Industry Report

Aerospace & Defense

Manufacturing & Distribution

Industry Update | Manufacturing & Distribution Practice

Q1 2025

OBJECTIVE

Investment Banking & Valuation

Aerospace & Defense Update

Key Takeaways

Strategic Urgency – Global Rearmament Drives A&D M&A Surge

- **M&A Activity Surges Amid Rising Geopolitical Risk:** Deal volume in the A&D sector increased ~20% quarter-over-quarter, reaching the highest quarterly total since 2022. The acceleration was driven by heightened global tensions and a growing urgency among nations to secure critical capabilities in anticipation of new conflicts.
- **Valuations Continue to Rise on Strategic Demand:** M&A precedent multiples rose to 13.2x EBITDA, reflecting strong competition for high-quality defense and aerospace assets. Platforms supporting munitions, space systems, and surveillance technologies saw particularly elevated pricing.
- **U.S. Policy Ambiguity Fuels Allied Defense Spending:** With the Trump administration signaling a reduced commitment to NATO and Ukraine, many U.S. allies — especially in Western Europe — are ramping up their own military investments, driving M&A across regional defense supply chains as governments seek to boost domestic production and sovereign capabilities.
- **Global Stockpile Pressures Drive Reinvestment:** U.S. aid to Ukraine and Israel has strained domestic inventories, spurring a renewed focus on replenishment. This has led to increased acquisition activity in production, logistics, and critical component sectors tied to national readiness.
- **Defense Electronics Outperforms Broader A&D Sector:** The Defense Electronics segment posted the strongest valuation performance in Q1, supported by revenue growth, consistent contract flow, and demand for mission-critical technologies. Investors continued to favor companies exposed to advanced systems and high-integrity sensors.

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
- Buy-Side

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

Industry Practice Groups:
- Manufacturing & Distribution
- Business Services
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Market Overview

Deal Valuations

Valuations in the A&D sector rose again in Q1 2025, with EBITDA multiples increasing to 13.2x from 13.0x in Q4 2024 (see Chart I). This uptick reflects growing investor confidence in the sector's long-term fundamentals, supported by a wave of global defense modernization. Western nations, particularly in Europe, are accelerating military procurement in response to increasing geopolitical volatility — including Russia's ongoing aggression in Ukraine and the erosion of confidence in U.S. security guarantees under the Trump administration. Amid growing uncertainty around future U.S. support for NATO and Ukraine, countries such as Germany, Poland, and France have begun investing independently in their own defense capabilities.

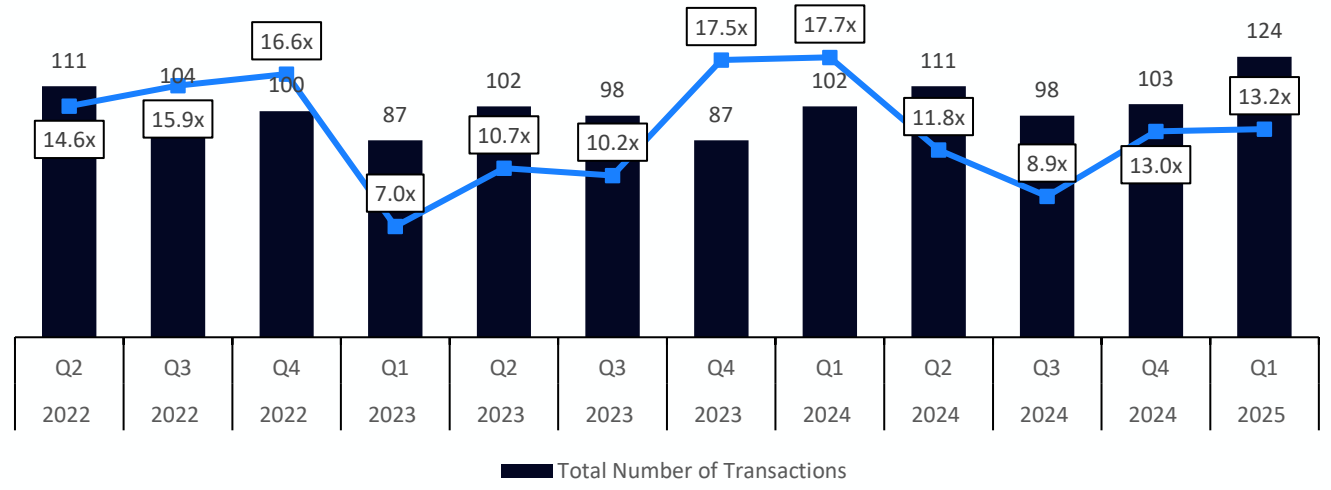
These dynamics are driving strong demand for platforms exposed to high-priority mission areas like air defense, surveillance, munitions, and satellite infrastructure.

