

Monthly Market Update: Aerospace & Defense

Market Recap

Mesirow A&D Equity Composite ¹	-1.23%	NASDAQ Composite ⁴	-3.38%
S&P 500 ²	-0.87%	S&P A&D ⁵	3.55%
Nasdaq US Benchmark Airlines Index ³	2.14%	S&P 500 Passenger Airlines Index ⁶	2.06%

Strategic M&A, Surging Defense Demand and Policy Shifts Reshape Sector Outlook

The US aerospace and defense sector gained momentum in February, fueled by strategic M&A, increased federal funding and rising global demand. The joint US-Israeli military campaign involving Iran reshaped the strategic landscape, boosting defense equities and accelerating procurement expectations.

Notable Transactions

- Donaldson Company, Inc. (NYSE: DCI) agreed to acquire Facet Filtration from Filtration Group for \$820M, representing 7.59x LTM revenue and 20.0x LTM EBITDA. The deal expands Donaldson's aerospace and defense footprint with mission-critical jet fuel filtration capabilities and a high-margin, recurring revenue base, marking the largest acquisition in company history.
- Tenax Aerospace Acquisition, LLC announced a \$301M reverse merger with Air Industries Group (NYSEAM: AIRI), forming a scaled platform with projected 2026 revenue of \$210M+ and EBITDA of \$75M+.

Key Highlights

- Congress passed the FY2026 Defense Appropriations Act, authorizing \$838.7B in discretionary funding, including \$294.4B for readiness.
- Raytheon (RTX) signed five long-term deals with the Department of War to expand production of Tomahawk, AMRAAM, SM-3 and SM-6 systems.
- US international arms sales hit \$22.5B in January, with major pending deals including \$9B in PAC-3 MSE missiles to Saudi Arabia and \$3.8B in Apache helicopters to Israel.
- The "America First Arms Transfer Strategy" repositions arms exports to bolster domestic manufacturing and supply chain resilience.



M&A Market Recap

TABLE 1: NUMBER OF TRANSACTIONS BY STATUS

	January	February
Announced Mergers/Acquisitions	6	4
Closed/Effective/Expired	28	22
Total Number of Transactions	34	26

TABLE 2: M&A STATS

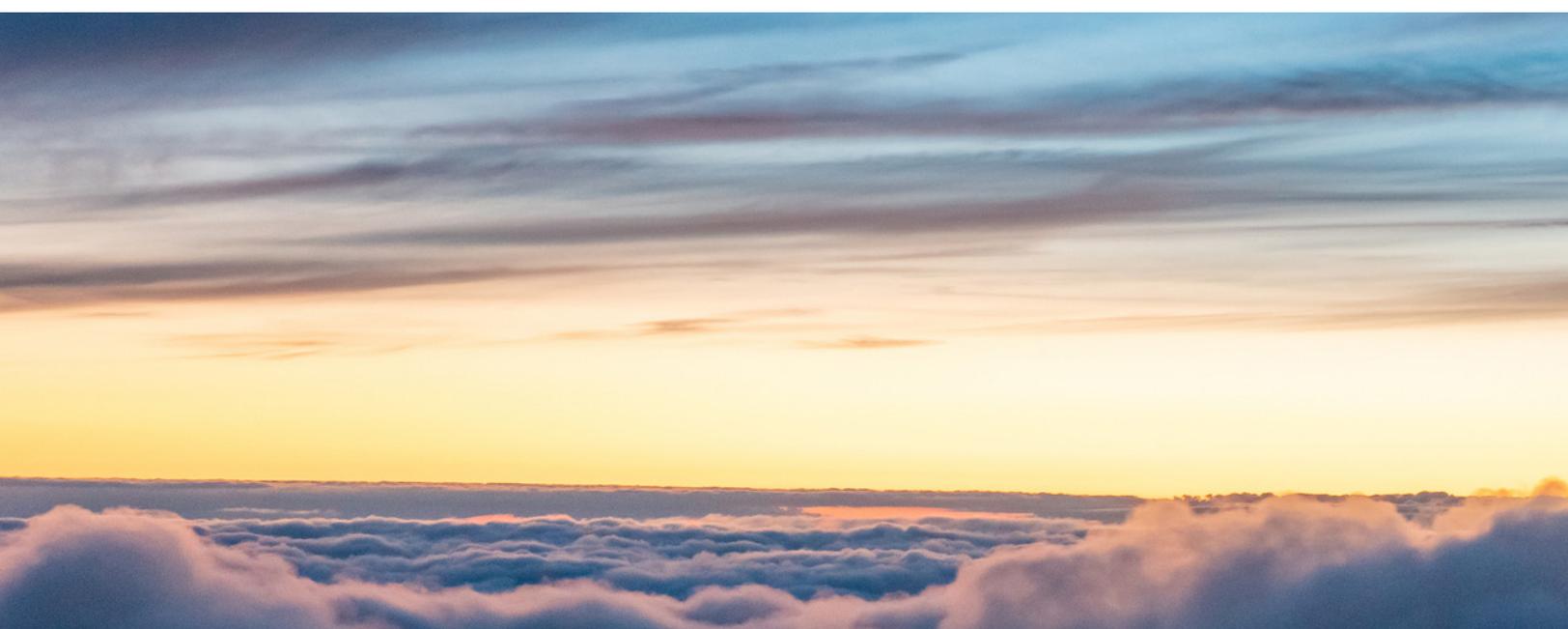
Valuation Summary	January	February
Total Deal Value (\$mm)	\$6,598	\$1,144
Average Deal Value (\$mm)	\$942	\$286
Average EV/Revenue	4.56 x	7.59x
Average TEV/EBITDA:	4.4 x	20.0x

