

The background of the slide is a photograph of an industrial facility, possibly an oil refinery or chemical plant, at dusk. The sky is a deep blue with some clouds, and the facility's structures are illuminated with warm lights. In the upper right quadrant, a large commercial airplane is captured in flight, banking upwards. The overall mood is industrial and professional.

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

OCTOBER 2024

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

## 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

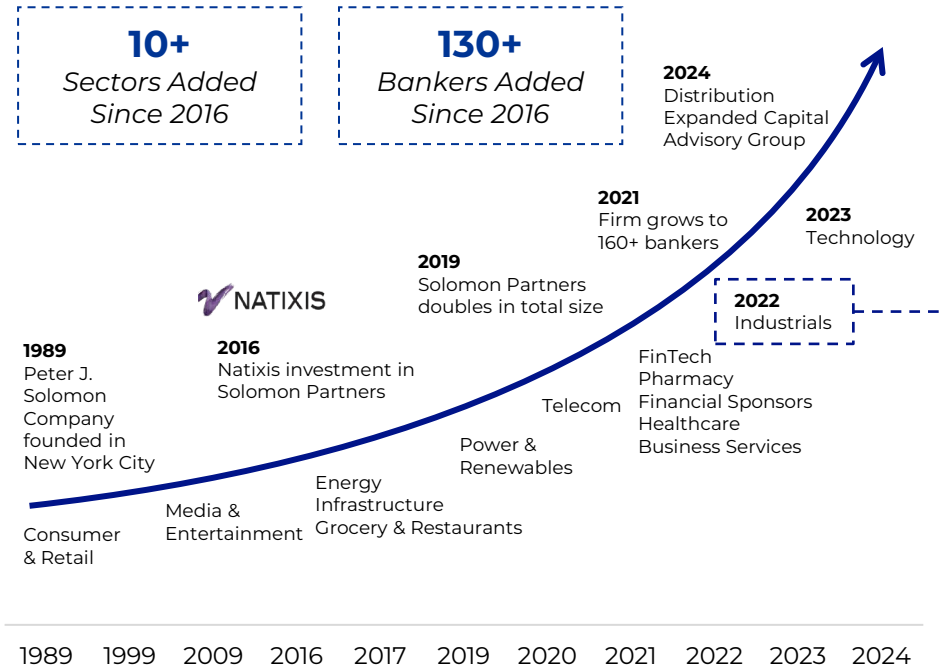
**170+**  
Investment Bankers

**35+**  
Partners & MDs

**\$300B+**  
Transaction Volume <sup>(a)</sup>

**5x+**  
Growth Since 2016 <sup>(b)</sup>

### 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

# CURRENT M&A MARKET TRENDS

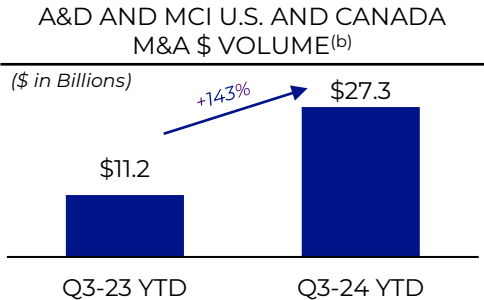
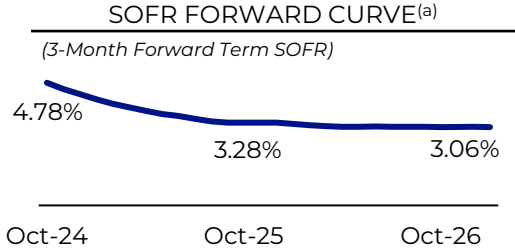
## M&A MARKET OUTLOOK

**Macro-Economic Conditions Improving**

- Key inflation measure dropping, leading to increased optimism around the likelihood of a soft-landing
- Fed expected to continue cutting rates, improving deal economics for leveraged buyouts and overall market sentiment
- Private debt markets remain active and open – competition for quality deals with narrowing spreads and improving terms

**Increasing Levels of M&A Activity**

- Corporates expected to continue 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 further expected rate cuts 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

### 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 PMI in September remained the lowest since June 2023, marking the third consecutive month of contraction, with both output and new orders falling sharply due to weakened demand and political uncertainty
- However, business confidence improved slightly, with optimism around post-election demand recovery