Deal Volume

Reported deal activity surged in Q1 2025, with 124 closed transactions across the A&D sector — a ~20% increase from Q4 2024. The growth in volume reflects both macroeconomic stabilization and a profound shift in global defense posture. Extensive U.S. aid to Israel and Ukraine has depleted defense stockpiles, spurring urgent replenishment and procurement activity. Meanwhile, rising tensions surrounding China's posture toward Taiwan have prompted Indo-Pacific nations, including Japan, South Korea, and Australia, to increase their defense investments.

This rearmament trend is driving acquisition activity across aerospace components, logistics, MRO, and defense systems as countries seek to secure supply chains and accelerate domestic industrial capacity. In addition, many Western governments are no longer relying solely on U.S. protection, spurring internal policy shifts to expand their defense budgets and modernize their forces.

Chart I | Deal Volume & TEV/EBITDA Valuation



Source: S&P Capital IQ
Data as of March 31, 2025

Historical Trading Trends

Select A&D Public Companies

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

Chart II | LTM TEV / Revenue

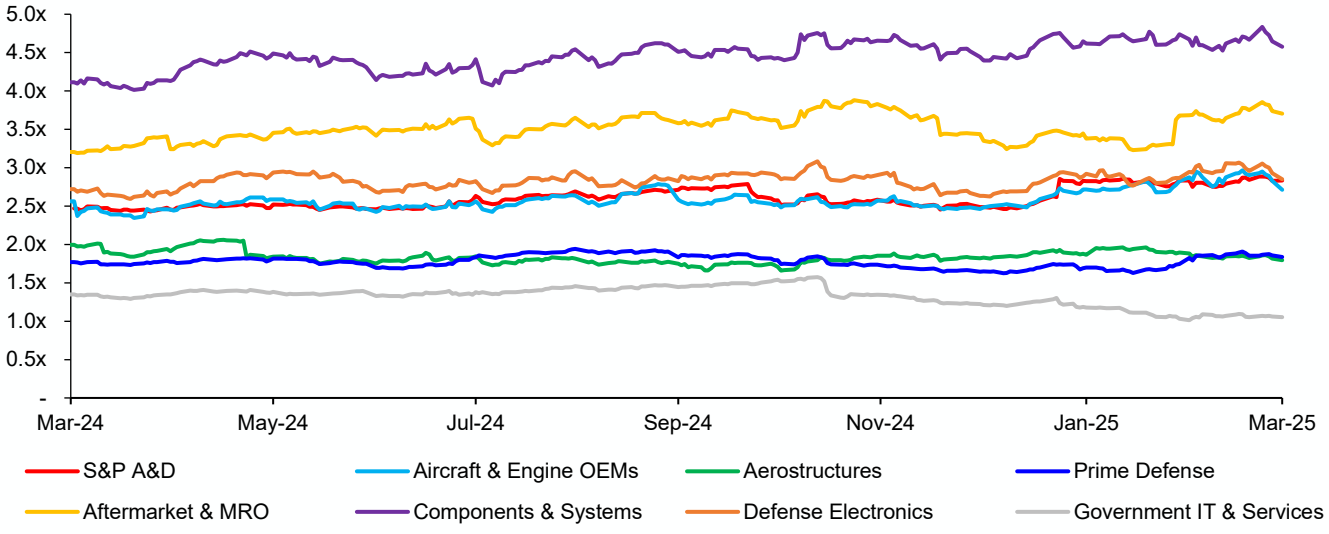
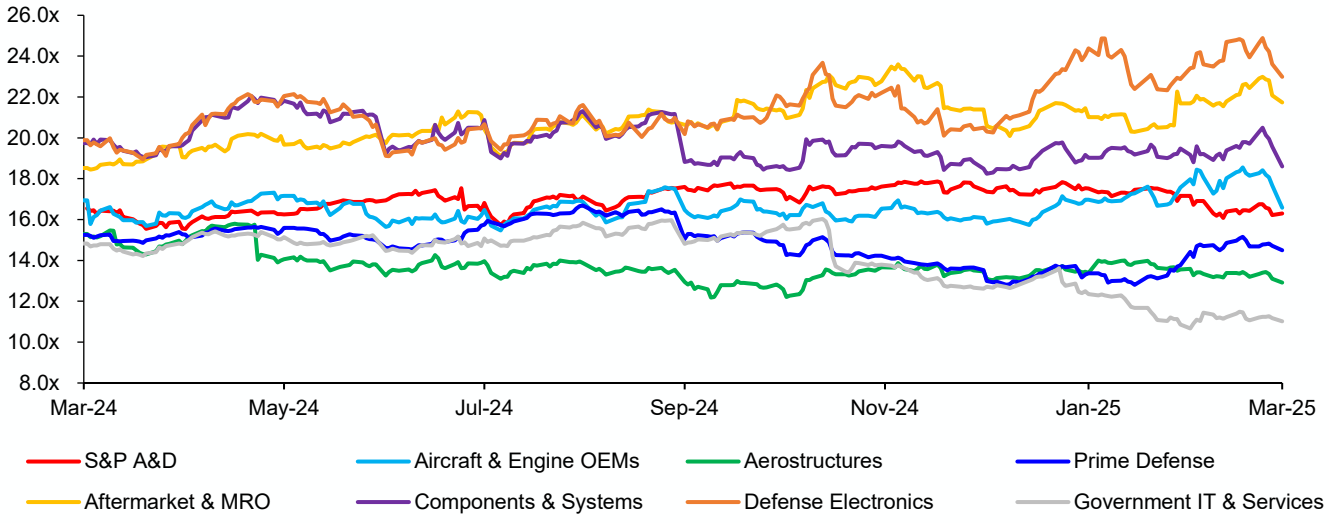


