

KAL Capital Markets Aerospace & Defense

Q4 2025



KAL
Capital

INTRODUCTION

Dear Friends,

As we close the books on 2025 and enter the new year, Q4 reinforced what many in the market have been feeling for the past several quarters: Aerospace, Defense, and Space are operating from a position of strength. Public market sentiment remained constructive, private equity activity reached a new high watermark, and strategic buyers continued to pursue scarce, differentiated capabilities – particularly where supply is constrained and demand is increasingly programmatic. At KAL, 2025 was a record year, with 15 closed transactions totaling over \$1 Billion of aggregate enterprise value, plus an additional closing in the first week of 2026.

In Washington, the quarter was defined by a sharper “America First” posture and an intensifying focus on the Western Hemisphere, industrial resiliency, and rearmament speed. Defense has increasingly become as much an industrial capacity conversation as a policy debate – favoring businesses that can expand throughput, qualify quickly, and deliver reliably at scale. In that context, headlines around a potential step-change in defense spending (and a more direct push on contractor performance and investment) further highlight the direction of travel: acceleration of production, modernization, and supply chain security.

Space remains a clear beneficiary. SDA's Tranche 3 Tracking Layer awards are another signal that proliferated LEO architectures are becoming the default for missile warning and tracking – supporting multi-year demand across payloads, buses, integration and test, and enabling electronics. At the same time, 2025 highlighted the growing weight of commercial space: scaled platforms continue to pull capital and attention, and renewed IPO speculation around category leaders has kept investor focus on the sector's most durable franchises.

Commercial aerospace improved, but unevenly. Supplier optimism has risen alongside progress on key production programs, yet the widebody ecosystem remains more fragile given complexity, lower volumes, and tighter supplier concentration. Across both Airbus and Boeing, engines and select supply chain constraints continue to be the gating items—reinforcing the premium placed on businesses with qualification barriers, capacity headroom, and meaningful aftermarket exposure.

Against this backdrop, the M&A environment remains highly favorable for high-quality A&D assets. Buyers are paying up for mission alignment, scarcity, and durability – and the gap between “good” and “great” has rarely been wider. For owners considering a sale or recap, this remains an attractive window to explore options, particularly for platforms positioned in priority defense programs, space architectures, and constrained aerospace supply chains.

As always, we appreciate your partnership and welcome the opportunity to connect.

Sincerely,



Trevor Bohn
Partner



Ryan Murphy
Partner



TRANSACTION ANNOUNCEMENTS



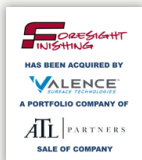
**OCTOBER
2025**



**OCTOBER
2025**



**NOVEMBER
2025**



**NOVEMBER
2025**



**JANUARY
2026**

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KAL ADVISES MACHINE SCIENCES CORPORATION

MACHINE SCIENCES ACQUIRED BY VIKING GLOBAL



- » Machine Sciences is a provider of machined components primarily for space & defense end markets, with specialty capabilities in exotic metals, including magnesium
- » Machine Sciences is headquartered in Tualatin, Oregon, and operates from a state-of-the-art facility designed to maximize shop efficiency
- » Machine Sciences supports customers across all stages of part development with a specialty in rapid prototyping and scaling to full-rate production

End Markets Served



Advanced Comm.



Air Transport



Defense



Space & Satellite



UAV

Comprehensive Production Capabilities



Engineering



Exotic Metals



Production Machining



Prototyping



Quality

INVESTMENT HIGHLIGHTS

Rapid Prototyping to Full-Rate Production

Strong Growth Driven by Differentiated Business Model

Efficient Operating Model

Leading Independent Provider of Magnesium Machining Capabilities

Relationships with Blue Chip OEMs and New Space Businesses

Positioned at the Intersection of Strong A&D Growth Trends

Significant Investment in State-of-the-Art Facilities & Equipment

KAL ADVISES FIVE AXIS INDUSTRIES

FIVE AXIS INDUSTRIES ACQUIRED BY KARMAN



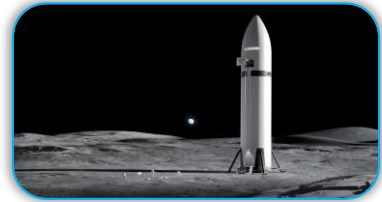
- » Five-Axis Industries is a provider of tight-tolerance parts serving aerospace, defense, and space end markets, with a focus on highly specialized nozzle and fuel systems for launch vehicles
- » Expertise in a suite of unique metals and materials makes Five Axis a preferred partner to leading space OEMs
- » Headquartered in Arlington, Washington, Five Axis's facility operates 2-, 3-, 4-, and 5-axis CNC machines

