

# Monthly Market Update: Aerospace & Defense

## Market Recap

Mesirow A&D Equity Composite <sup>1</sup>	<b>-10.48%</b>	NASDAQ Composite <sup>4</sup>	<b>-4.75%</b>
S&P 500 <sup>2</sup>	<b>-5.09%</b>	S&P A&D <sup>5</sup>	<b>-10.16%</b>
Nasdaq US Benchmark Airlines Index <sup>3</sup>	<b>-10.87%</b>	S&P 500 Passenger Airlines Index <sup>6</sup>	<b>-9.83%</b>

## Wartime Footing and Defense AI Consolidation Drive an Active March

March marked a pivotal month for U.S. Aerospace & Defense as Operation Epic Fury entered its second month, fundamentally reshaping procurement priorities and driving unprecedented defense spending proposals. Markets priced in prolonged Strait of Hormuz disruption, adding an estimated \$15–\$20 per barrel risk premium, while the conflict created the most significant commercial aviation disruption since COVID-19, with carriers rerouting around Middle East airspace and absorbing surging fuel and war risk insurance costs.

On the policy front, the Pentagon announced framework agreements with BAE Systems, Lockheed Martin, and Honeywell to dramatically expand munitions production and place the U.S. military on a "wartime footing," including a \$500 million Honeywell commitment across navigation systems, missile actuators, and electronic warfare products, and a framework to quadruple PrSM production capacity.

Certain A&D M&A transactions must now also submit concurrent Hart-Scott-Rodino filings to the Department of War alongside standard DOJ and FTC submissions, reflecting heightened oversight under Section 857 of the NDAA.

M&A activity remained active, with deals concentrated in unmanned systems, space domain awareness and advanced manufacturing.

- AeroVironment acquired Empirical Systems Aerospace for \$200 million to expand its autonomous systems manufacturing capability
- Ondas entered a \$175 million agreement to acquire prime contractor Mistral to accelerate its DoD expansion
- Anduril agreed to acquire ExoAnalytic Solutions to strengthen its space-domain awareness and missile defense portfolio
- Shield AI announced the acquisition of Aechelon Technology alongside a \$2 billion fundraise, establishing a \$12.7 billion post-money valuation and cementing its position as one of the most highly valued private defense technology companies in the U.S. manufacturing and supply chain resilience.

All data as of 3.31.2026. | Data sources: S&P Capital IQ, NASDAQ exchange, S&P 500 Indices and company press releases. | 1. Mesirow A&D Equity Composite tracks 64 aerospace and defense companies across 7 sub-sectors. The percentage change is calculated by comparing the sum of the equal-weighted closing stock prices on the final trading day of each month. | 2. The S&P 500 includes 500 of the largest publicly traded companies in the U.S. | 3. The NASDAQ US Benchmark Airlines Index measures the performance of US-based airline companies. | 4. NASDAQ Composite includes all stocks traded on the NASDAQ exchange. | 5. The S&P Aerospace & Defense Select Industry Index comprises stocks from the S&P Total Market Index that are classified in the GICS Aerospace & Defense sub-industry. | 6. The S&P 500 Passenger Airlines Index measures the performance of US-based passenger airlines.

## M&A Market Recap

TABLE 1: NUMBER OF TRANSACTIONS BY STATUS

	February	March
Announced Mergers/Acquisitions	4	10
Closed/Effective/Expired	22	21
Total Number of Transactions	26	31