Chart III | LTM TEV / EBITDA



Source: S&P Capital IQ
Data as of March 31, 2025

Public Comparables

Select Listed Companies

Table I | Aircraft & Engine OEMs

($ in millions) Company	TEV	Revenue	EBITDA	LTM Revenue Growth	LTM EBITDA Margin	TEV/ Revenue LTM	TEV/ EBITDA LTM
Airbus SE	$134,116	$71,674	$7,114	(1%)	10%	1.9x	18.9x
Bombardier Inc.	$10,360	$8,665	$1,069	8%	12%	1.2x	9.7x
General Electric Company	$219,876	$35,121	$8,941	(46%)	25%	6.3x	24.6x
MTU Aero Engines AG	$18,945	$7,673	$1,164	29%	15%	2.5x	16.3x
Rolls-Royce Holdings plc	$80,581	$23,673	$3,565	13%	15%	3.4x	22.6x
Safran SA	$108,071	$28,694	$5,508	10%	19%	3.8x	19.6x
Textron Inc.	$15,695	$13,652	$1,519	0%	11%	1.1x	10.3x
The Boeing Company	$158,020	$66,517	($8,183)	(14%)	(12%)	2.4x	na
Median	**$80,581**	**$23,673**	**$1,519**	**0%**	**12%**	**2.4x**	**17.6x**
Mean	**$93,208**	**$31,959**	**$2,587**	**(0%)**	**12%**	**2.8x**	**17.4x**

Table II | Prime Defense

($ in millions) Company	TEV	Revenue	EBITDA	LTM Revenue Growth	LTM EBITDA Margin	TEV/ Revenue LTM	TEV/ EBITDA LTM
BAE Systems plc	$69,187	$32,941	$4,070	12%	12%	2.1x	17.0x
General Dynamics Corporation	$82,024	$47,716	$5,655	13%	12%	1.7x	14.5x
Huntington Ingalls Industries, Inc.	$10,634	$11,535	$991	1%	9%	0.9x	10.7x
Leonardo S.p.a.	$31,361	$18,390	$1,928	9%	10%	1.7x	16.3x
Lockheed Martin Corporation	$123,721	$71,043	$8,394	5%	12%	1.7x	14.7x
Northrop Grumman Corporation	$88,159	$41,033	$6,839	4%	17%	2.1x	12.9x
RTX Corporation	$216,330	$80,738	$12,829	17%	16%	2.7x	16.9x
Median	**$75,606**	**$36,987**	**$4,863**	**7%**	**12%**	**1.7x**	**14.6x**
Mean	**$88,774**	**$43,342**	**$5,815**	**9%**	**13%**	**1.9x**	**14.7x**

