



# Industry Report

Aerospace & Defense  
Manufacturing & Distribution

Industry Update | Manufacturing & Distribution Practice  
Q3 2024

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# Aerospace & Defense Update

## Key Takeaways

### Main Boosters Ignited – expected liftoff for the space sector in Q4 2024 and Q1 2025

- **Q3 2024 M&A Performance:** M&A deal volume in the Aerospace & Defense (A&D) sector dropped by 11.8% compared to the prior four-quarter average, reflecting the market's hesitancy ahead of the federal election. Valuations followed the same downward trend, decreasing by 37.9%, with EBITDA multiples falling to 8.9x.
- **Post-Election Optimism for M&A Activity:** Following the Republican sweep and Trump's election, M&A activity is expected to rebound in Q4 and Q1 2025. Pro-business policies, including lower corporate taxes, deregulation, and protectionist measures like tariffs (targeting China), are likely to stimulate growth in the US A&D sector.
- **Growth Opportunities in the Space Sector:** Deregulation under Trump's administration is anticipated to reduce bureaucratic hurdles in the heavily regulated space industry. Additionally, Elon Musk's role as a presidential advisor is seen as a significant advantage, likely to accelerate innovation and investment in the space sector.
- **Risks for Government Contractors from the Department of Government and Efficiency (DOGE):** The newly formed DOGE, led by Elon Musk, aims to streamline government processes and improve efficiency. While Musk's influence is positive for the space sector, the department's potential budget cuts and reduced spending on government contractors may lower earnings across the sector. This could result in less capital for M&A initiatives and create uncertainty for companies heavily reliant on government contracts. All said, we believe that deregulation and lower taxes will outweigh budget cuts and spur M&A activity.

Objective Investment Banking & Valuation is a leading investment banking and valuation firm, advising middle-market companies through the following services:

#### M&A Advisory:

- Sell-Side

#### Valuation Advisory:

- Tax Compliance
- Transaction Opinions
- Financial Reporting
- Strategic Advisory

#### Industry Practice Groups:

- Manufacturing & Distribution
- Business Services
- Consumer
- Healthcare Tech & Services
- Life Sciences Services & Tech
- Technology

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# Market Overview

## Deal Volume

Reported Q3 2024 M&A deal volume in the A&D sector was down by 11.8% when compared with the prior four-quarter average (see Chart I). We expected to see a decrease in M&A activity ahead of the federal elections. Markets do not like the kind of uncertainty that highly contested elections bring and, as such, deal makers often delay M&A initiatives in the lead up. We expect A&D deal volume to rise post-election starting in the current quarter and on into the new year.

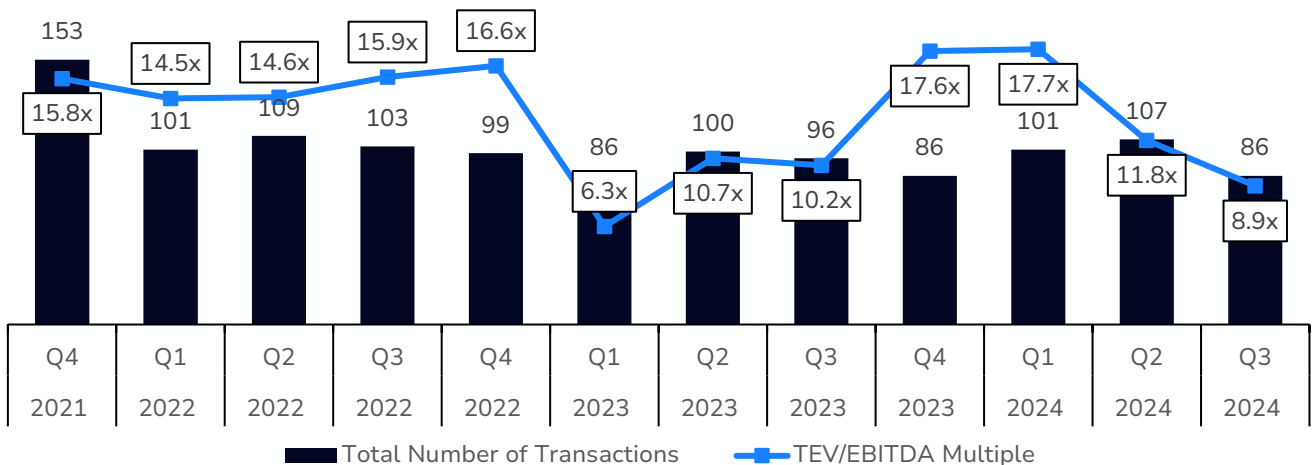
In addition, not only has the uncertainty around the federal elections come to pass, but the Republican sweep paves the way for president-elect Trump to execute his plan which we expect to be good for the U.S. A&D sector. The Space segment in particular will derive added benefit from deregulation as well as having Elon Musk in Trump's inner circle and having regular access to the President.

