



# AEROSPACE & DEFENSE AND MISSION-CRITICAL INDUSTRIALS

## Quarterly M&A Update

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

In an alignment of trends, 2026 kicks off with aerospace and aviation, defense and space, and the broader mission-critical industrials markets all in upward momentum

## M&A Market Outlook

### Markets Learning To Navigate Economic Uncertainty

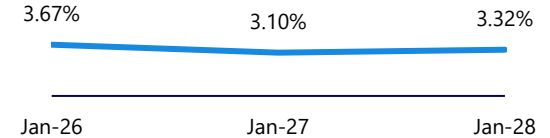
- CEO confidence is recovering as more clarity emerges around tariffs, taxes, and the regulatory environment; as a result, M&A activity has begun to pick up, but it is still taking longer to complete transactions
- The Federal Reserve lowered interest rates once again in December, marking it the third cut of the year despite sticky inflation and slowing job growth, signaling a cautious outlook for 2026
- 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

### Optimism As M&A Activity Defies Outlook Uncertainty

- Expectations for M&A activity in 2026 remain positive after a strong second half of 2025 due to ongoing interest rate cuts and an increasingly favorable antitrust environment
- 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 continue to navigate the economic environment, with significant limited partner distribution demand and the vast sums of capital raised supporting activity
- We expect a continuation of the trend of high-quality businesses experiencing significant acquisition demand at attractive values, contributing to a robust dealmaking year ahead

### SOFR Forward Curve <sup>(1)</sup>

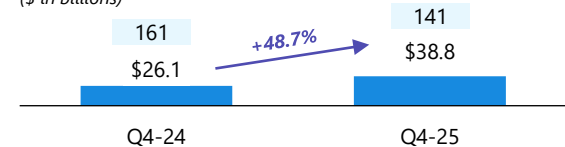
(3-Month Forward Term SOFR)



### U.S. and Canada Q4 M&A Volume and Deal Count <sup>(2)</sup> – A&D and MCI

Increases in dollar volume and deal count driven by large transactions, though overall deal count decreased YoY

(\$ in billions)



## Key Observations and Themes in Our Core Markets

### Commercial Aerospace

- In recent deals, buyers are acquiring commercial aero suppliers at valuations that underwrite future Boeing and Airbus production rates
- In addition to spending on R&D and organic growth, Tier 1 suppliers are earmarking capital for strategic M&A to augment portfolios
- Aftermarket “supercycle” expected to continue with backdrop of high passenger traffic, notwithstanding production challenges easing at OEMs
- Demand for private aviation remains significantly above pre-pandemic levels, underpinning strong new aircraft orders and backlogs fueled by a new, expanded wealthy customer base

### Defense and Space

- The “One Big Beautiful Bill Act” pushes the U.S. defense budget in FY26 close to \$1 trillion
- The President has made preliminary comments of a \$1.5 trillion 2027 defense budget
- 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. 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 tech and space firms continue to play an outsized role in developing next-gen solutions. SpaceX may IPO
- Production rates are top of mind, especially in munitions and naval power, as the President makes a deal with Lockheed and publicly berates RTX

### 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 48% in December
- 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 January 2026.

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.

