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

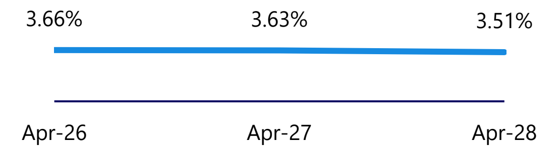
Momentum intact despite a volatile macro backdrop created by geopolitical issues

M&A Market Outlook

Markets Navigating Economic and Geopolitical Uncertainty	• CEO confidence has continued to recover, contributing to a measurable pickup in M&A activity, despite the conflict with Iran reintroducing geopolitical risk – constructive tailwinds continue to drive M&A in select sectors • The Federal Reserve held interest rates steady in April, following three rate cuts in 2025, due to sticky inflation, resilient labor markets, and renewed energy-driven price pressures stemming from higher oil prices, signaling near-term cautiousness, but a stabilizing environment is expected for the remainder of 2026 • Elevated oil prices tied to Middle East instability, along with lingering fiscal and trade uncertainty, have weighed on the US dollar, but ongoing US and Iran peace talks have been well-received by the market
Optimism as M&A Activity Defies Outlook Uncertainty	• Expectations for M&A activity in 2026 remain positive after a strong second half of 2025 and improving early 2026 momentum due to an increasingly favorable antitrust environment • Corporates continue to advance strategic transformation through opportunistic acquisitions and consolidation • Private equity remains active despite the complex economic environment, with significant dry powder and mounting LP distribution pressure, though rising credit risk has increased emphasis on downside protection • We expect a continuation of acquisition demand for high-quality, resilient businesses for the rest of 2026

SOFR Forward Curve[1]

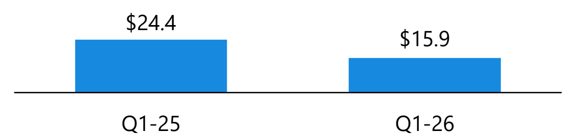
(3-Month Forward Term SOFR)



US and Canada Q1 M&A Volume and Deal Count[2] – A&D and MCI

Decrease in dollar volume YoY but overall deal count increased, signaling a healthy M&A environment despite fewer megadeals

($ in billions)



Key Observations and Themes in Our Core Markets

Commercial Aerospace and Aviation

- Emerging from a seven-year M&A slump dating back to the MAX groundings and exacerbated by COVID shutdowns, M&A in the OE supply chain is alive and well, exemplified by recent transactions involving TriMas Aerospace, Novaria, Consolidated Aerospace Manufacturing, Forged Solutions Group and Harper Engineering
- Buyers are now acquiring commercial aero suppliers at valuations that underwrite strong future production rates
- Aftermarket "supercycle" expected to continue due to record passenger traffic and aging global fleets
- Elevated fuel prices driven by the Iran war are driving airlines to increase ticket prices and lower capacity, but changes are not expected to be drastic and long-lasting
- 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

- Budgetary tailwinds remain strong as the US signals a meaningful increase to a $1.5tn defense budget and NATO members move closer to 3.5% of GDP allocated to defense spending[3]
- The US administration is focused on the industrial base, working with companies to accelerate scalability across multiple needs, including munitions and naval power, resulting in loans, longer-term contracts, and direct investments[4]
- Production rates remain top of mind, with heightened political pressure on primes and Tier-1 suppliers to deliver
- SpaceX's expected IPO and Amazon's acquisition of Globalstar are milestones for the space and defense-tech ecosystem, indicating the scale and durability the industry has achieved
- Artemis II's successful crewed lunar mission has revalidated US deep-space capabilities, strengthening long-term funding visibility for space infrastructure

Mission-Critical Industrials

- US manufacturing showed strength in Q1 2026, with the Purchasing Managers Index (PMI) at 52.7% in March, an increase from 52.4% in February
- Manufacturing businesses tend to be hardest-hit by higher tariffs and lack of clarity as market dynamics reshape
- Corporate buyers are opportunistically pursuing M&A while progressing strategic transformation processes – 3M and Bain's acquisition of Madison Fire & Rescue and combination with Scott Safety is explicitly positioned as a portfolio-shaping move within 3M's Safety & Industrial vertical, while Donaldson acquired Filtration Group's Facet Filtration business in a push to strengthen its Industrial Solutions business
- Automation, electrification, industrial software, and industrial tech are among the most sought-after end markets, as exemplified by Ecolab's acquisition of CoolIT Systems to capitalize on the technology essential for AI data centers and high-performance industrial compute

1. Pensford SOFR data as of April 2026.
2. Source: Dealogic; reported based on announced transactions; US and Canada M&A based on activity involving a US 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.
4. The US government recently awarded Lockheed Martin a $4.7bn preliminary contract to continue accelerated production of the Patriot interceptor missile.