## Deal Valuations

M&A deal valuations in Q3 dropped in the A&D sector along with volumes (as discussed). Valuations dropped by 37.9% to 8.9x EBITDA for the quarter when compared to the prior four-quarter average (see Chart I). Again, the Federal elections played a significant role in this decline.

One possible issue with a Trump presidency for the A&D sector is the mission of the newly created Department of Government and Efficiency (DOGE). As widely reported, this new department will be tasked with cutting waste and improving efficiency across the entire government, including the DoD. It is conceivable that cuts may negatively impact defense contractors and therefore the entire DoD supply chain. This may have a dampening effect on M&A initiatives. It is unclear yet how DOGE will operate but any company involved with government contracts should be hyper attentive to this new development.

Chart I | Deal Volume & TEV/EBITDA Valuation



Source: S&P Capital IQ  
Data as of September 30, 2024

# Historical Trading Trends

## Select A&D Public Companies

In the last three months, Aircraft & Engine OEMs and Defense Electronics companies have demonstrated superior valuation improvements compared to the broader sector (as measured by the S&P index). Conversely, valuations in Aerostructures have underperformed compared to other categories and the overall S&P index.

Chart II | LTM TEV / Revenue

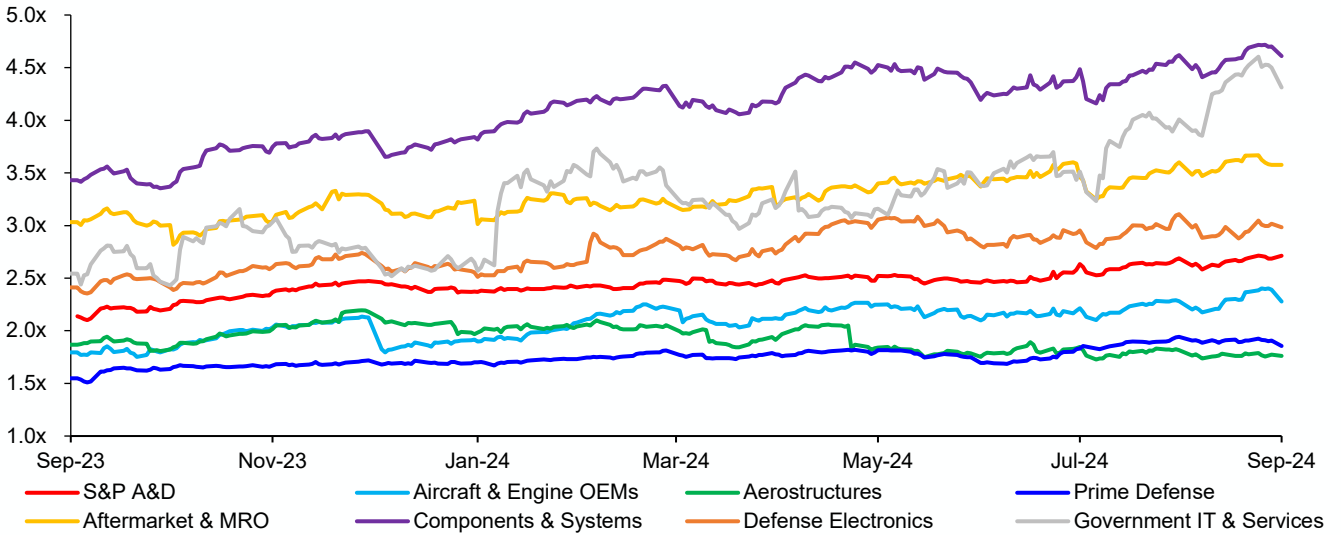
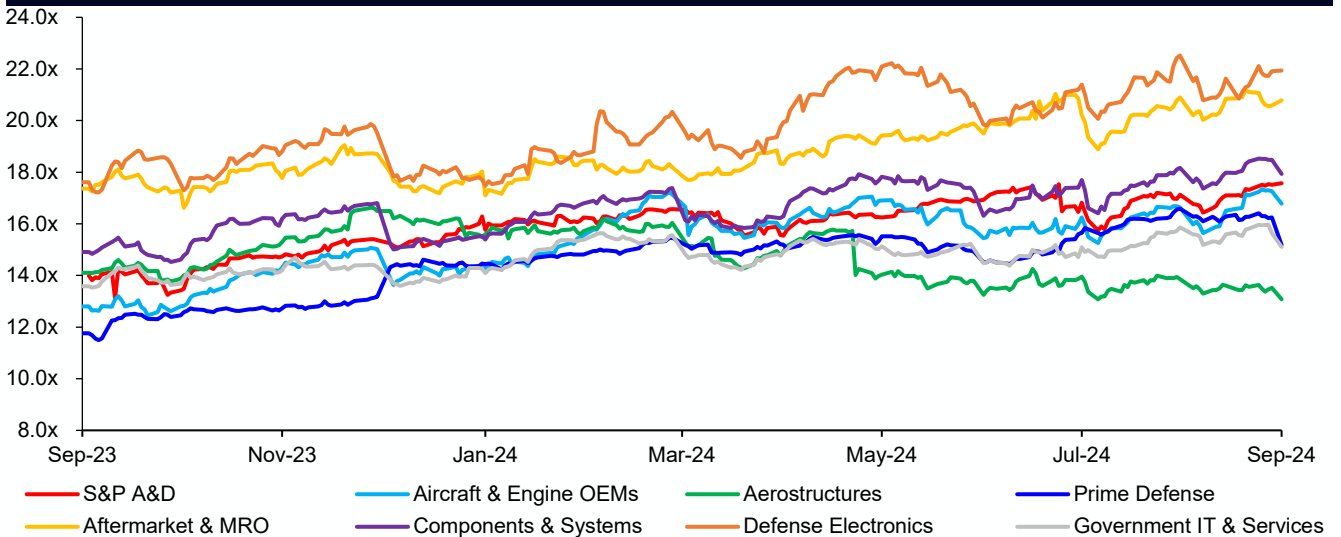