Sample Capabilities



2/3/4/5 Axis Machining

End Market Served



Space

Manufacturing Capabilities Across a Suite of Unique Materials



Inconel



Titanium



Plastics



Aluminum Lithium



Monel

INVESTMENT HIGHLIGHTS

Leading Independent Provider of Highly Specialized Nozzle and Fuel Systems

Deeply Embedded in Major Space Engine Programs that Serve Multiple Launch Vehicles

Proprietary Technologies Tied to 3D-Printed Inconel Components

Decades of Experience in Complex Nozzles and Other Highly Engineered Products

KAL ADVISES ESTES ENERGETICS

ESTES ENERGETICS ACQUIRED BY VOYAGER TECHNOLOGIES



- » Estes Energetics is a provider of testing services, design services, and development for solid rocket motors, as well as critical chemicals and propellant formulation for missile and drone markets
- » Estes Energetics was founded in 2021 as a spinout from Estes Rockets, the world's largest producer of small solid-propellant rocket motors
- » Estes Energetics is headquartered in Penrose, Colorado, with additional locations in Minden, Louisiana, and Pueblo County, Colorado, serving black powder production and SRM propellant development, respectively

Key Propulsion Solutions



Black Powder



Critical Chemicals



Propulsion R&D



Solid Rocket Motors

Two Key Locations Serving Critical Purposes

Minden, LA

- » Sole producer of military-grade black powder in the United States



Pueblo County, CO

- » Solid rocket motors, propulsion R&D, and critical chemicals



INVESTMENT HIGHLIGHTS

Complete Value Chain Integration

In-House Propellant Chemistry Expertise

Strong and Sustained Market Momentum

Robust Development Pipeline

Pioneering use of Robotics and Design-for-Manufacturing

Experienced Leadership Team

Ongoing Expansion Supports Production and R&D Centers

KAL ADVISES FORESIGHT FINISHING

FORESIGHT FINISHING ACQUIRED BY VALENCE



- » Foresight Finishing is a NADCAP-accredited metal finishing expert focused on connectors and electronic components for various end markets
- » Foresight Finishing excels in metal plating and offers a unique suite of plated finishes, including gold and silver
- » NADCAP-accredited in heat treatment, chemical processing, and aerospace quality system
- » Foresight Finishing is headquartered in Tempe, AZ

End Markets Served



Aerospace



Defense



Electronic



Medical

Specialty Plating Finishes Using a Variety of Metals



Gold



Nickel



Palladium



Silver



Tin

CAPABILITIES

Heat Treatment

Barrel Plating

Vibratory Plating

Rack Plating

Selective Loose Piece Plating

Chemical Analysis

Cross-Section Analysis

Hardness Test

KAL ADVISES SEEMANN COMPOSITES

SEEMANN COMPOSITES AND MSC ACQUIRED BY KARMAN



- » Seemann Composites is a leading designer and manufacturer of bow-to-stern composite solutions for surface and subsurface US naval programs, including *Seawolf*, *Virginia*, and *Columbia*-class submarines
- » Materials Sciences (MSC) was acquired by Seemann in 2018 and focuses on design, testing, and LRIP production with a focus on advanced composites and materials development
- » Seemann Composites is headquartered in a purpose-built facility in Gulfport, Louisiana, and Materials Sciences is headquartered in Horsham, Pennsylvania