Source: S&P Capital IQ
Data as of March 31, 2025

Public Comparables

Select Listed Companies (continued)

Table III | Aerostructures

($ in millions) Company	TEV	Revenue	EBITDA	LTM Revenue Growth	LTM EBITDA Margin	TEV/ Revenue LTM	TEV/ EBITDA LTM
Ducommun Incorporated	$1,099	$787	$96	4%	12%	1.4x	11.4x
Hexcel Corporation	$4,989	$1,903	$360	6%	19%	2.6x	13.9x
Senior plc	$1,074	$1,223	$99	(0%)	8%	0.9x	10.9x
Triumph Group, Inc.	$2,799	$1,243	$181	(12%)	15%	2.3x	15.5x
Median	**$1,099**	**$1,223**	**$99**	**0%**	**12%**	**1.4x**	**11.4x**
Mean	**$2,490**	**$1,289**	**$184**	**(0%)**	**13%**	**1.8x**	**12.9x**

Table IV | Components & Systems

($ in millions) Company	TEV	Revenue	EBITDA	LTM Revenue Growth	LTM EBITDA Margin	TEV/ Revenue LTM	TEV/ EBITDA LTM
AMETEK, Inc.	$41,671	$6,941	$2,162	5%	31%	6.0x	19.3x
Astronics Corporation	$1,048	$795	$49	15%	6%	1.3x	21.3x
Curtiss-Wright Corporation	$12,807	$3,121	$682	10%	22%	4.1x	18.8x
Howmet Aerospace Inc.	$55,506	$7,430	$1,884	12%	25%	7.5x	29.5x
Magellan Aerospace Corporation	$535	$655	$62	(2%)	10%	0.8x	8.6x
Moog Inc.	$6,683	$3,663	$480	7%	13%	1.8x	13.9x
TransDigm Group Incorporated	$100,180	$8,157	$4,123	17%	51%	12.3x	24.3x
Woodward, Inc.	$11,475	$3,310	$546	7%	16%	3.5x	21.0x
Median	**$11,475**	**$3,310**	**$546**	**7%**	**16%**	**3.5x**	**19.3x**
Mean	**$28,738**	**$4,259**	**$1,249**	**9%**	**22%**	**4.7x**	**19.6x**

Source: S&P Capital IQ
Data as of March 31, 2025

Public Comparables

Select Listed Companies (continued)

Table V | Government IT & Services

($ in millions) Company	TEV	Revenue	EBITDA	LTM Revenue Growth	LTM EBITDA Margin	TEV/ Revenue LTM	TEV/ EBITDA LTM
Booz Allen Hamilton Holding Corporation	$16,386	$11,777	$1,403	14%	12%	1.4x	11.7x
CACI International Inc	$11,488	$8,132	$895	14%	11%	1.4x	12.8x
ICF International, Inc.	$2,163	$2,020	$223	3%	11%	1.1x	9.7x
KBR, Inc.	$8,997	$7,742	$662	11%	9%	1.2x	13.6x
Leidos Holdings, Inc.	$21,820	$16,662	$2,105	8%	13%	1.3x	10.4x
Palantir Technologies Inc.	$193,048	$2,866	$342	29%	12%	na	na
Parsons Corporation	$7,412	$6,751	$557	24%	8%	1.1x	13.3x
Science Applications International Corporat	$7,716	$7,479	$696	0%	9%	1.0x	11.1x
Serco Group plc	$2,835	$5,993	$333	(3%)	6%	0.5x	8.5x
V2X, Inc.	$2,437	$4,322	$271	9%	6%	0.6x	9.0x
Median	**$7,716**	**$6,751**	**$557**	**9%**	**9%**	**1.1x**	**10.7x**
Mean	**$27,430**	**$7,374**	**$749**	**11%**	**10%**	**1.1x**	**11.1x**