Chart III | LTM TEV / EBITDA



Source: S&P Capital IQ  
Data as of September 30, 2024

# Public Comparables

## Select Listed Companies

Table I | Aircraft & Engine OEMs

(\$ in millions)							
Company	TEV	Revenue	EBITDA	LTM	LTM	TEV/	
				Revenue Growth	EBITDA Margin	Revenue LTM	EBITDA LTM
Airbus SE	\$114,468	\$71,368	\$6,196	6%	9%	1.6x	18.5x
Bombardier Inc.	\$12,966	\$8,402	\$995	16%	12%	1.5x	13.0x
General Electric Company	\$210,406	\$65,911	\$8,694	(15%)	13%	3.2x	24.2x
MTU Aero Engines AG	\$17,343	\$6,063	(\$36)	(7%)	(1%)	2.9x	na
Rolls-Royce Holdings plc	\$60,974	\$22,526	\$3,199	15%	14%	2.7x	19.1x
Safran SA	\$98,601	\$27,565	\$5,593	15%	20%	3.6x	17.6x
Textron Inc.	\$19,215	\$13,845	\$1,688	6%	12%	1.4x	11.4x
The Boeing Company	\$139,003	\$73,557	\$1,322	(0%)	2%	1.9x	na
<b>Median</b>	<b>\$60,974</b>	<b>\$22,526</b>	<b>\$1,688</b>	<b>6%</b>	<b>12%</b>	<b>1.9x</b>	<b>17.6x</b>
<b>Mean</b>	<b>\$84,122</b>	<b>\$36,155</b>	<b>\$3,456</b>	<b>4%</b>	<b>10%</b>	<b>2.3x</b>	<b>17.3x</b>