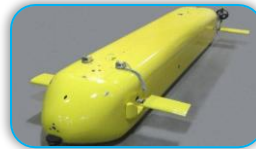
Programs Served



Submarine



Surface



UUVs



Launch Systems

Two Businesses Combine to Create Unique Production Capabilities

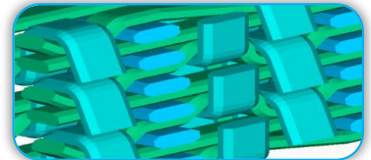
Seemann Composites

- » Composite manufacturing solutions for naval programs



Materials Sciences

- » Engineering and development of advanced composites



INVESTMENT HIGHLIGHTS

Specialized in Large Composite Structures

Capturing IP Throughout the Navy Production Cycle

Trusted Navy Partner from Development to Production

Strong Revenue Outlook and Growth Trends

Aligned with Increased Maritime Industrial Base Funding

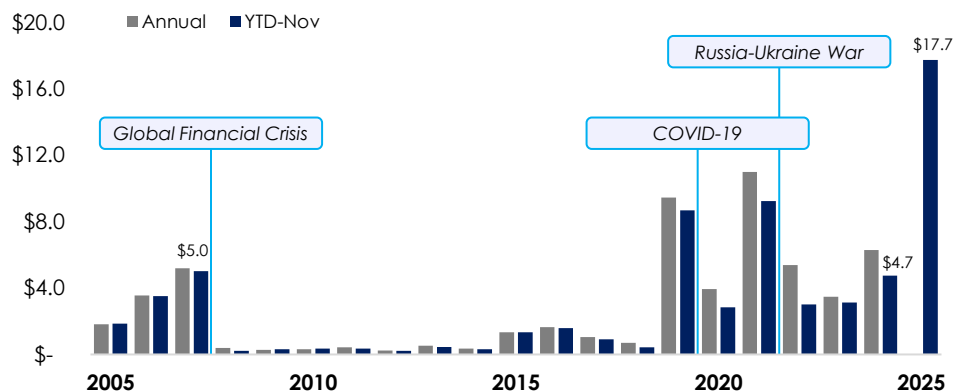
A&D VALUATION & PUBLIC MARKETS BACKDROP

A&D DEAL VALUE SPIKES IN 2025

» Aerospace & Defense was once again a hotbed for private equity activity, with new and experienced players staking their claims in the US and EU supply chains. The sector is primed for continued growth as national defense remains a priority for the US and its allies

- » 2025 closed with record spending from private equity for the A&D sector
- » The closed deal count remained in line with post-COVID trends, demonstrating a clear spike in valuations and a renewed appetite for A&D mega deals

Private Equity A&D Deal Value by Year (\$ in Billions)



Source: PE HUB

KEY FACTORS DRIVING GROWTH

Aftermarket & MRO Demand



Commercial Travel



Growing Defense Budgets



Space & Naval Resurgence



Supply Chain Reshoring

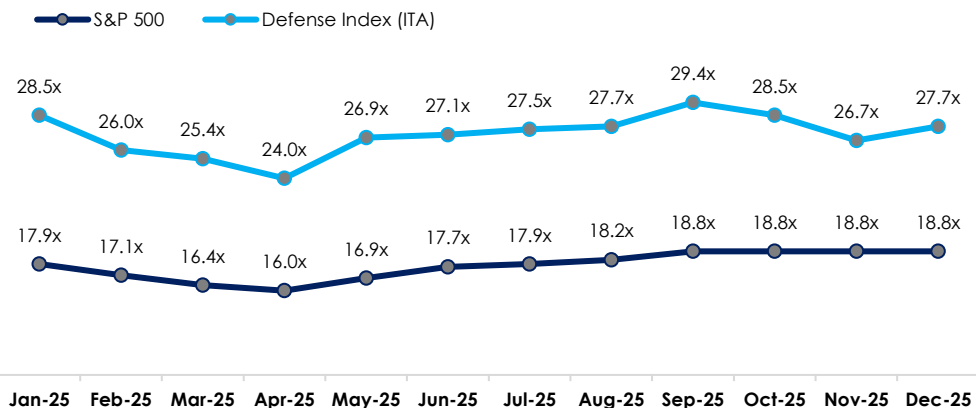


US & NATO Resupply



A&D EV/EBITDA MULTIPLES EXCEED BROADER MARKET








» EV/EBITDA multiples for A&D businesses continue to trend above the S&P 500, reflecting investor confidence in the sector

















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	190.40	190.71	255.28	3.2x	3.4x	18.8x	19.7x
 LOCKHEED MARTIN	522.04	538.73	120.80	1.8x	1.9x	12.9x	18.5x
 GENERAL DYNAMICS	360.71	361.94	97.29	2.0x	2.0x	16.1x	15.7x
 NORTHROP GRUMMAN	610.61	640.90	87.15	2.3x	2.5x	16.3x	14.5x
 BAE SYSTEMS	104.85	111.96	76.60	2.0x	2.3x	14.5x	16.6x
 L3HARRIS™	313.39	321.50	58.62	3.1x	3.2x	16.3x	16.3x
 leidos	198.72	205.77	25.41	1.7x	1.7x	12.6x	11.6x

NOTABLE DEFENSE & GOVT. TRANSACTIONS

Date	Target	Acquirer	Description
12/26	 LMB NORTH AMERICA	 L3HARRIS	» Manufacturer of fans and cooling solutions for government and defense markets
12/22	 ARKA Blackstone	 CACI	» Provider of data processing & analytics, optical technologies, and communication for space & defense markets
12/22	 CAM Stanley Black & Decker	 HOWMET AEROSPACE	» Provider of pins, latches, tube assemblies, fasteners, and other components
11/04	 TODS DEFENCE The Standard in Execution	 TRIVE CAPITAL CANOPY AEROSPACE & DEFENSE	» Designer and manufacturer of composite and acoustic materials for maritime applications
10/19	 AIRS AMERICAN INFRARED SOLUTIONS	 ANDURIL	» Designer and manufacturer of cooled infrared cameras and components across land, air, and sea applications
10/05	 SCITEC Science & Technology Innovation	 FIREFLY AEROSPACE	» Provider of software for battlefield data processing for missile defense and space applications

