



INDUSTRY RESEARCH

Aerospace & Defense Report

PE trends and investment strategies

Q4
2024





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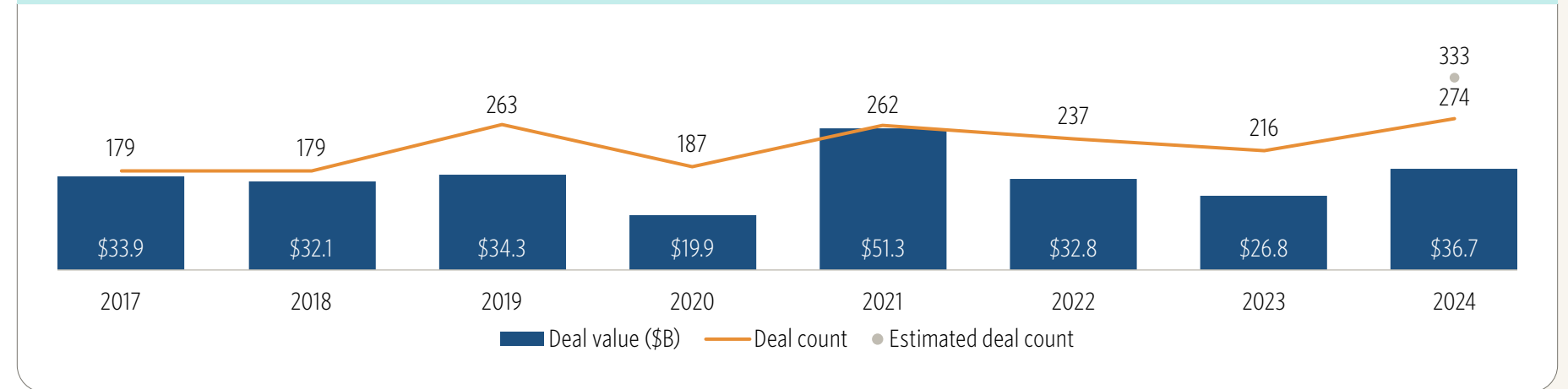


PE activity

PE activity in aerospace & defense (A&D) remained robust in Q4, and the year ended up at a high in terms of both deal count and deal value—even topping 2021, a year in which the entire PE asset class set records. For the year, A&D saw an estimated 333 deals, up 54.4% over 2023’s 216 deals and 27.3% above 2021’s 262. It is notable that 2024 surpassed 2021, a year in which most of the PE universe saw record deal counts. In terms of deal value, 2024’s \$36.7 billion was an increase of 37% over 2023, though 2024’s total deal value did lag 2021 by 28%, when deal value totaled \$51 billion.

Q4 was the strongest quarter in 2024, with an estimated 109 deals, up 8% from 101 in Q3 and an increase of 56% versus the fourth quarter of 2023, which saw 70 deals. The second half of 2024 was much stronger than the first, and we expect momentum to carry over into 2025, as we see strong fundamentals in the space combining with the need among buyers to deploy cash and the need among sellers to exit aging investments and return cash to LPs. We think valuations are likely to continue to rise as the aforementioned factors keep buyers and sellers willing to work together to close deals.

Aerospace & defense PE deal activity



Source: PitchBook • Geography: Global • As of December 31, 2024

Aerospace & defense PE deal count by quarter



Source: PitchBook • Geography: Global • As of December 31, 2024



PE ACTIVITY

Add-ons were the most common type of deal in 2024, with an estimated 127, up 15% from 110 in 2023 and up 6% from 120 in 2021. Platform deals saw 92 transactions in 2024, up 44% from 64 in 2023 and up 15% from 2021's 80. There were 55 minority-stake deals in 2024, up 31% from 42 in 2023 and down 11% from 2021's 62.

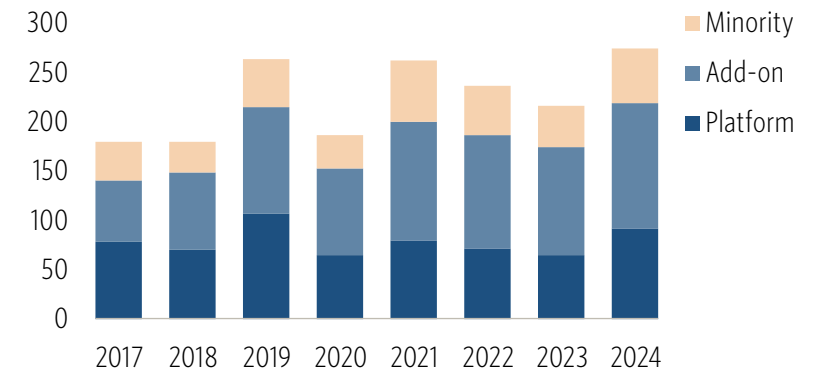
Later in the report, we highlight several big LBOs and exits that took place in Q4. We think robust bid activity is likely to continue in 2025. A&D remains a space where buyers and sellers have been able to reach consensus, as strong cash flows and a positive operating environment have supported valuations and have allowed negotiations to reach fruition, in contrast with many other parts of PE that have seen stagnation amid high multiples.

A&D has emerged as a space sought after by PE firms due to a combination of strong fundamentals, highly visible cash flows, and opportunities to land and expand, creating potential for scale and operational improvements. Bipartisan support for a strong US military augurs long-term defense spending growth, while at the same time NATO remains under pressure to step

up its own spending for a variety of reasons. Amid uncertainty in much of the economy over potential tariffs—the impact of changing rules and regulations from a new US administration—the defense sector is less likely to be impacted by such changes (though we discuss the impact of the US decreasing its aid to Ukraine below). While tariffs would undoubtedly impact the supply chain, the relative inelasticity of demand in both commercial aerospace and commercial defense means that cost increases could more easily be passed on to end users, unlike in many other industries.

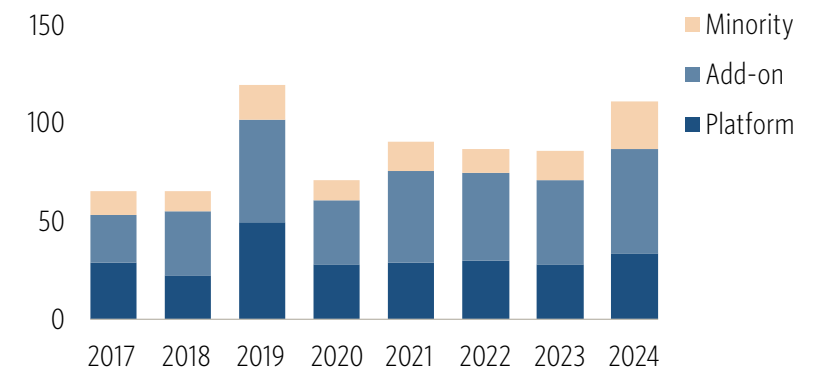
Among the three categories in A&D (commercial aerospace, defense, and airlines), the commercial aerospace category saw the most deal activity in 2024, with 110 deals, up 29% from 85 in 2023 and 22% higher than the 90 deals that took place in 2021. Airlines saw 95 deals, up 28% from 74 the prior year and an increase of 13% over 2021's 84. Defense saw 69 deals, up 11% from 62 the year before but down 22% from 88 in 2021. Please note that due to the lagging nature of reporting on PE deals, 2024 numbers in each category are likely to rise as Q4 deals are announced and finalized.