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

a) Pensford SOFR data as of October 2024

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

# Q3 2024 RECAP

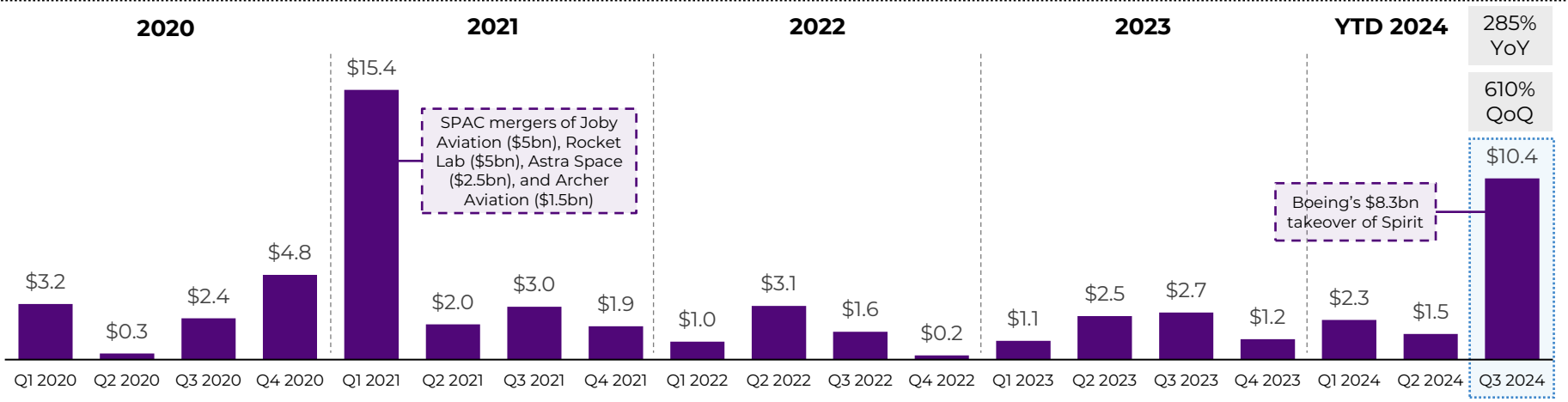


# QUARTERLY M&A ACTIVITY

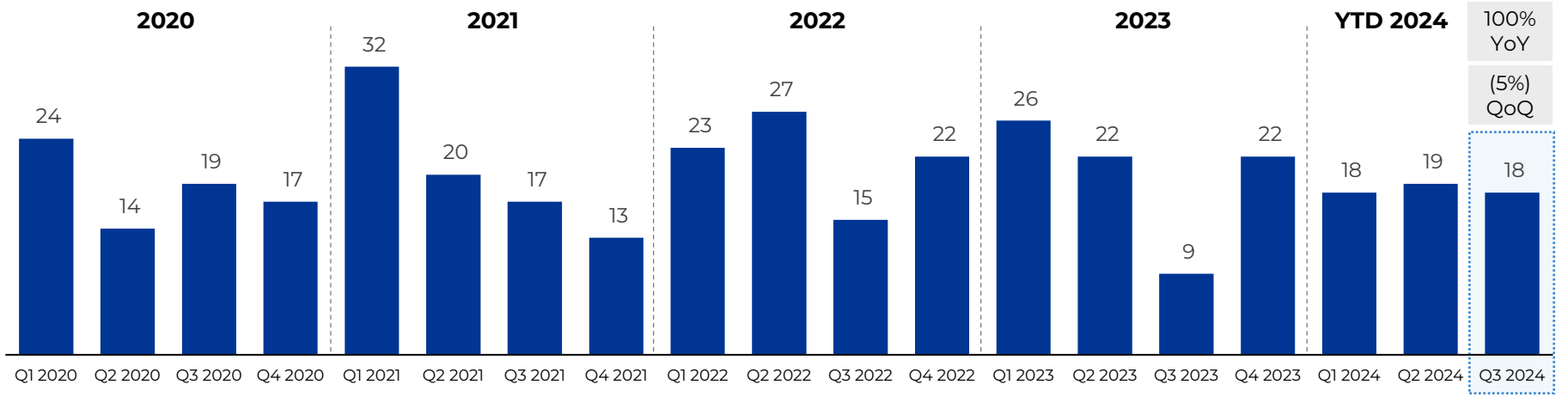
## AEROSPACE

AEROSPACE \$ VOLUME UP QOQ AND YOY DRIVEN BY BOEING'S ANNOUNCED TAKEOVER OF SPIRIT AEROSYSTEMS; TRANSACTION COUNT HAS BEEN STEADY OVER THE LAST TWELVE MONTHS

