



Industry Report

Aerospace & Defense

Manufacturing & Distribution

Industry Update | Manufacturing & Distribution Practice

Q4 2024

OBJECTIVE

Investment Banking & Valuation

Aerospace & Defense Update

Key Takeaways

Clear for Takeoff – A&D M&A Gains Momentum Heading into 2025

- **M&A Activity Rebounds Post-Election:** Deal volume in the A&D sector remained flat compared to the prior four-quarter average but increased 10% quarter over quarter, reflecting renewed confidence following the federal elections. The Republican administration's pro-business policies and deregulation have strengthened M&A appetite, leading to a pickup across key industry segments.
- **Valuation Surge Driven by Market Optimism:** M&A valuations rose 46.1% to 13.0x EBITDA, reversing the Q3 downturn. Increased competition for high-growth assets in space, defense electronics, and aerospace supply chains contributed to the rebound, as buyers moved forward with delayed acquisitions.
- **Government-Dependent Sectors See Valuation Declines:** While commercial and private-sector valuations surged, Prime Defense and Government IT & Services underperformed, reflecting concerns over budget reductions from the newly formed DOGE. The Musk-led initiative to streamline government spending has created uncertainty for contractors reliant on federal funding, leading to lower valuations and more selective dealmaking.
- **Aftermarket & MRO Lead Industry Gains:** The Aftermarket & MRO sector outperformed the broader A&D market, benefiting from strong demand for commercial aviation recovery. As airlines and defense agencies extend the lifecycle of aging aircraft fleets, buyers are actively pursuing acquisitions in this segment.
- **Space Sector Positioned for Growth:** Deregulation and Musk's federal influence are expected to fuel M&A in launch systems, satellites, and space infrastructure heading into 2025.

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

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- Sell-Side
- Buy-Side

Valuation Advisory:

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

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- Business Services
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Contact Information

Please direct inquiries to:

Dan Shea* | Managing Director

Los Angeles

dan.shea@objectiveiv.com

(310) 903-2163

Cody McPherson* | Vice President

Los Angeles

cody.mcpherson@objectiveiv.com

(604) 816-1010

*Registered Representative of BA Securities LLC, Member FINRA SIPC.

Market Overview

Deal Volume

M&A deal valuations in Q4 increased across the A&D sector, rising 46.1% to 13.0x EBITDA compared to Q3 2024 (see Chart I). As in previous election cycles, the federal elections played a significant role in this rebound, with market participants adjusting to the new administration’s policy shifts. Buyer confidence improved, driven by a more favorable policy environment and increased competition for high-quality assets.

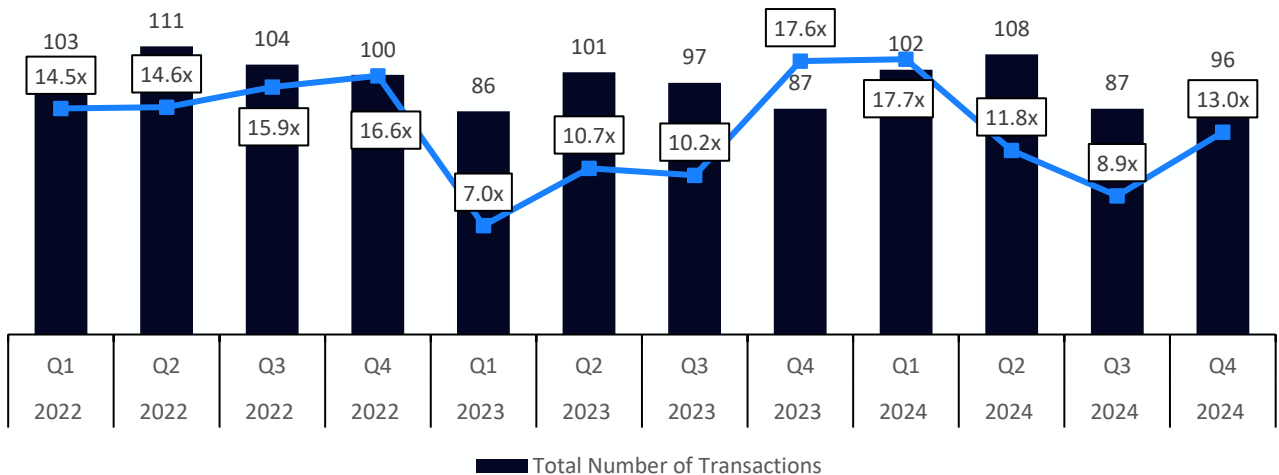
However, not all A&D sub-sectors benefited equally. Government-dependent segments such as Prime Defense and Government IT & Services saw declining valuations, reflecting concerns over DOGE-driven budget cuts. Led by Elon Musk, DOGE’s focus on reducing waste and streamlining spending has created uncertainty for contractors reliant on federal funding. As a result, buyers remain cautious, leading to lower M&A valuations and more selective transactions in these sub-sectors.