Aerospace & defense PE deal count by type



Source: PitchBook • Geography: Global • As of December 31, 2024

Commercial aerospace PE deal count by type

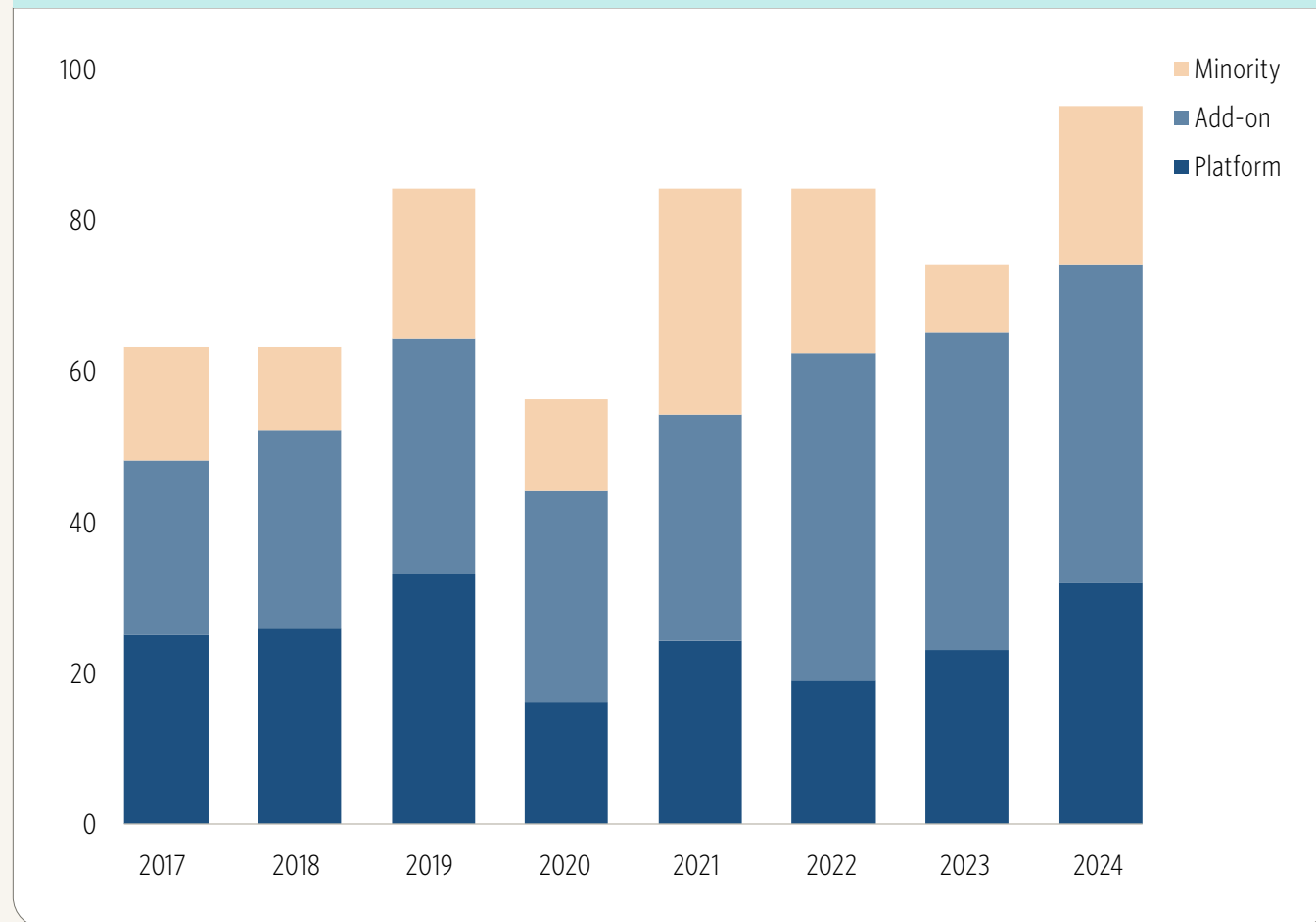


Source: PitchBook • Geography: Global • As of December 31, 2024



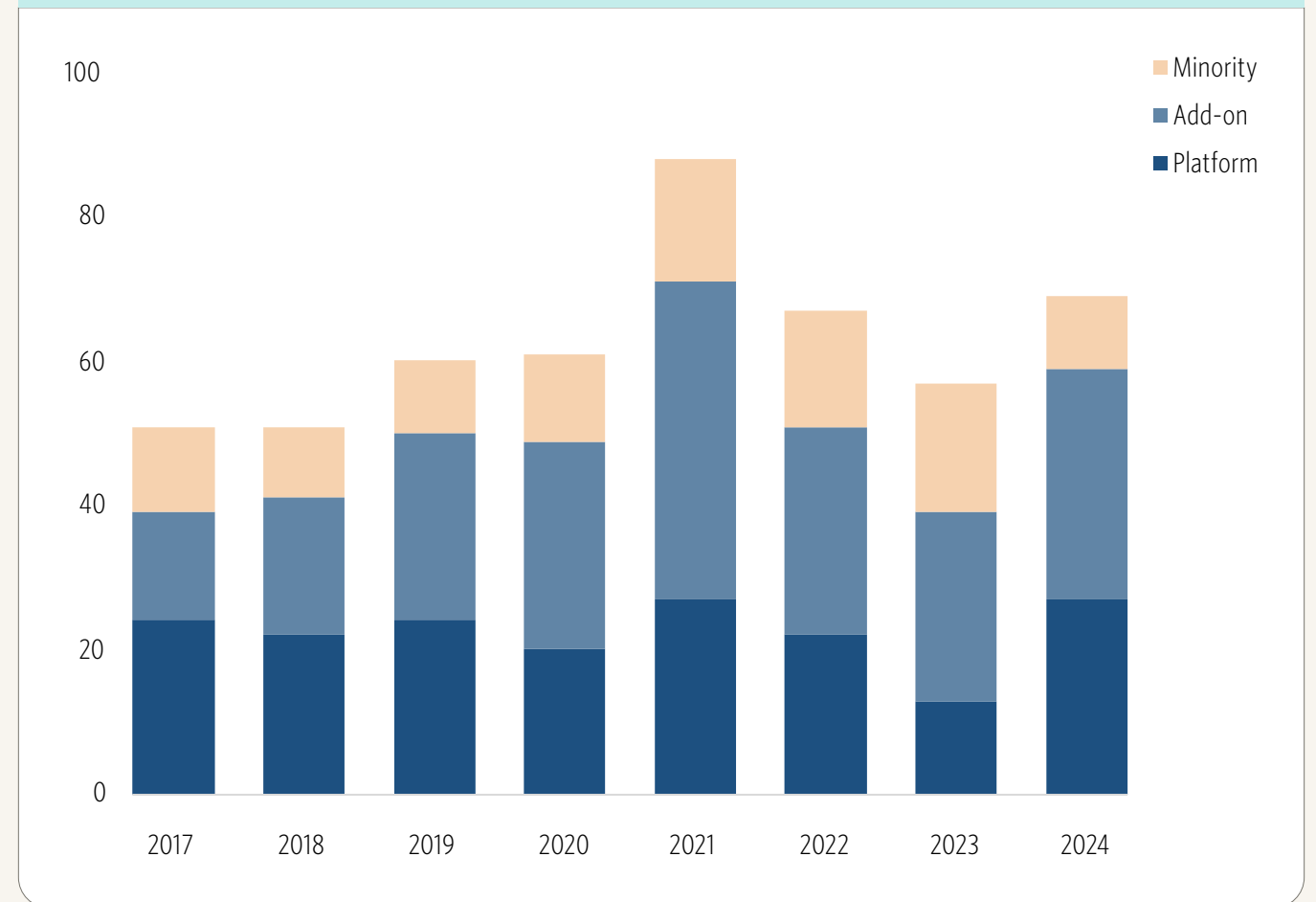
PE ACTIVITY

Airline PE deal count by type



Source: PitchBook • Geography: Global • As of December 31, 2024

Defense PE deal count by type



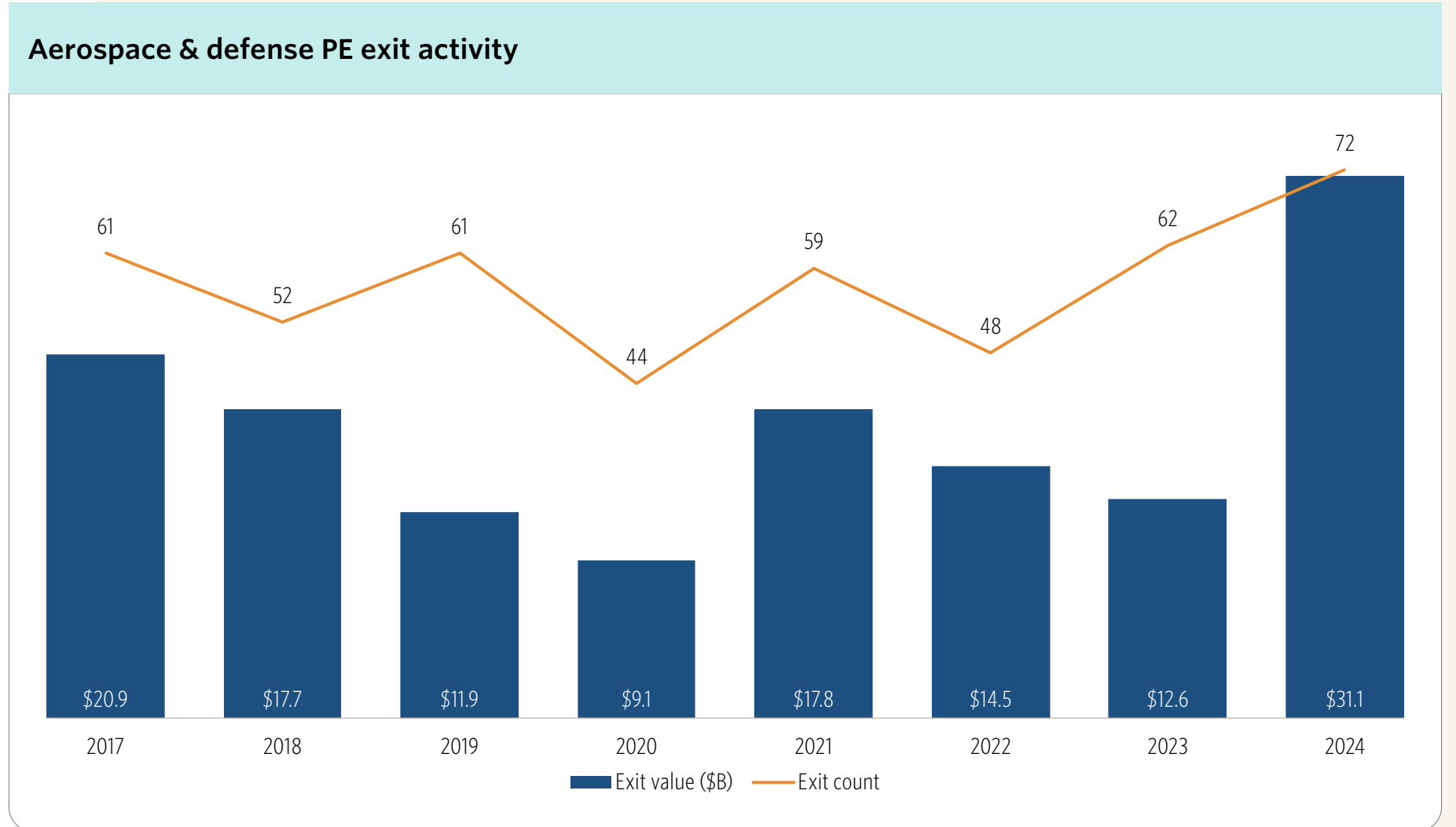
Source: PitchBook • Geography: Global • As of December 31, 2024



PE ACTIVITY

Exit activity

Exit activity in A&D has been robust. In 2024, the vertical saw 72 exits, an increase of 16% compared with 62 exits for all of 2023 and 50% above the 48 exits that took place in 2022. 2024 represented the highest level of exit activity in at least the past seven years, as far back as PitchBook has tracked the A&D vertical. This trend looks much different from most of the rest of PE, which has seen a slowdown in exit activity since 2021 due to difficulty securing financing at the right price