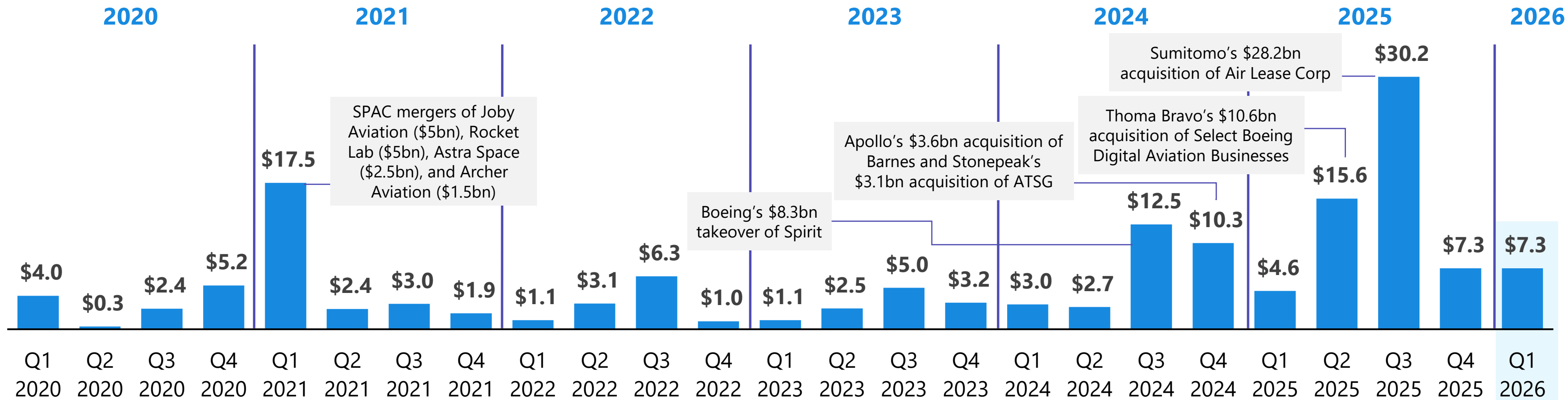
Q1 2026 RECAP

Aerospace

Q1 2026 Aerospace M&A deal count saw the second-best quarter since 2020, while M&A dollar volume was elevated but not as much, suggesting more small and mid-sized deals

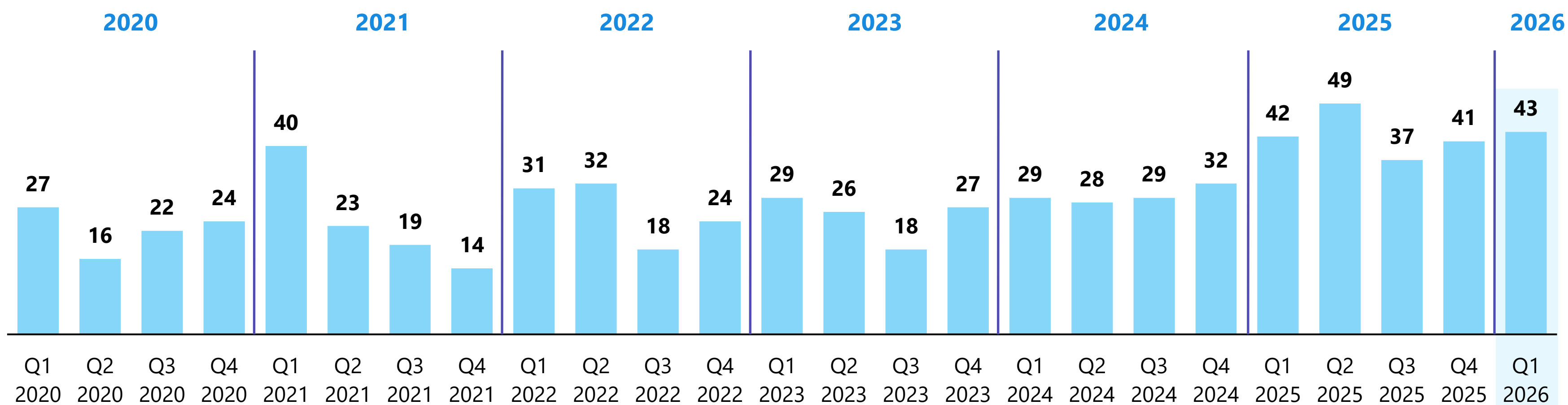
US and Canada M&A Volume ($B)