Deal Valuations

Reported Q4 2024 M&A deal volume in the A&D sector remained flat compared to the prior four-quarter average (see Chart I), but it increased 10% quarter over quarter. As expected, M&A activity rebounded post-election, with market participants gaining clarity on the political landscape and anticipated policy shifts. This renewed certainty encouraged buyers and sellers to move forward with previously delayed transactions.

The quarter-over-quarter increase was primarily driven by pent-up demand from deals postponed in Q3 2024. Many buyers, both private equity firms and strategic acquirers, had taken a cautious approach leading up to the election, waiting for greater policy visibility before deploying capital. Now, with the Republican administration in place and a policy framework favoring lower corporate taxes, deregulation, and reshoring incentives, M&A appetite has strengthened.

Chart I | Deal Volume & TEV/EBITDA Valuation



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

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Investment Banking & Valuation

Historical Trading Trends

Select A&D Public Companies

In the last three months, Aftermarket & MRO companies demonstrated superior valuation improvements compared to the broader sector (as measured by the S&P index). Conversely, Government IT & Services underperformed, reflecting concerns over budget cuts and policy shifts affecting federal contracting.

Chart II | LTM TEV / Revenue

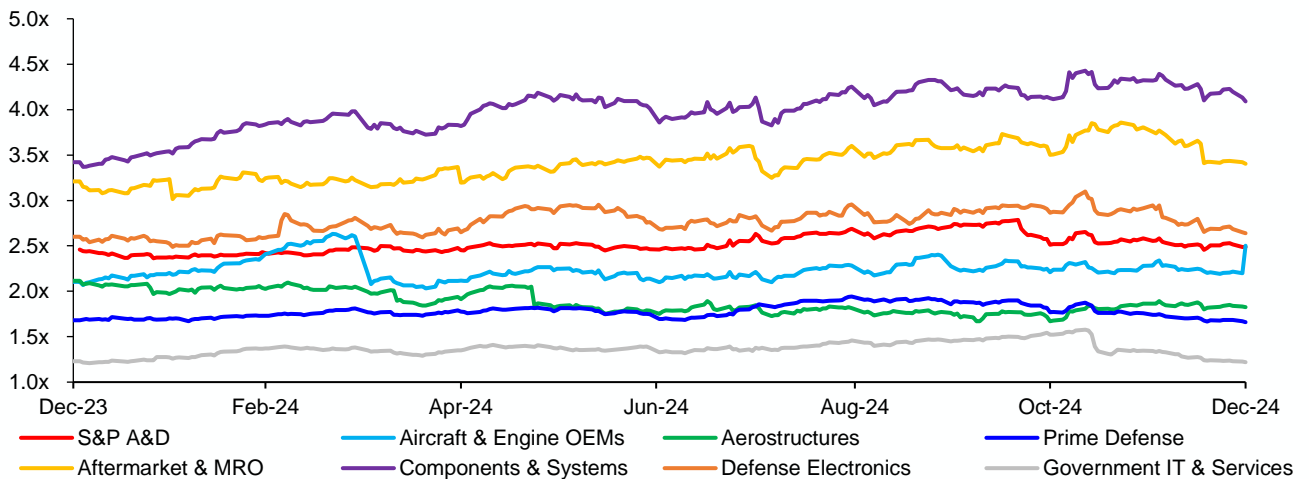
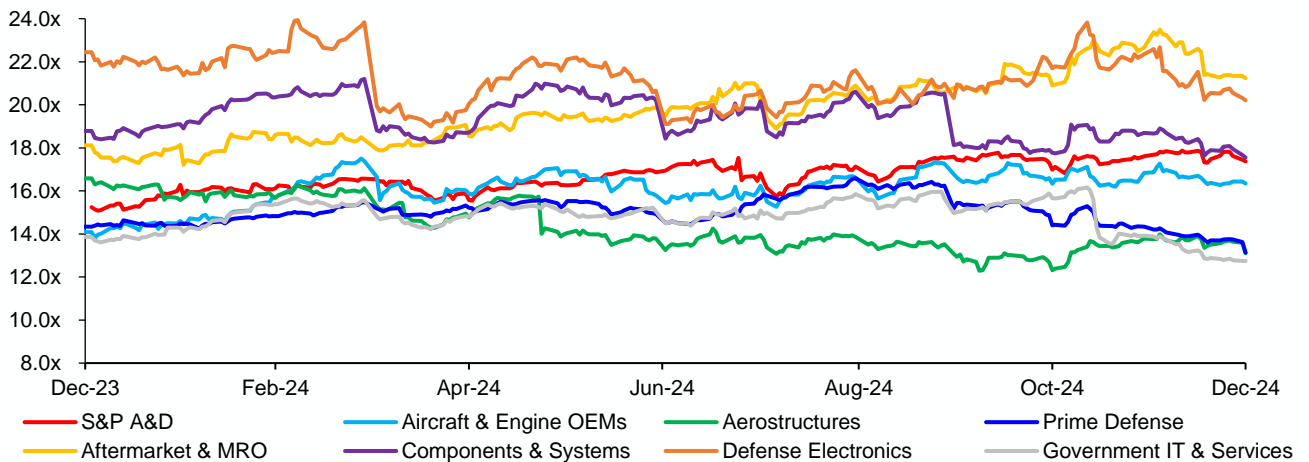


