July 2026

Mesirow

Monthly Market Update: Aerospace & Defense

Market Recap

Mesirow A&D Equity Composite[1]	-2.30%	NASDAQ Composite[4]	-3.20%
S&P 500[2]	-0.13%	S&P A&D[5]	-6.78%
Nasdaq US Benchmark Airlines Index[3]	-9.16%	S&P 500 Passenger Airlines Index[6]	-9.18%

July activity showed the A&D sector operating at elevated tempo across investment, consolidation and procurement. Sustained US air-defense operations in the Middle East continued to draw down interceptor inventories, reinforcing the need for expanded domestic production of key components and sub-tier inputs — demand that now extends well beyond the primes to specialized components, materials, systems, test equipment and assembly services.

President Trump announced nearly $10 billion in defense-industry investments, primarily in Pennsylvania, expected to create over 4,000 jobs across submarine construction, shipbuilding, munitions, space, AI and robotics.

The US Trade Representative finalized Section 301 “Forced Labor” tariffs of 10–12.5% on imports from 60 trading partners, replacing expiring Section 122 tariffs. The measures could raise costs for aerospace suppliers and dual-use manufacturers, encouraging localization, supplier diversification and strategic inventory management.

M&A activity remained robust, concentrated in hard-to-replicate capabilities across aerospace components, undersea warfare, defense software, space infrastructure and military electronics. Key transactions include:

- **Lockheed Martin Rotary and Mission Systems** agreed to acquire **Ultra Maritime** from Advent International for **$3.45 billion**, adding capabilities in sonar, anti-submarine warfare, acoustic sensing and maritime surveillance
- **TransDigm (NYSE:TDG)** announced the **$1.07 billion all-cash acquisition of Prince & Izant**, a designer and manufacturer of highly engineered brazing alloys and specialty metal components
- **Leonardo DRS (NasdaqGS:DRS) entered into a definitive agreement to acquire Raft LLC for $450 million in cash**, expanding its capabilities in multi-domain AI, data fusion and open-architecture mission software
- **ADC Aerospace has acquired Hyatt Die Cast & Engineering Corporation** in a strategic transaction that brings together two leading turnkey die-casting businesses serving the A&D markets

Collectively, these deals underscore sustained demand for differentiated technologies, mission-critical components and specialized manufacturing with high barriers to entry.

All data as of 6.30.2026. | Data sources: S&P Capital IQ, NASDAQ exchange, S&P 500 Indices and company press releases. | 1. Mesirow A&D Equity Composite tracks 76 aerospace and defense companies across 8 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 US | 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.

Contracting activity remained exceptionally strong, led by awards supporting missile defense, digital modernization, counter-drone systems and space-based defense infrastructure. Major contracts include:

- **The US government awarded Lockheed Martin (NYSE:LMT)** a seven-year contract action (UCA) modification for up to **$53.86 billion** for PAC-3 Missile Segment Enhancement (MSE) interceptors, supporting the Doo's Acquisition Transformation Strategy
- **Digital modernization also remained a significant procurement priority. Oracle** secured a **$7 billion, 10-year IDIQ contract** to consolidate all Pentagon on-premises software, enterprise licenses and SaaS
- **In the unmanned-systems domain, AeroVironment (AV)** was awarded three-year, **$500 million IDIQ contract** by the DoW in support of JIATF-401's Domestic Shield Program, a DoD homeland counter-drone initiative focused on defending high-risk facilities and critical infrastructure against evolving UAS threat
- **Sierra Space also secured a $798 million Space Development Agency contract** to build 18 satellites for the Golden Dome missile-defense initiative. The satellites will provide missile-warning, tracking and defense capabilities as part of the Accelerated Missile Defense Tranche 3 tracking layer

Key Takeaways — Farnborough International Airshow 2026

The Farnborough International Airshow (July 20–24, 2026) drew a record ~1,600 exhibitors — roughly half of them defense — with defense, commercial aviation and space all running at full throttle against strong demand:

