

Monthly Market Update: Aerospace & Defense

Market Recap

Mesirow A&D Equity Composite ¹	5.05%	NASDAQ Composite ⁴	8.36%
S&P 500 ²	5.15%	S&P A&D ⁵	11.16%
Nasdaq US Benchmark Airlines Index ³	21.59%	S&P 500 Passenger Airlines Index ⁶	21.66%

May highlighted a market environment where strategic scale and execution certainly continued to drive aerospace & defense activity. Large OEM exposed suppliers pursued portfolio consolidation into flight critical, high margin subsystems, while DoD procurement actions increasingly emphasized “affordable mass,” fixed price structures and accelerated transitions from prototype to production, particularly across long range strike and integrated air & missile defense priorities.

Middle East Conflict Reshaping Commercial Aviation Economics

The ongoing conflict continued to exert significant pressure on commercial aviation in May, with the closure of the Strait of Hormuz, now entering its third month, creating what the International Energy Agency has characterized as “the largest supply disruption in the history of the global oil market.”

Select Transactions

- Parker Hannifin announced a \$2.55B acquisition of CIRCOR's Commercial & Defense Aerospace business, strengthening its portfolio in high-margin, flight-critical motion and flow control technologies and expected to enhance domestic A&D manufacturing capabilities.

- VSE Corporation (NASDAQ: VSEC) completed acquisition of Precision Aviation Group, Inc. (PAG) ~ \$2.025B in cash and equity, expanding VSE's aviation aftermarket distribution and MRO services platform, positioning it as a stronger competitor in the growing aviation aftermarket segment.
- Precision Aerospace & Defense Group (PAD) advanced its proposed SPAC merger with FACT II by filing an amended Form S 4, citing increased backlog and customer momentum across engineering/sustainment, precision manufacturing and advanced NDT.
- Applied Aerospace & Defense (AADX) filed for an estimated \$350M IPO, signaling continued capital markets appetite for defense-focused industrial platforms and robust investor confidence in the A&D sector.

Key Contract Awards

- Leidos secured a \$2.7B U.S. Army & Navy contract to transition hypersonic weapon systems from prototyping into full-scale production. The contract unifies the Thermal Protection Shield (TPS) and Common Hypersonic Glide Body (CHGB) programs, streamlining development and accelerating delivery of this critical military capability.

All data as of 5.31.2026. | 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.

- Lockheed Martin received a \$212.7M contract modification to enhance support for the PATRIOT Advanced Capability-3 (PAC-3) system, bringing the total contract value to \$875.6M, with work expected to be completed by February 2027. It also received an additional \$407M contract extension for Guam missile defense systems, supporting the U.S. Indo-Pacific security posture.
- Boeing received a \$37.8M firm-fixed-price modification for F 15 Saudi aircrew training device Phase II contractor logistics support (FMS), reflecting continued allied readiness and sustainment demand.
- The Trump-Xi Beijing summit on May 14–15 produced China's commitment to purchase 200 Boeing aircraft, the company's first major Chinese order since 2017, with potential expansion to 750 units.

Procurement Strategy Shift

The Pentagon launched the Low Cost Containerization Munitions Program (LCCMP) via framework agreements to potentially procure 10,000+ low cost cruise missiles from Anduril, Leidos, CoAspire and Zone 5, reinforcing a procurement pivot toward scalable, fixed price production. This shift toward affordable, mass-produced systems reflects a structural transformation in U.S. procurement strategy, prioritizing scale and cost efficiency for high-intensity conflict scenarios and signaling sustained demand for innovative, scalable defense manufacturing solutions.

M&A Market Recap

TABLE 1: NUMBER OF TRANSACTIONS BY STATUS

	April	May
Announced Mergers/Acquisitions	5	5
Closed/Effective/Expired	23	11
Total Number of Transactions	28	16

TABLE 2: M&A STATS

Valuation Summary	April	May
Total Deal Value (\$mm)	\$1,450	\$5,610
Average Deal Value (\$mm)	\$1,450	\$801
Average EV/Revenue	2.30x	2.41x
Average TEV/EBITDA:	17.5x	-

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

Valuation Summary	April	May
Greater than \$1 billion	1	2
\$500 – \$999.9mm	-	1
\$100 – \$499.9mm	-	1
Less than \$100mm	-	3
Undisclosed	27	9

TABLE 4: ACTIVE BUYERS/INVESTORS BY TOTAL TRANSACTION SIZE (FOR MONTH ENDED 5.31.2026)

Company name	Total transaction size (\$mm)
Parker-Hannifin Corporation (NYSE:PH)	\$2,550
VSE Corporation (NasdaqGS:VSEC)	\$2,150
Iridium Communications Inc. (NasdaqGS:IRDM)	\$638
Shibaura Machine Co.,Ltd. (TSE:6104)	\$150
Asana, Inc. (NYSE:ASAN)	\$75
Stratasys Ltd. (NasdaqGS:SSYS)	\$42

