

KAL Capital Markets Aerospace & Defense

Q3 2025



KAL
Capital

INTRODUCTION

Dear Friends,

We hope you're enjoying the fall as we enter the final stretch of 2025.

The third quarter brought real dislocation across Washington and industry. As of this writing, the federal government remains shut down – a stark reminder of the fragility of the budget process at a moment of rising external risk. Even so, momentum across the defense sector has largely held, supported by ongoing conflict in Ukraine, elevated tensions in the Indo-Pacific, and sustained bipartisan support for critical technology programs.

At KAL Capital, Q3 was another active period. We closed transactions in advanced materials, electronic assemblies, and aerospace interiors, extending a record first half. Buyer interest remains strongest where capability meets priority: munitions and missile defense, hypersonics, ISR, and space-based communications. Private equity continues to refocus on durable, government-anchored demand with an emphasis on engineering-centric platforms, sole- or preferred-source positions, and programs that benefit from multi-year funding.

Public A&D equities outpaced broader indices, underpinned by healthy results at the primes and investor focus on national security tailwinds. At the same time, the Pentagon has pressed OEMs to significantly increase missile output and rebuild depleted stockpiles, reshaping the near-term M&A opportunity set. Companies supporting tactical weapons, radar and sensing, energetics, and embedded computing are seeing heightened interest and firmer valuations. Appetite for vertically integrated platforms with lifecycle leverage (DER/PMA, test, and repair) continues to grow.

Still, commercial aerospace faces persistent drag. Boeing's continued delivery delays, geopolitical trade headwinds, and rising labor costs have dampened optimism. Many commercial suppliers are hedging their bets, expanding into defense-adjacent verticals or rebalancing their program mix toward higher-margin aftermarket content.

Looking ahead, we expect deal activity to remain strong across the defense and critical technologies ecosystem. The M&A window remains open—particularly for assets that align with national defense priorities and offer a path to programmatic or aftermarket pull-through.

As always, we appreciate your partnership and welcome the opportunity to connect. Wishing you a successful and impactful close to 2025.

Sincerely,



Trevor Bohn
Partner



Ryan Murphy
Partner



TRANSACTION ANNOUNCEMENTS

SEPTEMBER

SEPTEMBER

SEPTEMBER

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KAL ADVISES AEROSPACE TECHNOLOGIES GROUP

JAMCO PORTFOLIO COMPANY OF BAIN CAPITAL ACQUIRES ATG



HAS BEEN ACQUIRED BY



A PORTFOLIO COMPANY OF



SALE OF COMPANY

- » Aerospace Technologies Group, Inc. ("ATG" or the "Company") is a premier developer and supplier of window shade systems for private and commercial aviation and the largest Tier One supplier of electric window shade systems to aircraft OEMs worldwide
- » Since 1998, ATG has designed, engineered, and manufactured highly reliable, lightweight, premium quality aircraft shade systems
- » Headquartered in Boca Raton, FL, ATG is housed in 100,000 sq. ft., AS9100 and ISO9001 certified facility devoted exclusively to developing and manufacturing advanced window shade systems

Product Portfolio



aerBlade® Series



Powertech 3



Powertech 2



Powertech 1



Modular System

Key Programs



G4



G500/G600



G650



G700



A350



B777



B777x

**Global
7500/8000**

INVESTMENT HIGHLIGHTS

Provider of Proprietary, State-of-the-Art Window Shade Systems

Positioned to Benefit from Secular Tailwinds in Addressable Market

Established Heritage and Enduring Relationships With Key Customers

Custom Design Capabilities Drive Significant Competitive Advantages

Vertically-Integrated Window Shade Manufacturing Operations

Full-Lifecycle Solution Enabling High-Margin Aftermarket Revenue

Customer Focus on Cabin Experience and Reliability Drive Price Inelasticity

Multi-Faceted, Robust Growth Strategy to Drive Next Wave of Growth

LTAs and Spec'd In Position Provide High, Multi-Year Revenue Visibility

KAL ADVISES COGENUITY

COGENUITY HAS ACQUIRED INTERCONNECT SOLUTIONS COMPANY



- » Interconnect Solutions Company ("ISC") is a solution provider of electronic assemblies and sub-assemblies serving a range of markets, including aerospace & defense, medical & life science, and general industrial
- » ISC's custom solutions include box builds, cable & wire assemblies, interconnects and harnesses, and is supplemented by rigorous testing and internal quality controls & certifications
- » ISC is headquartered in Fountain Valley, CA