TABLE 2: M&A STATS

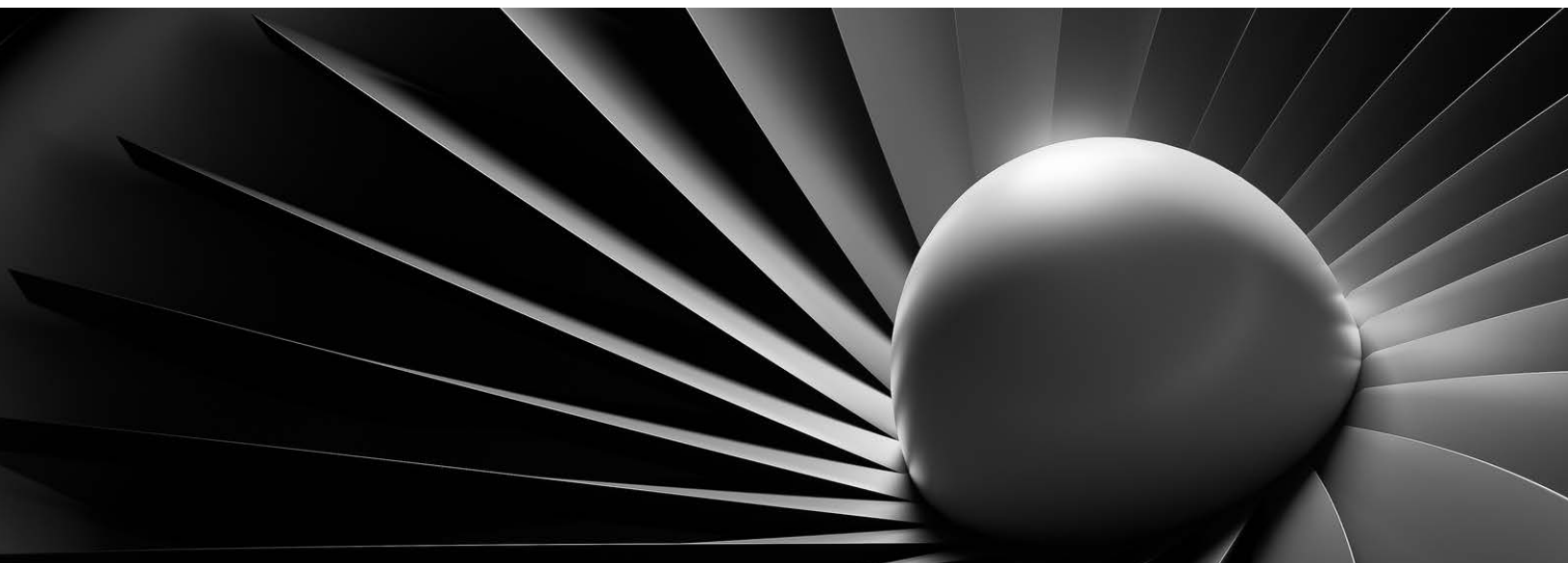
Valuation Summary	February	March
Total Deal Value (\$mm)	\$1,144	\$3,720
Average Deal Value (\$mm)	\$286	\$620
Average EV/Revenue	7.59x	1.65x
Average TEV/EBITDA:	20.0x	11.0x

TABLE 3: NUMBER OF M&A DEALS BY RANGE OF VALUE

Valuation Summary	February	March
Greater than \$1 billion	-	1
\$500 – \$999.9mm	1	1
\$100 – \$499.9mm	1	2
Less than \$100mm	2	2
Undisclosed	22	25

TABLE 4: ACTIVE BUYERS/INVESTORS BY TOTAL TRANSACTION SIZE (FOR MONTH ENDED 3.31.2026)

Company name	Total transaction size (\$mm)
Rosebank Industries plc (AIM:ROSE)	\$2,300
Bain Capital, LP	\$1,950
3M Company (NYSE:MMM)	\$1,950
Monomoy Capital Management, L.P.	\$1,300
Oak Hill Capital Management, LLC	\$800
Arch Peninsula SDN.BHD.	\$600
Ondas Inc. (NasdaqCM:ONDS)	\$325
Smiths Group plc (LSE:SMIN)	\$218
AeroVironment, Inc. (NasdaqGS:AVAV)	\$200
Infosys Nova Holdings LLC	\$95



## Public Sector Valuations

### Public Company Trading Statistics

	% of 52 week high	Enterprise value as a multiple of:				LTM gross margin	LTM EBITDA margin	LTM - NTM revenue growth	Net debt / LTM EBITDA
		Revenue		EBITDA					
		LTM	NTM	LTM	NTM				
Government services	72.0%	1.01x	0.98x	10.0x	9.6x	20.2%	10.2%	3.0%	2.5x
Aircraft OEMs	77.1%	2.13x	1.98x	14.5x	11.7x	19.0%	12.2%	5.5%	2.0x
Aviation Supply Chain	82.0%	4.75x	4.31x	21.7x	17.6x	31.1%	18.4%	10.0%	2.1x
Multi-Platform	90.5%	2.97x	2.82x	19.3x	17.2x	19.9%	15.1%	5.6%	2.1x
Defense technology	70.2%	4.96x	4.50x	18.8x	16.5x	28.2%	12.1%	5.6%	1.4x
Diversified IT	70.5%	1.53x	1.50x	8.6x	7.5x	30.7%	18.0%	5.0%	1.6x
MRO	76.0%	1.77x	1.68x	14.5x	12.0x	19.0%	12.3%	13.7%	2.7x
<b>3rd Quartile</b>	87.3%	4.68x	4.16x	20.08x	18.59x	34.5%	20.2%	12.3%	2.8x
<b>Median</b>	77.4%	2.48x	2.25x	15.95x	14.05x	26.7%	14.0%	6.1%	2.1x
<b>1st Quartile</b>	70.5%	1.48x	1.40x	11.87x	10.39x	19.0%	11.1%	4.5%	1.4x

Source: S&P Capital IQ as of March 31, 2026. Median stats from each index.

