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

APRIL 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

180+
Investment Bankers

40+
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

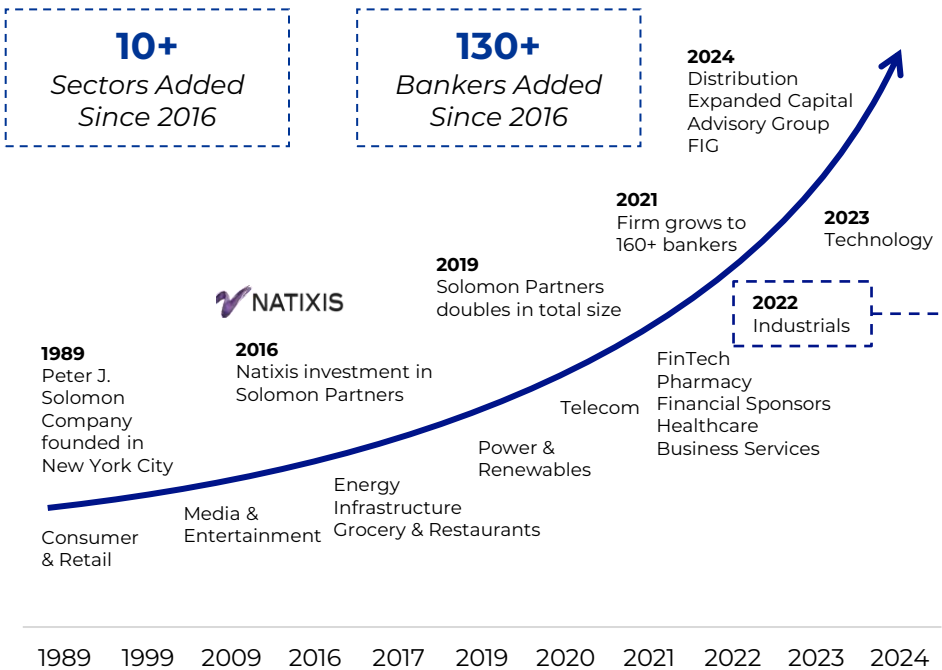
OUR PRIORITY

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

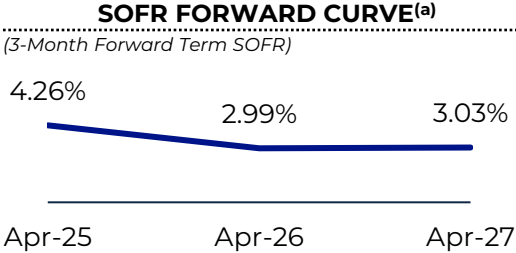
a) Includes transaction volume completed by Solomon Partners bankers at their prior firms.
b) Growth since 2016 measured by Solomon Partners banker headcount.

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

M&A MARKET OUTLOOK

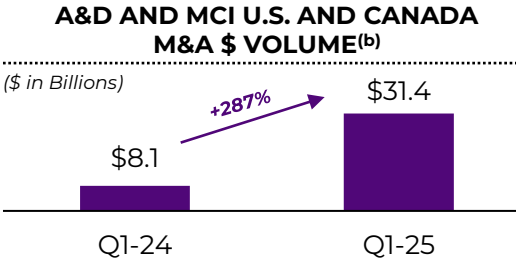
Mixed Macroeconomic Data and Uncertainty

- The market's optimism entering 2025 has subdued against the backdrop of increased uncertainty due to tariffs, geopolitical concerns, and mixed economic data
- SOFR forward curve, a key inflation measure, has continued to decrease despite the prospect of higher for longer benchmark rates, as the CPI increase raised inflation concerns
- With ample dry powder to deploy in a muted M&A environment, private debt markets compete for quality deals with narrowing spreads and improving terms



Caution Amidst Outlook Uncertainty Beginning to Impact M&A Activity

- Corporates expected to continue looking to prune 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 emerging capital needs will support activity
- We expect the highest-quality businesses to continue for now to experience significant acquisition demand at attractive values, with everything else on a case-by-case basis



KEY OBSERVATIONS AND THEMES IN OUR CORE MARKETS

Commercial Aerospace

- Aftermarket expected to continue its run with backdrop of high passenger traffic and labor and production challenges at OEMs
- New aircraft production rates remain constrained amid supply chain challenges and additionally exacerbated by the impact of potential tariffs
 - Notably, Delta CEO Ed Bastian said he would “refuse to pay any tariffs” on Airbus aircraft, which accounts for all expected deliveries in 2025
 - Delta also withdrew its full-year guidance, with Bastian citing a “lack of economic clarity”; United offered two full-year earnings scenarios

Defense and Space

- The Trump administration is targeting a new \$1 trillion defense budget while also previously announcing targeted annual cuts of as much as \$50 billion
- Additionally, both 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-generation solutions
- Continued funding of the emerging space economy expected

Mission-Critical Industrials

- After 26 straight months of contraction, U.S. manufacturing kicked off 2025 with two consecutive months of expansion, then dropped back into contraction as indicated by the Purchasing Managers Index (PMI) slipping back below the 50 threshold
- Outlook uncertain amid threat of higher tariffs and lack of clarity as to how reshoring activity reshapes market dynamics

a) Pensford SOFR data as of April 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.