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



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

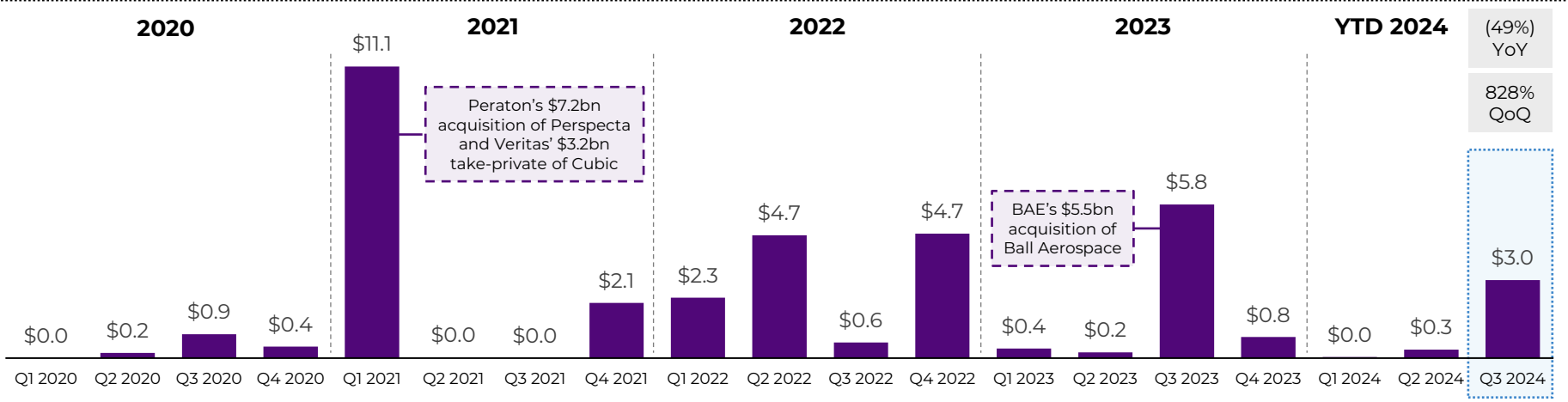


# QUARTERLY M&A ACTIVITY

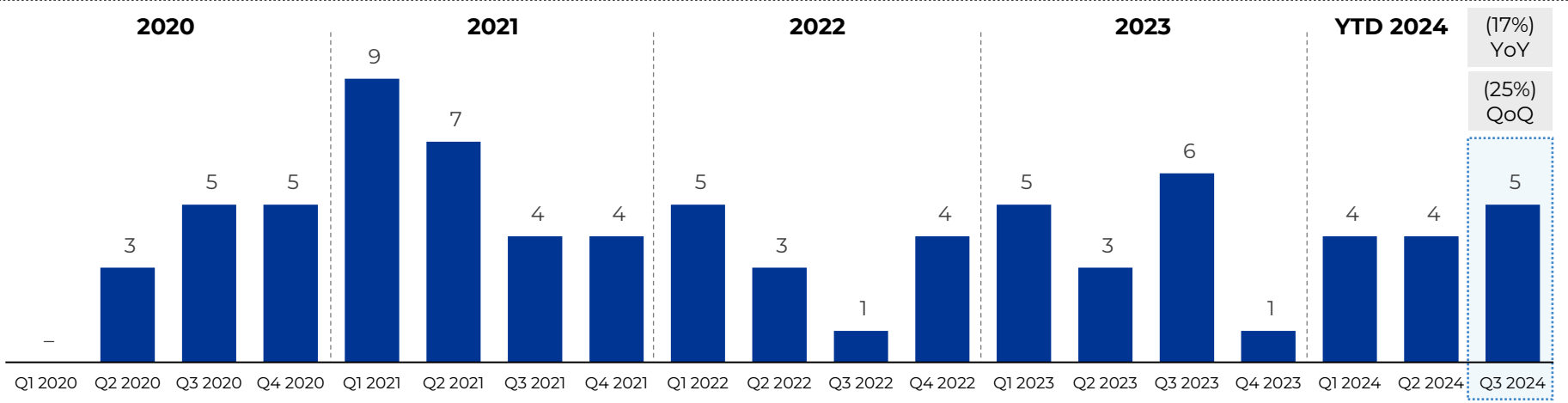
## DEFENSE

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

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



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

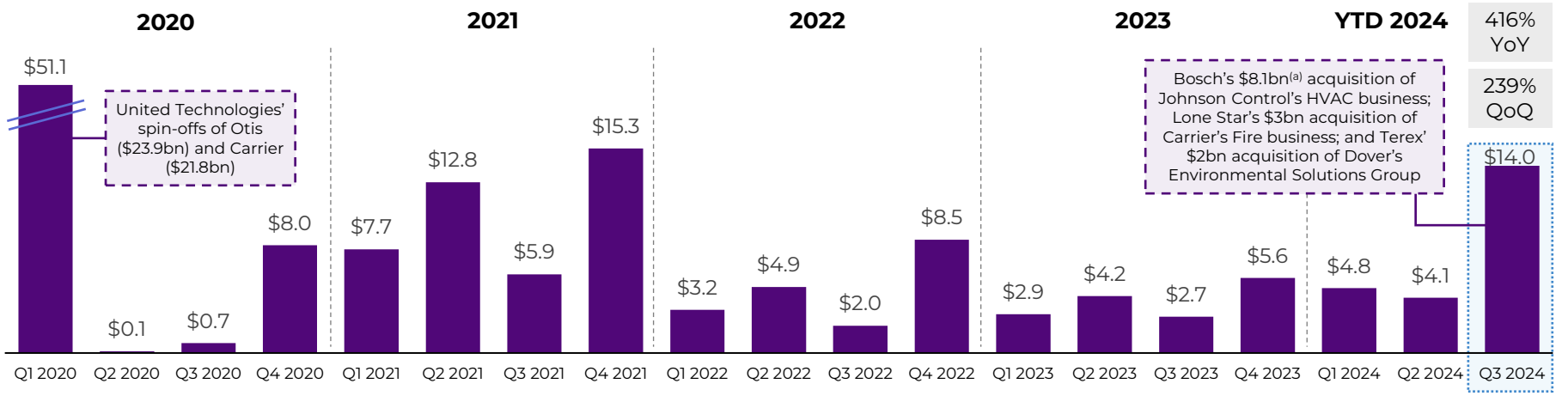