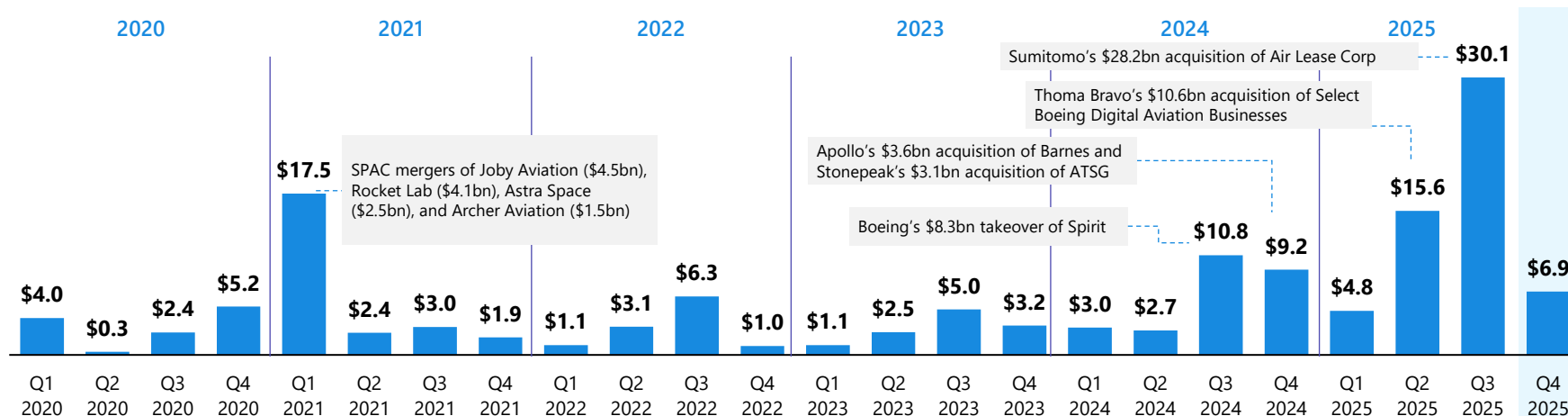
# **Q4 2025 RECAP**

# Aerospace

Q4 2025 Aerospace M&A volume and count down from Q3 2025, which saw very high dollar volume driven by Sumitomo's acquisition of Air Lease Corp.

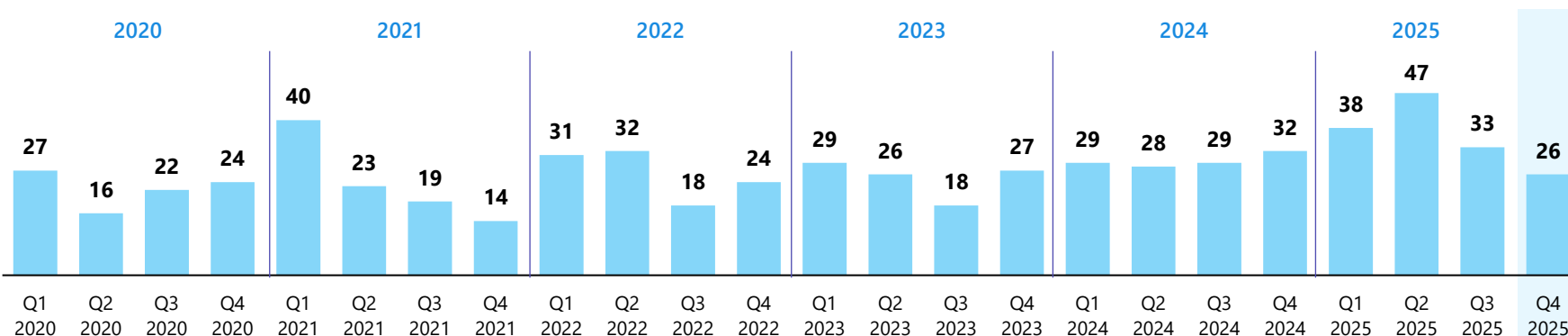
## U.S. and Canada M&A Volume (\$B)