Chart III | LTM TEV / EBITDA



Source: S&P Capital IQ
Data as of December 31, 2024

Public Comparables

Select Listed Companies

Table I | Aircraft & Engine OEMs

Company	(\$ in millions)			LTM	LTM	TEV/	
	TEV	Revenue	EBITDA	Revenue	EBITDA	Revenue	EBITDA
				Growth	Margin	LTM	LTM
Airbus SE	\$126,935	\$75,173	\$6,911	12%	9%	1.7x	18.4x
Bombardier Inc.	\$12,285	\$8,619	\$1,018	13%	12%	1.4x	12.1x
General Electric Company	\$186,245	\$66,395	\$8,935	(18%)	13%	2.8x	20.8x
MTU Aero Engines AG	\$18,674	\$7,803	\$1,081	43%	14%	2.4x	17.3x
Rolls-Royce Holdings plc	\$61,417	\$22,526	\$3,199	15%	14%	2.7x	19.2x
Safran SA	\$91,138	\$27,565	\$5,593	15%	20%	3.3x	16.3x
Textron Inc.	\$16,859	\$13,930	\$1,645	4%	12%	1.2x	10.2x
The Boeing Company	\$179,618	\$73,293	(\$3,991)	(3%)	(5%)	2.5x	na
Median	\$61,417	\$22,526	\$1,645	12%	12%	2.4x	16.8x
Mean	\$86,646	\$36,913	\$3,049	10%	11%	2.3x	16.3x

Table II | Prime Defense

Company	(\$ in millions)			LTM	LTM	TEV/	
	TEV	Revenue	EBITDA	Revenue	EBITDA	Revenue	EBITDA
				Growth	Margin	LTM	LTM
BAE Systems plc	\$53,193	\$31,036	\$3,805	8%	12%	1.7x	14.0x
General Dynamics Corporation	\$81,401	\$46,046	\$5,403	11%	12%	1.8x	15.1x
Huntington Ingalls Industries, Inc.	\$10,204	\$11,708	\$1,071	6%	9%	0.9x	9.5x
Leonardo S.p.a.	\$20,417	\$19,070	\$1,961	20%	10%	1.1x	10.4x
Lockheed Martin Corporation	\$131,355	\$71,295	\$10,226	5%	14%	1.8x	12.8x
Northrop Grumman Corporation	\$83,146	\$40,985	\$4,458	6%	11%	2.0x	18.7x
RTX Corporation	\$192,836	\$79,042	\$12,571	18%	16%	2.4x	15.3x
Median	\$67,297	\$36,011	\$4,132	7%	11%	1.7x	13.4x
Mean	\$81,793	\$42,740	\$5,642	11%	12%	1.7x	13.7x

Source: S&P Capital IQ
Data as of December 31, 2024

Public Comparables

Select Listed Companies (continued)

Table III | Aerostructures

Company	TEV	Revenue	EBITDA	LTM	LTM	TEV/	
				Revenue Growth	EBITDA Margin	Revenue LTM	EBITDA LTM
Ducommun Incorporated	\$1,189	\$781	\$94	4%	12%	1.5x	12.7x
Hexcel Corporation	\$5,781	\$1,887	\$352	7%	19%	3.1x	16.4x
Senior plc	\$1,110	\$1,242	\$101	5%	8%	0.9x	11.0x
Triumph Group, Inc.	\$2,304	\$1,212	\$157	(14%)	13%	1.9x	14.7x
Median	\$1,189	\$1,212	\$101	4%	12%	1.5x	12.7x
Mean	\$2,596	\$1,281	\$176	1%	13%	1.8x	13.7x