# QUARTERLY M&A ACTIVITY

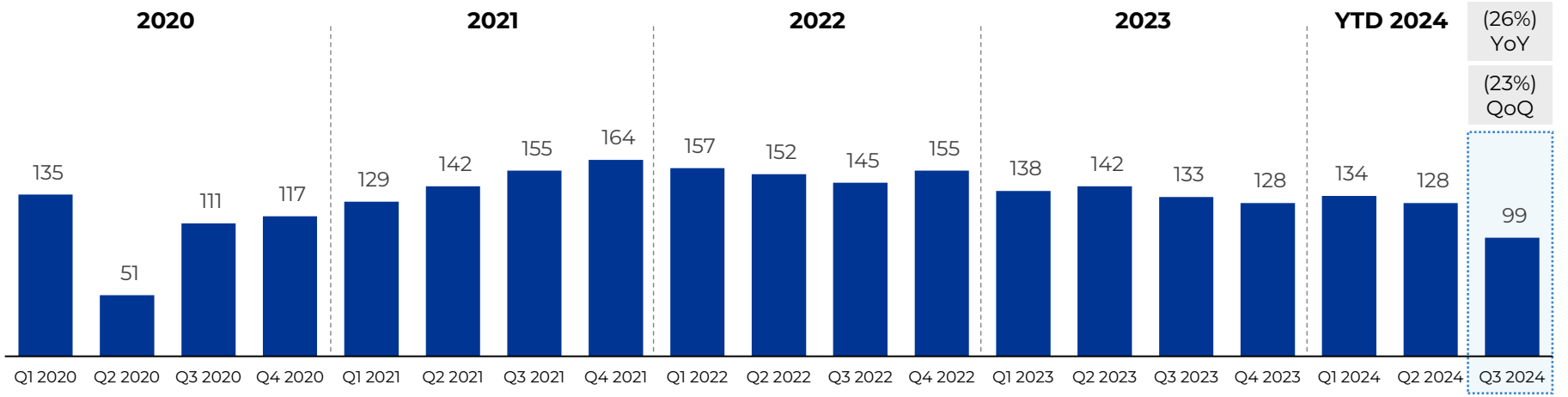
## MISSION CRITICAL INDUSTRIALS

Q3 2024 SAW A NOTABLE INCREASE IN DEALS LARGER THAN \$1 BILLION BUT A DECREASE IN THE OVERALL NUMBER OF TRANSACTIONS

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



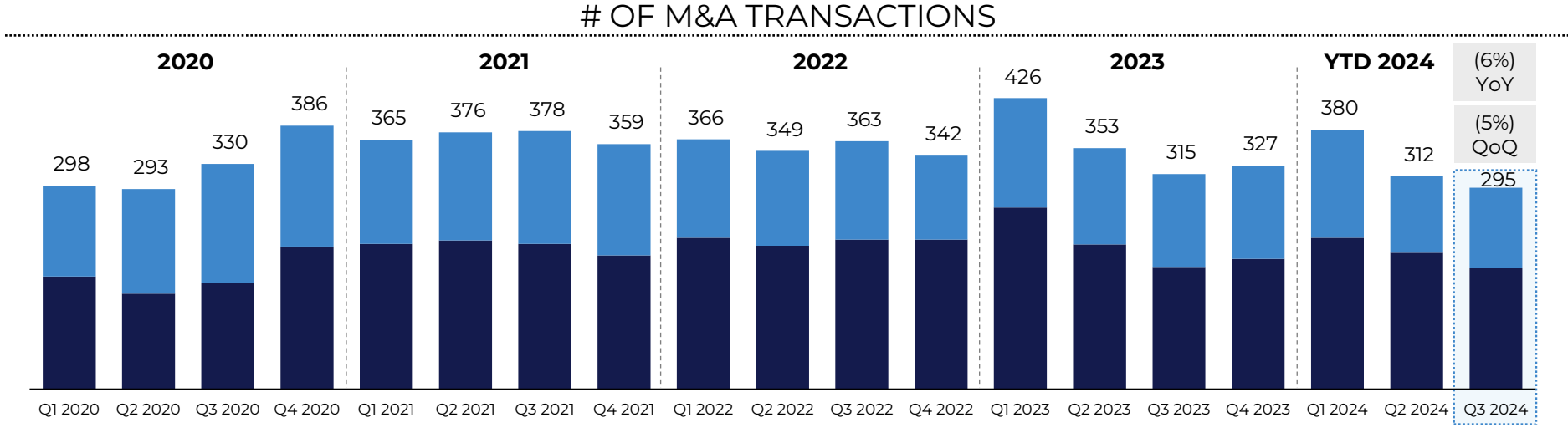
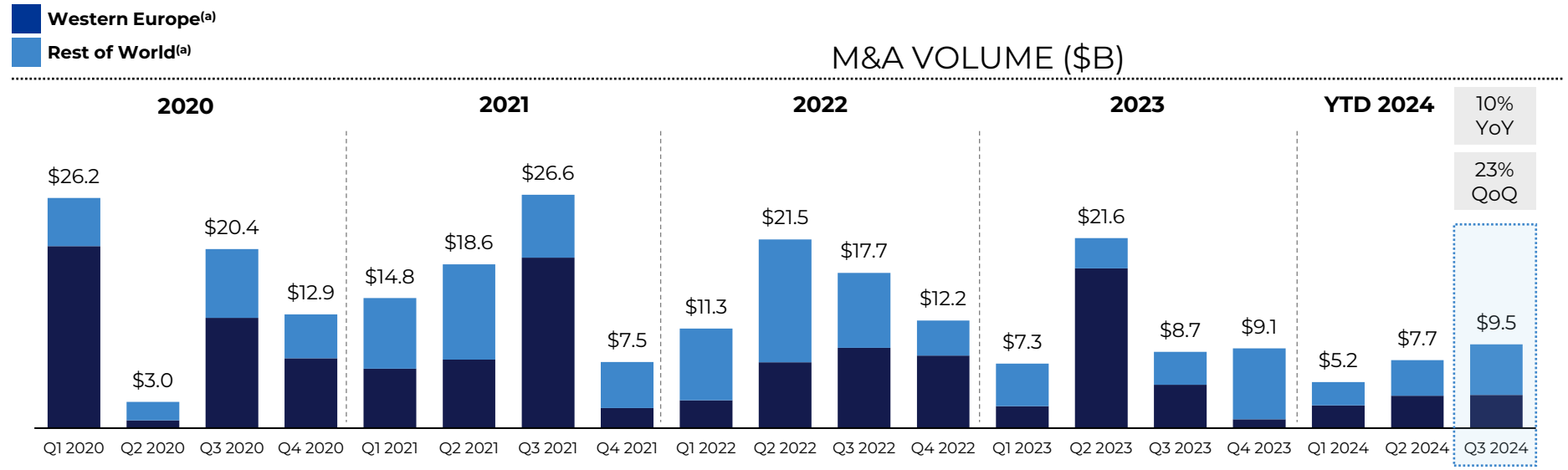
### U.S. AND CANADA # OF M&A TRANSACTIONS