(45%) YoY (83%) QoQ



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

(22%) YoY (24%) QoQ

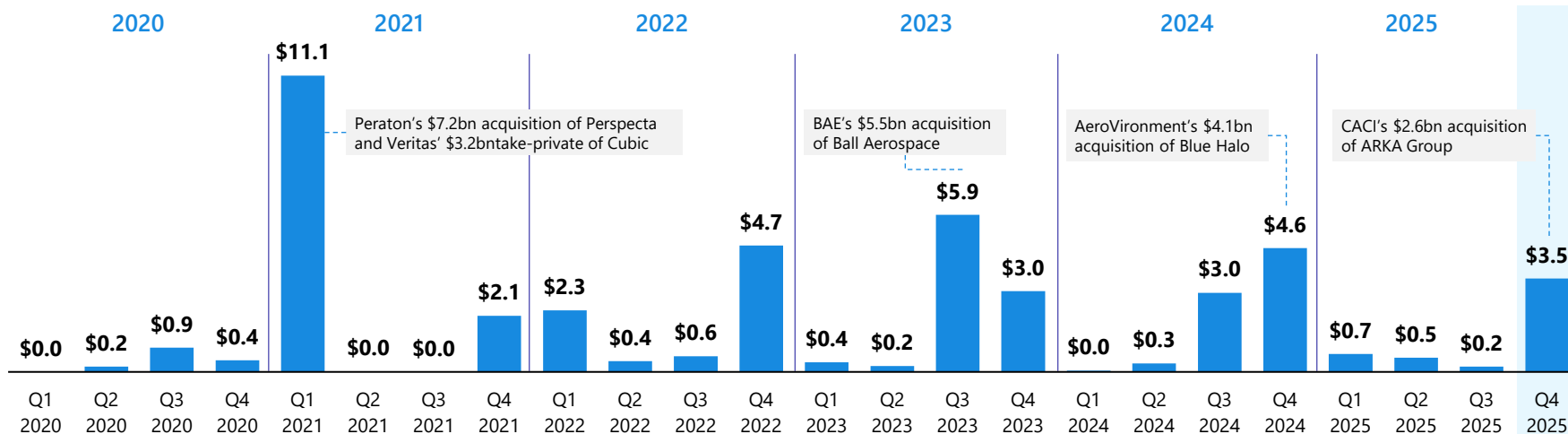


# Defense

After stagnant activity for most of 2025, Defense M&A deal volume saw significant improvement in the recent quarter driven by CACI International's acquisition of ARKA Group

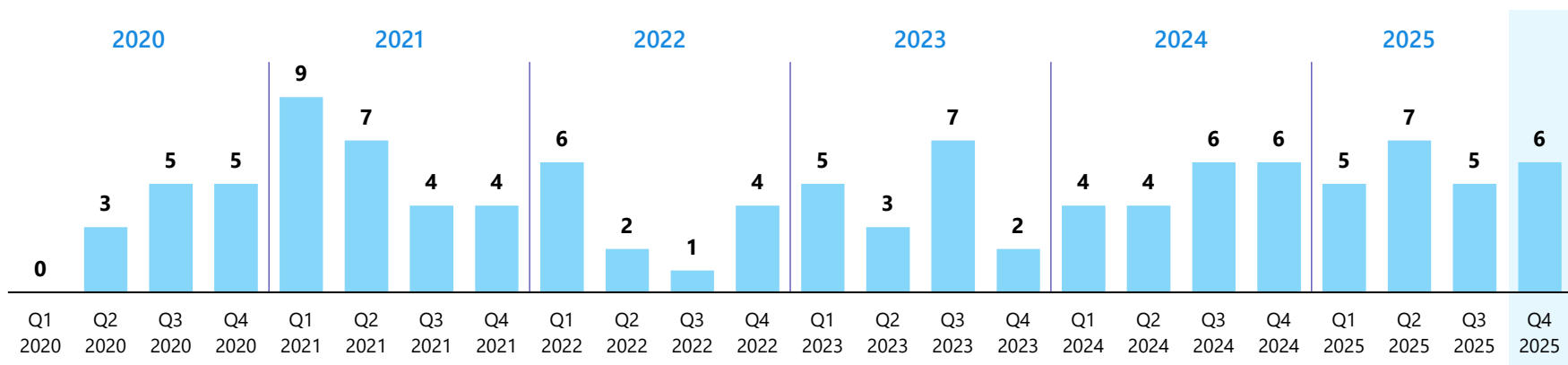
## U.S. and Canada M&A Volume (\$B)