Table IV | Components & Systems

Company	TEV	Revenue	EBITDA	LTM	LTM	TEV/	
				Revenue Growth	EBITDA Margin	Revenue LTM	EBITDA LTM
AMETEK, Inc.	\$43,857	\$6,910	\$2,138	6%	31%	6.3x	20.5x
Astronics Corporation	\$764	\$782	\$47	20%	6%	1.0x	16.1x
Curtiss-Wright Corporation	\$14,207	\$3,083	\$683	9%	22%	4.6x	20.8x
Héroux-Devtek Inc.	\$847	\$514	\$79	20%	15%	1.6x	10.7x
Howmet Aerospace Inc.	\$47,567	\$7,270	\$1,772	13%	24%	6.5x	26.8x
Magellan Aerospace Corporation	\$447	\$685	\$59	9%	9%	0.7x	7.5x
Moog Inc.	\$7,629	\$3,609	\$470	9%	13%	2.1x	16.2x
TransDigm Group Incorporated	\$89,902	\$7,940	\$3,909	21%	49%	11.3x	23.0x
Woodward, Inc.	\$10,514	\$3,324	\$556	14%	17%	3.2x	18.9x
Median	\$9,071	\$3,203	\$513	11%	16%	2.6x	17.6x
Mean	\$23,970	\$3,791	\$1,079	14%	21%	4.2x	17.9x

Source: S&P Capital IQ
Data as of December 31, 2024

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Public Comparables

Select Listed Companies (continued)

Table V | Government IT & Services

Company	(\$ in millions)			LTM	LTM	TEV/	
	TEV	Revenue	EBITDA	Revenue	EBITDA	Revenue	EBITDA
				Growth	Margin	LTM	LTM
Booz Allen Hamilton Holding Corporation	\$19,499	\$11,429	\$1,360	14%	12%	1.7x	14.3x
CACI International Inc	\$10,819	\$7,867	\$834	13%	11%	1.4x	13.0x
ICF International, Inc.	\$2,848	\$2,002	\$229	2%	11%	1.4x	12.5x
KBR, Inc.	\$10,099	\$7,350	\$647	8%	9%	1.4x	15.6x
Leidos Holdings, Inc.	\$23,226	\$16,277	\$2,057	7%	13%	1.4x	11.3x
Palantir Technologies Inc.	\$168,070	\$2,646	\$398	25%	15%	na	na
Parsons Corporation	\$10,747	\$6,510	\$585	29%	9%	1.7x	18.4x
Science Applications International Corporat	\$7,767	\$7,378	\$659	(4%)	9%	1.1x	11.8x
Serco Group plc	\$2,716	\$6,017	\$290	(2%)	5%	0.5x	9.4x
V2X, Inc.	\$2,600	\$4,205	\$259	8%	6%	0.6x	10.0x
Median	\$10,099	\$6,510	\$585	8%	9%	1.4x	12.1x
Mean	\$25,839	\$7,168	\$732	10%	10%	1.2x	12.9x

Table VI | Aftermarket & MRO

Company	(\$ in millions)			LTM	LTM	TEV/	
	TEV	Revenue	EBITDA	Revenue	EBITDA	Revenue	EBITDA
				Growth	Margin	LTM	LTM
AAR Corp.	\$3,169	\$2,431	\$213	12%	9%	1.3x	14.9x
HEICO Corporation	\$31,305	\$3,858	\$997	30%	26%	8.1x	31.4x
SIA Engineering Company Limited	\$1,652	\$902	\$26	30%	3%	1.8x	na
Singapore Technologies Engineering Ltd	\$15,132	\$7,936	\$966	12%	12%	1.9x	15.7x
VSE Corporation	\$2,413	\$1,016	\$121	(6%)	12%	2.4x	20.0x
Median	\$2,791	\$1,724	\$167	12%	10%	1.9x	15.7x
Mean	\$10,734	\$3,229	\$465	16%	12%	3.1x	20.5x

Source: S&P Capital IQ
Data as of December 31, 2024

Public Comparables

Select Listed Companies (continued)