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

Valuation Summary	January	February
Greater than \$1 billion	3	-
\$500 - \$999.9mm	-	1
\$100 - \$499.9mm	3	1
Less than \$100mm	1	2
Undisclosed	27	22

TABLE 4: ACTIVE BUYERS/INVESTORS BY TOTAL TRANSACTION SIZE (FOR MONTH ENDED 2.28.2026)

Company name	Total transaction size (\$mm)
Donaldson Company, Inc. (NYSE: DCI)	\$820
Tenax Aerospace Acquisition, LLC	\$301
Space Exploration Technologies Corp.	\$15
Pro-Dex, Inc. (NasdaqCM:PDEX)	\$8



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	80.1%	1.12x	1.11x	10.7x	10.1x	20.2%	9.9%	2.9%	2.5x
Aircraft OEMs	88.5%	2.42x	2.25x	17.9x	13.9x	19.1%	12.2%	4.1%	2.0x
Aviation Supply Chain	96.3%	4.53x	4.78x	24.4x	19.5x	31.1%	18.8%	9.8%	2.1x
Multi-Platform	97.6%	3.11x	2.96x	20.0x	18.6x	19.9%	15.1%	5.5%	2.0x
Defense technology	85.7%	5.53x	5.30x	20.4x	18.0x	28.2%	13.5%	5.6%	1.7x
Diversified IT	67.3%	1.54x	1.47x	8.7x	7.3x	30.7%	18.0%	5.6%	1.2x
MRO	94.5%	2.05x	1.95x	16.7x	13.4x	19.3%	12.3%	14.3%	2.7x
3rd Quartile	97.2%	5.06x	4.76x	23.84x	20.95x	34.5%	20.2%	12.0%	2.7x
Median	89.9%	2.54x	2.40x	17.34x	14.71x	26.6%	14.6%	6.0%	2.1x
1st Quartile	77.4%	1.63x	1.57x	13.15x	11.13x	19.0%	11.1%	4.6%	1.3x

Source: S&P Capital IQ as of February 28, 2026. Median stats from each index.

Market Performance

CHART 1: S&P 500 PERFORMANCE (LTM)



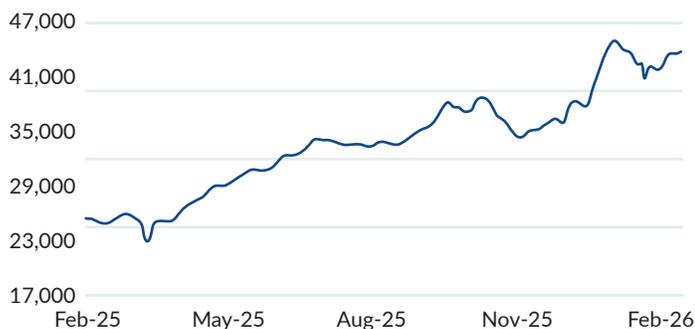
Source: S&P Capital IQ as of February 28, 2026. Past performance is not indicative of future results.

CHART 2: NASDAQ (LTM)



Source: S&P Capital IQ as of February 28, 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 February 28, 2026. Past performance is not indicative of future results.