(25%) YoY 1,650% QoQ



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

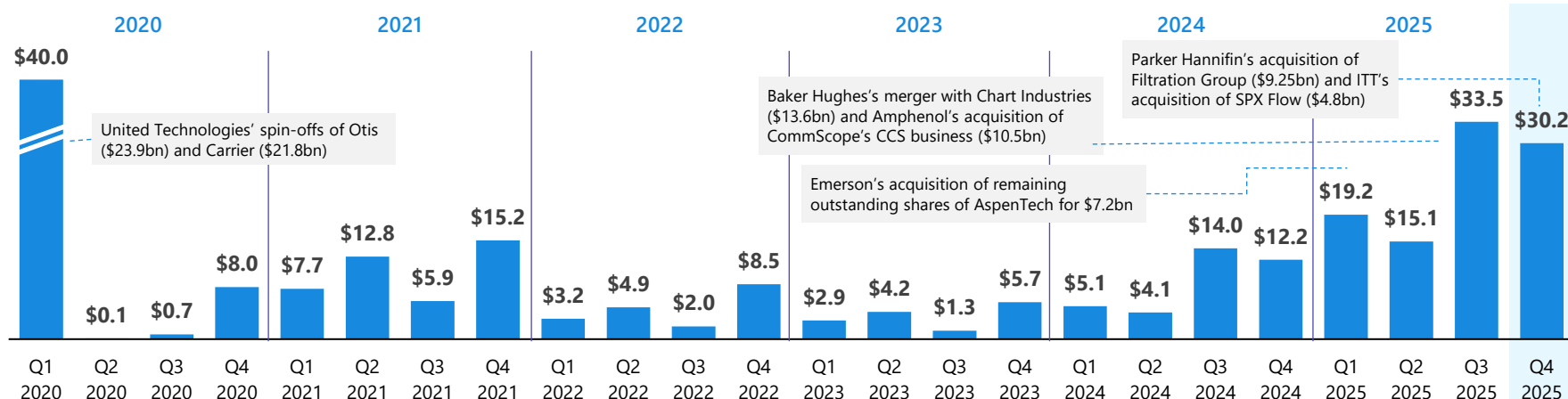
0% YoY 20% QoQ



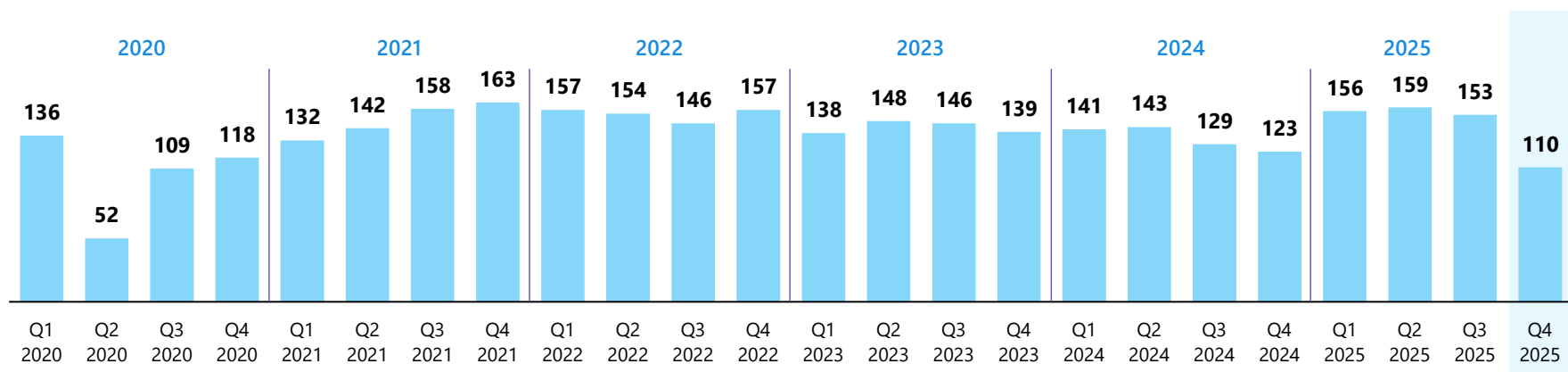
# Mission-Critical Industrials

Mission-critical industrials M&A dollar volume maintained Q3 2025 momentum through a number of large deals, despite a decrease in transaction count QoQ