## Market Performance

CHART 1: S&P 500 PERFORMANCE (LTM)



Source: S&P Capital IQ as of March 31, 2026. Past performance is not indicative of future results.

CHART 2: NASDAQ (LTM)



Source: S&P Capital IQ as of March 31, 2026. Past performance is not indicative of future results.

CHART 3: S&P SELECT INDUSTRY: AEROSPACE & DEFENSE (LTM)



Source: S&P Capital IQ as of March 31, 2026. Past performance is not indicative of future results.

CHART 4: REVENUE PASSENGER-MILES (LAST 5 YEARS; ALL CARRIERS)



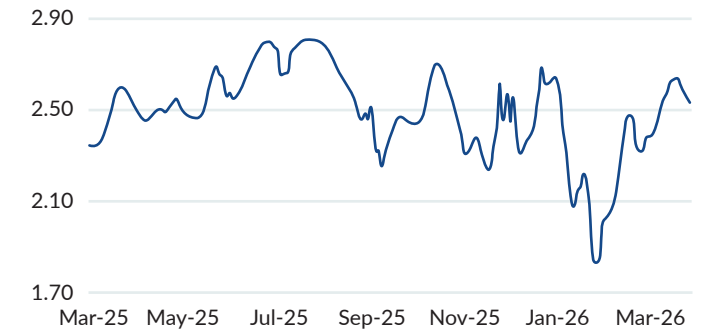
Source: Bureau of Transportation Statistics as of March 31, 2026. Past performance is not indicative of future results.

CHART 5: LOAD FACTOR (LAST 5 YEARS; ALL CARRIERS)



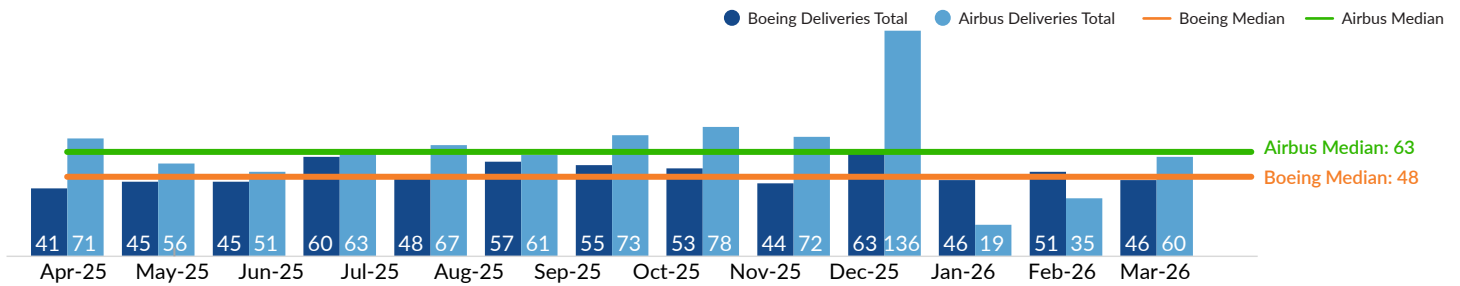
Source: Bureau of Transportation Statistics as of March 31, 2026. Past performance is not indicative of future results.

CHART 6: US TSA CHECKPOINT DATA (IN MILLIONS) (LTM)



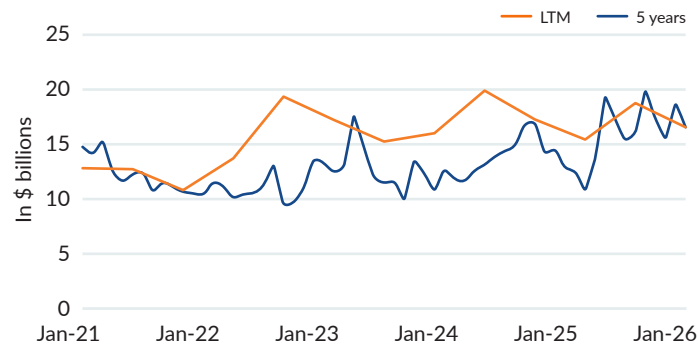
Source: Transportation Security Administration as of March 31, 2026. Past performance is not indicative of future results.