Table II | Prime Defense

(\$ in millions)							
Company	TEV	Revenue	EBITDA	LTM	LTM	TEV/	
				Revenue Growth	EBITDA Margin	Revenue LTM	EBITDA LTM
BAE Systems plc	\$59,999	\$31,036	\$3,805	8%	12%	1.9x	15.8x
General Dynamics Corporation	\$92,661	\$44,946	\$5,131	10%	11%	2.1x	18.1x
Huntington Ingalls Industries, Inc.	\$13,238	\$11,775	\$1,160	8%	10%	1.1x	11.4x
Leonardo S.p.a.	\$17,480	\$17,553	\$1,759	7%	10%	1.0x	9.9x
Lockheed Martin Corporation	\$156,069	\$71,069	\$10,167	5%	14%	2.2x	15.4x
Northrop Grumman Corporation	\$92,122	\$40,764	\$4,304	8%	11%	2.3x	21.4x
RTX Corporation	\$200,161	\$72,417	\$9,217	3%	13%	2.8x	21.7x
<b>Median</b>	<b>\$76,060</b>	<b>\$35,900</b>	<b>\$4,055</b>	<b>7%</b>	<b>11%</b>	<b>2.0x</b>	<b>15.6x</b>
<b>Mean</b>	<b>\$90,247</b>	<b>\$41,366</b>	<b>\$5,078</b>	<b>7%</b>	<b>12%</b>	<b>1.9x</b>	<b>16.2x</b>

Source: S&P Capital IQ  
Data as of September 30, 2024

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# Public Comparables

## Select Listed Companies (continued)

Table III | Aerostructures

(\$ in millions)							
Company	TEV	Revenue	EBITDA	LTM	LTM	TEV/	
				Revenue Growth	EBITDA Margin	Revenue LTM	EBITDA LTM
Ducommun Incorporated	\$1,227	\$776	\$88	4%	11%	1.6x	13.9x
Hexcel Corporation	\$5,768	\$1,850	\$342	8%	19%	3.1x	16.8x
Senior plc	\$1,131	\$1,242	\$101	5%	8%	0.9x	11.2x
Triumph Group, Inc.	\$1,804	\$1,209	\$148	(11%)	12%	1.5x	12.2x
<b>Median</b>	<b>\$1,227</b>	<b>\$1,209</b>	<b>\$101</b>	<b>4%</b>	<b>11%</b>	<b>1.5x</b>	<b>12.2x</b>
<b>Mean</b>	<b>\$2,482</b>	<b>\$1,269</b>	<b>\$170</b>	<b>2%</b>	<b>13%</b>	<b>1.8x</b>	<b>13.5x</b>

Table IV | Components & Systems

(\$ in millions)							
Company	TEV	Revenue	EBITDA	LTM	LTM	TEV/	
				Revenue Growth	EBITDA Margin	Revenue LTM	EBITDA LTM
AMETEK, Inc.	\$42,243	\$6,825	\$2,121	6%	31%	6.2x	19.9x
Astronics Corporation	\$882	\$741	\$25	19%	3%	1.2x	35.4x
Curtiss-Wright Corporation	\$13,379	\$3,008	\$668	10%	22%	4.4x	20.0x
Héroux-Devtek Inc.	\$952	\$484	\$69	13%	14%	2.0x	13.8x
Howmet Aerospace Inc.	\$44,037	\$7,093	\$1,665	14%	23%	6.2x	26.4x
Magellan Aerospace Corporation	\$445	\$668	\$55	7%	8%	0.7x	8.1x
Moog Inc.	\$7,518	\$3,564	\$485	11%	14%	2.1x	15.5x
TransDigm Group Incorporated	\$98,612	\$7,606	\$3,774	22%	50%	13.0x	26.1x
Woodward, Inc.	\$10,875	\$3,247	\$577	17%	18%	3.3x	18.8x
<b>Median</b>	<b>\$9,196</b>	<b>\$3,127</b>	<b>\$531</b>	<b>12%</b>	<b>16%</b>	<b>2.7x</b>	<b>19.4x</b>
<b>Mean</b>	<b>\$24,327</b>	<b>\$3,693</b>	<b>\$1,049</b>	<b>13%</b>	<b>20%</b>	<b>4.3x</b>	<b>20.5x</b>