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

**147% YoY (10%) QoQ**


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

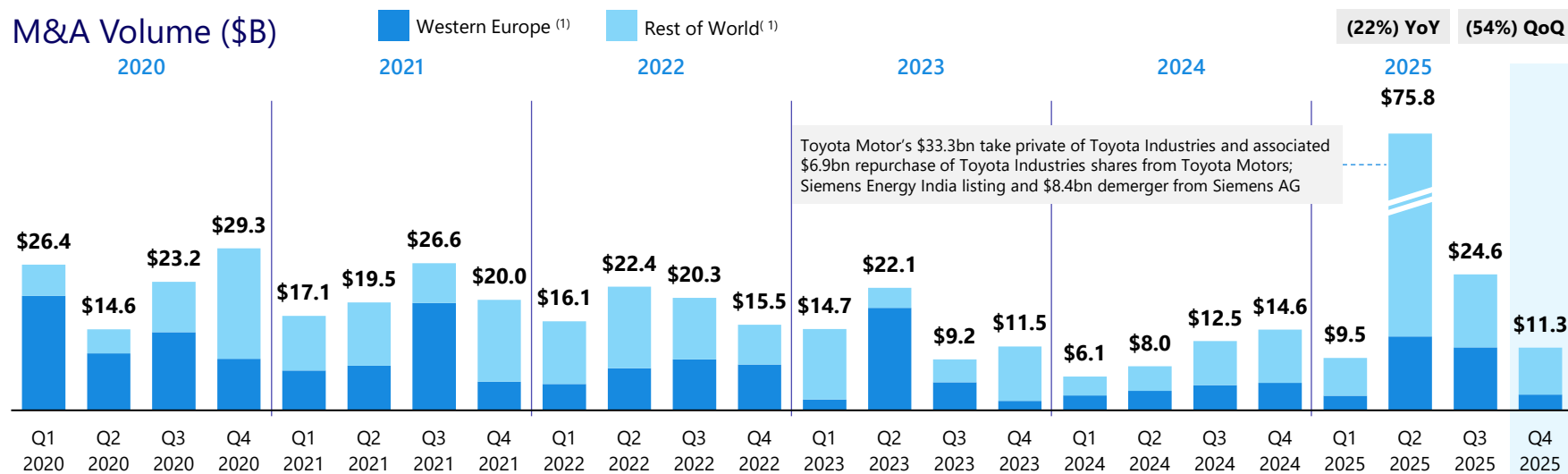
**(11%) YoY (28%) QoQ**


Source: Dealogic as of 12/31/2025 – based on announced transactions; U.S. and Canada M&A based on activity involving a U.S. or Canadian target.

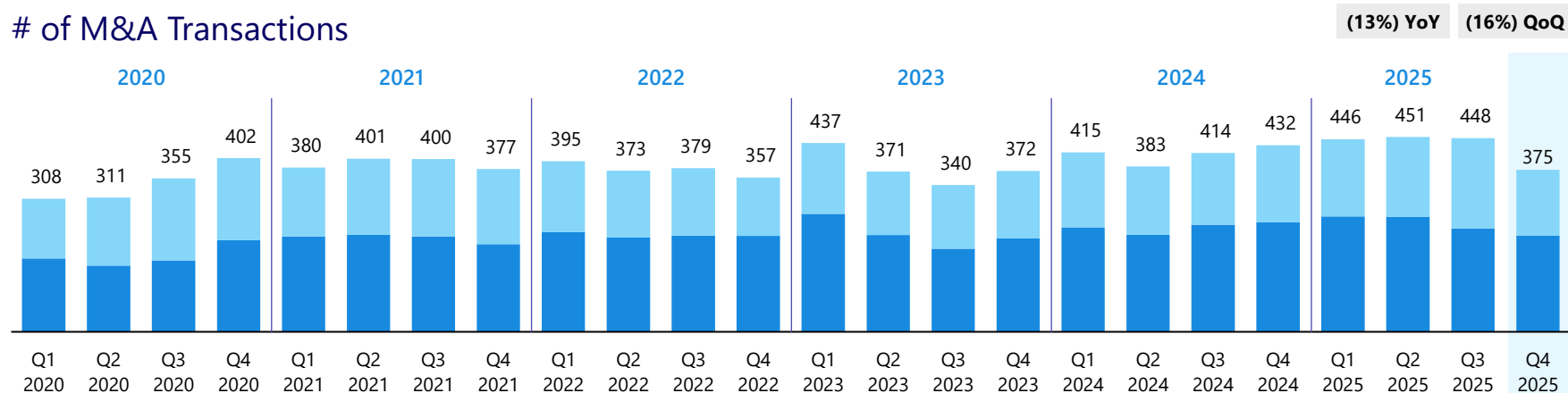
Note: Transactions limited to targets involved in air conditioning/heating products and machinery pertaining to general industrial, machine tools, material handling, and electrical activities; \$ volume only includes deals with publicly disclosed transaction values.

# Western Europe and Rest of World – Aerospace & Defense and Mission-Critical Industrials

M&A dollar volume in Western Europe and rest of world has decreased in recent months but has had a strong year overall, primarily driven by large-cap deals by corporate buyers



## # of M&A Transactions



Source: Dealogic as of 12/31/2025 – 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.

