

Monthly Market Update: Aerospace & Defense

Market Recap

Mesirow A&D Equity Composite ¹	11.95%	NASDAQ Composite ⁴	0.95%
S&P 500 ²	1.37%	S&P A&D ⁵	13.34%
Nasdaq US Benchmark Airlines Index ³	-2.84%	S&P 500 Passenger Airlines Index ⁶	-2.10%

A New Era for Aerospace & Defense

January closed with strong momentum in Aerospace & Defense M&A, led by headline transactions and a sizable shift in U.S. defense policy. Strategic buyers and private equity firms continued to pursue high-value assets, while new federal directives introduced both tailwinds and complexity to the sector’s outlook.

TransDigm announced a \$2.2 billion acquisition of Victor Sierra Aviation Holdings LLC and Jet Parts Engineering, LLC from Vance Street Management. The all-cash transaction, valued at 7.86x LTM revenue, adds a portfolio of proprietary PMA and OEM-alternative aftermarket parts serving commercial, regional, and cargo airline customers. The deal follows TransDigm’s \$960 million acquisition of Stellant Systems in December 2025, a supplier of high-power RF and microwave components for defense and space applications. Together, the two transactions underscore TransDigm’s continued focus on acquiring niche, high-margin aerospace and defense assets with strong aftermarket exposure.

In the defense space, AE Industrial Partners acquired a 60% stake in L3Harris’ Space Propulsion and Power Systems business for \$845 million, with L3Harris retaining a 40% interest. The carve-out allows L3Harris to refocus on core defense priorities, while AE Industrial deepens its space portfolio. Meanwhile, the President proposed a record \$1.5 trillion defense budget for FY2027, a 50% increase, alongside new restrictions on contractor stock buybacks and executive compensation. The combination of massive funding growth and heightened oversight may accelerate M&A as companies reposition to meet evolving government expectations.



All data as of 1.31.2026. | 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.

M&A Market Recap

TABLE 1: NUMBER OF TRANSACTIONS BY STATUS

	December	January
Announced Mergers/Acquisitions	7	6
Closed/Effective/Expired	21	28
Total Number of Transactions	28	34

TABLE 2: M&A STATS

Valuation Summary	December	January
Total Deal Value (\$mm)	\$4,759	\$6,598
Average Deal Value (\$mm)	\$951	\$942
Average EV/Revenue	1.50x	4.56 x
Average TEV/EBITDA:	10.2x	4.4 x

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

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

TABLE 4: ACTIVE BUYERS/INVESTORS BY TOTAL TRANSACTION SIZE (FOR MONTH ENDED 1.31.2026)

Company name	Total transaction size (\$mm)
TransDigm Group Incorporated (NYSE:TDG)	\$2,200
VSE Corporation (NasdaqGS:VSEC)	\$2,150
Allegiant Travel Company (NasdaqGS:ALGT)	\$1,395
Parsons Corporation (NYSE:PSN)	\$375
Loar Holdings Inc. (NYSE:LOAR)	\$250
Karman Holdings Inc. (NYSE:KRMN)	\$220



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	86.4%	1.22x	1.23x	11.6x	11.3x	19.8%	10.0%	0.9%	2.5x
Aircraft OEMs	91.2%	2.42x	2.21x	18.9x	13.9x	19.0%	11.9%	7.2%	1.2x
Aviation Supply Chain	93.7%	4.22x	4.28x	23.8x	19.8x	29.4%	18.5%	11.0%	1.7x
Multi-Platform	94.5%	3.01x	2.84x	19.8x	17.3x	19.9%	15.2%	5.5%	2.1x
Defense technology	90.4%	5.11x	4.89x	19.5x	17.4x	28.5%	8.5%	8.1%	1.6x
Diversified IT	70.5%	1.84x	1.76x	10.2x	9.5x	30.7%	17.9%	5.3%	1.2x
MRO	89.6%	2.17x	2.03x	18.3x	13.8x	19.3%	11.7%	11.5%	3.1x
3rd Quartile	94.3%	4.91x	4.79x	21.15x	20.43x	34.8%	19.9%	11.7%	3.1x
Median	91.5%	2.60x	2.46x	18.79x	15.14x	26.0%	13.2%	7.2%	2.1x
1st Quartile	86.9%	1.73x	1.65x	15.42x	12.34x	19.1%	11.0%	4.6%	1.2x

