August 2026

Mesirow

Monthly Market Update: Aerospace & Defense

Market Recap

Mesirow A&D Equity Composite[1]	1.63%	NASDAQ Composite[4]	3.93%
S&P 500[2]	2.62%	S&P A&D[5]	-3.15%
Nasdaq US Benchmark Airlines Index[3]	-11.95%	S&P 500 Passenger Airlines Index[6]	-11.52%

Market Recap

August delivered a clean split between the sector and the broader tape. The Mesirow A&D Equity Composite rose 1.63% for the month while the S&P A&D index fell 3.15% — a reversal of July, when the composite declined 2.30% against a 6.78% drop in the S&P A&D. Broad equities were firmer, with the S&P 500 up 2.62% and the NASDAQ Composite up 3.93%. The airline complex sold off hard for a second consecutive month, with the Nasdaq US Benchmark Airlines Index down 11.95% and the S&P 500 Passenger Airlines Index down 11.52%. For owners of aviation aftermarket and MRO assets, the message is that public multiples are holding while sentiment on the passenger-carrier end of the value chain has deteriorated meaningfully heading into the back half of the year.

Missile defense remained the dominant procurement theme of the month, with awards concentrated in interceptor production, integrated air and missile defense engineering and command-and-control modernization. Sustained interceptor demand continues to push spend down into components, sub-tier inputs, testing and engineering services rather than concentrating it at the primes. Major contract activity included:

- Raytheon received a $745.4 million noncompetitive contract action from the Missile Defense Agency to manufacture and assemble SM-3 Block IIA all-up rounds for the US government and Japan's defense ministry, with work in Tucson, Arizona and Huntsville, Alabama running through February 2031
- Parsons was awarded a $514 million, two-year option on its Technical, Engineering, Advisory, and Management Support (TEAMS) – Next contract with the Missile Defense Agency, continuing systems engineering and oversight support for the integrated Missile Defense System
- KBR's Mission Technology Solutions business — to be spun off as Trinzic in January 2027 with more than $5 billion in annual revenue and 18,000 employees — won a NATO Support and Procurement Agency recompete with an initial $60 million ceiling supporting the PATRIOT system and its integration with the Integrated Battle Command System

On policy and budget, the House FY27 Defense Appropriations bill carries a total discretionary allocation of $1.072 trillion, and the proposed FY 2027 defense space budget is set to increase 120% from FY 2026 — a step-function change in addressable space and missile-warning content that should continue to pull capital toward payloads, propulsion and ground segment suppliers.

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.

M&A volume normalized from July's elevated pace, but the composition of what traded did not change: buyers continued to pay full prices for hard-to-replicate capability in RF and defense electronics, mission software, aviation services infrastructure and specialized testing. Sponsors were unusually active on both sides of the tape, with Veritas Capital selling one platform and buying another inside the same month. Key transactions include:

- TTM Technologies agreed to acquire EPIQ Design Solutions, a provider of RF and embedded compute systems, from Veritas Capital for $1.1 billion in cash, financed with $1.1 billion of senior debt from JPMorgan, Bank of America and Barclays and expected to close in the fourth quarter of 2026
- Apollo-managed funds acquired a majority stake in Atlantic Aviation, a fixed-base operator platform, from KKR at an enterprise value of approximately $10 billion, with KKR funds remaining a substantial shareholder
- Joby Aviation agreed to acquire Resonant Sciences for $500 million — $450 million in cash plus $50 million in Joby common stock — with Resonant becoming Joby's dedicated defense business under co-founder and CEO J. Micah North
- Pono Capital Four agreed to combine with BlackStar Orbital Technologies, a developer of reusable hypersonic satellite platforms, at a $380 million valuation paid entirely in stock
- Veritas Capital agreed to acquire Steampunk, a federal IT consulting provider, and will merge it with portfolio company MetroStar Systems
- Barnes Aerospace acquired Jet AirWerks, an aircraft component MRO provider, and McNally Capital, with Nio Advisors, acquired a majority stake in TENICA Global Solutions, a national security and cybersecurity services provider

Collectively, these deals reinforce a market that continues to reward differentiated technology, mission-critical content and specialized manufacturing and testing capability with high barriers to entry — while pricing commercial passenger exposure with visibly more caution.