Key Capabilities



**Wire & Cable
Assembly**



**Interconnect &
Harnesses**



**Electromechanical
Assembly**



**Overmolded
Cable Assembly**



**Encapsulated PCB
& Circuits**



**PCB Assembly &
Testing**

INDUSTRIES SERVED

Aerospace & Space Systems

- » Supports OEMs and tier one suppliers on high mix, medium volume programs
- » Custom wire harnesses and assemblies found on avionics, defense systems, satellite & launch vehicle systems

UAVs

- » Supports OEMs and tier one suppliers on tactical drones and high-endurance programs
- » Provides wire harnesses, cable assemblies, and embedded sensors

Medical & Life Science

- » Products built in controlled environments to meet strict quality requirements
- » Provides custom cable and wire harnesses, PCBAs, electromechanical sub-assemblies

Data Centers & Power

- » Robust, high-reliability products built to perform in austere environments
- » Provides high-current cable assemblies, power distribution harnesses, PCBAs, and electromechanical builds

General Industrial

- » Range of applications includes automation, test, measurement, and control systems
- » Provides harnesses, assemblies, sub-assemblies, and PCBAs

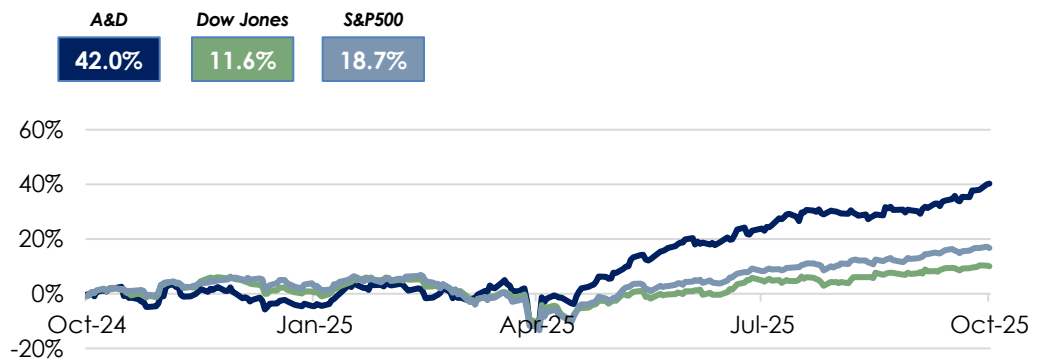
A&D EQUITY AND DEBT MARKETS UPDATE

A&D RUN CONTINUES DURING Q3

» A&D stocks continued to rally through Q3, extending their outperformance versus broad indexes, driven by accelerating defense budgets, persistent geopolitical uncertainty, and strong momentum in the A&D space

- » The third quarter of 2025 saw the S&P 500 up 8.5%
- » A&D stocks rose 14.3% in the third quarter of 2025, outperforming industrial sector peers

iShares US Aerospace and Defense Index vs. S&P500 vs. Dow Jones IA (LTM)



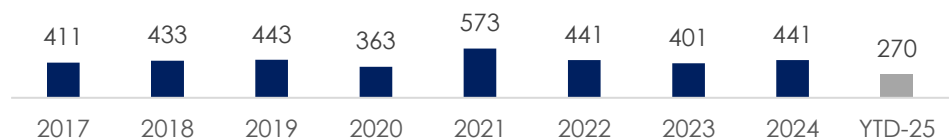
A&D M&A HOLDS AS DEBT MARKET IMPROVES

» In Q3 2025, the A&D sector resumed its upward trajectory, driven by robust defense spending which has led to increasing investor sentiment within the space

US Middle-Market (<\$500mm) M&A Deal Volume



A&D M&A Deal Volume










M&A Deals DEBT / EBITDA Multiple (PE Buyouts)