Table VI | Aftermarket & MRO

($ in millions) Company	TEV	Revenue	EBITDA	LTM Revenue Growth	LTM EBITDA Margin	TEV/ Revenue LTM	TEV/ EBITDA LTM
AAR Corp.	$2,991	$2,683	$219	21%	8%	1.1x	13.7x
HEICO Corporation	$35,084	$3,992	$1,049	23%	26%	8.8x	33.4x
SIA Engineering Company Limited	$1,541	$872	$30	12%	3%	1.8x	na
Singapore Technologies Engineering Ltd	$20,012	$8,262	$1,032	8%	12%	2.4x	19.4x
VSE Corporation	$2,936	$1,080	$131	26%	12%	2.7x	22.3x
Median	**$2,964**	**$1,881**	**$175**	**16%**	**10%**	**2.1x**	**19.4x**
Mean	**$12,513**	**$3,378**	**$492**	**18%**	**13%**	**3.4x**	**22.2x**

Source: S&P Capital IQ
Data as of March 31, 2025

Public Comparables

Select Listed Companies (continued)

Table VII | Defense Electronics

($ in millions) Company	TEV	Revenue	EBITDA	LTM Revenue Growth	LTM EBITDA Margin	TEV/ Revenue LTM	TEV/ EBITDA LTM
AeroVironment, Inc.	$3,352	$743	$73	5%	10%	4.5x	46.1x
Chemring Group PLC	$1,372	$657	$107	15%	16%	2.1x	12.8x
Hensoldt AG	$8,387	$2,319	$274	14%	12%	3.6x	30.6x
Kratos Defense & Security Solutions, Inc.	$4,501	$1,136	$73	10%	6%	4.0x	na
L3Harris Technologies, Inc.	$51,721	$21,325	$3,927	10%	18%	2.4x	13.2x
Mercury Systems, Inc.	$2,982	$884	$26	(1%)	3%	3.4x	na
OSI Systems, Inc.	$3,904	$1,650	$245	21%	15%	2.4x	15.9x
QinetiQ Group plc	$3,025	$2,648	$407	21%	15%	1.1x	7.4x
Teledyne Technologies Incorporated	$25,457	$5,670	$1,362	1%	24%	4.5x	18.7x
Thales S.A.	$57,708	$21,303	$3,003	5%	14%	2.7x	19.2x
Viasat, Inc.	$7,390	$4,523	$1,334	19%	30%	1.6x	5.5x
Median	**$4,202**	**$1,985**	**$260**	**10%**	**14%**	**2.6x**	**14.5x**
Mean	**$15,436**	**$5,714**	**$985**	**11%**	**15%**	**2.9x**	**18.8x**
Total A&D Median	**$11,475**	**$6,751**	**$696**	**9%**	**12%**	**2.1x**	**14.6x**
Total A&D Mean	**$39,879**	**$14,185**	**$1,753**	**8%**	**14%**	**2.7x**	**16.5x**

Source: S&P Capital IQ
Data as of March 31, 2025

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
Industrials Deal of the Year (Over $100MM)	M&A Advisor 15th Annual International M&A Awards	2024	Finalist
Corporate/Strategic Deal of the Year ($100MM to $250MM)	M&A Advisor 23rd Annual M&A Awards	2024	Finalist
Cross-Border Deal of the Year ($100MM to $1B)	M&A Advisor 23rd Annual M&A Awards	2024	Finalist
Best Investment Banking & Valuation Company - West Coast USA	Acquisition International	2024	Winner
M&A Deal of the Year ($75MM to $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

AEM, INC. — Has been acquired by — IGP — Sell-Side Advisor to AEM, Inc.

FCI FLUID COMPONENTS INTERNATIONAL LLC — Has been acquired by — PST PROCESS SENSING TECHNOLOGIES — a portfolio company of AEA Investors and Battery Ventures — Sell-Side Advisor to Fluid Components International, LLC

Avista TECHNOLOGIES — Has been acquired by — KURITA — Sell-Side Advisor to Avista Technologies*

HOLDRITE — Has been acquired by — RWC — Sell-Side Advisor to Holdrite*

AMADA AMERICA, INC. — Has acquired — ATS — Buy-Side Advisor to Amada America, Inc.*

Purcell Technologies — Has been acquired by — RFE — Sell-Side Advisor to Purcell Technologies*

MWS Wire Industries — Has been acquired by — ELEKTRISOLA — Sell-Side Advisor to MWS Wire Industries*

REYNOLDS INDUSTRIES INCORPORATED — Has been acquired by — TELEDYNE TECHNOLOGIES INCORPORATED — Sell-Side Advisor to Reynolds Industry Incorporated*

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