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DC Discusses M&A taking off for commercial aerospace and defense

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It is a critical time for the Aerospace & Defense sector with a number of significant factors re-shaping industry landscapes, including:

- An easing of supply chain challenges within commercial aerospace
- Accelerating M&A activity enhanced by PEs looking to exit assets held for extended periods
- Increasing acceptance in investor sentiment that current levels of demand in the defense sector are sustainable, creating a more conducive environment for M&A

In our latest DC Discusses article, our global Aerospace, Defense & Government Services team provides an update on commercial aerospace and defense M&A activity.

A focus on commercial aerospace

The industry's evolving pressures and policies

Macroeconomic factors continue to impact the commercial aerospace industry. The imposition of US tariffs has created a high degree of uncertainty for an industry that has historically been sheltered from the impact of tariffs due to the 1979 agreement on Trade in Civil Aircraft¹, which applies to over 30 countries and creates a zero-for-zero fair and reciprocal trade agreement in civil aviation.

Whilst countries and companies continue to grapple with the effects of these tariffs in what is a dynamic situation, the UK has managed to secure a trade deal², offering a perhaps temporary, competitive advantage versus European counterparts.

A market ripe for consolidation

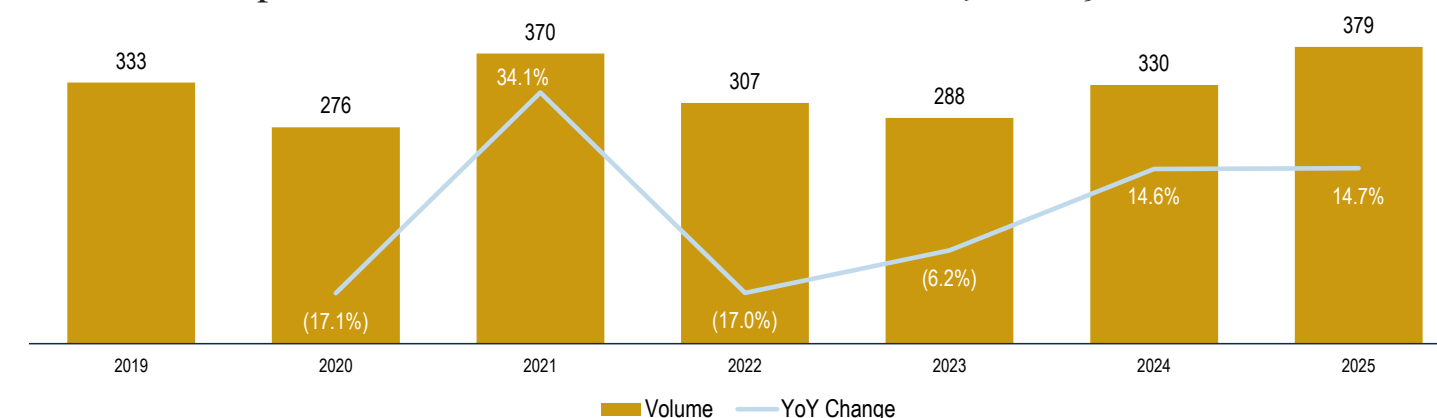
Despite this continued uncertainty, a long-anticipated easing of supply chain challenges within the commercial aerospace sector is starting to take shape, with Original Equipment Manufacturers (OEMs) gradually ramping up build rates as supplier performance improves and output increases. However, with the recent reports that Airbus and Boeing order books remain at record levels³ and continued demand from airlines, we believe favorable market tailwinds should remain for the medium to long-term.

We see this very much reflected in listed company valuations with both US and European OEMs and equipment manufacturers which, have increased by 24%⁴ year to date and are trading at an average EV/EBITDA multiple of ~20x⁵.

The current environment lends itself to further market consolidation as the supply chain looks for ways to improve efficiency and investors seek opportunities to deploy capital in a growing market. We anticipate a steady stream of private equity owned assets coming to market over the next 12-24 months as investors seek to divest assets that have been held for longer than is typical due to the impact of the Covid-19 pandemic and the aforementioned supply chain challenges. This trend is already starting to manifest with 185 deals in the defense sector announced in 2025 YTD⁶. We saw this recently with the sale of Senior plc's Aerostructures business to Sullivan Street Partners⁷, following a very prolonged process.

Last September, our global team advised Strikwerda Investment and SPS – a full-service equipment leasing provider for airport operations and ground service equipment (GSE) at 15 airports across Western Europe – on its sale to CVC DIF – a global mid-market Infrastructure equity fund manager⁸. Simultaneously with this transaction, CVC DIF acquired two GSE providers, HiSERV and CTC Moyson, headquartered in Germany and Brussels respectively. These acquisitions aimed to create a leader in European aviation GSE leasing and support further expansion as the GSE market evolves rapidly.

Global Aerospace & Defense M&A deal volumes: 2019 – 2025 YTD



Pitchbook: Deal Date: From: 01 Jan 2019; Deal Option: Search on a full transaction; Deal Status: Completed; Announced/In Progress; Deal Types: All Buy-out Types; M&A/Control Transactions; Public Investments > IPO; Industries: Business Products and Services (B2B) > Commercial Products > Aerospace and Defense. Please note that others may differ in how to categorize the subsectors we reviewed, how to define those categories, and the methodologies that we employed to analyze them; accordingly, our findings are not dispositive, and others may arrive at different results. The cited data has not been reviewed by PitchBook analysts and may be inconsistent with PitchBook methodology.