Source: Dealogic – 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

# QUARTERLY A&D AND MISSION CRITICAL INDUSTRIALS M&A ACTIVITY WESTERN EUROPE AND REST OF THE WORLD

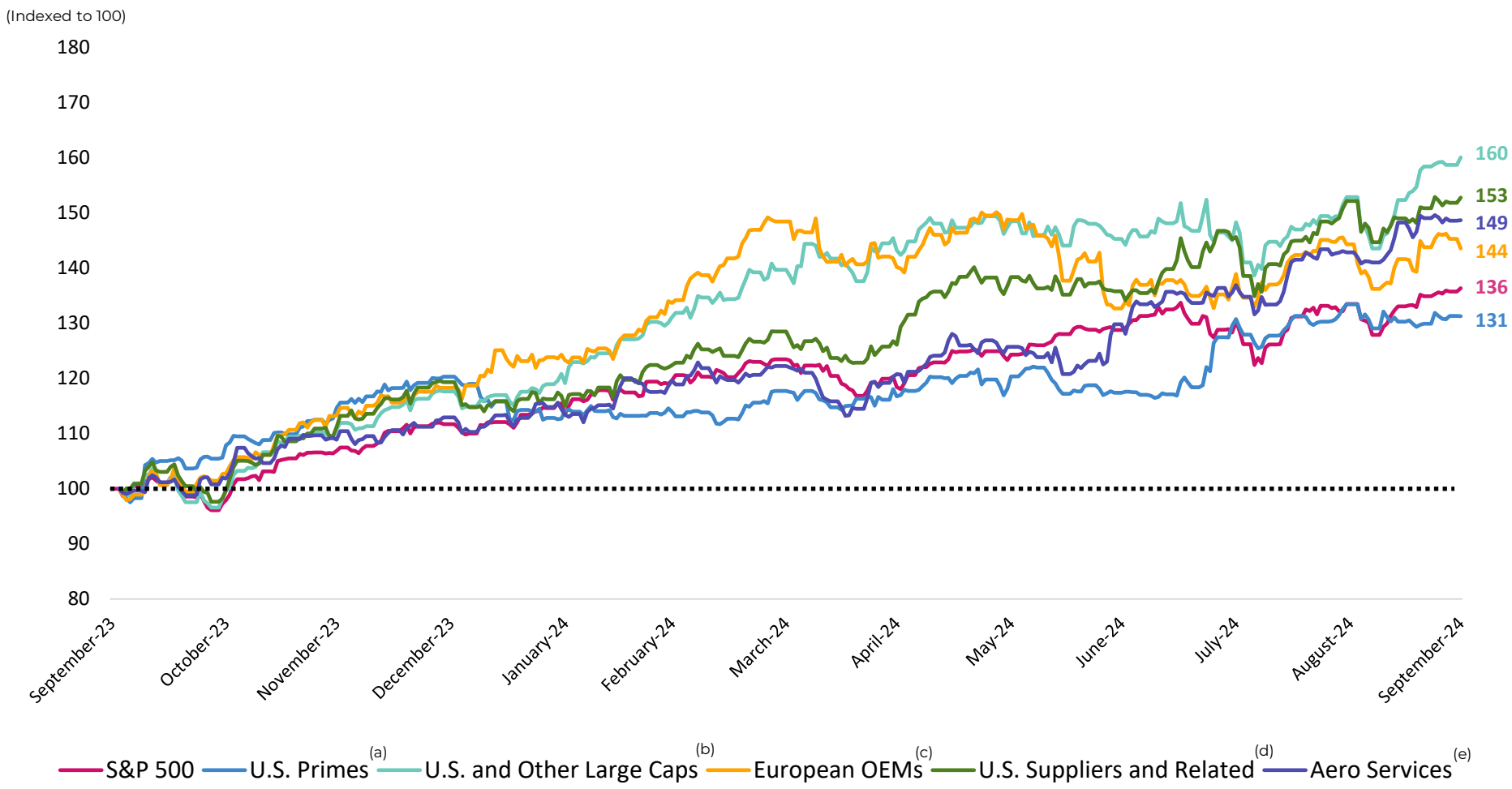
NORTH AMERICA HAS SEEN HIGHER \$ VOLUME YTD, PARTICULARLY IN Q3, BUT FEWER DEALS THAN THE REST OF THE WORLD COMBINED