59% YoY | (0%) QoQ



US and Canada # of M&A Transactions

2% YoY | 5% QoQ



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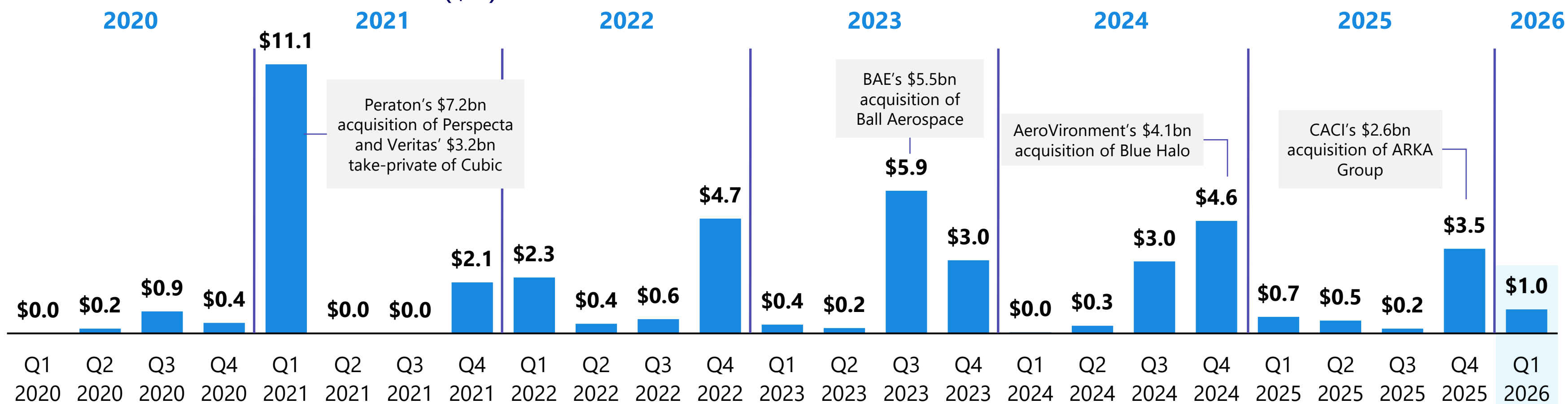
Source: Dealogic as of 3/31/2026 – based on announced transactions; US and Canada M&A based on activity involving a US or Canadian target.
Note: $ volume only includes deals with publicly disclosed transaction values.

Defense

Q1 2026 Defense M&A volume was down from a strong Q4 2025 that was driven by CACI's acquisition of ARKA Group, but Defense deal count reached its highest number since 2020

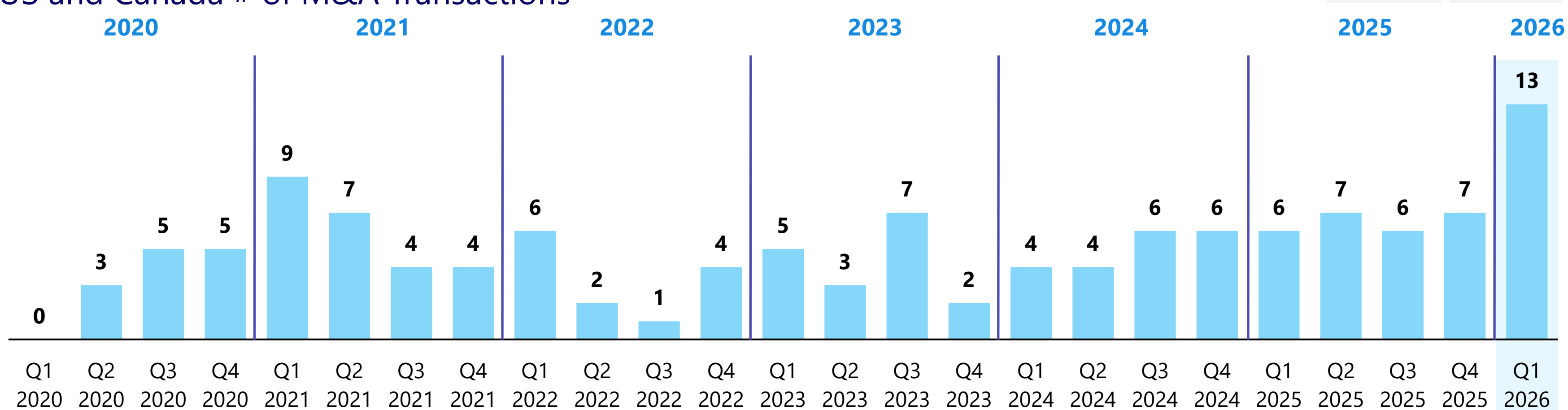
US and Canada M&A Volume ($B)