as well as mismatches in buyer-seller pricing expectations. In contrast, strong fundamental demand drivers in A&D have given buyers the confidence to pay high multiples even amid broader market dislocation. We expect that continued sponsor-to-sponsor platform trades will fuel activity in A&D in 2025 and that valuations will continue to rise over time.



Source: PitchBook • Geography: Global • As of December 31, 2024



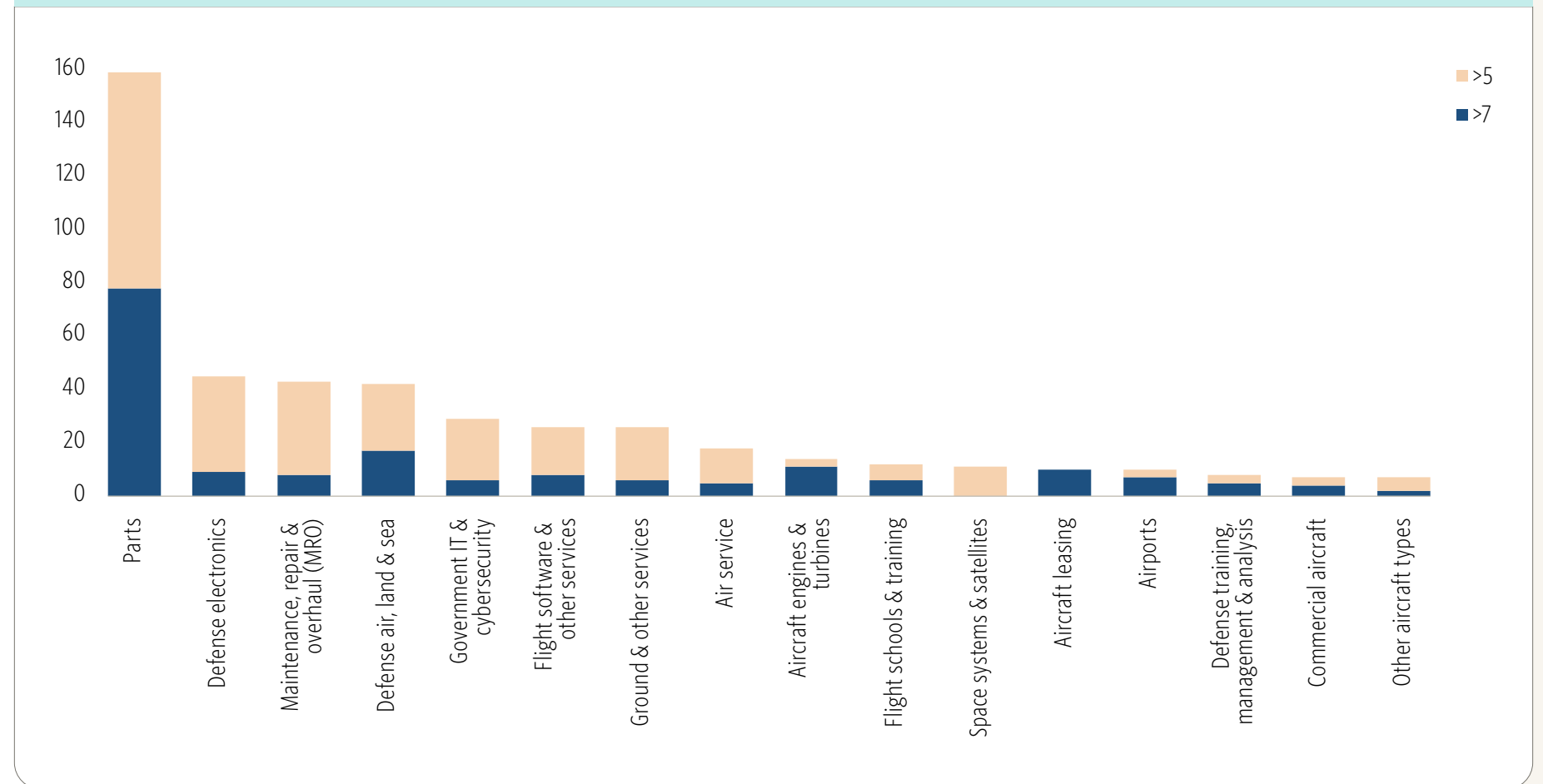
PE ACTIVITY

The state of A&D

Despite the data supporting a view that A&D is a space that has seen better-than-average deal and exit activity, it is a bit surprising that hold times are generally in line with the average across much of the space, as illustrated in the accompanying chart. Among all subcategories across A&D, only aircraft parts & components, air defense, land defense, and sea defense have a significant number of companies with a hold time over seven years, with much of the space having hold times between five and seven years. The average hold time across PE is currently about six years.