Source: S&P Capital IQ  
Data as of September 30, 2024

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# Public Comparables

## Select Listed Companies (continued)

Table V | Government IT & Services

(\$ in millions)							
Company	TEV	Revenue	EBITDA	LTM	LTM	TEV/	
				Revenue Growth	EBITDA Margin	Revenue LTM	EBITDA LTM
Booz Allen Hamilton Holding Corporation	\$24,354	\$10,949	\$1,193	13%	11%	2.2x	20.4x
CACI International Inc	\$13,039	\$7,660	\$792	14%	10%	1.7x	16.5x
ICF International, Inc.	\$3,757	\$1,986	\$216	3%	11%	1.9x	17.4x
KBR, Inc.	\$10,346	\$7,173	\$600	7%	8%	1.4x	17.2x
Leidos Holdings, Inc.	\$26,352	\$16,008	\$1,901	8%	12%	1.6x	13.9x
Palantir Technologies Inc.	\$79,655	\$2,479	\$325	21%	13%	32.1x	na
Parsons Corporation	\$11,989	\$6,119	\$552	28%	9%	2.0x	21.7x
Science Applications International Corpora	\$9,174	\$7,297	\$643	(5%)	9%	1.3x	14.3x
Serco Group plc	\$3,271	\$6,017	\$290	(2%)	5%	0.5x	11.3x
V2X, Inc.	\$2,890	\$4,125	\$231	7%	6%	0.7x	12.5x
<b>Median</b>	<b>\$10,346</b>	<b>\$6,119</b>	<b>\$552</b>	<b>7%</b>	<b>9%</b>	<b>1.6x</b>	<b>15.4x</b>
<b>Mean</b>	<b>\$18,483</b>	<b>\$6,981</b>	<b>\$674</b>	<b>10%</b>	<b>9%</b>	<b>4.5x</b>	<b>16.1x</b>

Table VI | Aftermarket & MRO

(\$ in millions)							
Company	TEV	Revenue	EBITDA	LTM	LTM	TEV/	
				Revenue Growth	EBITDA Margin	Revenue LTM	EBITDA LTM
AAR Corp.	\$3,312	\$2,431	\$213	16%	9%	1.4x	15.6x
HEICO Corporation	\$33,849	\$3,780	\$984	43%	26%	9.0x	34.4x
SIA Engineering Company Limited	\$1,736	\$812	\$23	24%	3%	2.1x	na
Singapore Technologies Engineering Ltd	\$15,824	\$7,936	\$966	12%	12%	2.0x	16.4x
VSE Corporation	\$2,005	\$974	\$124	(4%)	13%	2.1x	16.2x
<b>Median</b>	<b>\$2,659</b>	<b>\$1,703</b>	<b>\$168</b>	<b>14%</b>	<b>10%</b>	<b>2.0x</b>	<b>16.2x</b>
<b>Mean</b>	<b>\$11,345</b>	<b>\$3,187</b>	<b>\$462</b>	<b>18%</b>	<b>12%</b>	<b>3.3x</b>	<b>20.6x</b>

Source: S&P Capital IQ  
Data as of September 30, 2024

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# Public Comparables

## Select Listed Companies (continued)

Table VII | Defense Electronics

Company	(\$ in millions)			LTM	LTM	TEV/	
	TEV	Revenue	EBITDA	Revenue Growth	EBITDA Margin	Revenue LTM	EBITDA LTM
AeroVironment, Inc.	\$5,581	\$754	\$108	29%	14%	7.4x	na
Chemring Group PLC	\$1,436	\$613	\$113	12%	18%	2.3x	12.7x
Hensoldt AG	\$4,855	\$2,111	\$242	10%	11%	2.3x	20.0x
Kratos Defense & Security Solutions, Inc.	\$3,514	\$1,126	\$81	16%	7%	3.1x	43.4x
L3Harris Technologies, Inc.	\$57,894	\$20,765	\$3,686	15%	18%	2.8x	15.7x
Mercury Systems, Inc.	\$2,689	\$835	(\$32)	(14%)	(4%)	3.2x	na
OSI Systems, Inc.	\$2,973	\$1,539	\$231	20%	15%	1.9x	12.9x
QinetiQ Group plc	\$3,614	\$2,415	\$367	23%	15%	1.5x	9.8x
Teledyne Technologies Incorporated	\$22,835	\$5,552	\$1,342	(1%)	24%	4.1x	17.0x
Thales S.A.	\$37,679	\$20,578	\$2,534	5%	12%	1.8x	14.9x
Viasat, Inc.	\$7,398	\$4,630	\$588	68%	13%	1.6x	12.6x
<b>Median</b>	<b>\$4,234</b>	<b>\$1,825</b>	<b>\$236</b>	<b>14%</b>	<b>14%</b>	<b>2.3x</b>	<b>13.9x</b>
<b>Mean</b>	<b>\$13,679</b>	<b>\$5,538</b>	<b>\$842</b>	<b>17%</b>	<b>13%</b>	<b>2.9x</b>	<b>17.7x</b>
<b>Total A&amp;D Median</b>	<b>\$13,002</b>	<b>\$6,040</b>	<b>\$622</b>	<b>9%</b>	<b>12%</b>	<b>2.0x</b>	<b>16.3x</b>
<b>Total A&amp;D Mean</b>	<b>\$35,659</b>	<b>\$14,144</b>	<b>\$1,697</b>	<b>11%</b>	<b>13%</b>	<b>3.2x</b>	<b>17.6x</b>

Source: S&P Capital IQ  
Data as of September 30, 2024

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## About Us

**Objective, Investment Banking & Valuation** is a leading investment banking and valuation firm serving middle-market companies across six industry practice groups in an effort to maximize our clients' M&A and valuation advisory results.