Key Takeaways

- Volume normalized; the capability premium did not. The two largest disclosed transactions — EPIQ Design Solutions and Resonant Sciences — were both hard-to-replicate RF, sensing and defense-electronics assets bought at platform prices.
- Sponsors were on both sides of the tape in the same month: Veritas sold EPIQ and agreed to buy Steampunk, while Apollo took the Atlantic Aviation stake from KKR — a signal that sponsor appetite for A&D platforms is being met with willingness to exit at scale.
- Missile defense is where the procurement dollars are landing, and increasingly at the engineering-services and sub-tier component layer rather than only at the primes.
- Airline weakness is now a two-month trend and the clearest divergence in the sector; commercial aftermarket exposure should be framed carefully in seller conversations.
- Looking ahead: on September 8, GE Aerospace agreed to acquire castings manufacturer Consolidated Precision Products for $11.75 billion, citing castings capacity constraints amid strong demand — direct validation of the structural-components thesis and a likely September headline.

1. Source: S&P Capital IQ, Company press releases, House Appropriations Committee — FY27 Defense Appropriations Bill summary, The Aerospace Corporation, Center for Space Policy and Strategy — FY27 Defense Space Budget

M&A Market Recap

TABLE 1: NUMBER OF TRANSACTIONS BY STATUS

	July	August
Announced Mergers/Acquisitions	9	5
Closed/Effective/Expired	15	12
Total Number of Transactions	24	17

TABLE 2: M&A STATS

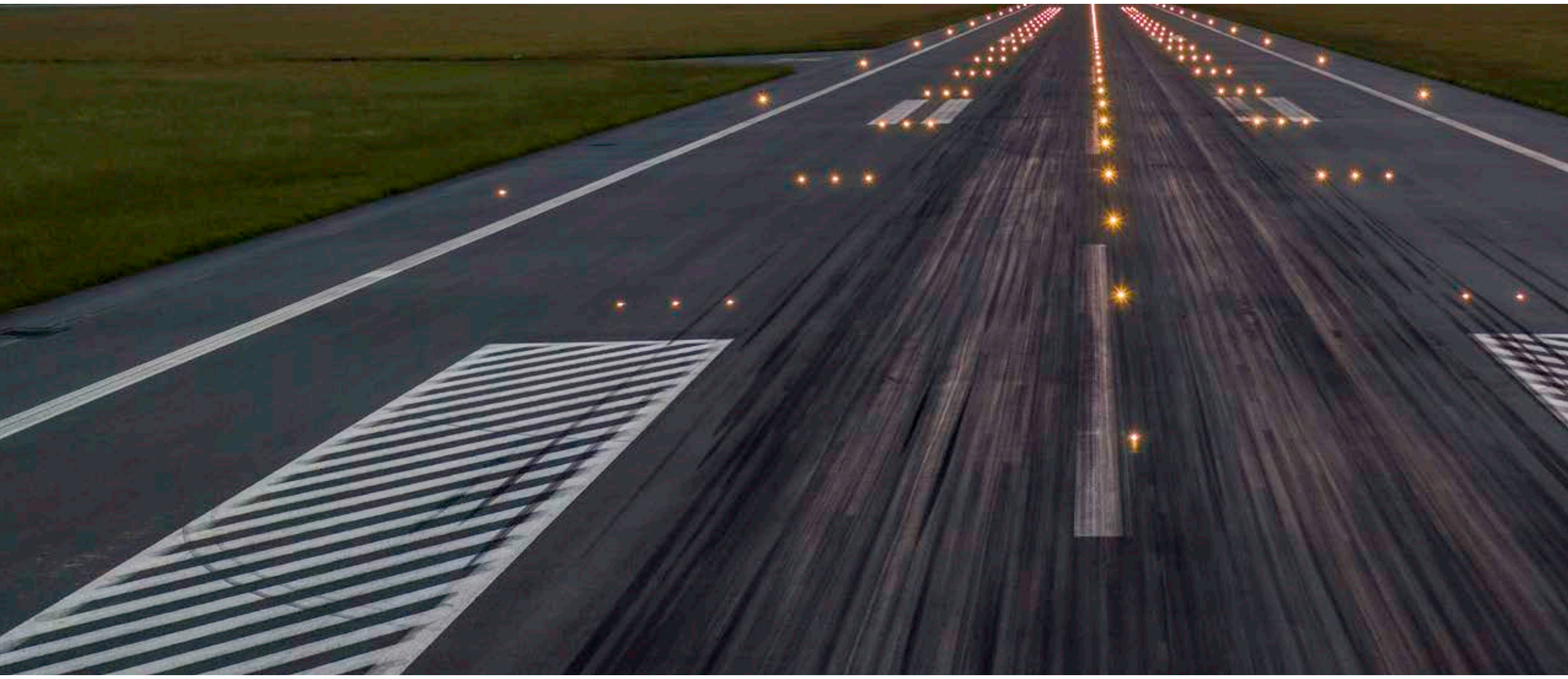
Valuation Summary	July	August
Total Deal Value ($mm)	$5,820	$1,989
Average Deal Value ($mm)	$1,164	$497
Average EV/Revenue	-	-
Average TEV/EBITDA:	-	-