We do see the impetus for exits among those investments between five and seven years for the reasons stated above, namely that the aerospace & defense industry has strong demand drivers, healthy cash flows, good visibility into earnings, and should benefit from improved clarity on the direction of interest rates as we move through 2025. While the Trump administration tariffs add a layer of uncertainty on top of everything, the strong fundamentals and the need to exit investments should continue to fuel deal activity in this industry.

PE-backed aerospace & defense companies by holding time (years)



Source: PitchBook • Geography: Global • As of December 31, 2024



PE ACTIVITY

The impact of cuts to Ukraine funding

In January 2025, subsequent to the new administration taking office, the US government announced a 90-day halt to foreign aid to Ukraine. News reports highlight that Ukraine relies on the US for about 40% of its military needs.¹ While this is potentially dire news for Ukraine, the impact on the overall defense ecosystem is likely to be relatively light. Through January 2025, the US Department of State reports that the total amount of military assistance to Ukraine has been about \$69.2 billion, plus the drawdown of approximately \$27.7 billion in military stockpiles. In addition, Congress has appropriated \$4.7 billion in Foreign Military Financing, and the US Department of Defense has provided \$12.1 billion in security assistance. On top of that, the US has \$595.9 million in active government-to-government sales cases with Ukraine under the Foreign Military Sales (FMS) system. These FMS sales are unlikely to be impacted any halt in aid.²

In total the amount of aid and other non-FMS spending sent to Ukraine totals about \$113 billion. This amounts to less than 13% of spending in the US defense budget, so the impact

throughout the US defense supply chain is likely to be felt, but not in a huge way. We also think that some of the spending the US government may choose to forgo may be picked up by other NATO countries, leaving the overall impact even more muted. Of course, NATO countries will ultimately likely choose their own defense suppliers as the beneficiaries of Ukraine aid, shifting some of the spending to Europe, but there are some munitions and weapon systems that can only be bought from the US, which will likely continue to see investment.

Given our long-held view that US defense budgets will likely continue to rise over time, the likely impact of more US defense spending will mostly offset any cut in direct aid to Ukraine.³

The airline industry sees strong profitability amid high demand

According to the International Air Transport Association (IATA), the global airline industry earned an estimated net profit of \$31.5 billion in 2024, or a 3.3% net profit margin. For 2025, IATA forecasts a \$36.6 billion net profit, or a 3.6% net margin. Returns on invested capital (ROIC) are forecast to be

6.6% in 2024 and 6.8% in 2025. Total industry revenues are expected to top the \$1 trillion mark in 2025 for the first time, an increase of 4.4% from 2024. Passengers are forecast to hit 5.2 billion in 2025, growth of 6.7% over 2024 and the first time passengers have exceeded the 5 billion mark.⁴ These are numbers that indicate a healthy industry, with high demand, good profits, and a return on invested capital in a business that has historically destroyed value with negative ROIC and cumulative net losses.

We expect this aviation outlook, driven by strong fundamentals, will spur PE-related activity in areas of supply, aviation, maintenance, service, and support. It is also likely to help deal activity in airline-related services and maintenance, repair & overhaul (MRO). As there are not that many global airlines, and PE activity among actual major airlines is relatively sparse, we expect PE investors will seek more exposure through investment in MRO, parts, ground services, flight software, and other services and training, all categories ancillary to the aviation sector. PitchBook data supports this view by showing strong deal activity in many of these ancillary airline spaces, illustrated in the charts below.

1: "US Has Not Stopped Military Aid to Ukraine, Zelenskyy Says," [Military.com](#), Samya Kullab, January 25, 2025.

2: "U.S. Security Cooperation With Ukraine," [US Department of State](#), January 20, 2025.

3: Ibid.

4: "Strengthened Profitability Expected in 2025 Even as Supply Chain Issues Persist," [International Air Transport Association](#), December 10, 2024.



PE ACTIVITY

Boeing earnings highlight opportunities and challenges in commercial aerospace

On January 28, Boeing reported Q4 and 2024 results, which were impacted by the International Association of Machinists and Aerospace Workers (IAM) strike and production line slowdowns due to recent safety issues as well as charges related to certain defense programs including the KC-46A refueling tanker.⁵ For the year, the company reported negative free cash flow of \$14.3 billion and a net loss of \$11.9 billion. Deliveries in 2024 totaled 348, down 34% from 2023. In the fourth quarter, Boeing delivered just 57 planes, down 64% from 157 in 2023. The company's backlog remains strong, with 5,500 planes on order with a value of \$435 billion.

Boeing has had a difficult time since the 2018 crashes of two aircraft due to problems with the company's Maneuvering Characteristics Augmentation System. The company has paid out \$2.5 billion in settlements related to the crashes (to both victims and customers), has had its aircraft grounded several times, and has seen its production rate severely curtailed. These problems were exacerbated by the January 2024 blowout of a Boeing 737 door plug on Alaska Airlines Flight 1282. Boeing has replaced its

CEO twice since the crashes and continues to try to get back on track. Boeing aims to get 737 production back up to 38 per month by May 2025, although we expect that target will be difficult to achieve. Even if it does get there, Boeing still lags Airbus, which is producing its A320 aircraft at a rate of 48 per month and delivered 766 commercial aircraft in 2024, versus Boeing's delivery of 348.

However, Boeing's problems present opportunities throughout the commercial aerospace and airline ecosystem. With Boeing unable to meet demand, older aircraft have stayed in service longer than optimal. The current age of the global aircraft fleet was a record 14.8 years old at the end of 2024, up from the 1990 to 2024 average of 13.6 years, according to data from flightglobal.com.⁶ At the same time, load factors at airlines (how full flights are, a measure of total demand) are at or near record highs according to the IATA.⁷

These factors have combined to drive demand for aircraft parts and MRO services. Older planes can be just as safe as new aircraft if properly maintained but need more maintenance checks and part replacements. As a result, we expect MRO shops and commercial aerospace parts to continue to see rising demand in 2025. With highly visible demand, cash flows, and good operating

⁶: "Average Aircraft Age Rises as Airlines Grapple With Supply-Chain Challenges," [FlightGlobal](#), Lewis Harper, December 10, 2024.

⁷: "Global Outlook A World with Lower Oil Prices?" [International Air Transport Association](#), December 2024.

profitability, these sectors should continue to see high PE interest. This is reflected in PitchBook's Q4 and 2024 data as well.

Frank Nash, founder and managing member of ATL Partners, wrote on the state of the airline market:

"The issues airframe and engine original equipment manufacturers are facing in ramping up production rely on strong sector dynamics. The demand from airlines for new aircraft is at an all-time high, as measured by order books, while the suppressed rate of new deliveries is creating elevated demand in the aftermarket for services. The global fleet is much older than normal and older than airlines want, but they have to keep flying this older aircraft, which we think will keep the aftermarket strong for several more years. We are seeing deal activity and valuations reflect these dynamics."⁸

⁸: Frank Nash, founder and managing member of ATL Partners, email interview by Jim Corridore, February 12, 2025.