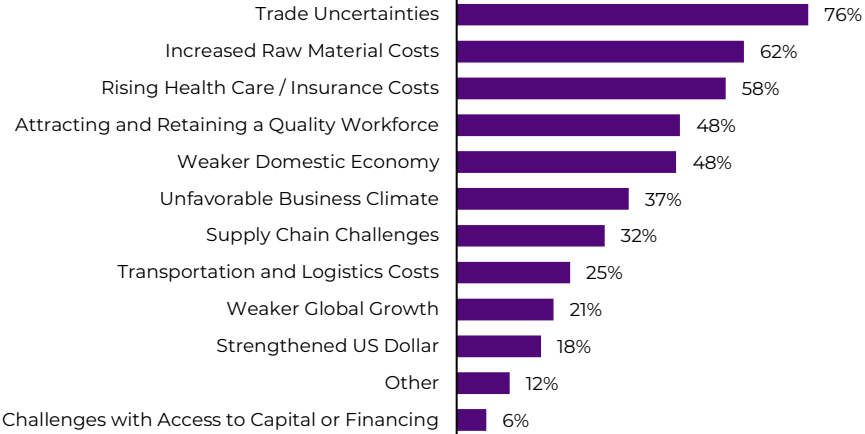
UNCERTAINTY IMPACTING BROADER INDUSTRIALS SECTOR

MANUFACTURERS NAVIGATE TARIFFS, RISING COSTS, POLICY UNCERTAINTY, AND DIGITAL TRANSFORMATION AMID SHIFTING MARKET CONDITIONS

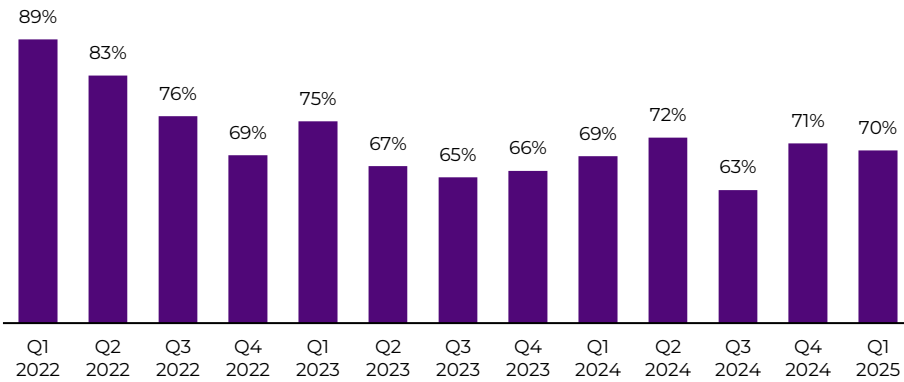
KEY CHALLENGES AND OUTLOOK

- Manufacturing sentiment dipped slightly in Q1 2025.** NAM's survey showed 70% of manufacturers felt somewhat or very positive about their company's outlook, down from 71% in Q4 2024. However, these figures don't reflect recent trade developments. The four-quarter average stands at 69%.
- Trade uncertainty and rising input costs topped business concerns.** In Q1, 76% of manufacturers flagged trade uncertainty as their biggest challenge, followed by raw material costs (62%) and healthcare/insurance costs (58%). Among large manufacturers (500+ employees), 90% cited trade issues, while small firms (fewer than 50 employees) ranked raw material costs highest (60%).
- Tariffs are pressuring growth expectations.** Manufacturers anticipate a 6% rise in input costs – the sharpest increase since Q2 2022. Product price growth is also expected to hit its highest level since Q3 2022, while export sales are forecast to stagnate at levels last seen during Q2 2020.
- Potential expiration of the TCJA is prompting caution.** If Congress fails to extend tax reform, 7 in 10 manufacturers say they'll delay capital equipment purchases. Additionally, 45% would pause hiring, 45% would stall expansion, 42% would cut back R&D, and 40% would slow wage or benefit increases.
- The TCJA pass-through deduction has fueled growth for small manufacturers.** Among respondents with fewer than 100 employees, 74% used the deduction to raise wages/benefits and purchase equipment. Half expanded operations, while 38% increased hiring and R&D. The deduction expires at the end of 2025 unless extended.
- Manufacturers are increasingly focused on digital transformation.** In Q1, 37% plan to place moderate emphasis on digital transformation over the next year, 25% significant emphasis, 27% slight emphasis, and 11% no emphasis.
- Energy strategy is shifting to support AI-era demand.** Among manufacturers, 43% favor an "all-of-the-above" U.S. energy approach. Nearly 70% support boosting all forms of energy generation, 61% back expanding transmission and distribution infrastructure, and approximately half support permitting reform, pipeline expansion, and domestic critical material processing.