- **Commercial orders underwhelmed on supply, not demand:** ~357 orders and commitments (Boeing 173, Airbus 154, Embraer 30) versus pre-show forecasts of 800–875, constrained by supply-chain limits
- **Engines were the bigger headline:** IndiGo's 1,000+ CFM LEAP-1A order ranked among the largest ever, alongside BOC Aviation LEAP and British Airways' Pratt & Whitney GTF award covering 63 A320neo-family aircraft
- **Lessors and Gulf/Asia carriers led demand:** SMBC Aviation Capital split 100 737 MAX and 100 A320neo-family aircraft; Riyadh Air, Philippine Airlines, AerCap, flynas and MSC Air Cargo rounded out the widebody and freighter activity
- **Sixth-gen fighter consolidation around GCAP:** Canada joined as the first observer nation and, with Europe's FCAS collapsed, the Edgewing consortium (BAE Systems, Leonardo, JAIEC) program is now the only export-available sixth-gen fighter besides the US F-47 — backed by a UK commitment of £8.6B ($11.5B) over four years and £4.6B jointly invested, targeting 2035 service entry
- **Autonomy and CCA momentum:** Boeing's MQ-28 Ghost Bat "loyal wingman" made its Farnborough debut with Leonardo, Eaton and Hensoldt added as partners; the UK's 757-based Excalibur testbed resumed flying to de-risk GCAP sensors and Tekever unveiled its AR6 heavy-lift drone line
- **Electric flight went operational:** first-ever eVTOL demonstration flights (Vertical Aerospace and BETA CX300) shared the flying display with the A350-1000, Global 8000 and a USAF F-35A
- **Dealmaker sentiment on-site:** most senior dealmakers our team met with expressed optimism on the M&A market and expect an acceleration in deal volumes in the second half of the year
- **Beyond the AI headlines:** while new AI-driven technologies dominated show talk, many professionals we spoke with indicated continued interest in targets with competitively differentiated / proprietary products and attractive growth trajectories

Looking ahead, the sector remains well-positioned for sustained growth, underpinned by bipartisan defense-spending support, an active M&A environment and a growing procurement pipeline. Principal risks remain execution capacity, skilled-labor availability, domestic-source qualification, tariff uncertainty and sub-tier suppliers' ability to scale with prime demand.

M&A Market Recap

TABLE 1: NUMBER OF TRANSACTIONS BY STATUS

	June	July
Announced Mergers/Acquisitions	7	9
Closed/Effective/Expired	13	15
Total Number of Transactions	20	24

TABLE 2: M&A STATS

Valuation Summary	June	July
Total Deal Value ($mm)	$1,923	$5,820
Average Deal Value ($mm)	$481	$1,164
Average EV/Revenue	2.08x	-
Average TEV/EBITDA:	15.3x	-

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

Valuation Summary	June	July
Greater than $1 billion	-	2
$500 – $999.9mm	3	1
$100 – $499.9mm	-	1
Less than $100mm	1	1
Undisclosed	16	19

TABLE 4: ACTIVE BUYERS/INVESTORS BY TOTAL TRANSACTION SIZE (FOR MONTH ENDED 7.31.2026)

Company name	Total transaction size ($mm)
Lockheed Martin Rotary and Mission Systems	$3,450
TransDigm Group Incorporated (NYSE:TDG)	$1,066
Ondas Inc. (NasdaqCM:ONDS)	$829
Leonardo DRS, Inc. (NasdaqGS:DRS)	$450
Innovative Aerosystems, Inc. (NasdaqGS:ISSC)	$24

1. Source: S&P Capital IQ.

Public Sector Valuations

Public Company Trading Statistics

		Enterprise value as a multiple of:							
		Revenue		EBITDA					
	% of 52 week high	LTM	NTM	LTM	NTM	LTM gross margin	LTM EBITDA margin	LTM – NTM revenue growth	Net debt / LTM EBITDA
Government services	66.9%	1.06x	1.05x	10.30x	9.50x	19.9%	10.5%	4.1%	2.74x
Aircraft OEMs	84.5%	2.47x	2.27x	16.62x	13.28x	18.8%	12.5%	6.2%	1.58x
Aviation Supply Chain	90.1%	4.84x	4.35x	24.81x	19.81x	31.2%	18.9%	10.1%	1.68x
Multi-Platform	72.0%	2.47x	2.27x	16.01x	14.85x	20.2%	15.2%	6.7%	1.85x
Defense technology	75.6%	3.91x	3.53x	20.14x	18.88x	28.7%	11.3%	9.4%	1.24x
Diversified IT	66.2%	1.39x	1.34x	8.61x	7.06x	30.8%	18.2%	4.0%	1.25x
MRO	80.8%	1.95x	1.85x	16.53x	12.69x	18.8%	12.1%	8.1%	2.84x
Space	41.8%	9.78x	6.31x	34.13x	32.28x	41.7%	(19.6%)	41.7%	3.74x
3rd Quartile	89.4%	5.48x	4.82x	23.91x	21.55x	37.3%	20.2%	14.8%	2.94x
Median	75.9%	2.86x	2.89x	16.58x	13.95x	27.6%	13.9%	7.2%	2.25x
1st Quartile	56.9%	1.79x	1.56x	12.96x	11.35x	18.6%	10.9%	4.7%	1.15x