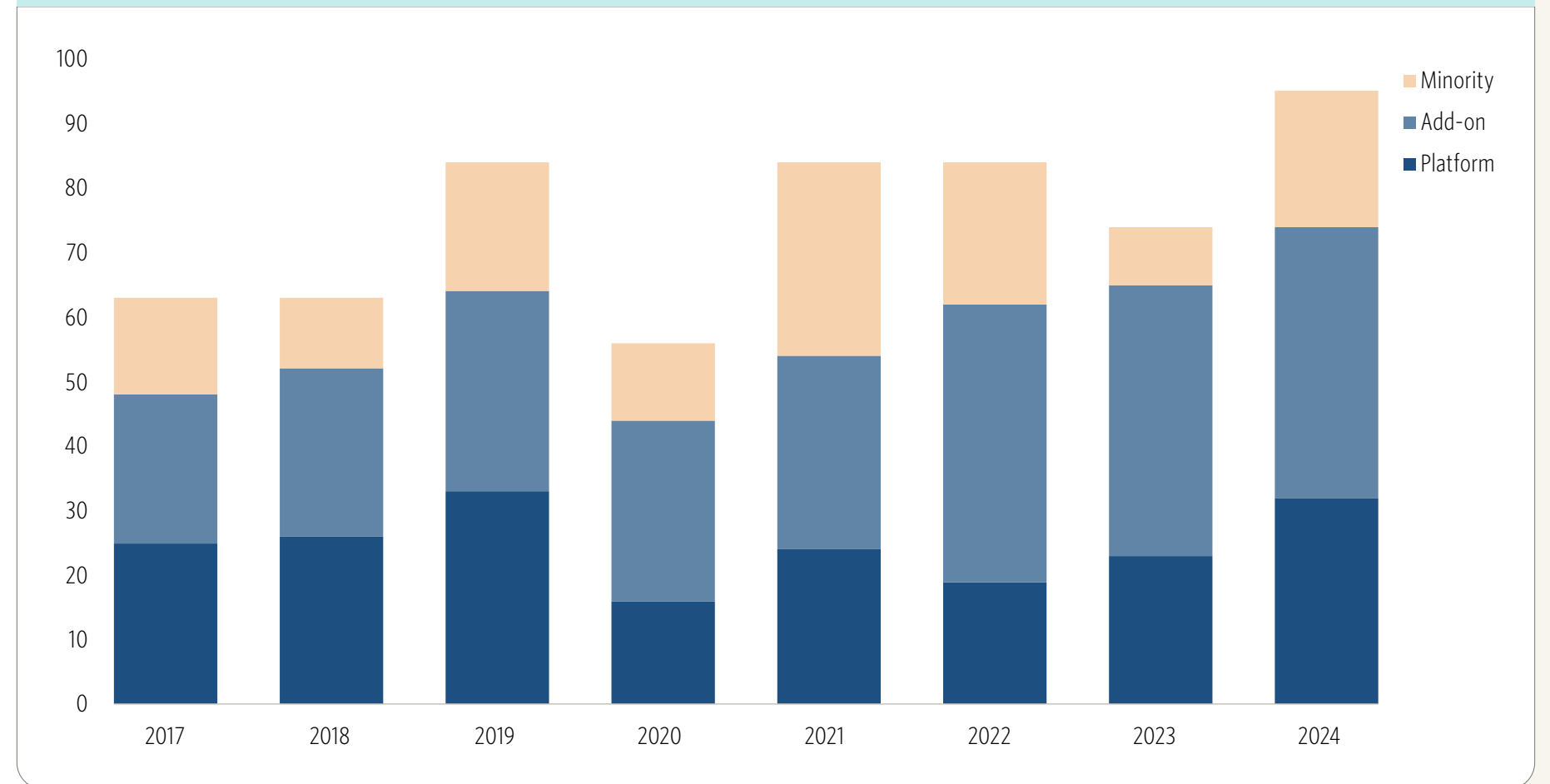


PE ACTIVITY

Commercial aerospace demand continues to have long-term demand drivers that include global fleet modernization, growth in developing markets, and a new generation of travelers that increasingly chooses experiences over products. Both Boeing and Airbus expect strong demand for aircraft over the next 20+ years and have issued strong commercial aerospace demand outlooks. This, coupled with Boeing's inability at present to fully fill that need, has driven demand to the parts of commercial aerospace that focus on older aircraft. This drives the use of more parts and the need for more maintenance. Both commercial aerospace parts and MRO have seen strong PE deal activity.

In the airline space, a post-COVID-19 rebound in air travel demand continued through 2024, fueling the airline service segment, which includes ground services such as catering, baggage handling, refueling, deicing, and other services, while flight software, training, and other airline-related categories are also seeing strong demand. PE activity has followed the demand in these categories as well.

Airline PE deal count by type



Source: PitchBook • Geography: Global • As of December 31, 2024



PE ACTIVITY

Debt activity

PitchBook-LCD data shows that both A&D and industrials loans have remained healthy and supportive of deal activity. The share of LBOs from industrials declined in 2024 to 25% of all LBOs, down from the 13-year average of 29%. With spreads coming down and rates likely to be in a downward trajectory as well, it may soon be significantly less costly to finance deals in industrials and A&D. This could be a good driver for deals and exits as we move through 2025.

Notable deals in Q4

On October 7, 2024, Barnes Group, a maker of industrial and aerospace components with \$1.6 billion in annual revenues, agreed to go private in a \$3.6 billion LBO with the acquirer being Apollo Group Management, supported by advisors Barclays, Jefferies Capital Partners, and Goldman Sachs. The deal valued Barnes at 15.4x EBITDA and 2.2x revenue.

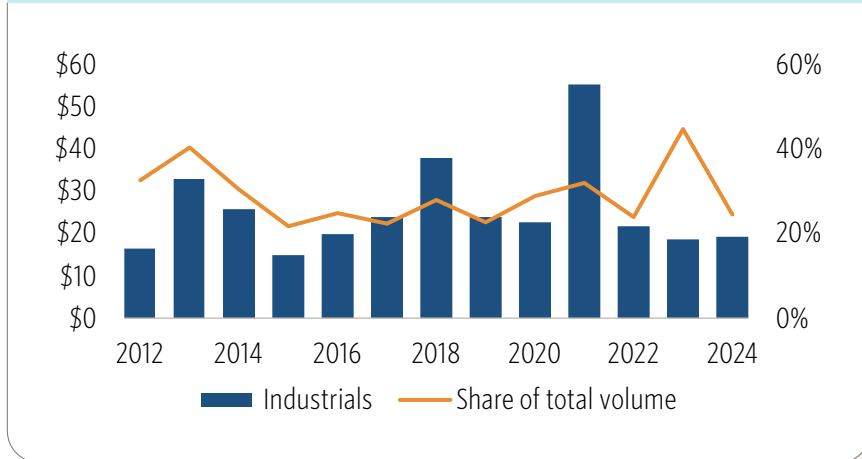
On November 3, 2024, Air Transport Services Group (ATSG), the world's largest lessor of freighter aircraft, agreed to go private in a \$3.1 billion LBO by Stonepeak Partners. This public-to-private deal was supported by \$2.3 billion of debt financing.

Advisors included Goldman Sachs and Evercore Group. The deal valued ATSG at 6.4x EBITDA and 1.6x revenue.

On August 17, 2024, news broke that United Launch Alliance was in talks with Sierra Space, via its financial sponsor Andalusian Private Capital, for a potential \$2.5 billion LBO, a deal that could accelerate the deployment of its crewed spaceflight business. However, this is not the first time United Launch Alliance was in play. Back in March 2023, the company was in talks to be acquired by an undisclosed investor, but the deal was canceled. United Launch Alliance is a 50-50 joint venture between Boeing and Lockheed Martin.

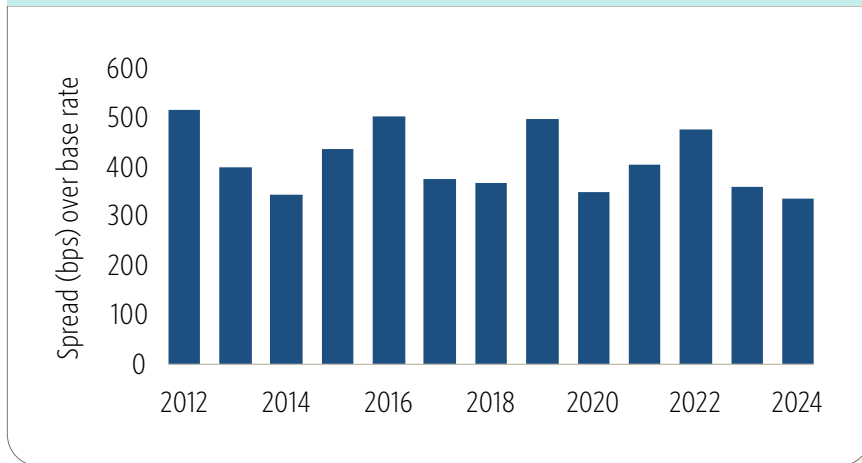
Secureworks, formerly a subsidiary of Dell Technologies, entered into a definitive agreement to be acquired by Sophos via its financial sponsor Thoma Bravo through an \$872 million LBO on October 21, 2024. Dell Technologies exited 100% of its investment in this deal. Advisors included Barclays, Morgan Stanley, Piper Sandler, Wells Fargo, BofA Securities, HSBC Securities, Goldman Sachs, and UBS. The deal's valuation is 2.5x Secureworks' revenue and an implied EV/revenue multiple of 2.4x, as the company is unprofitable. All other multiples are negative, including -27.8x EBITDA and -15x EBIT.