- » In Q3 2025, the Fed implemented its first rate cut of the year amid signs of a cooling labor market and slowing economic momentum. Credit conditions continued to ease as banks loosened lending standards, while corporate leverage edged higher as borrowers took advantage of improving financial conditions

DEFENSE & GOVERNMENT SERVICES OVERVIEW

PUBLIC MARKET PERFORMANCE

Company	Share Price	52-Wk.High	Market Cap. (\$bn)	EV/Revenue		EV/EBITDA	
				NTM	LTM	NTM	LTM
 RTX	162.18	170.85	217.08	2.9x	3.1x	18.6x	17.8x
 LOCKHEED MARTIN	507.76	618.95	118.54	1.8x	1.9x	12.9x	18.5x
 GENERAL DYNAMICS	342.77	347.39	92.06	2.0x	2.0x	16.0x	15.6x
 NORTHROP GRUMMAN	635.01	643.04	90.92	2.5x	2.6x	17.0x	15.4x
 BAE SYSTEMS	107.57	111.96	79.75	2.1x	2.4x	15.2x	17.2x
 L3HARRIS™	298.20	308.12	55.79	3.0x	3.2x	16.6x	16.0x
 leidos	194.05	202.90	24.90	1.7x	1.7x	12.9x	11.7x

NOTABLE DEFENSE & GOVT. TRANSACTIONS

Date	Target	Acquirer	Description
09/14*			» Group of shipyards manufacturing fast patrol boats, naval craft, and counter-mine vessels
08/18*	 RTX Simmonds Precision Products		» Manufactures fuel and proximity sensing solutions and actuation systems for defense markets
08/18*			» Manufacturer of specialty interconnect and cable assemblies for defense markets
08/12	 GEOST LICHTRIDGE SOLUTIONS		» Payload manufacturer for government space programs, reconnaissance, and missile warning systems
08/6	 SILVUS TECHNOLOGIES		» Developer of MIMO communication technology for UAVs and frontline communication networks
07/21			» Manufacturer of valves, filters, and fluid control products for defense and space markets

» Defense stocks continued to climb through Q3, boosted by a record DoW budget proposal at the beginning of the quarter. The government shutdown at the end of the quarter has sparked a downturn into Q4

» Defense electronics and specialized components made a resurgence in Q3 2025 following a period of slow activity in the defense electronics space. Additionally, space-focused businesses were popular acquisitions, as numerous new programs grow from concept to reality

SPOTLIGHT: GOVERNMENT SHUTDOWN IMPLICATIONS

SHUTDOWN NOW THE SECOND LONGEST IN US HISTORY



- The government shutdown has dragged into its third week, with lawmakers showing little signs of progress
- With thousands of Federal workers currently furloughed, a promising FY2026 outlook for defense spending has been thrown into flux
- Appropriations that have lapsed with the end of FY2025 must cease, unless designated as an essential activity
- Activities specifically funded under the July-25 reconciliation act may continue through the shutdown

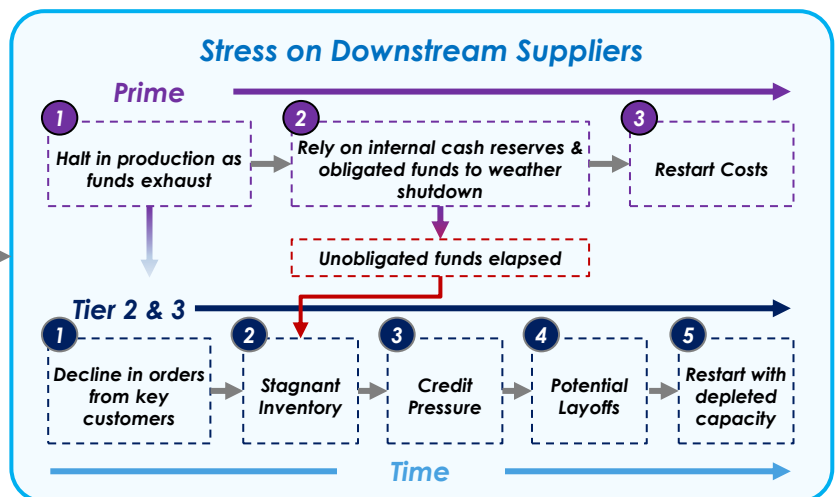
WHAT FUNCTIONS ARE CONTINUING?