PRIMARY CURRENT BUSINESS CHALLENGES, Q1 2025^(a)



MANUFACTURING BUSINESS OUTLOOK BY QUARTER^(b)



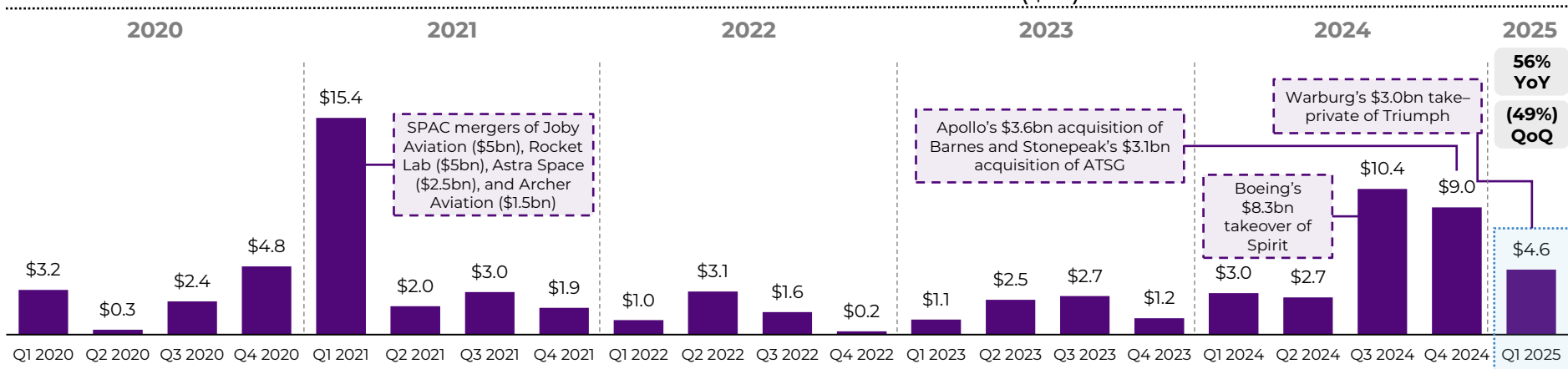
Source: NAM Manufacturers' Outlook Survey First Quarter 2025, published 3/6/2025.
 a) Note: Respondents were able to check more than one response; therefore, responses exceed 100%.
 b) Percentage of respondents who characterized the current business outlook as somewhat or very positive.

Q1 2025 RECAP

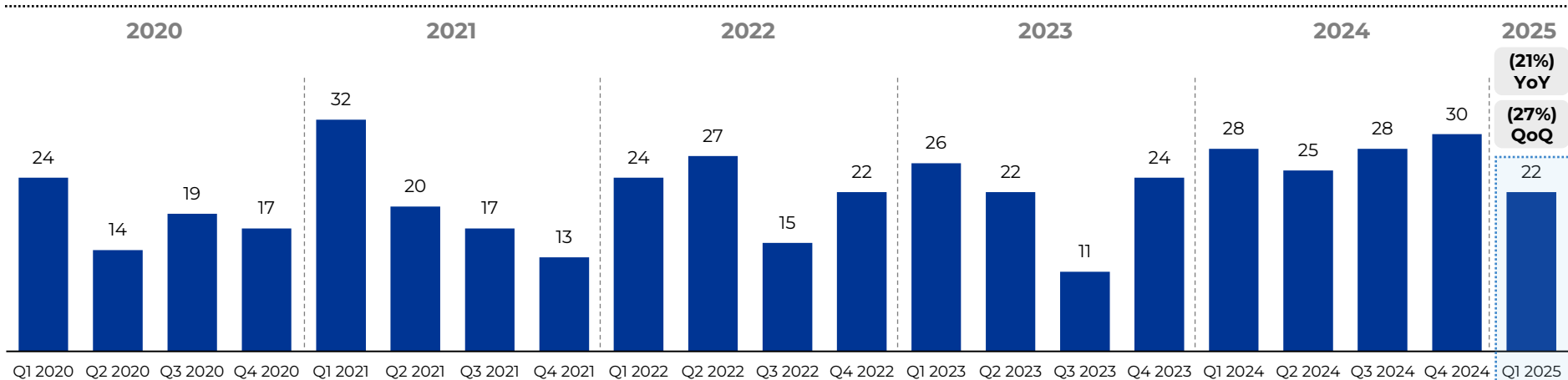
AEROSPACE

AEROSPACE M&A ACTIVITY DOWN YOY AND QOQ, ALTHOUGH YOY \$ VOLUME DEAL UP ON THE BACKDROP OF WARBURG'S TAKING TRIUMPH PRIVATE (SEE PG. 12)