LBO-related industrials loan volume and share



Source: PitchBook | LCD • Geography: Global • As of December 31, 2024

New-issue spread for aerospace & defense loans

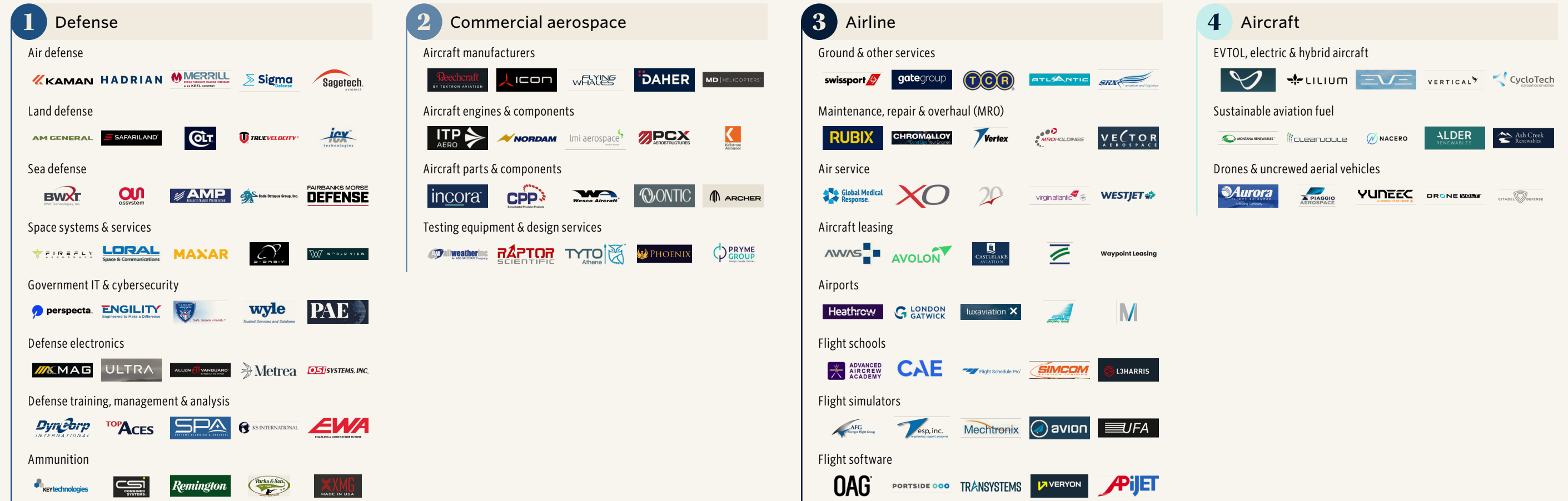


Source: PitchBook • Geography: Global • As of December 31, 2024



Aerospace & defense PE ecosystem market map

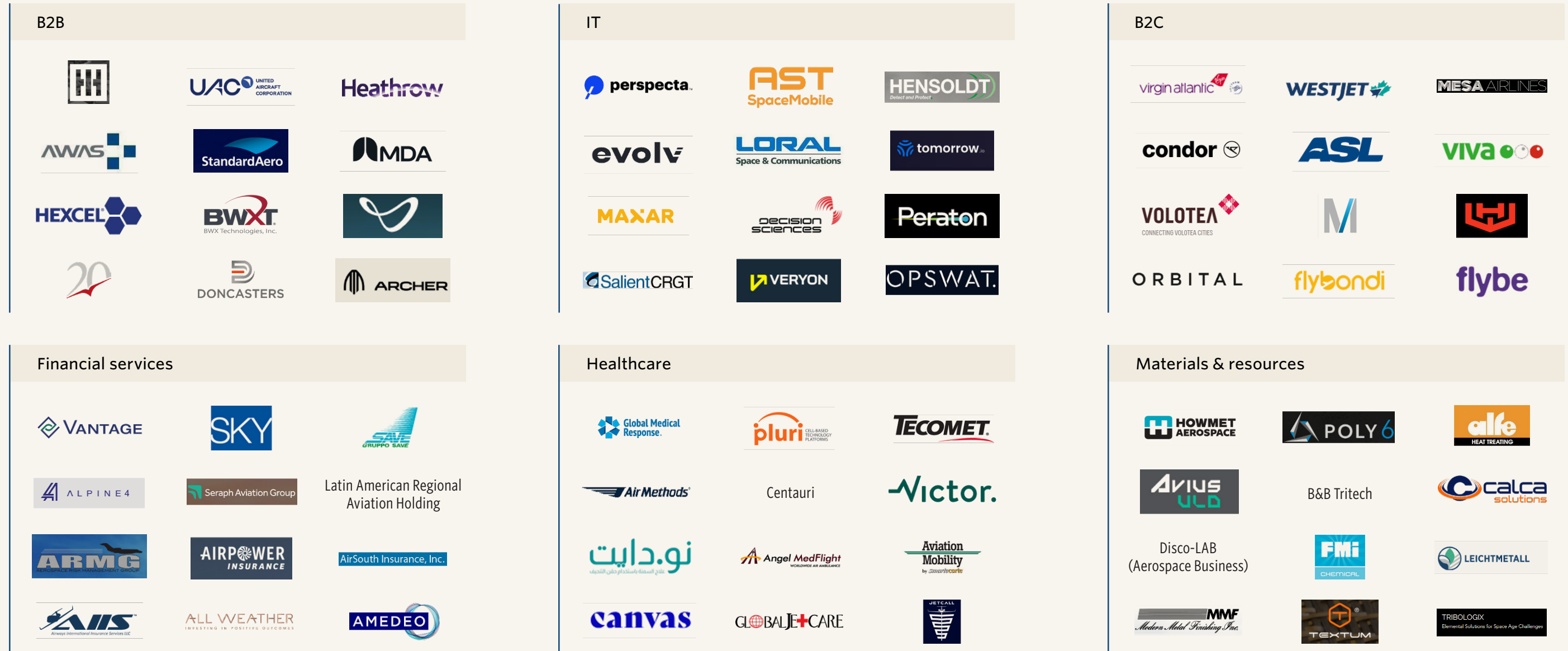
This market map is an overview of PE-backed companies that have received notable private investments. [Click to view the full map on the PitchBook Platform.](#)





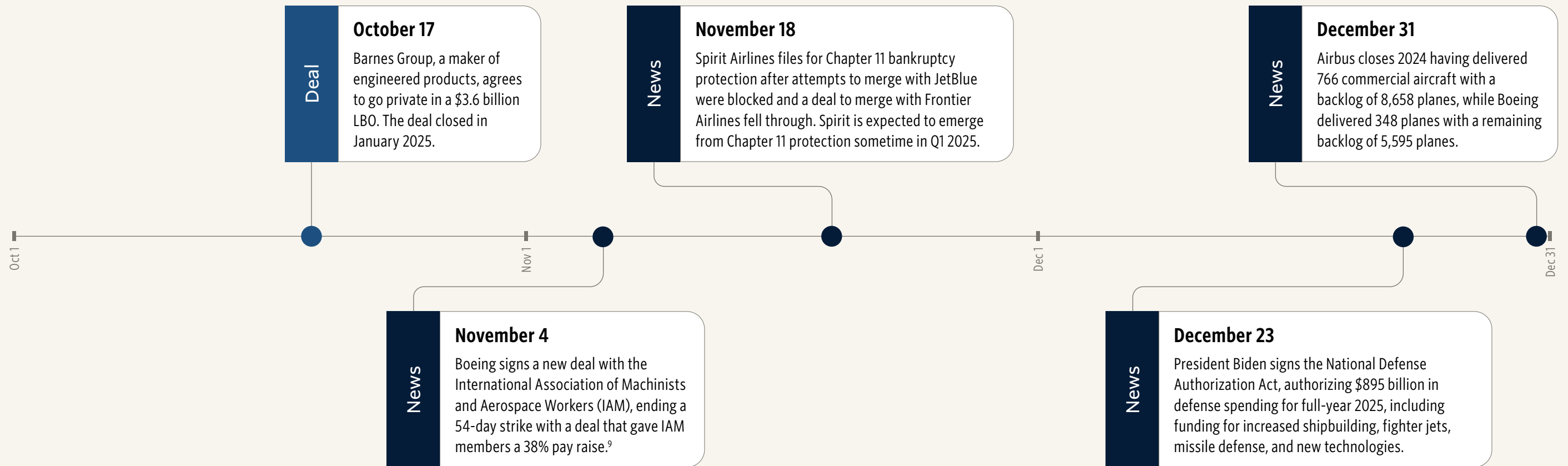
Aerospace & defense PE investor map

Investor map is a representative overview of active investors in North America, Europe, and APAC buyouts and growth equity. Investors are classified by the size of the fund out of which they invest primarily in aerospace & defense. [Click to view the full map on the PitchBook Platform.](#)