46% YoY | (72%) QoQ



US and Canada # of M&A Transactions

117% YoY | 86% QoQ



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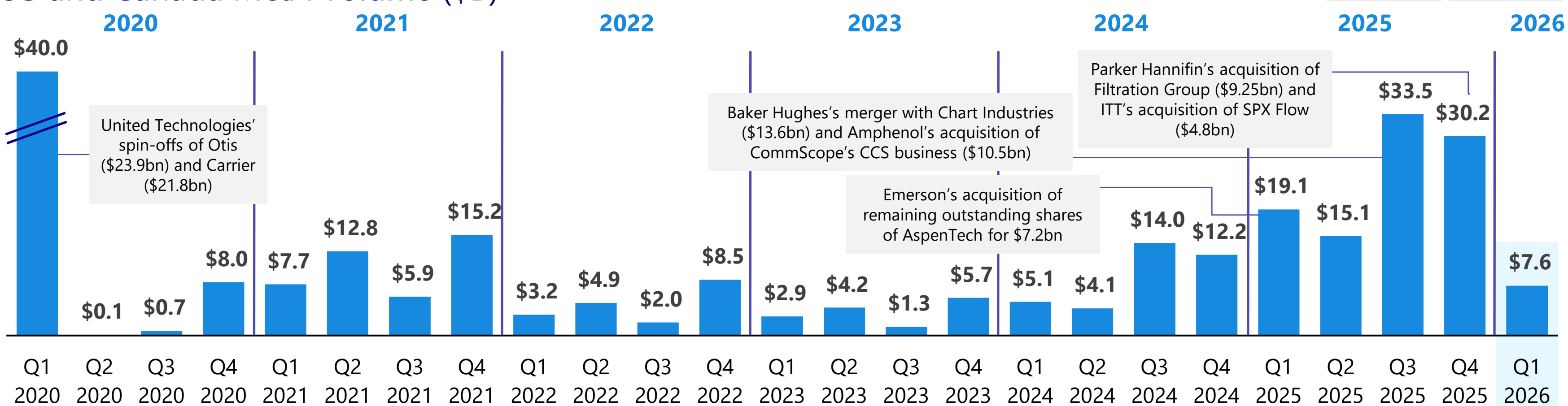
Source: Dealogic as of 3/31/2026 – based on announced transactions; US and Canada M&A based on activity involving a US or Canadian target.
Note: $ volume only includes deals with publicly disclosed transaction values.

Mission-Critical Industrials

Publicly disclosed Mission-Critical Industrials M&A volume was down from a very strong end of 2025, but deal count was up from last quarter

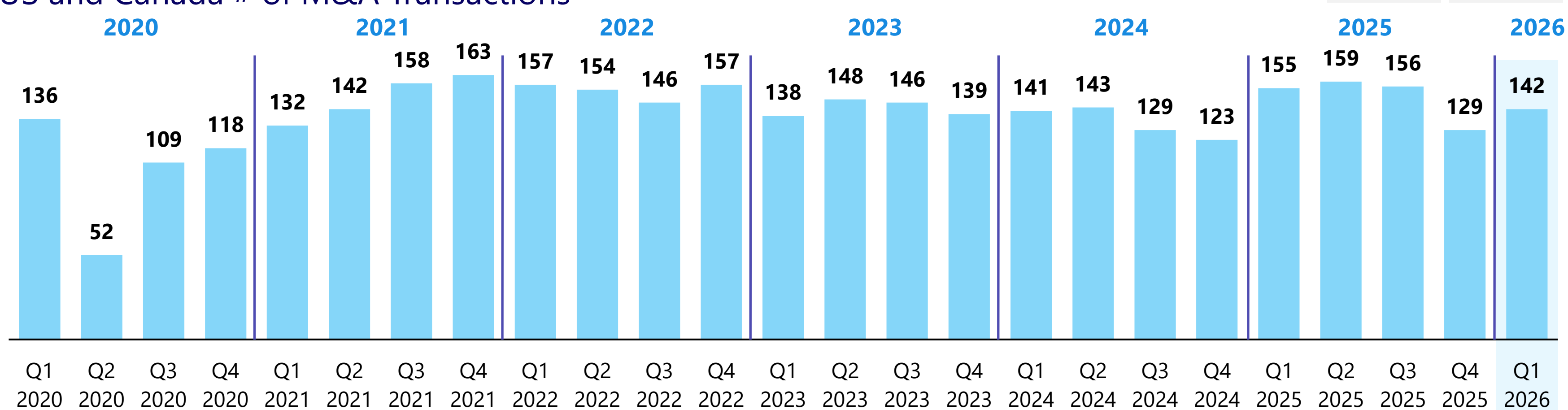
US and Canada M&A Volume ($B)

(60%) YoY | (75%) QoQ



US and Canada # of M&A Transactions

(8%) YoY | 10% QoQ



Source: Dealogic as of 3/31/2026 – based on announced transactions; US and Canada M&A based on activity involving a US 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.