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

Market Performance

CHART 1: S&P 500 PERFORMANCE (LTM)



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

CHART 2: NASDAQ (LTM)



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

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



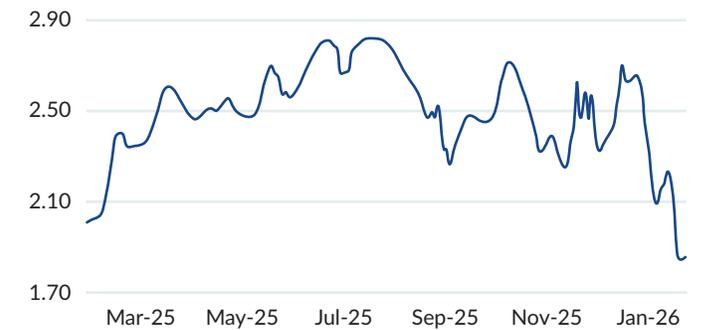
Source: Bureau of Transportation Statistics as of January 31, 2026. Past performance is not indicative of future results.

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



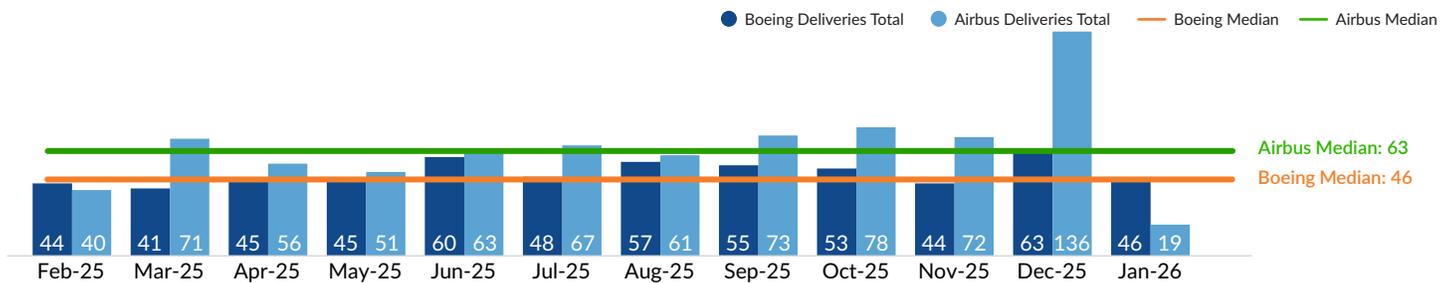
Source: Bureau of Transportation Statistics as of January 31, 2026. Past performance is not indicative of future results.

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



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

CHART 7: BOEING AND AIRBUS DELIVERIES (LTM)



Source: Boeing and Airbus reporting as of January 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 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

ATI (ATI's East Hartford Operations)

Sector: Engineered Systems & Components

Client / Target company: ATI (ATI's East Hartford Operations)

Buyer / Investor: Barnes Aerospace

ATI is a global producer of high performance materials and solutions for the aerospace and defense markets, and critical applications in electronics, medical and specialty energy. Located in East Hartford, CT, EHO specializes in the machining of flight-safety critical rotating hardware, including rotor hubs, rotorcraft components, and jet engine discs, serving both the commercial and defense aerospace sectors.

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HAS SOLD

East Hartford Operations

to



Recent Aerospace & Defense Transactions

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SELL-SIDE ADVISOR



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SELL-SIDE ADVISOR



Applied Avionics

HAS BEEN ACQUIRED BY



SELL-SIDE ADVISOR



a portfolio company of



HAS BEEN ACQUIRED BY



SELL-SIDE ADVISOR



HAS BEEN ACQUIRED BY



a portfolio company of



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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