Q4 2024 timeline



⁹: ["Boeing Workers End 7-Week Strike on 38% Pay Rise Deal," BBC, João da Silva, November 4, 2024.](#)



Aerospace & defense PE deal summary

	Quarterly activity					Trailing 12-month activity		
	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2023 to Q4 2023	Q1 2024 to Q4 2024	
Deal count	70	60	55	84	75	216	274	
QoQ change	45.8%	-14.3%	-8.3%	52.7%	-10.7%	N/A	26.9%	
Share of total PE	1.5%	1.4%	1.2%	1.9%	1.7%	1.2%	1.5%	
Deal value (\$B)	\$7.9	\$6.4	\$9.3	\$8.4	\$12.7	\$26.8	\$36.8	
QoQ change	14.4%	-19.7%	46.1%	-9.7%	51.4%	N/A	37.0%	
Share of total PE	2.1%	1.7%	2.0%	1.7%	3.0%	1.9%	2.1%	
Exit count	17	20	12	17	23	62	72	
Public listings	1	1	1	0	2	1	4	
Acquisitions	5	7	7	6	8	30	28	
Buyouts	11	12	4	11	13	31	40	

Source: PitchBook • Geography: Global • As of December 31, 2024



Segment data

Defense

With bipartisan support in the US Congress and movement toward increased spending by NATO countries, the defense environment remains one of strong demand and movement toward increased technology.

Airlines

While large airlines are reporting record profits, smaller carriers are struggling, as evidenced by Spirit Airlines' Chapter 11 bankruptcy filing in November 2024.

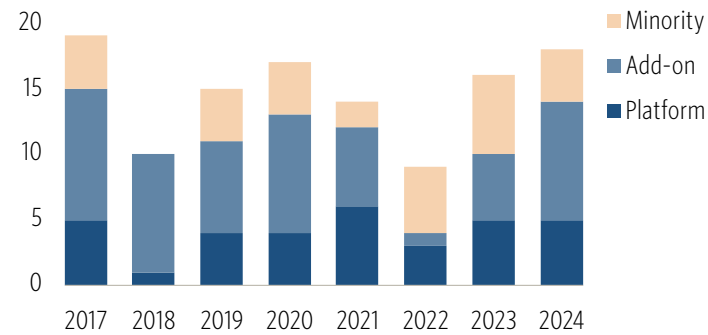
Commercial aerospace

Long-term commercial aerospace demand is bolstered by strong replacement demand and growth in developing nations, while at the same time, Boeing's production issues have created opportunities for parts makers and aerospace maintenance companies.



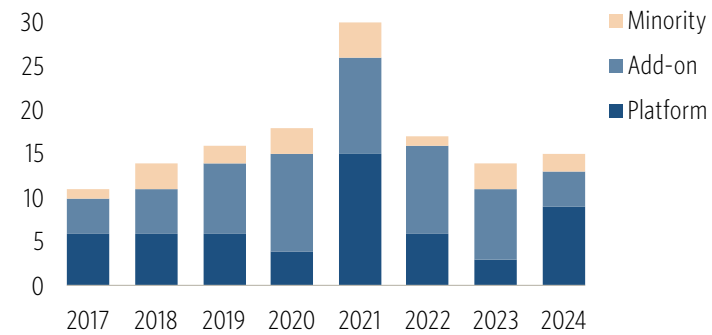
Defense

Air, land & sea defense PE deal count by type



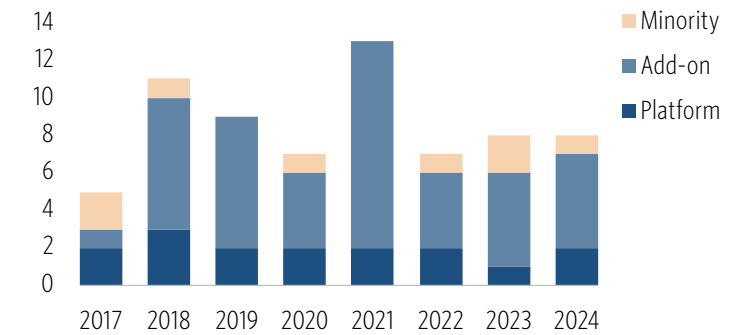
Source: PitchBook • Geography: Global • As of December 31, 2024

Defense electronics PE deal count by type



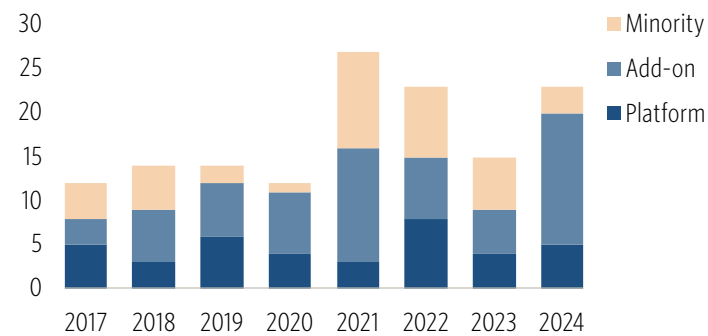
Source: PitchBook • Geography: Global • As of December 31, 2024

Defense training, management & analysis PE deal count by type



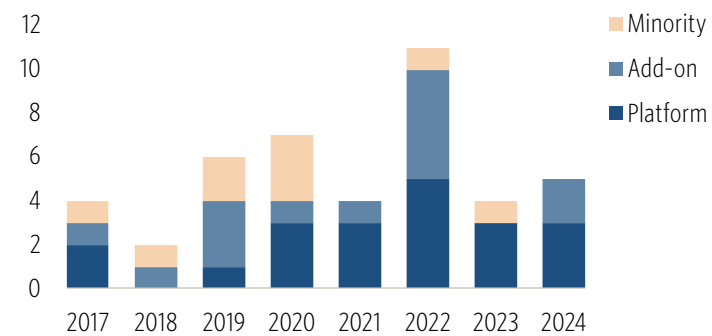
Source: PitchBook • Geography: Global • As of December 31, 2024

Government IT & cybersecurity PE deal count by type



Source: PitchBook • Geography: Global • As of December 31, 2024

Space systems & satellites PE deal count by type

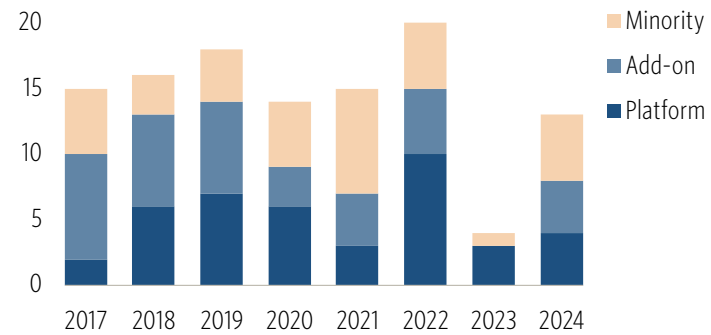


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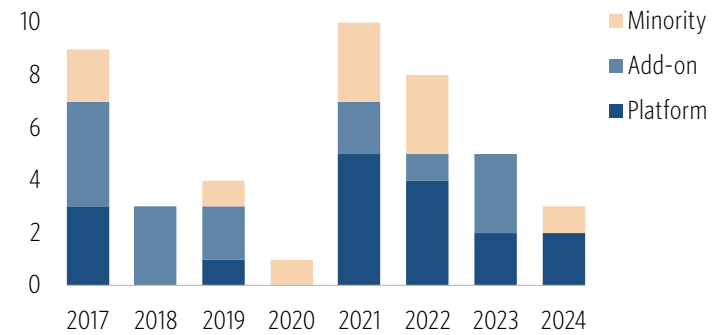
Airlines