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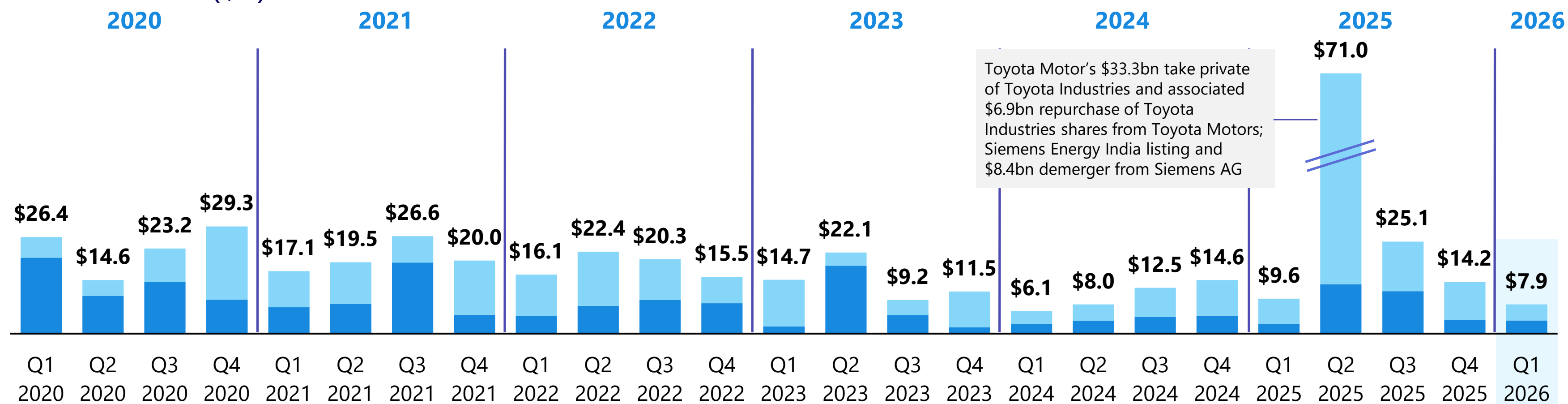
Western Europe and Rest of World – Aerospace & Defense and Mission-Critical Industrials

M&A Dollar volume in Western Europe and Rest of World has decreased in recent months after a strong 2025, primarily driven by large-cap deals by corporate buyers

M&A Volume ($B)

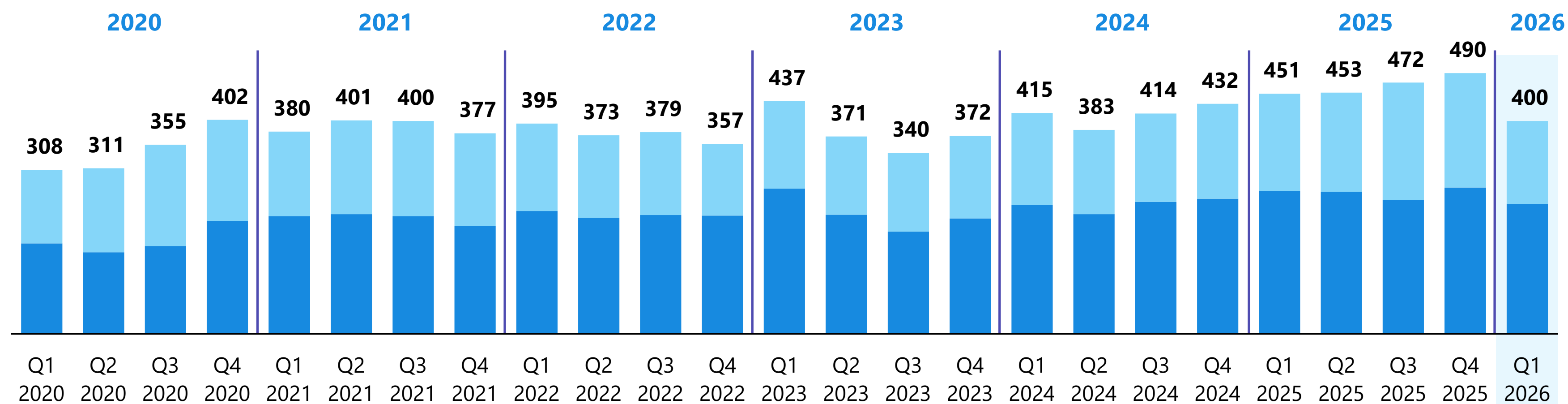
Western Europe[1] Rest of World[1]

(17%) YoY (44%) QoQ



of M&A Transactions

(11%) YoY (18%) QoQ



Source: Dealogic as of 3/31/2026 – 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.