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



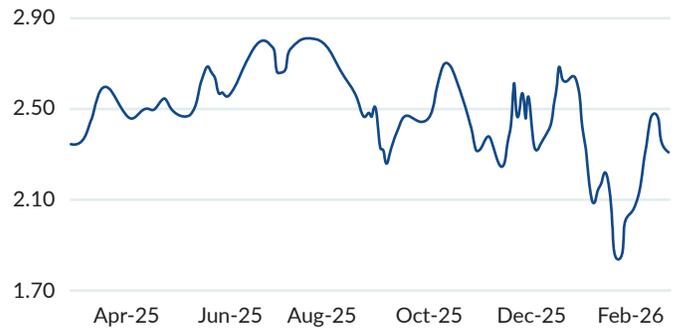
Source: Bureau of Transportation Statistics as of February 28, 2026. Past performance is not indicative of future results.

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



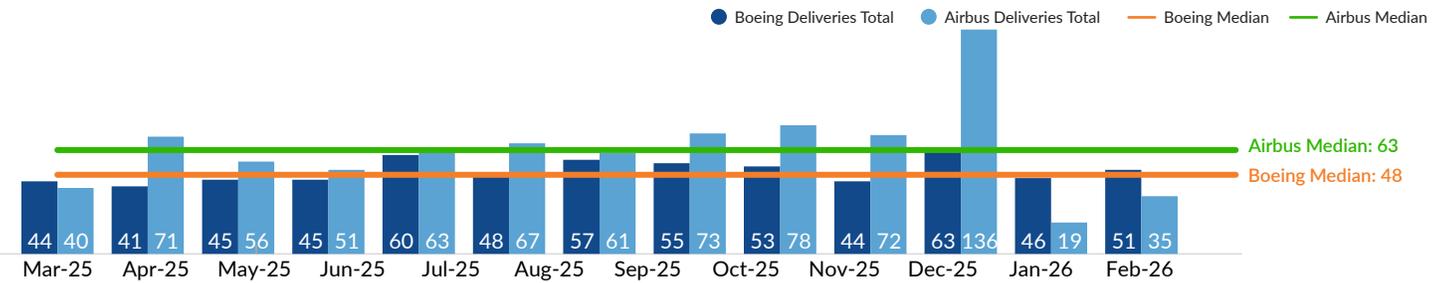
Source: Bureau of Transportation Statistics as of February 28, 2026. Past performance is not indicative of future results.

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



Source: Transportation Security Administration as of February 28, 2026. Past performance is not indicative of future results.

CHART 7: BOEING AND AIRBUS DELIVERIES (LTM)



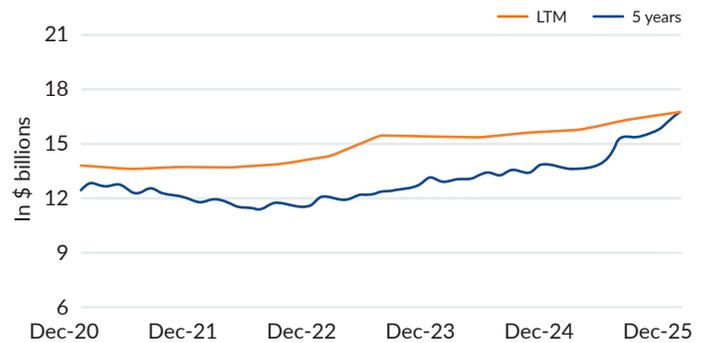
Source: Boeing and Airbus reporting as of February 28, 2026. Past performance is not indicative of future results.

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

Rosen Aviation

Sector: Electrical Systems & Sensors

Client / Target company: Rosen Aviation

Buyer / Investor: Mid-Continent Controls, a wholly-owned subsidiary of HEICO Corporation

Headquartered in Eugene, Oregon, Rosen Aviation is a leading designer and manufacturer of advanced cabin electronics and in-flight entertainment (“IFE”) systems for the business and VIP aviation markets. With nearly 40 years of experience, the company specializes in custom display solutions, control devices and integrated technologies purpose-designed to enhance the passenger experience. Rosen Aviation enjoys a unique pedigree in the business and VIP aviation markets through its widely recognized, innovative product lines that are installed as standard equipment on a significant base of both current production and legacy aircraft.

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Recent Aerospace & Defense Transactions

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HAS SOLD

East Hartford Operations

to



SELL-SIDE ADVISOR



Applied Avionics

HAS BEEN ACQUIRED BY



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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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