CHART 7: BOEING AND AIRBUS DELIVERIES (LTM)



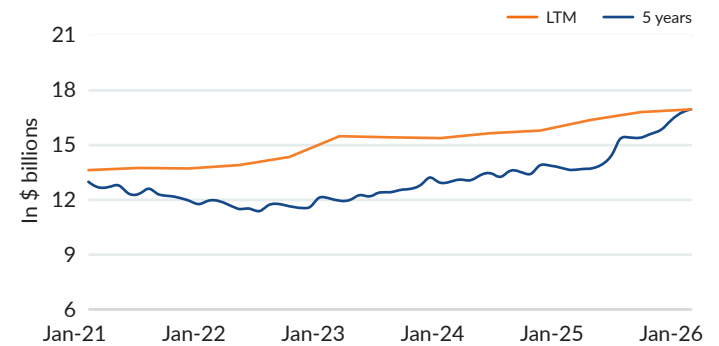
Source: Boeing and Airbus reporting as of March 31, 2026. Past performance is not indicative of future results.

CHART 8: MANUFACTURERS' NEW ORDERS: DEFENSE CAPITAL GOODS



Source: U.S. Census Bureau via FRED as of January 31, 2026. Past performance is not indicative of future results.

CHART 9: MANUFACTURERS' VALUE OF SHIPMENTS: DEFENSE CAPITAL GOODS



Source: U.S. Census Bureau via FRED as of January 31, 2026. Past performance is not indicative of future results.



## Featured Transaction

### KIHM Metal Technologies

**Sector:** Engineered Systems & Components

**Client / Target company:** KIHM Metal Technologies

**Buyer / Investor:** Turnout Industries

Based in Brazil, IN, KIHM engineers and manufactures exotic alloy-based components utilizing highly specialized metal spinning, hydro forming and complex machining processes, and serves the commercial aerospace, defense, power generation and space end markets.

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## Recent Aerospace & Defense Transactions

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HAS SOLD

East Hartford Operations

to



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SELL-SIDE ADVISOR



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a portfolio company of



Mesirow's exclusive focus on the middle market means we understand and relate to entrepreneurial business owners and their management teams. We take a long-term approach to client relationships and combine long-standing relationships with expert advisory services to provide custom solutions for leading aerospace & defense companies. With years of relevant transaction experience and a global network, our senior bankers devote a high level of attention to every transaction and ensure we meet the unique needs of our clients.

## Sector focus

### C4ISR

- Electronic warfare systems & components
- Radio & communication systems
- Detection system & components

### Electrical systems & sensors

- Proximity sensors & systems
- Power supply, distribution & conversion
- Lighting

### Engineered systems & components

- Avionics
- Cabin interiors
- Composites
- Metal fabrication & assemblies
- Actuation & motion control
- Ingredients & flavors

### MRO and design & engineering services

- MRO Services
- Product development
- Software & digital solutions
- Systems engineering & integration

### Mobility, autonomy & robotics

- Electrification
- Manned & unmanned systems
- Vehicle dynamics

### Space & satellite systems

- Guidance & stabilization
- Communications components
- Composite & metallic structures
- Propulsion systems

## Other industry concentrations

In addition to Aerospace & Defense we are a dedicated advisor to a wide array of middle-market companies and have developed an in-depth expertise in a range of industries, including:

- Business Services
- Consumer & eCommerce
- Distribution & Supply Chain
- Food, Beverage & Agribusiness
- Healthcare
- Industrials
- Industrial Technology
- Packaging
- Technology & Services

## About Mesirow

Mesirow is an independent, employee-owned financial services firm founded in 1937. Headquartered in Chicago, with offices around the world, we serve clients through a personal, custom approach to reaching financial goals and acting as a force for social good. With capabilities spanning Private Capital & Currency, Capital Markets & Investment Banking, and Advisory Services, we invest in what matters: our clients, our communities and our culture. To learn more, visit [mesirow.com](https://mesirow.com), follow us on [LinkedIn](#) and subscribe to [Spark](#), our quarterly newsletter.

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