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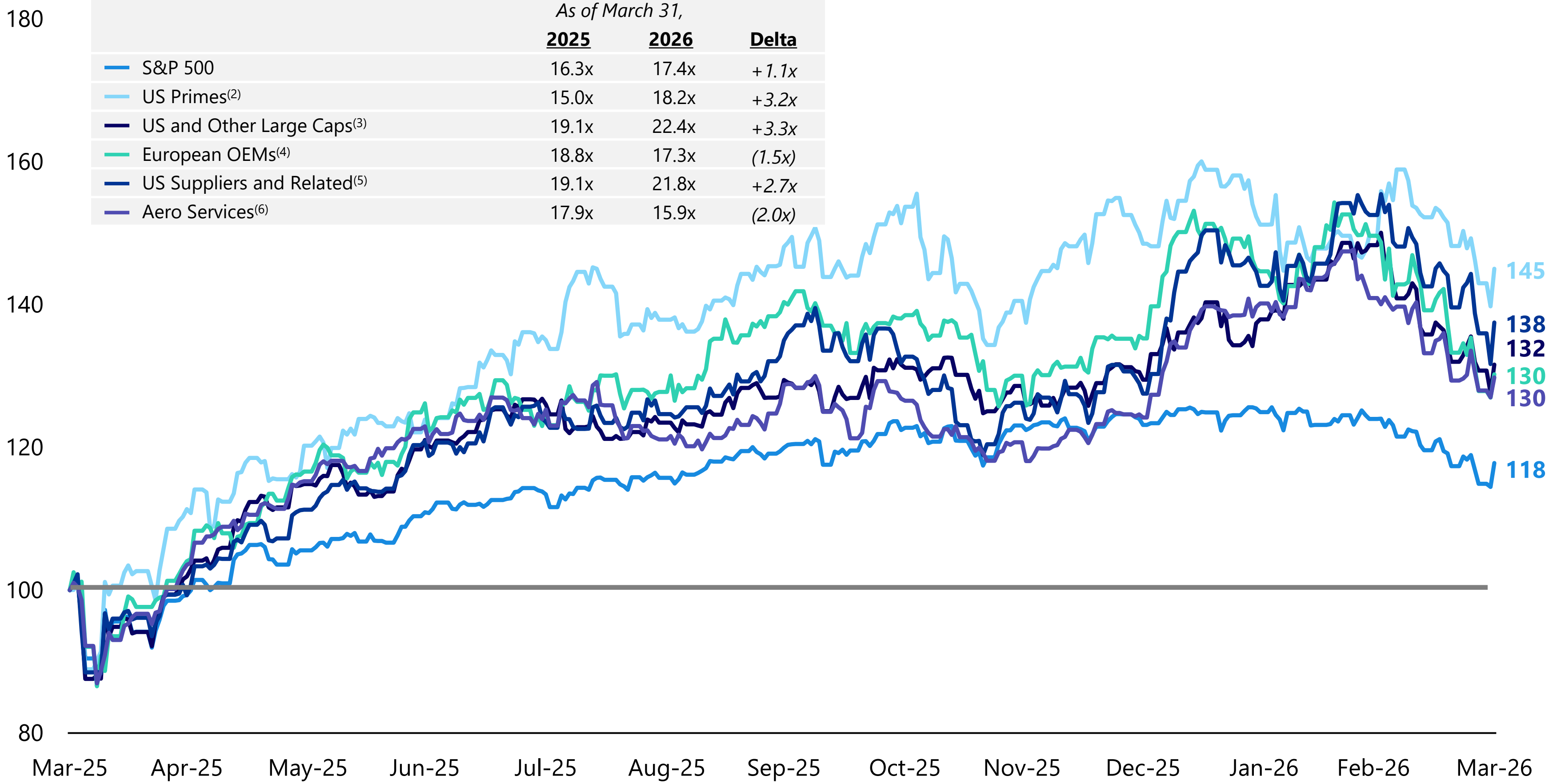
Aerospace & Defense LTM Public Equity Performance

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

(Indexed to 100)

Historical EV / LTM EBITDA Averages[1]

	As of March 31,		
	2025	**2026**	**Delta**
S&P 500	16.3x	17.4x	*+1.1x*
US Primes[2]	15.0x	18.2x	*+3.2x*
US and Other Large Caps[3]	19.1x	22.4x	*+3.3x*
European OEMs[4]	18.8x	17.3x	*(1.5x)*
US Suppliers and Related[5]	19.1x	21.8x	*+2.7x*
Aero Services[6]	17.9x	15.9x	*(2.0x)*



Source: Capital IQ as of 3/31/2026.
1. Averages exclude multiples greater than 30x.
2. US Primes includes Boeing, General Dynamics, Lockheed Martin, Northrop Grumman, Palantir, RTX.
3. Other US 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. US 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.