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



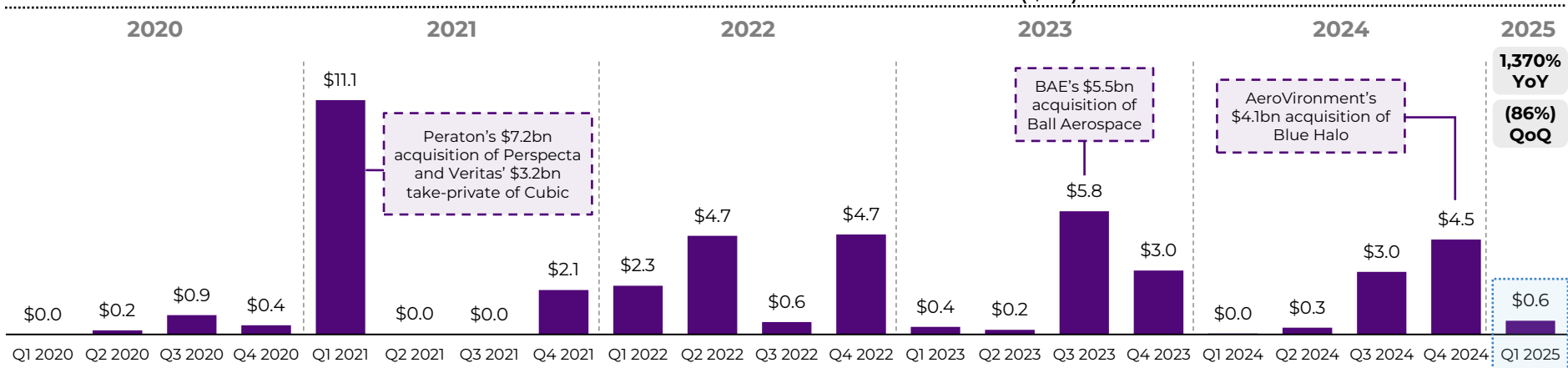
U.S. AND CANADA # OF M&A TRANSACTIONS



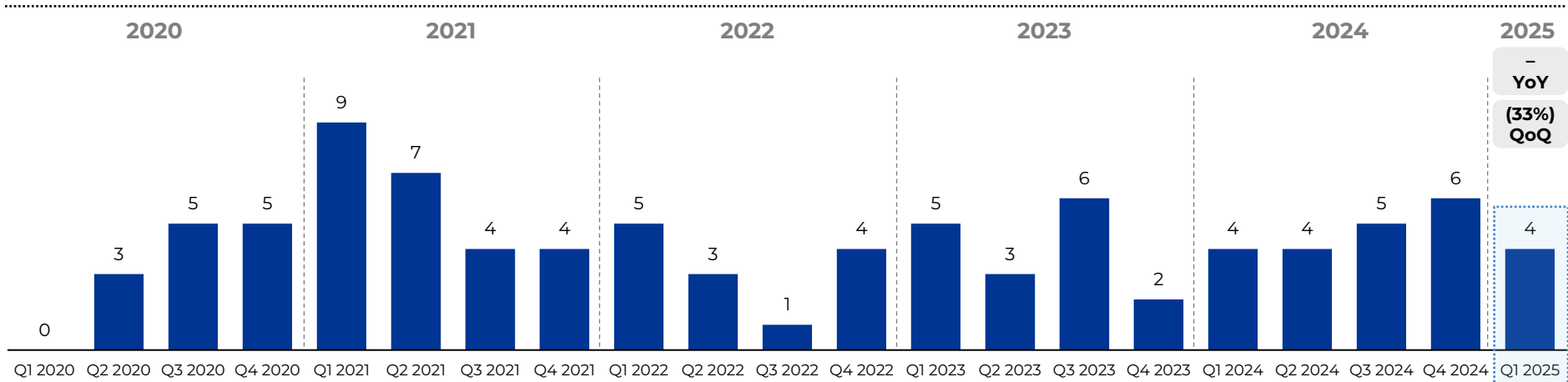
DEFENSE

THE NUMBER OF DEFENSE-SPECIFIC TRANSACTIONS HAS BEEN CONSISTENT YOY, BUT \$ VOLUME IS DOWN FOLLOWING AEROVIRONMENT'S ACQUISITION OF BLUEHALO IN Q4 2024