Source: Dealogic – based on announced transactions; U.S. M&A based on activity involving a U.S. target  
 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

# TOTAL SHAREHOLDER RETURNS AEROSPACE & DEFENSE

ALL INDICES ARE UP OVER THE PAST 12 MONTHS, LED BY U.S. LARGE CAPS

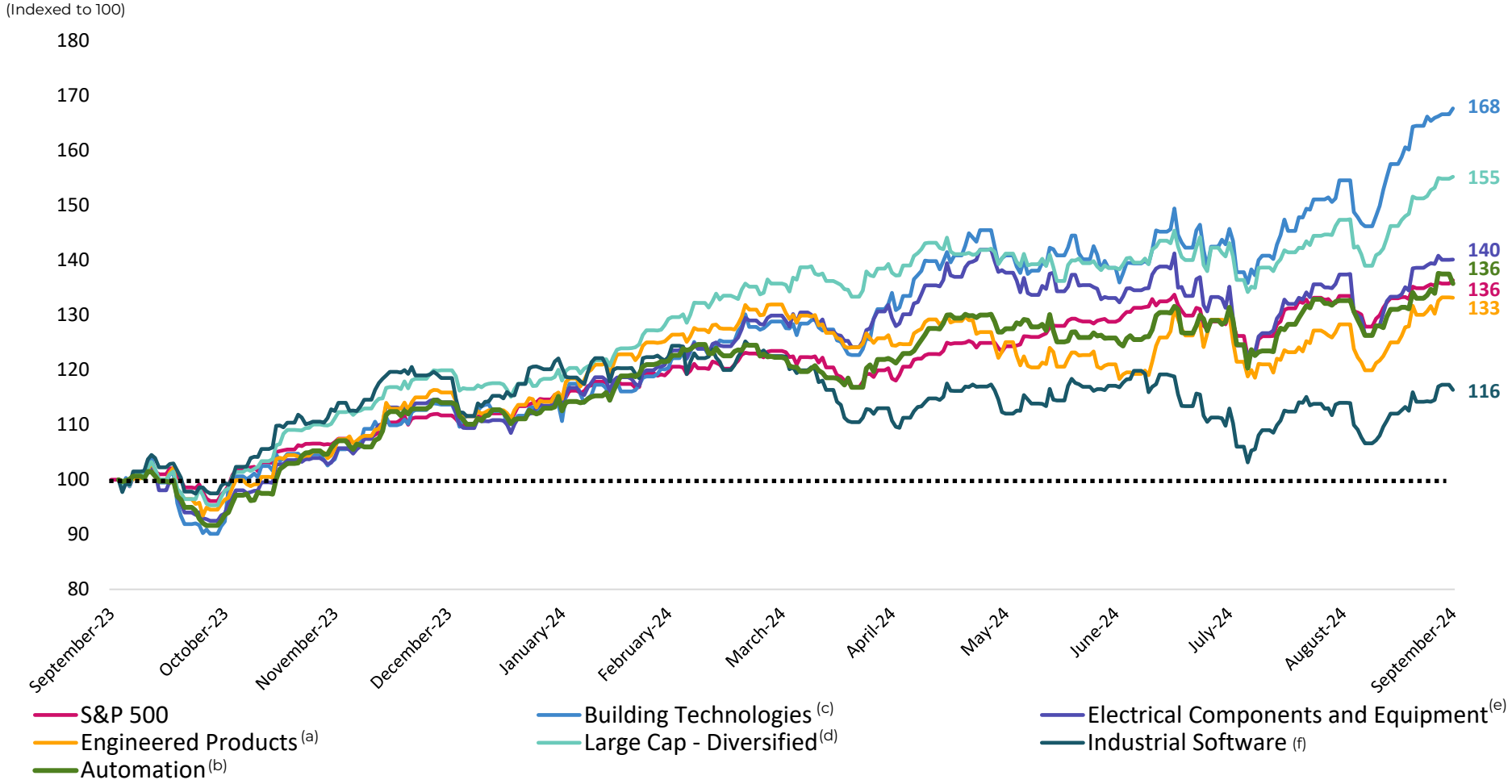


a) U.S. Primes includes Boeing, General Dynamics, Lockheed Martin, Northrop Grumman, RTX  
 b) U.S. / Other Large Caps includes Eaton, General Electric, Honeywell, L3Harris, Parker-Hannifin, Textron, TransDigm  
 c) European OEMs includes Airbus, BAE Systems, Dassault Aviation, Leonardo, Rolls-Royce, 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

# TOTAL SHAREHOLDER RETURNS

## MISSION CRITICAL INDUSTRIALS

ALL INDICES ARE UP OVER THE PAST 12 MONTHS, WITH BUILDING TECHNOLOGIES AND DIVERSIFIED LARGE CAPS LEADING THE WAY



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 Aspen Technology, Autodesk, Bentley Systems, Dassault Systèmes, Hexagon, PTC, Synopsys, Trimble

# BOEING TO ACQUIRE SPIRIT AEROSYSTEMS

BOEING ANNOUNCED ITS \$8.3B ACQUISITION OF SPIRIT AEROSYSTEMS ON JULY 1, 2024

## TRANSACTION OVERVIEW

**Announcement Date:** July 1, 2024

**Target:** Spirit AeroSystems (NYSE: SPR) ("Spirit")

**Acquirer:** Boeing (NYSE: BA) ("Boeing")

**Transaction Consideration:** Boeing Company (NYSE: BA) to acquire Spirit for \$37.25 per share in an all-stock transaction

- Each share of SPR exchanged for 0.18-0.25 shares of Boeing stock
- Price range: \$149 per share (floor) to \$207 per share (ceiling)

**Airbus Involvement:** Airbus and Spirit also established a binding term sheet, where Airbus will assume specific commercial responsibilities currently managed by Spirit following the Boeing-Spirit transaction

**Divestitures:** Spirit proposed to sell certain parts of its operations, including those in Belfast, Northern Ireland (non-Airbus operations), Prestwick, Scotland and Subang, Malaysia

## STRATEGIC RATIONALE

- ✓ Spirit's consolidated fuselage manufacturing will facilitate easier collaboration with regulatory bodies, which are implementing stricter quality standards for Boeing aircraft
- ✓ Boeing to receive an assumed \$360mm benefit from lower COGS due to the absence of a sales markup
- ✓ Protection of the 737 program as around 70% of Spirit's 2023 revenue was derived from production related to the 737 MAX fuselage with the rest predominantly related to sales to Airbus