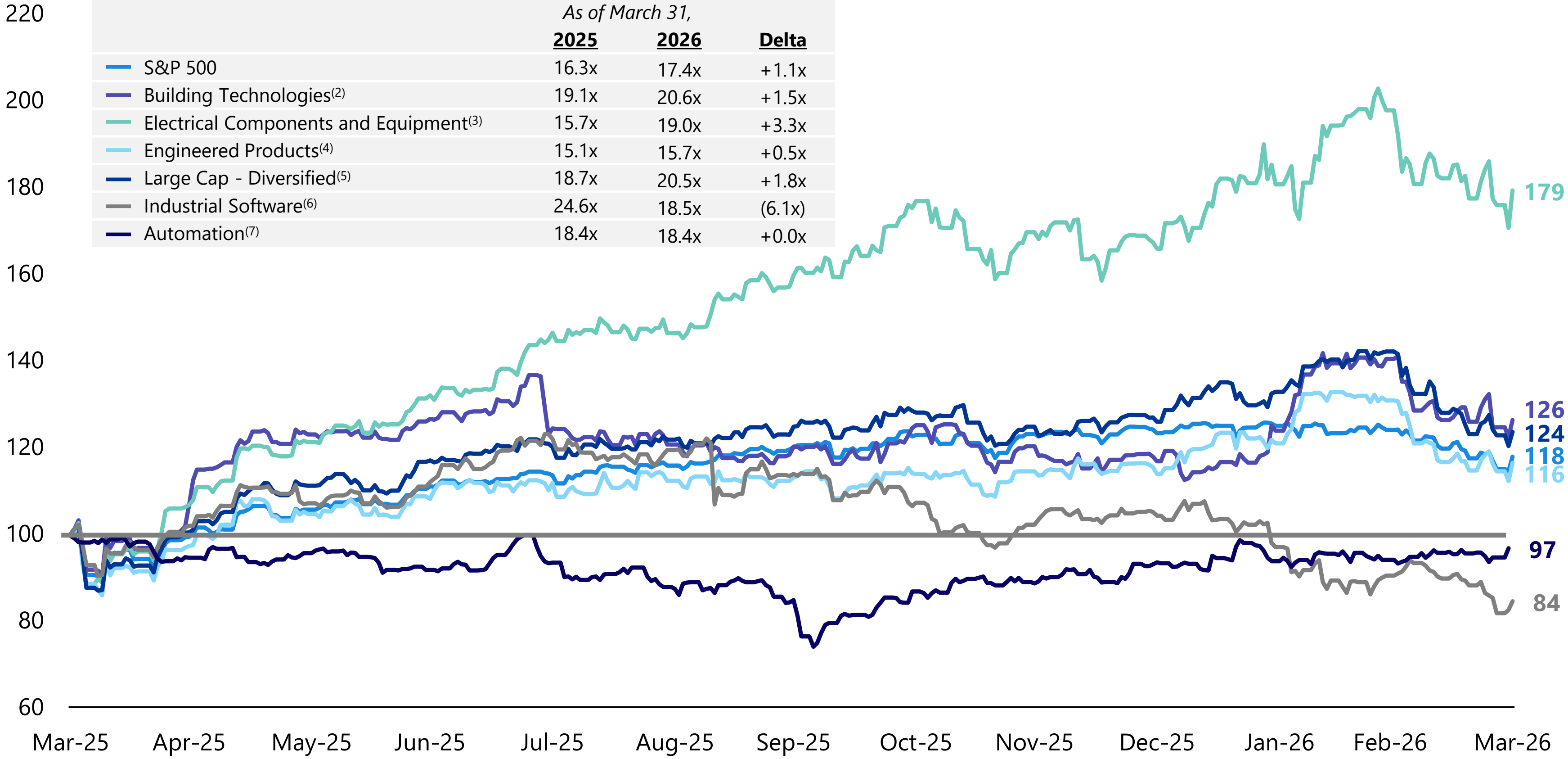
Mission-Critical Industrials LTM Public Equity Performance

Large caps, electrical components and equipment manufacturers, and building technology companies outperformed the S&P in the last 12 months

(Indexed to 100)

Historical EV / LTM EBITDA Averages[1]

	As of March 31,		
	2025	**2026**	**Delta**
S&P 500	16.3x	17.4x	+1.1x
Building Technologies[2]	19.1x	20.6x	+1.5x
Electrical Components and Equipment[3]	15.7x	19.0x	+3.3x
Engineered Products[4]	15.1x	15.7x	+0.5x
Large Cap - Diversified[5]	18.7x	20.5x	+1.8x
Industrial Software[6]	24.6x	18.5x	(6.1x)
Automation[7]	18.4x	18.4x	+0.0x



Source: Capital IQ as of 3/31/2026.
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.