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	2.65x	1.08x	1.06x	9.9x	9.8x	20.1%	10.5%	6.1%	2.7x
Aircraft OEMs	81.1%	2.49x	2.27x	15.7x	12.1x	18.9%	12.1%	6.3%	2.0x
Aviation Supply Chain	84.4%	4.70x	4.21x	22.3x	19.0x	31.3%	18.5%	11.7%	1.9x
Multi-Platform	83.3%	2.65x	2.51x	17.6x	15.4x	20.4%	15.3%	6.4%	2.1x
Defense technology	76.0%	4.93x	4.71x	18.4x	18.7x	28.7%	12.3%	8.7%	1.3x
Diversified IT	65.7%	1.48x	1.43x	8.3x	7.5x	30.8%	18.0%	5.1%	1.7x
MRO	74.5%	1.90x	1.81x	15.7x	12.3x	19.0%	12.1%	13.5%	2.8x
3rd Quartile	90.6%	4.92x	4.56x	22.13x	18.85x	34.2%	19.2%	14.1%	2.9x
Median	81.4%	2.30x	2.13x	16.81x	13.62x	26.7%	13.9%	7.1%	2.3x
1st Quartile	67.6%	1.54x	1.46x	13.01x	10.87x	19.0%	11.2%	5.2%	1.3x

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

Market Performance

CHART 1: S&P 500 PERFORMANCE (LTM)



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

CHART 2: NASDAQ (LTM)



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

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



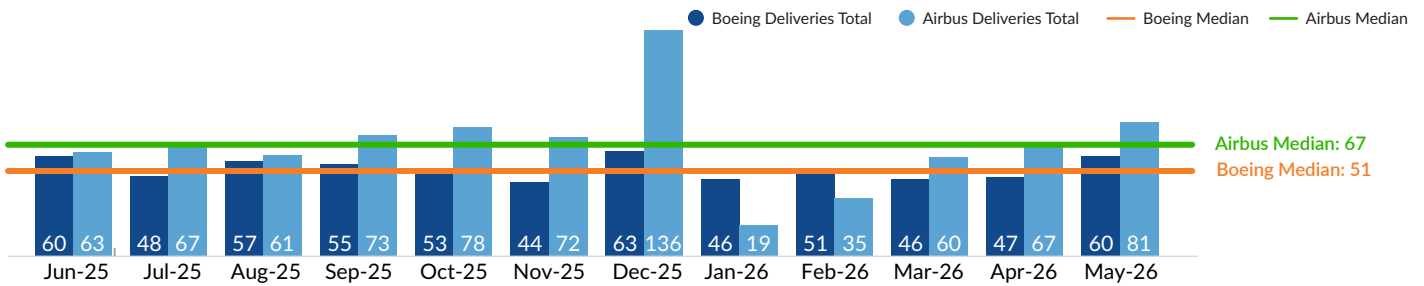
Source: Bureau of Transportation Statistics as of May 31, 2026. Past performance is not indicative of future results.

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



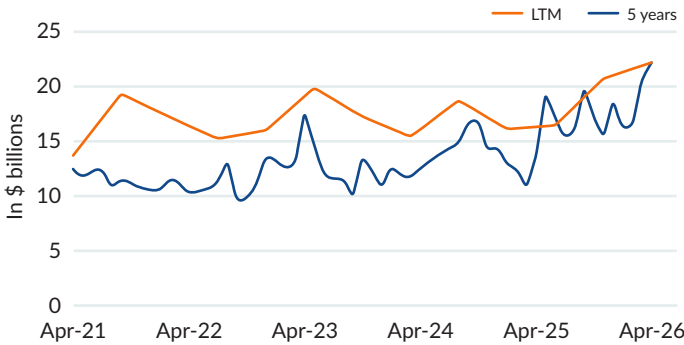
Source: Transportation Security Administration as of May 31, 2026. Past performance is not indicative of future results.

CHART 7: BOEING AND AIRBUS DELIVERIES (LTM)



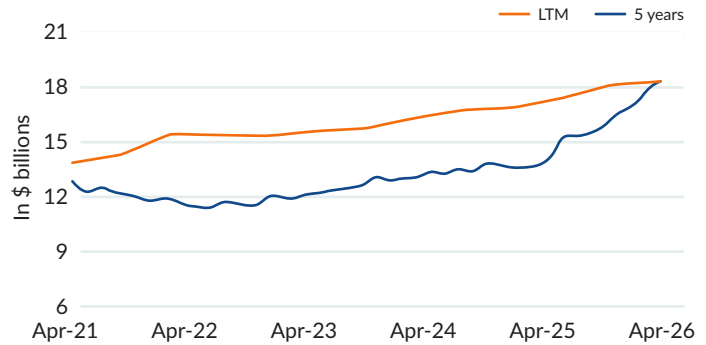
Source: Boeing and Airbus reporting as of May 31, 2026. Past performance is not indicative of future results.

CHART 8: MANUFACTURERS' NEW ORDERS: DEFENSE CAPITAL GOODS



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



Recent Aerospace & Defense Transactions

SELL-SIDE ADVISOR



HAS SOLD

East Hartford Operations

to



SELL-SIDE ADVISOR



Applied Avionics

HAS BEEN ACQUIRED BY



SELL-SIDE ADVISOR



HAS BEEN ACQUIRED BY



SELL-SIDE ADVISOR



HAS BEEN ACQUIRED BY



a portfolio company of



SELL-SIDE ADVISOR



HAS BEEN ACQUIRED BY



a wholly-owned subsidiary of



SELL-SIDE ADVISOR



a portfolio company of



HAS BEEN ACQUIRED BY



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, follow us on [LinkedIn](#) and subscribe to [Spark](#), our quarterly newsletter.

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