- ✓ Enhances supply chain stability by strengthening coordination between manufacturing and engineering capabilities and expanded manufacturing resources

## VALUATION METRICS

**\$8.3B**  
Enterprise Value

**\$4.7B**  
Equity Value

**30%**  
Premium  
over Unaffected  
Share Price<sup>(a)</sup>

**3.5x**  
Boeing's  
Debt/EBITDA  
(2025E)

**~7x**  
Spirit EV/EBITDA  
(2026E)

**~10x**  
Spirit P/E (2026E)

## SELECT QUOTES

"...we are confident this transaction is in the best interest of Spirit and its shareholders and will benefit Spirit's other stakeholders. **Bringing Spirit and Boeing together will enable greater integration of both companies' manufacturing and engineering capabilities**, including safety and quality systems."

– **Patrick M. Shanahan**, President & CEO of Spirit on July 1, 2024

"We believe this deal is in the best interest of the flying public, our airline customers, the employees of Spirit and Boeing, our shareholders and the country more broadly. **By reintegrating Spirit, we can fully align our commercial production systems, including our Safety and Quality Management Systems, and our workforce to the same priorities, incentives and outcomes** – centered on safety and quality."

– **Dave Calhoun**, President & CEO of Boeing on July 1, 2024

# SELECT OTHER Q3 AEROSPACE & DEFENSE DEAL HIGHLIGHTS

THE AFTERMARKET HAS BEEN ACTIVE WITH SOME ACTIVITY IN THE SUPPLY CHAIN

Solomon Partners announced advisory role

August 29, 2024



ACQUIRED



- **Deal Synopsis:** Onex Partners Opportunities Fund (“Onex”) (TSX: ONEX) entered into a definitive agreement to acquire Farsound Aviation, a global supply chain solutions provider for the aerospace MRO market, focused on the procurement, supply and inventory management of high-volume consumable hardware components. The transaction is expected to close later this year
- **Rationale:** Onex expects its investment in Farsound to build on Onex’s strategy of investing in businesses with differentiated value propositions in structurally growing end-markets. Specifically, to expand and diversify the business’ engine coverage, customer base and international footprint, particularly in the U.S.
- **Financial Information:** Financial terms were not disclosed
- **Solomon Partners served as buy-side advisor to Onex**