- **Previously funded contracts** continue performance if obligations are already made, but new obligations cannot be made unless tied to an “excepted” activity
- **Military personnel** will continue to work, despite potential delays in pay
- **Carryover funds** from prior years will allow for some active procurement and R&D
- The DoW has issued guidance for certain **essential operations** that must continue through the shutdown



WHAT FUNCTIONS ARE AT RISK?

- **Space and satellite launches** are at risk of delays in approvals and launch licenses following significant NASA furloughs
- **B-21 Raider** program halted discussions to accelerate production
- **National Nuclear Security Agency** furloughed 80% of its workforce after depleting its carryover funds
- **Tier 2 and Tier 3 suppliers** are at risk due to disrupted contract flow and stagnant inventory





SPOTLIGHT: PENTAGON PUSHES MASSIVE MISSILE PRODUCTION SURGE

“THIS IS A WARTIME PRODUCTION TEMPO IN PEACETIME CONDITIONS”

- » The Pentagon is directing missile manufacturers to double — and in some cases quadruple — production of 12 high-priority missile systems
- » Motivated by depleted inventories following Ukraine, Israel-Iran, and Pacific stockpiling needs for a potential China conflict
- » The push is coordinated by the Munitions Acceleration Council, led by Deputy Defense Secretary Steve Feinberg

MAJOR SUPPLY CHAIN CONSTRAINTS



Single-source / limited suppliers for critical sub-components such as SRMs, guidance electronics, & energetic materials limits scalability









Lead-times and qualification / precision testing delays have created long lead times measured in months to years, even when funding is available



Supply of raw materials and strategic inputs are constrained, and the U.S. depends on foreign sources for certain large cast/forged products and rare earths








Workforce, factory capacity & infrastructure were either idled or running at minimal rates post-Cold War. Expanding capacity involves not just the OEMs but each sub-tier suppliers must scale.

Missile Platform	Production Surge	Strategic Drivers
 PAC-3 MSE	<ul style="list-style-type: none">» 600+/yr by 2025» 650/yr by 2027	Demand from Ukraine, Israel, Red Sea, and Indo-Pacific boosts stockpile priorities
 Standard Missile-6	<ul style="list-style-type: none">» 125/yr in 2025» 300/yr by 2028	Rising demand as the US Navy expands multi-mission air, surface, and hypersonic defense capabilities
 THAAD	<ul style="list-style-type: none">» 12 missiles/yr in 2025	High operational use in the Middle East conflicts have caused a rapid drawdown of inventories
 PrSM	<ul style="list-style-type: none">» 1,296 missiles from 2025–2029» 400+/yr target	Next-generation, long-range precision fires; counters A2/AD threats
 LRASM	<ul style="list-style-type: none">» 115/yr in 2025» 240/yr by 2026	Near-peer naval threat response, with an anti-ship strike emphasis
 JASSM-ER	<ul style="list-style-type: none">» 720/yr ramp from 540» Enabled by new production lines	Supports long-range, standoff strikes against critical infrastructure and hardened targets

COMMERCIAL AEROSPACE SECTOR OVERVIEW

PUBLIC MARKET PERFORMANCE

Company	Share Price	52-Wk.High	Market Cap. (\$bn)	EV/Revenue		EV/EBITDA	
				NTM	LTM	NTM	LTM
AIRBUS	204.63	205.65	188.88	2.1x	2.3x	15.4x	20.9x
 BOEING	216.00	242.69	163.33	2.2x	2.6x	33.4x	-
 Parker	738.74	779.77	94.48	5.0x	5.2x	18.6x	19.1x
 TRANSDIGM GROUP INC.	1,275.44	1,623.83	71.87	9.9x	11.0x	18.5x	21.4x
HEICO	315.89	338.92	38.30	8.6x	9.6x	31.3x	34.2x
 MTU Aero Engines	230.60	232.86	24.80	2.4x	2.6x	12.7x	13.3x
 SPIRIT AEROSYSTEMS	38.65	42.33	4.54	1.2x	1.5x	60.1x	-