A focus on defense

A notable shift in investor sentiment and appetite

The notable shift in government policy due to the ongoing geopolitical turmoil and increased pressure on European NATO countries to spend 5% of GDP on defense⁹ has been a big topic of conversation amongst private equity and broader private capital.

This has resulted in European defense valuations increasing by 87%¹⁰ YTD as investors seek to capitalize on continued demand for short-term requirements related to the war in Ukraine and a longer-term rearmament cycle both of which have driven order books to record levels.¹¹ Additionally, the US has recently committed to increase defense spending by 13.4%¹² to align with the global threat environment.

Despite this, there is still a notable disparity between US and European defense valuations with the former trading at 17x¹³ versus the latter at 22x¹⁴.

As government policies change, so too are perspectives on defense investment as financial investors seek to gain exposure to a growing market and strategics look to rebalance their geographic exposure. This has manifested itself in a number of ways, including:

- An increase in funds being raised with a primary focus on investing in assets with direct exposure to European defense and dual-use technology
- A realignment of investment strategies in existing funds not restricted by LP agreements to increase focus on defense
- Increased appetite to deploy in Europe from US strategics who are seeking to rebalance their geographic exposure

An evolving group of investors and strategies

Despite the increased appetite we are seeing from private capital, there is still a preference to invest in assets that are more 'defensive' in nature, with growing interest from investors in dual use technologies as a way to increase exposure in a controlled way. Some recent notable examples of these evolving strategies include Porsche SE's intention to team up with

family offices on defense sector investment¹⁵, and Blue Five Capital's launch of a European defense focused fund¹⁶.

US strategics are also active, considering opportunities to gain exposure in the European market in light of the expected growth in spending. In the short- to mid-term we believe there are continued opportunities for less-restricted US investors to capitalize on UK and European Defense assets.

This growing interest does raise questions about the balance between European sovereign capabilities and the influence of US investors. We are interested in seeing how this trend develops between US and European investors, and whether we will see partnerships like the Anduril and Rheinmetall joint venture¹⁷ become more commonplace.

Rearmament driving short-term demand and shaping long-term need

As European defense becomes more attractive to new and existing investors, we anticipate an acceleration in sector consolidation in the UK and European markets in order to meet the required output from a rearmament perspective and higher levels of future spending discussed. This trend is already being realized with 108 transactions announced in the defense sector globally this year, nearly half of which involved private equity¹⁸.

However, the current environment has several implications for M&A processes in the sector, due to:

- All-time high valuations of European defense primes¹⁹ impacting seller value expectations
- The sustainability of current levels of profitability increasing complexity for buyers when seeking to value privately-owned assets, albeit there is an increasing acceptance that current levels of demand are sustainable; and
- The increased focus from European NATO members on maintaining and enhancing sovereign capabilities

Our global Aerospace, Defense and Government Services team has recent, relevant experience of navigating these challenges having advised Sun European Partners on the sale of Wescom Signal & Rescue (Wescom) to Albion River in July 2025²⁰. Wescom is a global leader in the manufacturing and

distribution of highly engineered pyrotechnic products for the marine and defense industries, serving customers in over 123 countries. Wescom benefited from an increase in orders due to the Ukraine conflict but we were able to help articulate that this is a long-term trend due to increased spending by European countries on defense and training due to the palpable increased perception of threat rather than a short-term spike.

In addition to this, in October 2024, we advised Parcom on its investment in Robin Radar²¹ – a global leader in radar systems that detect and classify drones and birds, serving the defense, security, and aviation sectors. Robin Radar's rapid expansion in the past few years led to a review of strategic options, including the entry of a new cornerstone investor to support the next phase of growth. Through its partnership with Parcom, Robin Radar Systems will have capability to expand in key markets, invest in

the development of new radar solutions, and boost its North American presence to seize new opportunities and better serve international customers.

Several areas of interest have emerged in the defense sector in response to macroeconomic policy changes. We have so far witnessed active interest in companies that are able to solve the short-term rearmament need, primarily focused on ammunition and air defense systems (both radars and missiles) – seen recently with Saab²² seeking out acquisitions and joint ventures. We have also observed interest in products that have a dual use for both defense and broader Industrial applications. Additionally, we see larger players interested in accelerating development cycles through strategic acquisitions of assets with desirable technology.

What's next for the market?

Commercial aerospace

We believe the outlook is positive for commercial aerospace M&A with record OEM order books, strong passenger demand and an easing of supply chain issues creating a conducive environment for strategics and investors alike to consolidate the market.

Defense

Government defense spending commitments in both the US and Europe²³ have driven a shift in investor sentiment towards the defense sector. The market is benefiting from strong tailwinds as it seeks to address both short-term demand and long-term rearmament needs. As a result, we anticipate an uptick in M&A activity in the sector as sellers seek to capitalize on strong performance and buyers look to gain exposure to the fast-growing defense budgets.

DC Advisory has the global team and sector expertise to advise both sellers and investors across Aerospace & Defense. **Get in touch with the team to discuss >**

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Latest transactions

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on its majority investment from



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