July 11, 2024



ACQUIRED



\$1,000mm

- **Deal Synopsis:** Platinum Equity entered into a definitive agreement to acquire all issued and outstanding common shares of Héroux-Devtek at CAD \$32.50 per share, reflecting a 47% premium over its 90-day volume-weighted average price as of July 10, 2024. The deal is expected to close before March 31, 2025, the end of Héroux-Devtek’s fiscal year
- **Rationale:** Platinum Equity expects its investment in Héroux-Devtek to enhance R&D capabilities, enabling the company to maintain its position as a leading global manufacturer of aerospace products, particularly in landing gear production
- **Financial Information:** ~\$1.0bn transaction value, representing 14.5x 2025 FQ1 LTM EBITDA for the period ended 6/30/2024<sup>(a)</sup>

July 9, 2024



INVESTMENT IN



- **Deal Synopsis:** Bain Capital entered into a definitive agreement to purchase a strategic minority investment in MRO Holdings (“MROH”), a provider of aircraft maintenance solutions for the global commercial airline industry
- **Rationale:** Bain Capital plans to aid MROH in scaling its ongoing development and expansion of customer-centric initiatives. MROH currently operates across four leading maintenance facilities: Aeroman in El Salvador, TechOps MX in Mexico, and Flightstar and North State in the U.S.
- **Financial Information:** Financial terms were not disclosed
- **Solomon Partners served as sell-side advisor to MROH**

# SELECT Q3 MISSION CRITICAL INDUSTRIALS DEAL HIGHLIGHTS

## MAJOR INDUSTRIALS TRANSACTIONS DRIVEN BY PORTFOLIO REALIGNMENT

**August 15, 2024**  
 **LONE STAR FUNDS**  
 ACQUIRED  
**Commercial & Residential Fire Business**  
 FROM  
  
**\$3,000mm**

- **Deal Synopsis:** Lone Star entered into a definitive agreement to acquire the Commercial and Residential Fire business from Carrier Global Corporation (NYSE: CARR), a global leader in intelligent climate and energy solutions
- **Rationale:** The sale marks a critical milestone in Carrier's portfolio transformation, following the acquisition of Viessmann Climate Solutions ("VCS") in January and the successful divestitures of its Industrial Fire and Global Access Solutions businesses. Following the acquisition of VCS, Carrier has reduced its net debt by over \$5bn through the repayment of outstanding term loans and notes, including a tender for additional outstanding debt. As a result of significant de-leveraging this year, and consistent with prior messaging, Carrier expects to redeploy the estimated \$2.2bn in net proceeds from the transaction towards share repurchases
- **Financial Information:** \$3.0bn transaction value, representing 11.0x FY2024E EBITDA<sup>(a)</sup>

**July 23, 2024**  
 **BOSCH**  
 ACQUIRED  
**Residential & Light Commercial HVAC Business**  
 FROM  
  
**\$8,100mm**

- **Deal Synopsis:** Bosch Group entered into a definitive agreement to acquire the Residential and Light Commercial HVAC business from Johnson Controls International plc (NYSE: JCI) ("Johnson Controls"), the global leader in smart, healthy, safe and sustainable buildings
- **Rationale:** The sale allows Johnson Controls to refine its focus as a "pure-play provider of comprehensive solutions for commercial buildings" by divesting non-core product lines. As the largest transaction in Bosch's history, this move will enhance Bosch's position in the HVAC market by strengthening their presence in the U.S. and Asia, while also achieving a more balanced portfolio across various business sectors
- **Financial Information:** \$8.1bn transaction value, representing ~12.0x FY2023A EBITDA<sup>(b)</sup>

**July 10, 2024**  
**Honeywell**  
 ACQUIRED  
**Liquified Natural Gas Process Technology & Equipment Business**  
 FROM  
  
**\$1,810mm**

- **Deal Synopsis:** Honeywell (NASDAQ: HON) purchased the liquified natural gas (LNG) process technology and equipment business from Air Products (NYSE: APD), a world-leading industrial gases company in an all-cash transaction
- **Rationale:** The divestiture of LNG process technology and equipment business enables Air Products to focus on its two-pillar growth strategy. This approach aims to profitably enhance its core industrial gases and related equipment, while also facilitating the large-scale delivery of clean hydrogen. Meanwhile, this deal broadens the extensive range of solutions Honeywell provides to support its customers in their energy transformation journey. Honeywell's new offering will encompass natural gas pre-treatment and state-of-the-art liquefaction
- **Financial Information:** \$1.8bn transaction value, representing 13.0x FY2024E EBITDA

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

a) Average of broker reported FY2024E multiples

b) Average FY2023A EV / EBITDA multiple for sales of both the North America Ducted business and its stake in the Johnson Controls-Hitachi Air Conditioning joint venture

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