NOTABLE COMMERCIAL AERO TRANSACTIONS

Date	Target	Acquirer	Description
09/25	 ADI AMERICAN DISTRIBUTORS LLC	 AAR	» Provides electronic and electromechanical parts and assemblies for commercial and industrial markets
09/02	 AEROSPACE TECHNOLOGIES GROUP	 Jamco  BainCapital	» Manufacturer of proprietary electric window shades for commercial and bizjet platforms
08/29	 BLADE Urban Air Mobility Passenger Business	 Joby	» Urban air mobility platform, specializing in helicopter and jet charter serving US, European, and Asian markets
08/19	 HIGH TECH SOLUTIONS	 CAPITAL PARTNERS  BTX PRECISION	» Manufacturer of benchtop assemblies and mechanical components with 3-5 axis machining capabilities
07/21	 Collins Aerospace An RTX Business Flight Control & Actuation	 SAFRAN	» Manufacturer of actuation systems for commercial, regional, and business aircraft across eight facilities
06/26	 NORTHSTAR aerospace	 GE Aerospace	» Manufacturer of components and assemblies for helicopters and fixed wing aircraft, serving OEMs and engine manufacturers

» Commercial aerospace stocks offered a mixed performance over Q3. Airbus stood out as a strong performer, up 35% YTD as it races to reach its goal of 820 deliveries in 2025

» Major players in the commercial aerospace M&A universe continued to make acquisitions. Activity was concentrated in a smaller number of high-value deals

BOEING 737MAX/787 OPTIMISM & 777X DELAYS

BOEING 737MAX/787 POSITIVE MARKET SENTIMENT

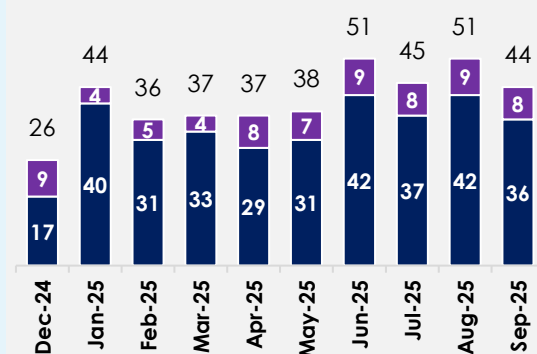
Boeing 737 MAX/787 Demand Rationale

- » The **FAA has restored Boeing's authority to self-certify its 737 Max and 787 aircraft**, reflecting growing regulatory and industry confidence in the company
- » Boeing's production of the **737 MAX is ramping up (aiming for 42 aircraft per month in late 2025)**, while the 787 Dreamliner output is also steadily increasing, driven by major new airline orders and global recovery in air travel demand
- » **Market optimism is further boosted by strong order backlog** by leading commercial aircraft customers
- » Progress in certification, deliveries, and commercial demand positions Boeing for long-term recovery and increase competitiveness against Airbus

Current B737MAX Backlog

4,800+

Boeing Aircraft Deliveries



Source – Forecast International

HISTORICAL AIRCRAFT DELAY INTO SERVICE

Aircraft	EIS ⁽¹⁾	Actual EIS	Approx. Delay
B787	2008	2011	3 years
A380	2006	2007-2008	1-2 years
B747-8	2009	2011	2 years
B777X	2020	Est. 2027	7-years & counting

B777X Delay – Situation Highlights



- » The Boeing 777X launch is being **delayed until 2027, seven years past the original 2020 target**, due to **intensified FAA safety requirements and lengthy technical certifications**




- » Financial impact – **Estimates suggest up to \$4Bn in extra costs for Boeing**, while major customers like **Lufthansa, Emirates, & Turkish Airlines have had to adjust fleet plans and postpone upgrades, with talks to switch orders to Airbus** if the delay persists



This postponement gives rival Airbus a long-haul market advantage while airlines continue to operate older, less efficient aircraft

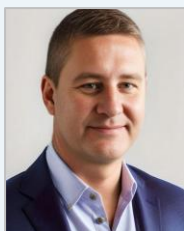
(1) – Entry Into Service (EIS)

RECENT TRANSACTIONS

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