Air service PE deal count by type



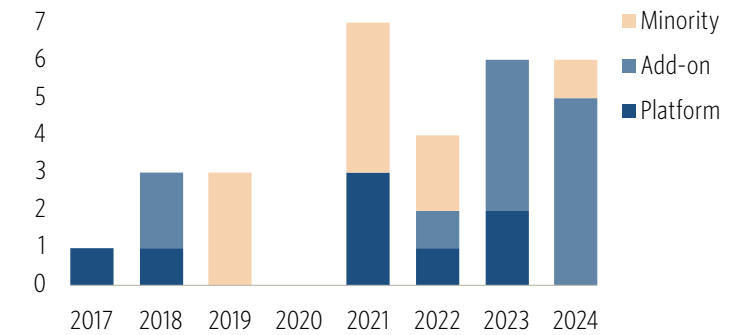
Source: PitchBook • Geography: Global • As of December 31, 2024

Airports PE deal count by type



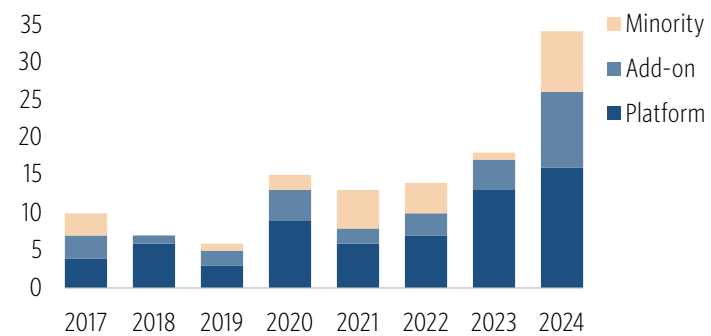
Source: PitchBook • Geography: Global • As of December 31, 2024

Flight schools & training PE deal count by type



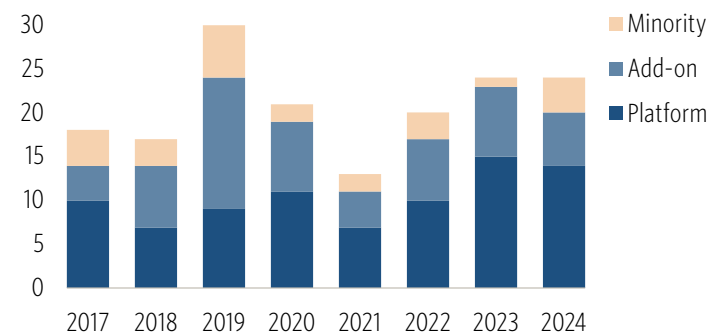
Source: PitchBook • Geography: Global • As of December 31, 2024

Flight software & other services PE deal count by type



Source: PitchBook • Geography: Global • As of December 31, 2024

Maintenance, repair & overhaul PE deal count by type

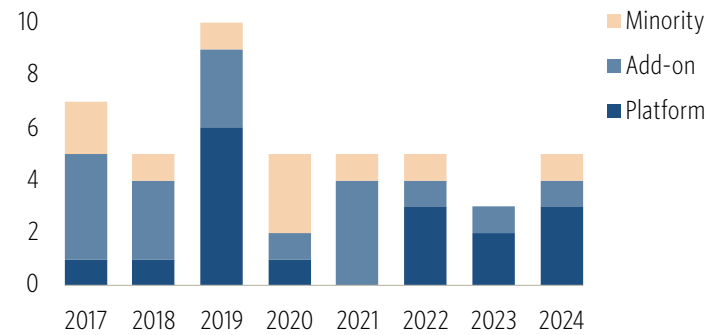


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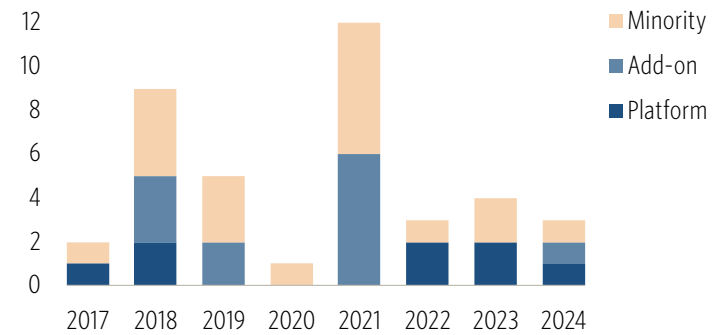
Commercial aerospace

Aircraft engines & turbines PE deal count by type



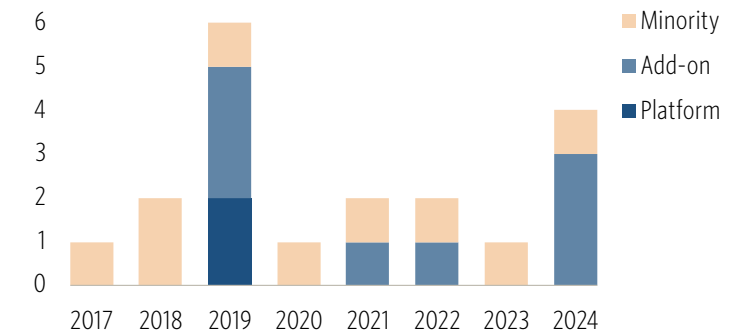
Source: PitchBook • Geography: Global • As of December 31, 2024

Aircraft leasing PE deal count by type



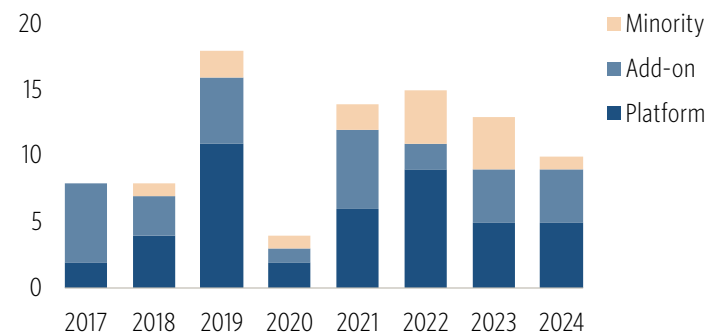
Source: PitchBook • Geography: Global • As of December 31, 2024

Commercial aircraft PE deal count by type



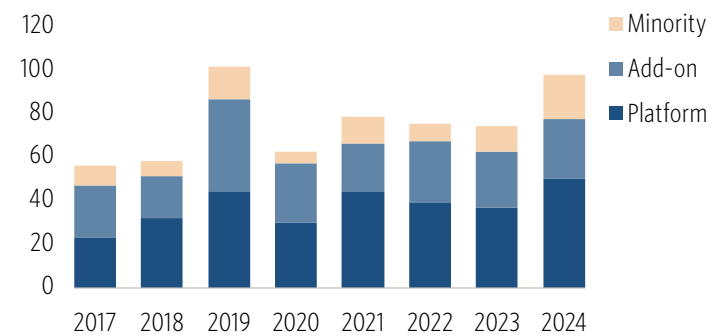
Source: PitchBook • Geography: Global • As of December 31, 2024

Ground & other services PE deal count by type



Source: PitchBook • Geography: Global • As of December 31, 2024

Parts PE deal count by type



Source: PitchBook • Geography: Global • As of December 31, 2024

PitchBook Data, Inc.

Nizar Tarhuni Executive Vice President of Research and Market Intelligence

Paul Condra Global Head of Private Markets Research

Additional research

Aerospace & defense



Q3 2024 Launch Report: Aerospace & Defense

Download the report [here](#)



2024 Emerging Space Brief: Commercial Space Launch

Download the report [here](#)



Q1 2025 Analyst Note: Potential Impact of Trump's Tariffs

Download the report [here](#)



2024 Vertical Snapshot: Defense Tech Update

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