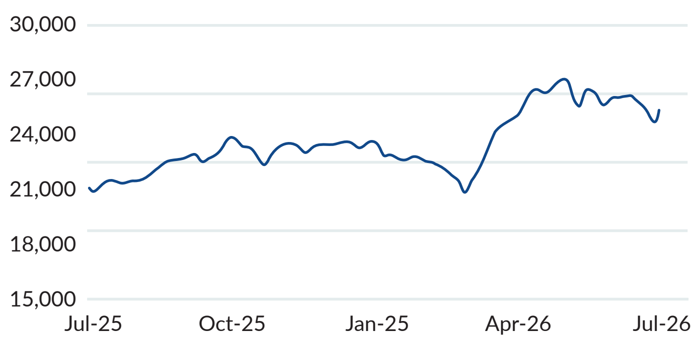
Source: S&P Capital IQ as of July 31, 2026. Median stats from each index.

Market Performance

CHART 1: S&P 500 PERFORMANCE (LTM)

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

CHART 2: NASDAQ (LTM)



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

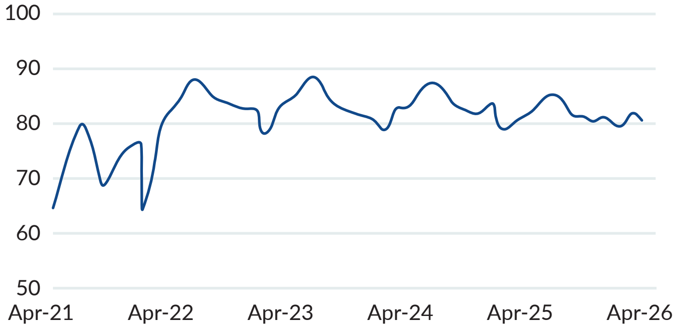
CHART 3: S&P SELECT INDUSTRY: AEROSPACE & DEFENSE (LTM)

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

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

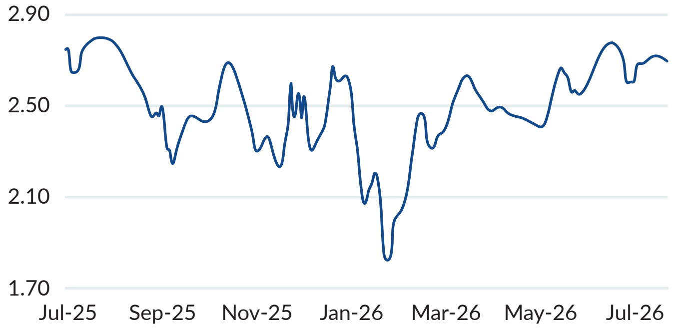
Source: Bureau of Transportation Statistics as of July 31, 2026. Past performance is not indicative of future results.