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



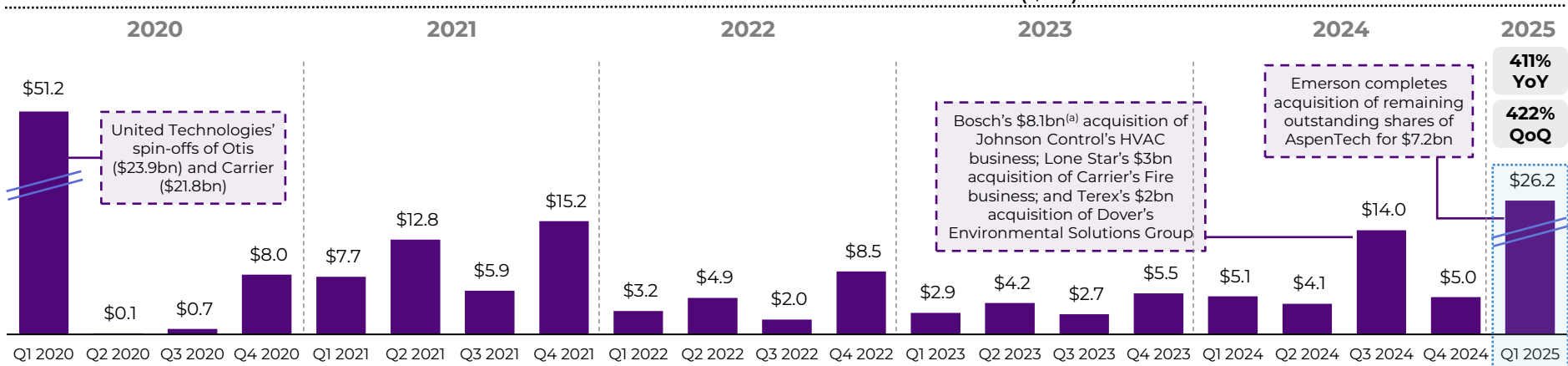
U.S. AND CANADA # OF M&A TRANSACTIONS



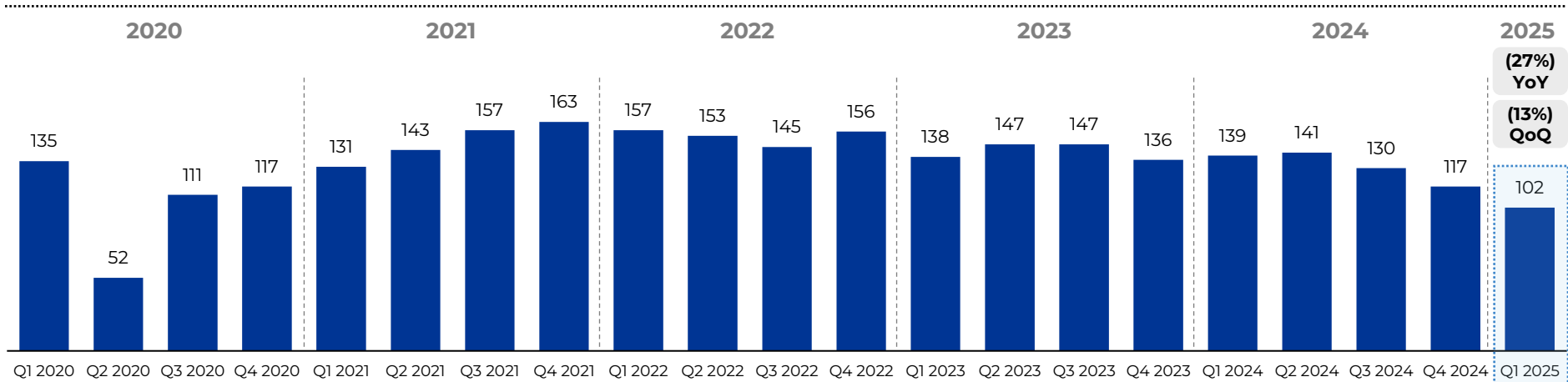
MISSION CRITICAL INDUSTRIALS

Q1 2025 SAW A NOTABLE INCREASE IN DEALS LARGER THAN \$1 BILLION BUT A CONTINUED DECREASE IN THE OVERALL NUMBER OF TRANSACTIONS

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



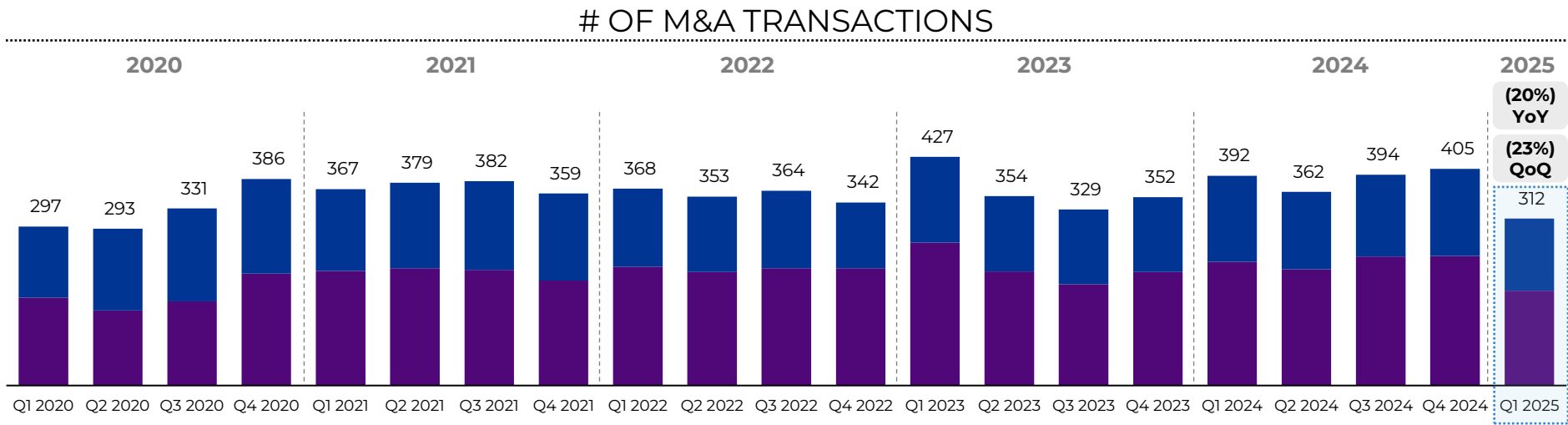
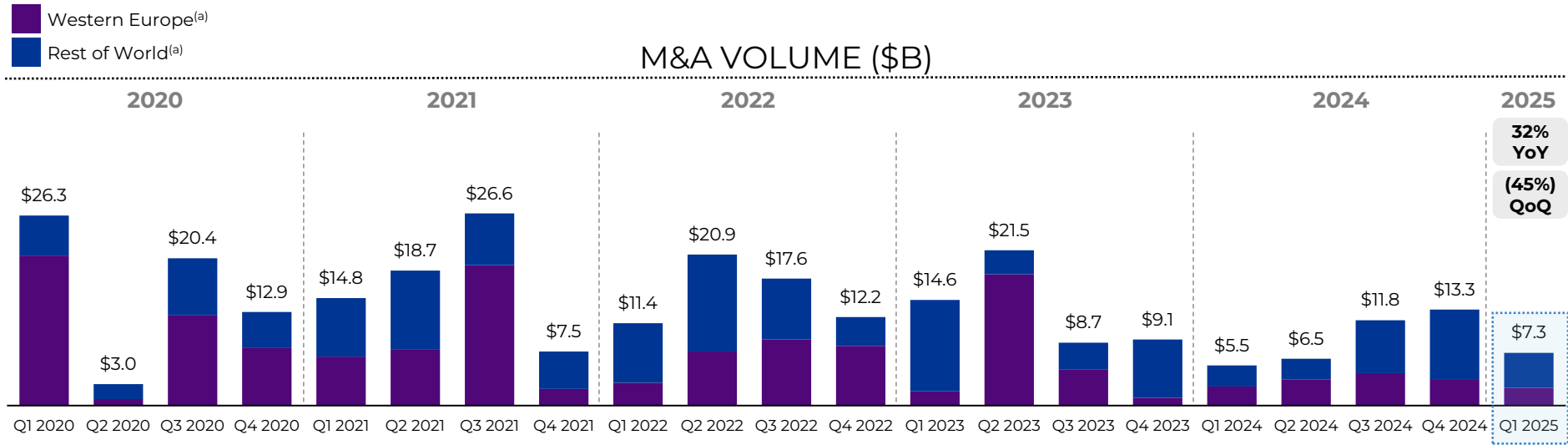
U.S. AND CANADA # OF M&A TRANSACTIONS



