the Italian defense sector in light of desire to direct growing NATO financial commitments toward domestic jobs. The acquisition further enhances the Group's comprehensive portfolio of solutions for defense and security, covering both tracked and wheeled platforms. The integration of Leonardo's electronic systems with Iveco Defence Vehicles will combine robust logistics and manufacturing capabilities, driving greater operational efficiency and accelerating joint technological development
- **Financial Information:** \$2.0bn transaction value, representing 15.7x 2024 EBIT

July 21, 2025



Acquired



\$1,800mm

- **Deal Synopsis:** French engine and aircraft equipment maker Safran (ENXTPA: SAF) announced the closing of the acquisition of Collins Aerospace's flight control and actuation activities, which are mission-critical systems for commercial and military aircraft and helicopters
- **Rationale:** The combination of Collins' best-in-class hydraulic and mechanical actuation capabilities with Safran's strong know-how in electro-mechanical actuation and electronics will establish the group as a global leader in flight control and actuation systems and position itself for next-generation platforms. The deal is expected to generate \$50 million in annual cost synergies by 2028, be accretive in year one, and was completed alongside the divestiture of Safran's North American actuation unit to Woodward. The divestiture was executed to comply with regulatory requirements
- **Financial Information:** \$1.8bn transaction value, representing 13.8x 2024 EBITDA

Select Q3 Mission-Critical Industrials Deal Highlights

Major industrial transactions were driven by corporate buyers' efforts to strengthen competitive positioning; high-quality businesses continue to yield premium valuations, including from private equity buyers

August 4, 2025

Amphenol

Acquired

COMMSCOPE®
Connectivity and Cable Solutions

\$10,500mm

- **Deal Synopsis:** Amphenol Corporation (NYSE: APH), one of the world's largest designers, manufacturers and marketers of electrical, electronic and fiber-optic connectors and interconnect systems, announced a definitive agreement to acquire CommScope's (NASDAQ: COMM) Connectivity and Cable Solutions (CCS) business for \$10.5 billion in cash
- **Rationale:** The transaction expands Amphenol's interconnect product capabilities in the fast-growing IT datacom market, particularly adding fiber-optic interconnect products for artificial intelligence and other data center applications, and further diversifies Amphenol's broad portfolio of fiber-optic and other interconnect product solutions in the communications networks and industrial markets
- **Financial Information:** \$10.5bn transaction value, representing an estimated 11.2x 2025 EBITDA

July 29, 2025

Baker Hughes 

To Merge With

CHART®

\$13,600m

- **Deal Synopsis:** Baker Hughes (NASDAQ: BKR), a leading energy and industrial technology company and Chart Industries (NYSE: GTLS), a global leader in the design, engineering and manufacturing of process technologies and equipment for gas and liquid molecule handling, have entered into a definitive agreement under which Baker Hughes will acquire all outstanding shares of Chart's common stock for \$210 per share in cash, equivalent to a total enterprise value of \$13.6 billion
- **Rationale:** The combination positions Baker Hughes to be a technology leader that can provide engineering and technology expertise to meet the growing demand for lower-carbon, efficient energy and industrial solutions across attractive growth markets, such as LNG, data centers and new energy. Chart also represents an attractive platform into the burgeoning green hydrogen market through its liquefiers and cryogenic solutions
- **Financial Information:** \$13.6bn transaction value, representing an estimated 9.0x 2025 EBITDA on a fully synergized basis

July 2, 2025

KKR

Take-Private Of

spectris

\$6,600mm

- **Deal Synopsis:** British precision measurement and scientific instruments maker Spectris (LSE:SXS) has agreed to a takeover offer from private equity firm KKR (NYSE:KKR), withdrawing its previous support for a rival bid from Advent International. Following an improved bid from Advent, KKR's final offer comprised GBP 41.47 in cash per share and a GBP 0.28 interim dividend, implying an enterprise value of \$6.6 billion
- **Rationale:** Leading up to the bid, Spectris has been repositioning itself as a more focused and higher-quality business, delivering sustainable and compounding long-term growth, with recent strategic acquisitions adding quality businesses with complementary capabilities to the existing portfolio. KKR believes that Spectris has multiple opportunities to accelerate its growth in attractive end markets, which it has not been able to fully realize as a listed company
- **Financial Information:** \$6.6bn transaction value, representing 20.3x 2024 adjusted EBITDA

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