Our team uses a highly engineered, structured process combined with our industry expertise designed to consistently achieve maximum results.

## 500+ M&A Transactions Completed\*

 Has been acquired by <b>TRINITY HUNT</b> Sell-side Advisor to Supreme Optimization	 Has been acquired by <b>PST</b> PROCESS SENSING TECHNOLOGIES a portfolio company of AEA Investors and Battery Ventures Sell-Side Advisor to Fluid Components International, LLC	 Has been acquired by <b>TZP</b> Sell-Side Advisor to Kindred Bravelly	 Has sold its clinical research site operations to <b>CenExel</b> CLINICAL RESEARCH Sell-Side Advisor to Rocky Mountain Movement Disorders Center
 Has been acquired by <b>IGP</b> Sell-Side Advisor to AEM, Inc.	 Has been acquired by <b>TRINITY</b> a portfolio company of PARTHENON CAPITAL Sell-Side Advisor to Bell Canyon Consulting	 Has been acquired by <b>ZRF</b> a portfolio company of <b>RFE</b> Sell-Side Advisor to Toft Group	 Has been acquired by <b>DRB</b> Sell-Side Advisor to Beacon Mobile, LLC

## Industries of Focus

- Manufacturing & Distribution
- Business Services
- Consumer
- Healthcare Tech & Services
- Life Sciences Services & Tech
- Technology

Award & Recognition	Forum	Year	Type
Best M&A Investment Banking Firm - California	Acquisition International	2023	Winner
Private Equity Deal of the Year (Between \$75MM - \$100MM)	M&A Advisor 22nd Annual M&A Awards	2023	Finalist
M&A Deal of the Year (Between \$75MM - \$100MM)	M&A Advisor 22nd Annual M&A Awards	2023	Finalist
Industrials Deal of the Year (Between \$50MM - \$100MM)	M&A Advisor 22nd Annual M&A Awards	2022	Finalist
Information Technology Deal of the year (Between \$50MM - \$100MM)	M&A Advisor 22nd Annual M&A Awards	2023	Finalist
Healthcare/Life Sciences Deal of the Year (Between \$50MM - \$100MM)	M&A Advisor 22nd Annual M&A Awards	2023	Finalist

\*This figure includes projects completed by Objective principals while at Objective and at previous firms.

At Objective's Manufacturing & Distribution Practice, we recognize the unique demands of this industry and provide tailored solutions that optimize manufacturing operations, streamline supply chains, and capitalize on global market opportunities. Our expertise empowers manufacturing and distribution companies to achieve excellence in a rapidly evolving landscape. The manufacturing and distribution industries complexities necessitate a comprehensive approach when preparing for an M&A transaction. We specialize in guiding these companies through this process, leveraging our expertise to help them achieve their objectives and secure favorable outcomes in their M&A endeavors.

## Dedicated Industry Knowledge & Expertise

 <p>Has been acquired by</p>  <p>Sell-Side Advisor to AEM, Inc.</p>	 <p>Has been acquired by</p>  <p>a portfolio company of AEA Investors and Battery Ventures</p> <p>Sell-Side Advisor to Fluid Components International, LLC</p>	 <p>Has been acquired by</p>  <p>Sell-Side Advisor to Avista Technologies*</p>	 <p>Has been acquired by</p>  <p>Sell-Side Advisor to Holdrite*</p>
 <p>Has acquired</p>  <p>Buy-Side Advisor to Amada America, Inc.*</p>	<p>Purcell Technologies</p> <p>Has been acquired by</p>  <p>Sell-Side Advisor to Purcell Technologies*</p>	 <p>Has been acquired by</p>  <p>Sell-Side Advisor to MWS Wire Industries*</p>	 <p>Has been acquired by</p>  <p>Sell-Side Advisor to Reynolds Industry Incorporated*</p>



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