Table VII | Defense Electronics

Company	TEV	Revenue	EBITDA	LTM	LTM	TEV/	
				Revenue Growth	EBITDA Margin	Revenue LTM	EBITDA LTM
AeroVironment, Inc.	\$4,291	\$761	\$90	17%	12%	5.6x	47.4x
Chemring Group PLC	\$1,189	\$657	\$107	15%	16%	1.8x	11.1x
Hensoldt AG	\$5,277	\$2,329	\$260	26%	11%	2.3x	20.3x
Kratos Defense & Security Solutions, Inc.	\$3,983	\$1,127	\$78	11%	7%	3.5x	na
L3Harris Technologies, Inc.	\$52,318	\$21,142	\$3,706	13%	18%	2.5x	14.1x
Mercury Systems, Inc.	\$3,023	\$859	(\$15)	(7%)	(2%)	3.5x	na
OSI Systems, Inc.	\$3,478	\$1,604	\$241	24%	15%	2.2x	14.4x
QinetiQ Group plc	\$3,178	\$2,648	\$407	21%	15%	1.2x	7.8x
Teledyne Technologies Incorporated	\$23,872	\$5,593	\$1,346	(1%)	24%	4.3x	17.7x
Thales S.A.	\$34,507	\$20,578	\$2,534	5%	12%	1.7x	13.6x
Viasat, Inc.	\$6,900	\$4,527	\$1,273	36%	28%	1.5x	5.4x
Median	\$4,137	\$1,966	\$250	14%	14%	2.2x	13.9x
Mean	\$12,910	\$5,620	\$912	15%	14%	2.7x	16.9x
Total A&D Median	\$10,783	\$6,264	\$671	11%	12%	1.8x	14.9x
Total A&D Mean	\$36,036	\$14,507	\$1,740	11%	14%	2.5x	15.8x

Source: S&P Capital IQ
Data as of December 31, 2024

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Investment Banking & Valuation

About Us

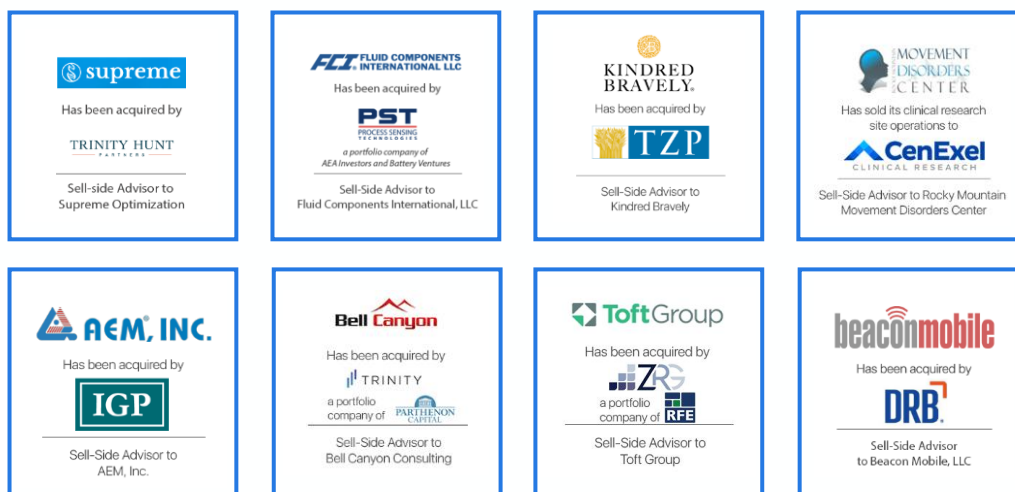
Objective, Investment Banking & Valuation is a leading investment banking and valuation firm serving middle-market companies across six industry practice groups in an effort to maximize our clients' M&A and valuation advisory results.

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

Industries of Focus

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

500+ M&A Transactions Completed*



Award & Recognition	Forum	Year	Type
Best Middle-Market Sell-Side Investment Bank – West Coast	M&A Today Global Awards	2025	Winner
Cross-Border Deal of the Year (\$100MM to \$1B)	M&A Advisor 23rd Annual M&A Awards	2024	Finalist
Corporate/Strategic Deal of the Year (\$100MM to \$250MM)	M&A Advisor 23rd Annual M&A Awards	2024	Finalist
Industrials Deal of the Year (over \$100MM)	M&A Advisor 15nd Annual International M&A Awards	2024	Winner
Private Equity Deal of the Year (\$75MM - \$100MM)	M&A Advisor 22nd Annual M&A Awards	2023	Finalist
Industrials Deal of the Year (\$50MM - \$100MM)	M&A Advisor 21nd Annual M&A Awards	2022	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

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



Dan Shea*
 Managing Director, Manufacturing & Distribution Practice Leader
 (310) 903-2163
dan.shea@objectiveibv.com



Cody McPherson*
 Vice President
 (604) 816-1010
cody.mcpherson@objectiveibv.com

*Registered Representative of BA Securities LLC, Member FINRA SIPC.