Source: Dealogic as of 4/2/2025 – 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.
 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

WESTERN EUROPE HAS SEEN LOWER \$ VOLUME IN Q1 2025 BUT MORE DEALS OVERALL THAN THE REST OF WORLD COMBINED

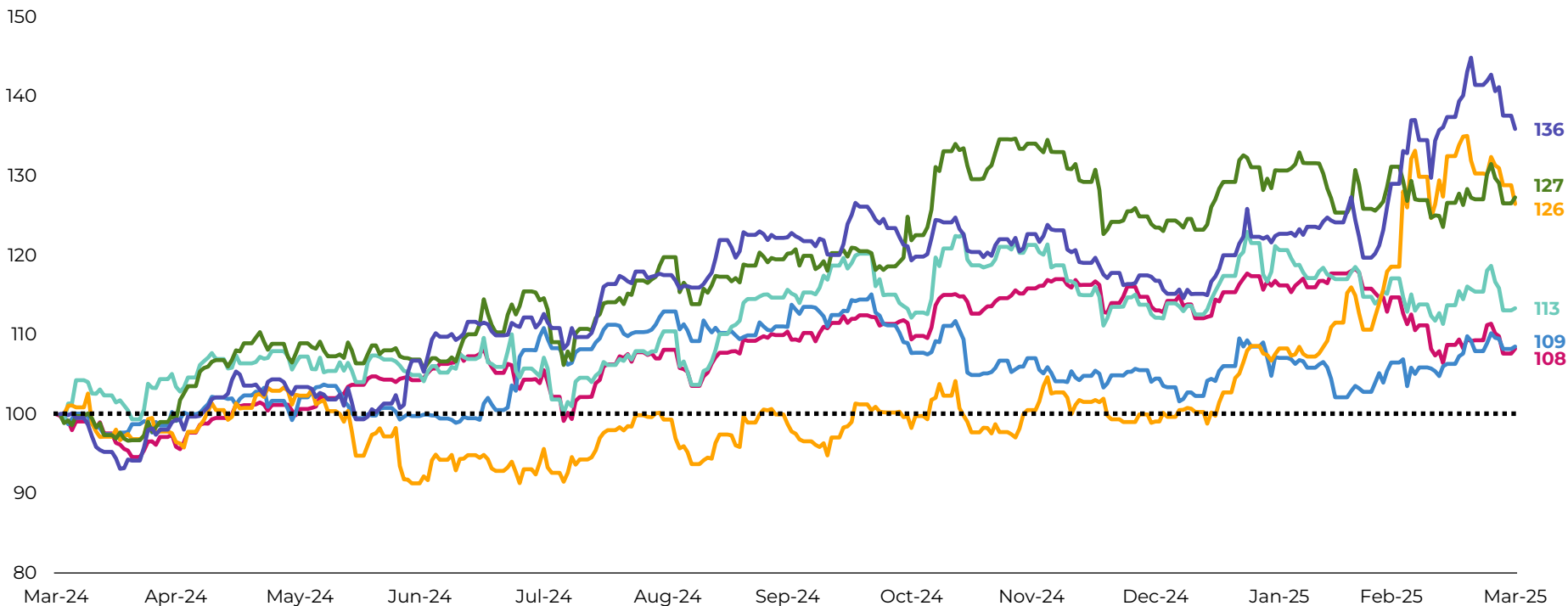


Source: Dealogic as of 4/2/2025 – based on announced transactions.
 Note: Deals are the aggregate of aerospace, defense, and mission critical industrials; transactions limited to targets involved in aerospace, defense, air conditioning/heating products and machinery pertaining to general industrial, machine tools, material handling and electrical activities; \$ Volume only includes deals with publicly disclosed transaction values.
 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