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Q1 M&A Spotlight: Aerospace & Defense

Major deals driven by structural tailwinds among a surge in commercial travel and defense spending

January 5, 2026

ae Industrial Partners

Is Acquiring a Majority Stake in

L3HARRIS™ Space Propulsion and Power Systems

$845mm

- **Deal Synopsis:** L3Harris reached an agreement to sell a controlling interest (~60%) in its Space Propulsion and Power Systems business to AE Industrial Partners at an enterprise value of ~$845 million, while retaining a ~40% minority stake. The business includes legacy rocket propulsion, in-space propulsion, avionics and power systems and will operate under the revived Rocketdyne name
- **Rationale:** The deal represents a platform investment in critical national-security propulsion technology, which is supported by long-duration government programs and high barriers to entry. For L3Harris, the transaction further sharpens its portfolio around core defense mission priorities
- **Financial Information:** $845 million transaction value

January 20, 2026

TRANSDIGM GROUP INC.

Is Acquiring

JET PARTS ENGINEERING

VICTOR SIERRA AVIATION HOLDINGS

$2,200mm

- **Deal Synopsis:** TransDigm Group acquired Jet Parts Engineering and Victor Sierra Aviation from Vance Street Capital for approximately $2.2 billion in cash. The combined businesses are leading designers and manufacturers of proprietary PMA parts, DER repairs and aftermarket components serving commercial, business and general aviation markets
- **Rationale:** The acquisition aligns squarely with TransDigm's strategy of owning highly engineered, proprietary aftermarket content with near-exclusive positions and pricing power. Both Jet Parts and Victor Sierra operate in the commercial aftermarket, having strong margins, long product lifecycles and limited OEM competition
- **Financial Information:** $2.2 billion transaction value

January 29, 2026

VSE CORPORATION

Is Acquiring

PAG

$2,150mm

- **Deal Synopsis:** VSE Corporation agreed to acquire Precision Aviation Group (PAG), a portfolio company of GenNx360 Capital Partners, for approximately $2.025 billion in cash and equity consideration, with an additional earnout consideration of up to $125 million. PAG is a global provider of engine and component MRO, parts distribution and supply-chain solutions across commercial, business aviation, rotorcraft and defense end markets
- **Rationale:** The transaction is transformational for VSE, creating a scaled, independent aviation aftermarket pure-play with expanded engine and component repair depth. The combination materially increases VSE's size and technical capability, positioning the platform to benefit from sustained fleet utilization, aging aircraft and ongoing aftermarket consolidation
- **Financial Information:** $2.15 billion transaction value

Source: Company filings and press releases.

Q1 M&A Spotlight: Mission-Critical Industrials

Major electrification and mission-critical transactions highlighted this quarter's M&A activity, with buyers wanting to capitalize on growing infrastructure needs

January 26, 2026

Blackstone

Is Acquiring

Arlington

- **Deal Synopsis:** Funds managed by Blackstone Energy Transition Partners agreed to acquire Arlington Industries, a leading US designer and manufacturer of electrical fittings, enclosures, and engineered components used across commercial, industrial and data center facilities. Arlington's products are sold primarily through electrical distributors and contractors and support mission-critical electrical infrastructure
- **Rationale:** The acquisition aligns with Blackstone's energy transition and electrification investment thesis, targeting businesses that benefit from rising power demand, data center build-out and infrastructure modernization. Arlington's strong domestic manufacturing footprint, brand reputation and installer-embedded product portfolio position it to capitalize on long-term electrification and data center growth trends
- **Financial Information:** Financial information was not disclosed

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March 19, 2026

3M

BainCapital

Are Acquiring

MADISON FIRE & RESCUE

$1,950mm

- **Deal Synopsis:** 3M and Bain Capital agreed to acquire Madison Fire & Rescue from Madison Industries for approximately $1.95 billion, forming a new joint venture. 3M will contribute its Scott Safety business, receive $700 million in cash at closing and retain a 50.1% controlling stake, with Bain Capital owning 49.9%
- **Rationale:** The transaction allows 3M to expand and scale its Safety and Industrial portfolio following recent portfolio simplification, while Bain contributes operational expertise to accelerate growth. The combined platform brings together premium respiratory protection with rescue and fire-suppression technologies, creating a leading position in first responder and industrial safety markets
- **Financial Information**: $1.95 billion transaction value

March 20, 2026

ECOLAB

Is Acquiring

CoolIT systems

$4,750mm

- **Deal Synopsis:** Ecolab agreed to acquire CoolIT Systems from funds managed by KKR for approximately $4.75 billion in cash. CoolIT is a leading provider of direct-to-chip liquid cooling systems for high-performance and AI-driven data centers
- **Rationale:** The acquisition significantly expands Ecolab's Global High-Tech platform by adding a mission-critical thermal management capability at the center of AI and data center infrastructure growth. The combination allows Ecolab to offer an integrated, end-to-end cooling and fluid-management solution, benefiting from strong secular tailwinds and rapid adoption of liquid cooling
- **Financial Information:** $4.75 billion transaction value

Source: Company filings and press releases.

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