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

Valuation Summary	July	August
Greater than $1 billion	2	1
$500 – $999.9mm	1	1
$100 – $499.9mm	1	1
Less than $100mm	1	1
Undisclosed	19	13

TABLE 4: ACTIVE BUYERS/INVESTORS BY TOTAL TRANSACTION SIZE (FOR MONTH ENDED 8.31.2026)

Company name	Total transaction size ($mm)
TTM Technologies North America, LLC	$1,100
Joby Aviation, Inc. (NYSE:JOBY)	$500
Pono Capital Four, Inc. (NasdaqGM:PONO)	$380
Intellistake Technologies Corp. (CNSX:ISTK)	$9



1. Source: S&P Capital IQ.

Public Sector Valuations

Public Company Trading Statistics

	% of 52 week high	Enterprise value as a multiple of: Revenue LTM	Revenue NTM	EBITDA LTM	EBITDA NTM	LTM gross margin	LTM EBITDA margin	LTM – NTM revenue growth	Net debt / LTM EBITDA
Government services	75.3%	1.11x	1.10x	10.57x	9.88x	19.9%	10.5%	4.1%	2.67x
Aircraft OEMs	80.5%	2.32x	2.09x	16.88x	12.95x	18.8%	12.5%	8.4%	1.58x
Aviation Supply Chain	83.4%	4.60x	4.09x	23.14x	18.49x	31.7%	19.4%	12.1%	1.62x
Multi-Platform	70.0%	2.33x	2.24x	15.51x	14.26x	20.2%	15.2%	6.2%	1.85x
Defense technology	68.0%	3.84x	3.51x	18.90x	17.71x	28.6%	11.3%	10.3%	1.34x
Diversified IT	71.2%	1.57x	1.49x	8.84x	7.61x	30.8%	18.2%	4.5%	1.28x
MRO	71.0%	1.82x	1.65x	17.54x	11.48x	18.8%	12.5%	10.7%	2.87x
Space	41.5%	9.43x	5.57x	28.29x	24.80x	39.8%	3.7%	45.4%	4.50x
3rd Quartile	84.1%	5.51x	4.67x	23.09x	19.95x	37.6%	20.2%	14.6%	2.93x
Median	73.7%	2.76x	2.71x	16.81x	13.44x	27.8%	13.6%	9.6%	2.21x
1st Quartile	62.6%	1.71x	1.56x	12.95x	11.01x	18.8%	10.8%	5.0%	1.25x

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

Market Performance

CHART 1: S&P 500 PERFORMANCE (LTM)

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

CHART 2: NASDAQ (LTM)