EUROPEAN OEMS AND AERO SERVICES EXPERIENCED A SURGE IN Q1 2025 IN ANTICIPATION OF INCREASED EUROPEAN DEFENSE SPENDING, WHILE U.S.-CENTRIC STOCKS UNDERPERFORMED

(Indexed to 100)



— S&P 500 — U.S. Primes^(a) — U.S. and Other Large Caps^(b) — European OEMs^(c) — U.S. Suppliers and Related^(d) — Aero Services^(e)

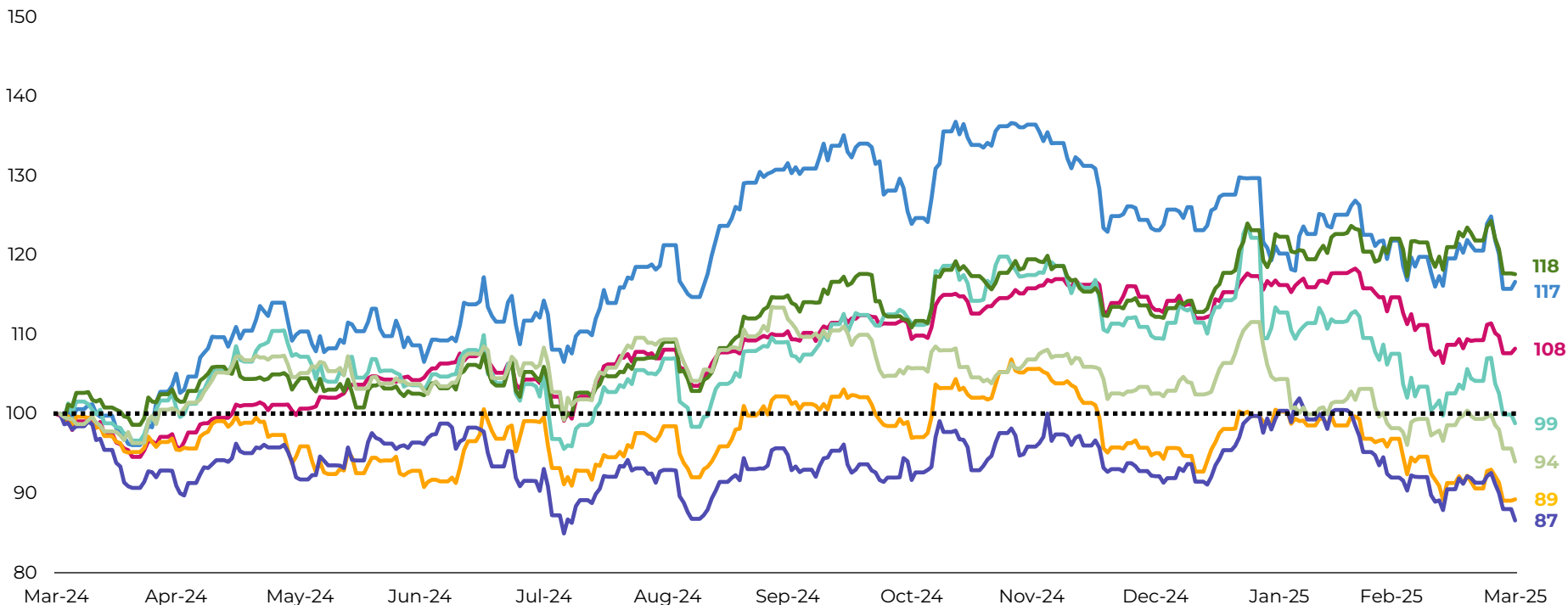
Source: CapitalIQ as of 3/31/2025.

- 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

ALL INDICES EXCEPT DIVERSIFIED LARGE CAP INDUSTRIALS WERE DOWN IN Q1 2025, THOUGH ANY GAINS WERE WIPED OUT IN APRIL ON THE BACKDROP OF TARIFF UNCERTAINTY

(Indexed to 100)



- S&P 500
- Engineered Products^(a)
- Automation^(b)
- Building Technologies^(c)
- Large Cap - Diversified^(d)
- Electrical Components and Equipment^(e)
- Industrial Software^(f)

Source: CapitalIQ as of 3/31/2025.

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) Automation includes ABB, Cognex, Danaher, Emerson Electric, Fanuc, Keyence, OMRON, Rockwell Automation, Schneider Electric, Yokogawa Electric, Zebra Technologies.
 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) Industrial Software includes Autodesk, Bentley Systems, Dassault Systèmes, Hexagon, PTC, Synopsys, Trimble.