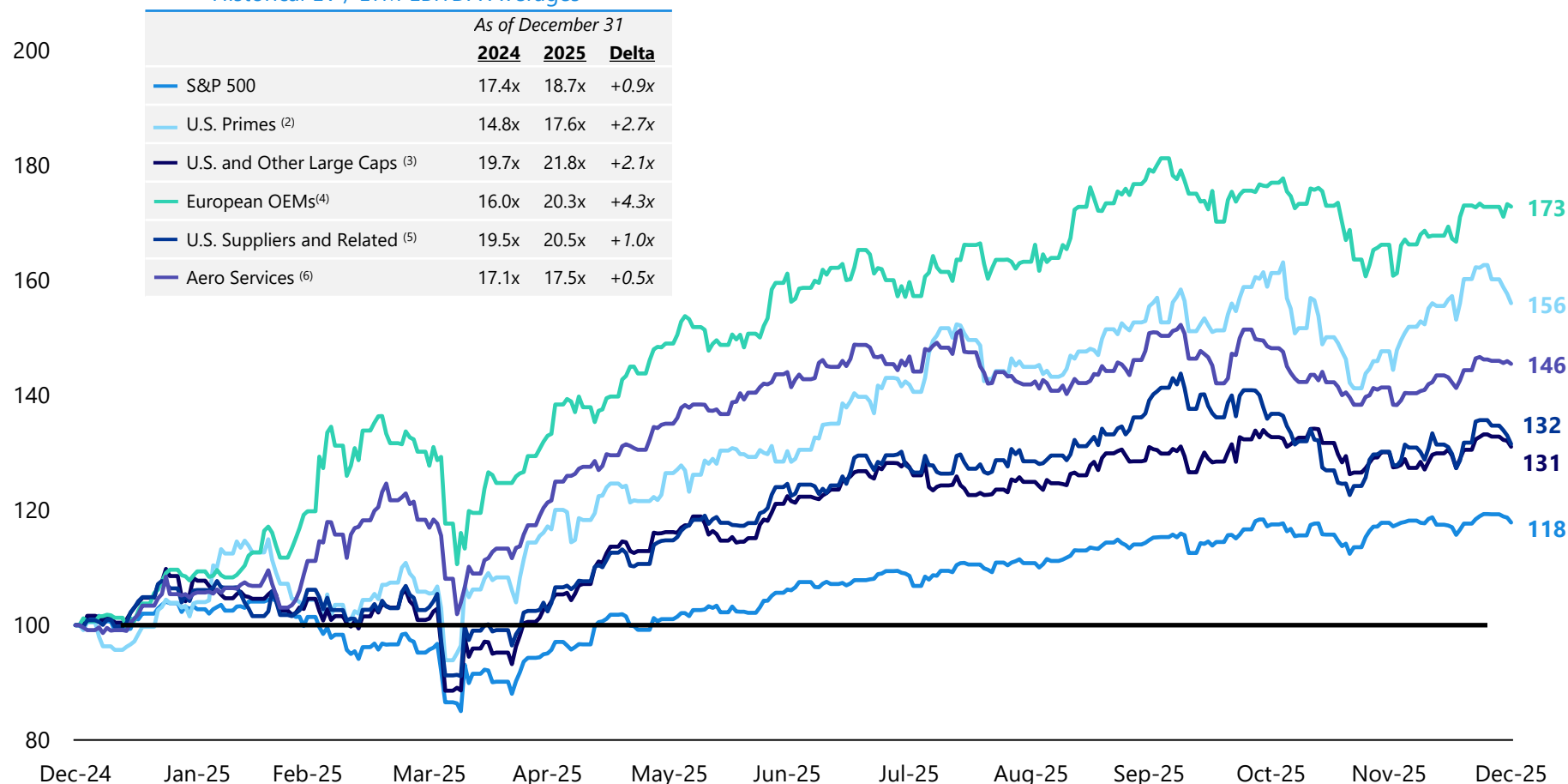
1. Western Europe includes European Union, Switzerland, Norway, and the UK; Rest of World includes all other countries outside of Western Europe, the United States, or Canada.

# Aerospace & Defense LTM Public Equity Performance

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

(Indexed to 100)

Historical EV / LTM EBITDA Averages <sup>(1)</sup>



Source: Capital IQ as of 12/31/2025.