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



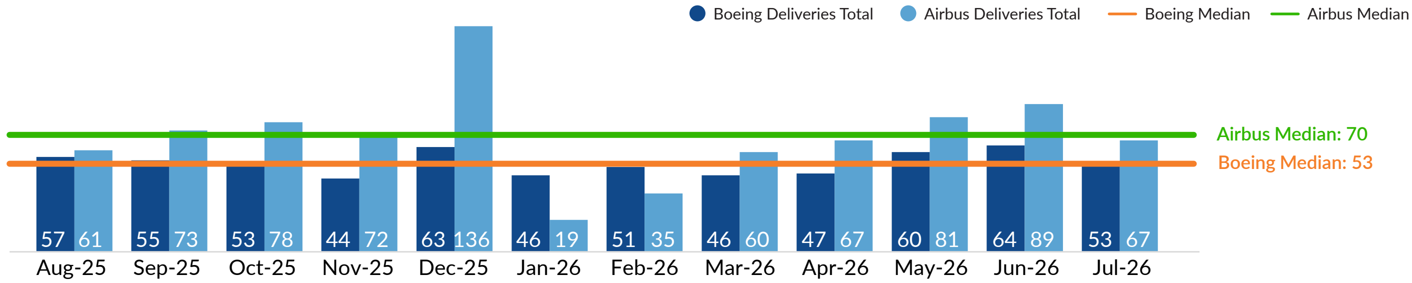
Source: Bureau of Transportation Statistics as of July 31, 2026. Past performance is not indicative of future results.

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



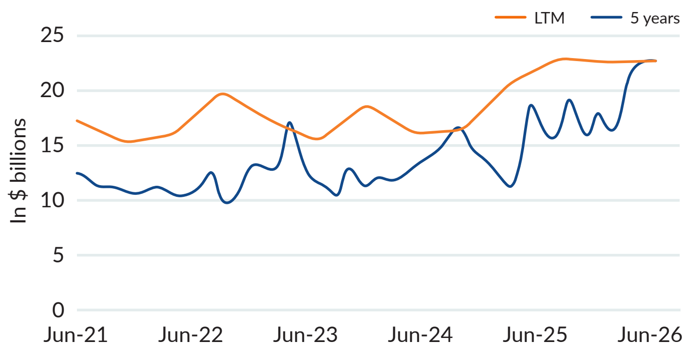
Source: Transportation Security Administration as of July 31, 2026. Past performance is not indicative of future results.

CHART 7: BOEING AND AIRBUS DELIVERIES (LTM)



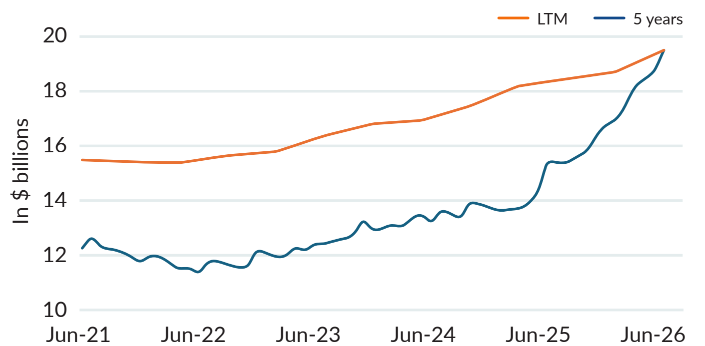
Source: Boeing and Airbus reporting as of July 30, 2026. Past performance is not indicative of future results.

CHART 8: MANUFACTURERS' NEW ORDERS: DEFENSE CAPITAL GOODS



Source: US Census Bureau via FRED as of June 30, 2026. Past performance is not indicative of future results.

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



Source: US Census Bureau via FRED as of June 30, 2026. Past performance is not indicative of future results.

Recent Aerospace & Defense Transactions

SELL-SIDE ADVISOR

Beadlight®

HAS BEEN ACQUIRED BY

LOAR GROUP

SELL-SIDE ADVISOR

PRECISE FLIGHT

HAS BEEN ACQUIRED BY

SIGNIA AEROSPACE

a portfolio company of

ARCLINE INVESTMENT MANAGEMENT

SELL-SIDE ADVISOR

ATI

HAS SOLD

East Hartford Operations

to

BARNES™ AEROSPACE

SELL-SIDE ADVISOR

Applied Avionics

HAS BEEN ACQUIRED BY

LOAR GROUP

SELL-SIDE ADVISOR

ROSEN AVIATION

HAS BEEN ACQUIRED BY

MC2

a wholly-owned subsidiary of

HEICO

SELL-SIDE ADVISOR

KIHM METAL TECHNOLOGIES

a portfolio company of

THE FIREFLY GROUP

HAS BEEN ACQUIRED BY

TURNOUT INDUSTRIES

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 controllngredients & 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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