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

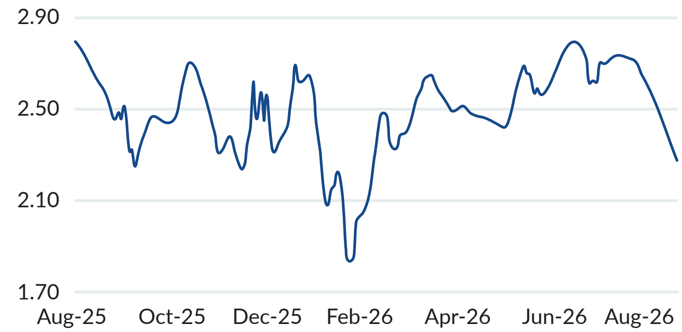
CHART 4: REVENUE PASSENGER-MILES (LAST 5 YEARS; ALL CARRIERS)

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

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

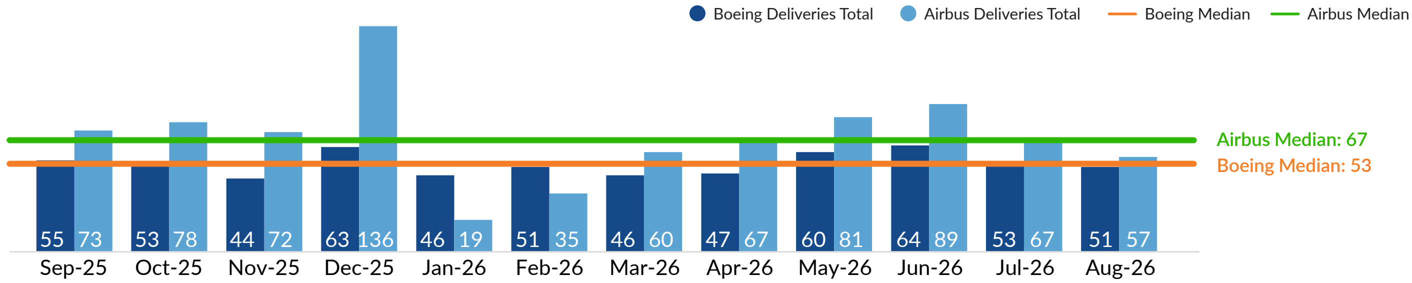
Source: Bureau of Transportation Statistics as of August 31, 2026. Past performance is not indicative of future results.

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



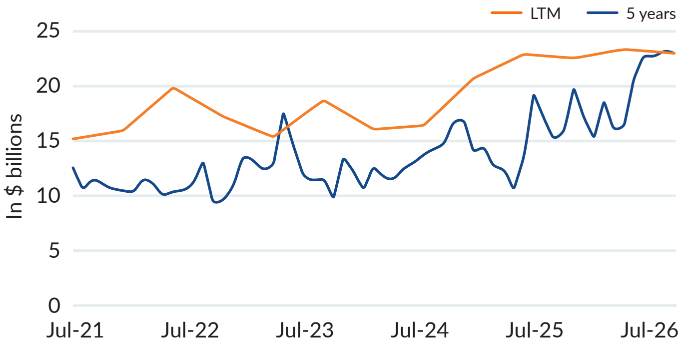
Source: Transportation Security Administration as of August 31, 2026. Past performance is not indicative of future results.

CHART 7: BOEING AND AIRBUS DELIVERIES (LTM)



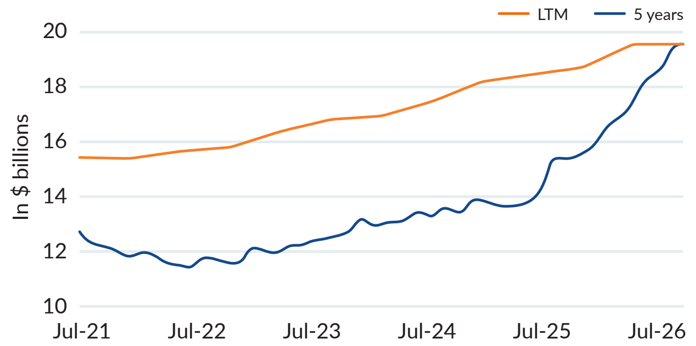
Source: Boeing and Airbus reporting as of August 31, 2026. Past performance is not indicative of future results.

CHART 8: MANUFACTURERS' NEW ORDERS: DEFENSE CAPITAL GOODS



Source: US Census Bureau via FRED as of July 31, 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 July 31, 2026. Past performance is not indicative of future results.

Notable 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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