1. Averages exclude multiples greater than 30x.

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

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

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

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

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

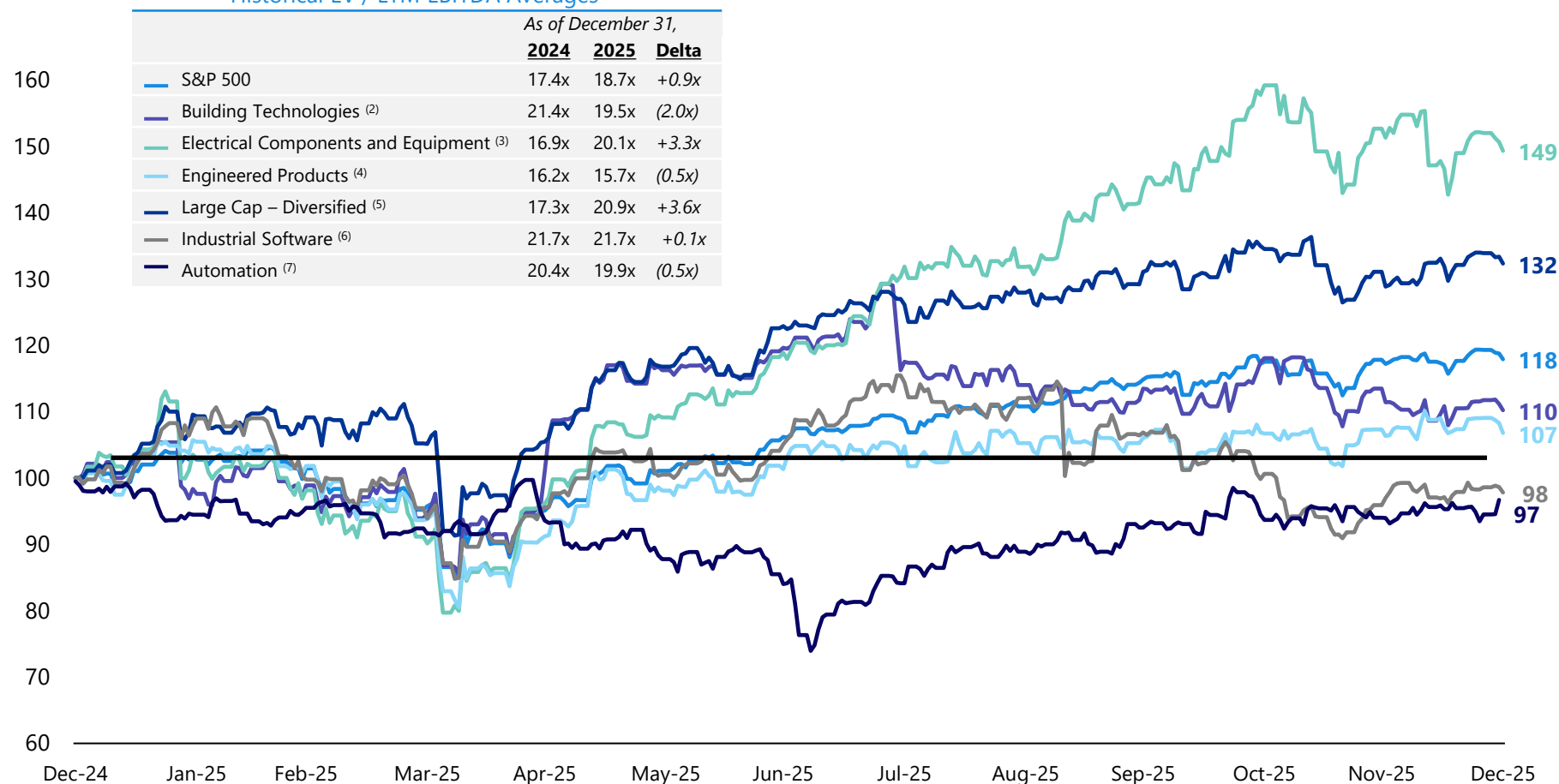


# Mission-Critical Industrials LTM Public Equity Performance

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)

Historical EV / LTM EBITDA Averages <sup>(1)</sup>



Source: Capital IQ as of 12/31/2025.

1. Averages exclude multiples greater than 30x.

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

3. 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.

4. 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, SPX Technologies, Stanley Black & Decker, Vontier, Watts Water Technologies, Xylem.

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

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

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

# Q4 M&A Spotlight: Aerospace Fasteners and Engineered Components

Major aerospace fastener deals driven by structural tailwinds such as a recovery in aircraft production amid a surge in commercial travel and defense spending

November 4, 2025

**TINICUM**

**Blackstone**

Is Acquiring



\$1,450mm

- **Deal Synopsis:** TriMas Corporation is selling its Aerospace segment to an affiliate of Tincum L.P., with funds managed by Blackstone also investing, for approximately \$1.45 billion in cash. The Aerospace segment is a leading provider of highly engineered fasteners and precision-machined components for mission-critical applications across commercial and defense aerospace markets
- **Rationale:** The divestiture enables TriMas to pivot towards their goal of becoming a focused, high-margin packaging platform. For Tincum and Blackstone, the acquisition offers strong synergies with their existing aerospace holdings, positioning the combined platform to capitalize on structural tailwinds
- **Financial Information:** \$1.45 billion transaction value