SELECT Q1 AEROSPACE & DEFENSE DEAL HIGHLIGHTS

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

February 24, 2025



IS ACQUIRING



Not disclosed

- **Deal Synopsis:** Newly formed Stronvar Aerospace has entered into a definitive agreement to acquire Electro Methods Inc. (“EMI”) from privately-held owners. EMI is a leading provider of high-value assemblies fabricated from exotic aerospace alloys for aero engine OEMs. Stronvar will be supported with an investment from Blackstone. The transaction was announced on February 24, 2025.
- **Rationale:** Stronvar Aerospace’s acquisition of EMI enhances its capabilities in advanced aerospace technologies by integrating EMI’s expertise in precision electronics and specialized manufacturing. The acquisition expands Stronvar’s footprint across aerospace, defense, and industrial automation sectors while also increasing production capacity and supporting the continued development of a highly skilled workforce in collaboration with EMI’s existing management team.
- **Financial Information:** Financial terms were not disclosed.

February 3, 2025

Berkshire Partners / WARBURG PINCUS

IS ACQUIRING



\$3,000mm

- **Deal Synopsis:** Berkshire Partners and Warburg Pincus have entered into a definitive agreement to acquire Triumph Group (NYSE: TGI), a global leader in designing, engineering, manufacturing, repairing, and overhauling a wide range of aerostructures, aircraft components, accessories, subassemblies, and systems. The transaction is expected to close in the second half of 2025.
- **Rationale:** Warburg Pincus and Berkshire Partners aim to leverage their deep expertise in aerospace, industrials, and operational transformation to support Triumph Group’s growth and long-term strategic objectives. The partnership will capitalize on Triumph’s strong capabilities in aerostructures, components, and MRO services, enhancing operational efficiency and expanding its market presence.
- **Financial Information:** \$3.0bn transaction value, representing an estimated ~13.3x FY2026E EBITDA.^(a)

January 20, 2025



IS ACQUIRING



\$925mm

- **Deal Synopsis:** Redwire Corporation (NYSE: RDW), a leader in space infrastructure for the next-generation space economy, entered into a definitive agreement to acquire Edge Autonomy, a provider of field-proven uncrewed airborne system (“UAS”) technology. The transaction is expected to close in the second quarter of 2025.
- **Rationale:** Redwire aims to leverage its expertise in space infrastructure and autonomous systems to enhance Edge Autonomy’s unmanned and intelligence solutions. The acquisition strengthens Redwire’s position in defense and commercial markets, expanding its portfolio of advanced autonomous technologies to support critical national security and intelligence applications.
- **Financial Information:** \$925mm transaction value, representing an estimated ~12.8x FY2024 EBITDA.

SELECT Q1 MISSION-CRITICAL INDUSTRIALS DEAL HIGHLIGHTS

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

March 4, 2025

Honeywell

IS ACQUIRING



\$2,160mm

- **Deal Synopsis:** Honeywell entered into a definitive agreement to acquire Sundyne from Warburg Pincus. Sundyne specializes in the design, manufacturing, and aftermarket support of highly engineered pumps and gas compressors for process industries. The transaction is expected to close in the first half of 2025.
- **Rationale:** Honeywell's acquisition of Sundyne strengthens its Energy and Sustainability Solutions (ESS) business by integrating Sundyne's highly engineered pumps and compressors, expanding its presence in refining, LNG, and renewable fuels while addressing global energy security needs. The combination enhances Honeywell's process technologies, automation, and aftermarket services, leveraging Honeywell Forge for digitalization and predictive maintenance.
- **Financial Information:** \$2.2bn transaction value, representing an estimated ~14.5x FY2024 EBITDA.

February 12, 2025



IS ACQUIRING



\$2,300mm

- **Deal Synopsis:** TE Connectivity entered into a definitive agreement to acquire Richards Manufacturing from Oaktree Capital Management. Richards Manufacturing is a producer of electrical and gas distribution equipment for utility and commercial/industrial markets. The transaction is expected to close in Q3 of 2025.
- **Rationale:** TE Connectivity's acquisition of Richards Manufacturing enhances its Industrial Solutions portfolio by integrating Richards' precision-engineered connectors and cable assemblies, broadening its presence in key sectors such as automotive, industrial automation, and aerospace. This acquisition strengthens TE's capabilities in delivering high-performance connectivity solutions, leveraging advanced manufacturing technologies and digital tools.
- **Financial Information:** \$2.3bn transaction value, representing an estimated ~16.0x FY2024 EBITDA.

January 27, 2025



IS ACQUIRING



\$7,200mm

- **Deal Synopsis:** Emerson Electric entered into a definitive agreement to acquire the remaining 43% of Aspen Technology Inc., the software company engaged in supplying software products for the analysis of process manufacturing facilities. The consideration was \$7.2bn based on an offer price of \$265 per share. The transaction was completed on March 12, 2025.
- **Rationale:** Emerson's full acquisition of AspenTech advances its shift to industrial software and automation, integrating AspenTech's process optimization and asset management solutions. The move strengthens Emerson's digital capabilities, drives synergies in automation and predictive analytics, and reinforces its commitment to next-generation industrial technology.
- **Financial Information:** \$7.2bn transaction value, representing an estimated ~41.3x FY2024 EBITDA.

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