November 10, 2025

**ARCLINE**  
INVESTMENT MANAGEMENT

Is Acquiring



\$2,200mm

- **Deal Synopsis:** Novaria Group, a leading provider of engineered aerospace components and specialty processes, is being acquired by Arcline Investment Management from KKR in an all-cash transaction valued at approximately \$2.2 billion. Novaria serves over 3,000 customers globally, with components found on virtually every Boeing and Airbus aircraft. The deal includes cash payouts to Novaria's 1,600+ employees through an ownership program, reflecting a people-first approach
- **Rationale:** The acquisition positions Novaria for future growth by leveraging Arcline's deep aerospace expertise and capital resources. It also reinforces Arcline's strategy of building industrial platforms with long-term growth potential, capitalizing on current tailwinds in the industry, such as rising defense spending, OEM production recovery, and supply chain consolidation
- **Financial Information:** \$2.2 billion transaction value

December 22, 2025



Is Acquiring



\$1,800mm

- **Deal Synopsis:** Consolidated Aerospace Manufacturing (CAM), a global designer and manufacturer of precision fasteners, fluid fittings, and other highly engineered products for aerospace and defense applications, is being acquired by Howmet Aerospace from Stanley Black & Decker for approximately \$1.8 billion in an all-cash transaction
- **Rationale:** The acquisition strengthens Howmet's already-established fastener portfolio and deepens exposure to key aerospace and defense platforms. It is expected to further enhance supply chain resilience and broaden Howmet's offering of mission-critical fastening solutions, supporting long-term growth through cross-selling opportunities and integration synergies
- **Financial Information:** \$1.8 billion transaction value

# Q4 M&A Spotlight: Electrification

Major electrification transactions highlighted this quarter's M&A activity, with buyers wanting to capitalize on the aging grid infrastructure, leading to the growing need for mission-critical components

October 21, 2025



Is Acquiring the  
Remaining Stake in



Prolec GE Joint Venture

\$5,275mm

- **Deal Synopsis:** GE Vernova (NYSE: GEV) agreed to acquire the remaining 50% stake in Prolec GE, its transformer-focused joint venture with Xignux, for \$5.275 billion. Prolec GE is a leading grid equipment supplier with seven global manufacturing sites (including five in the U.S.) and approximately 10,000 employees. The business is expected to generate \$3 billion in revenue at ~25% EBITDA margin in 2025
- **Rationale:** This acquisition accelerates GE Vernova's Electrification segment growth, its fastest-growing division, and strengthens its ability to serve North American grid markets amid rising electricity demand from data centers, renewables, and electrification. Full ownership eliminates JV complexities and enables operational synergies, positioning GE Vernova as a global leader in grid technologies
- **Financial Information:** \$5.275 billion transaction value, funded equally with cash and debt; immediately accretive before synergies

November 3, 2025



Is Acquiring



Boyd Thermal Business

\$9,500mm

- **Deal Synopsis:** Eaton (NYSE: ETN), a global leader in intelligent power management, announced a definitive agreement to acquire Boyd Corporation's Thermal business from Goldman Sachs Asset Management for \$9.5 billion. Boyd Thermal is a leading provider of advanced thermal management solutions, including liquid cooling systems for data centers, aerospace, and industrial markets. The business is forecasted to generate \$1.7 billion in 2026 sales, with \$1.5 billion from liquid cooling
- **Rationale:** The acquisition strengthens Eaton's position in next-generation data center infrastructure by combining its power management expertise with Boyd's engineered liquid cooling technologies. This integrated "chip-to-grid" solution addresses surging power and thermal demands, driven by AI workloads, hyperscale computing, and electrification trends
- **Financial Information:** \$9.5 billion transaction value, representing approximately 22.5x Boyd Thermal's estimated 2026 adjusted EBITDA

December 10, 2025



A Blackstone Portfolio Company

Is Merging with



- **Deal Synopsis:** MacLean Power Systems (MPS) is a leading provider of utility components for electrical transmission and distribution. Blackstone Energy Transition Partners and its flagship private equity strategy will acquire MPS from Centerbridge Partners and merge it with Power Grid Components (PGC), creating one of North America's largest suppliers of engineered components for electrical transmission, distribution, and substation infrastructure. The combined platform will serve utilities and telecom operators with a comprehensive portfolio of mission-critical products
- **Rationale:** The merger aligns with Blackstone's energy transition strategy, capitalizing on strong tailwinds in the electrical grid, including surging electricity demand, grid resilience initiatives, and grid modernization demand due to aging infrastructure. The combined entity offers scale, complementary product lines, and operational synergies to the combined platform
- **Financial Information:** Financial information was not disclosed

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