» Defense stocks performed well in Q4 amid major contract awards in space and growing geopolitical uncertainty in the Western Hemisphere

» Q4 saw the announcement of multiple +\$1Bn deals in the defense sector. Dealmaking for traditional aerospace manufacturing remained strong, while data analytics and cybersecurity regained traction following a period of decreased activity

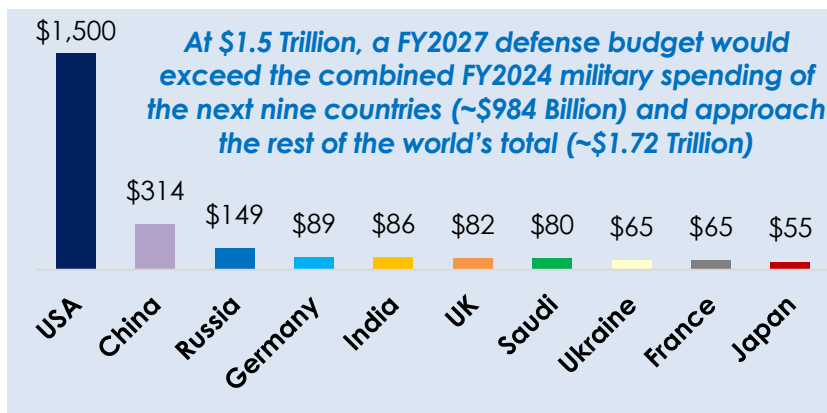
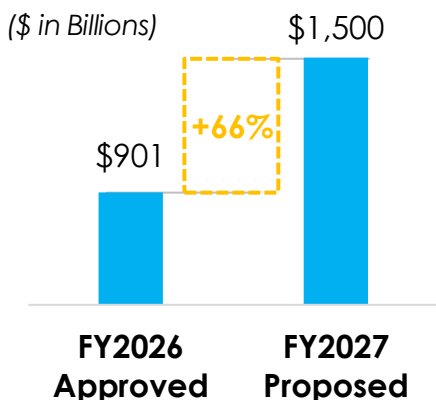
SPOTLIGHT: TRUMP FLOATS \$1.5 TRILLION FY2027 DEFENSE BUDGET

"...OUR MILITARY BUDGET FOR 2027 SHOULD BE... \$1.5 TRILLION..."



- **President Trump said he will ask Congress for a \$1.5 Trillion U.S. military budget for FY2027**, versus \$901 Billion approved for FY2026 representing an increase of ~\$600 Billion, or +66%
- **Trump framed tariffs as the funding source**; while fiscal watchdogs highlight a meaningful funding gap and broader deficit pressure
- In parallel, the White House issued actions to **push faster and more reliable production and tie contractor behavior to performance**, including restrictions on buybacks/dividends during underperformance
- **The proposal follows a visibly more assertive national security posture** (including Venezuela operations) and reinforces an "urgency" narrative for replenishment, readiness, and new programs

US DEFENSE BUDGET: FY2026 ACTUAL VS. FY2027 PROPOSAL



DEFENSE STOCKS: ONE-DAY REACTION

Defense contractors, which had seen their valuations slashed earlier in the day after the administration threatening to block dividends, halt stock buybacks, and cap executive pay for underperforming contractors, recouped losses and traded higher post-announcement:

LOCKHEED MARTIN

+6.3%

NORTHROP GRUMMAN

+5.7%

GENERAL DYNAMICS

+4.2%

RTX

+3.2%

SPOTLIGHT: 2025 NATIONAL SECURITY STRATEGY

WHAT IS THE AMERICAN STRATEGY?



- The 2025 NSS reflects a sharp shift toward an “America First” framework, **prioritizing US sovereignty, economic strength, border security, and dominance in the Western Hemisphere**
- The strategy critiques long-standing alliances and global institutions, instead favoring **narrower national interests, transactional alliances, and domestic resilience** as the foundation of the US security policy

US CORE SECURITY & DOMESTIC PRIORITIES

- **Western Hemisphere Dominance** – The strategy emphasizes the need to control borders, counter foreign influence, combat drug trafficking, and manage migration flows
- **Border Security & Homeland Defense** – President Trump has stated securing the homeland is prioritized over overseas operations. The NSS calls for enhanced border enforcement, technology-driven surveillance, and investment in defense infrastructure to deter foreign threats
- **Economic Resilience & Industrial Capacity** – Represents a core pillar of national power, highlighting the importance of protecting critical industries, expanding domestic manufacturing, and maintaining technological superiority to support national defense objectives

Key Takeaways:



Reindustrialization

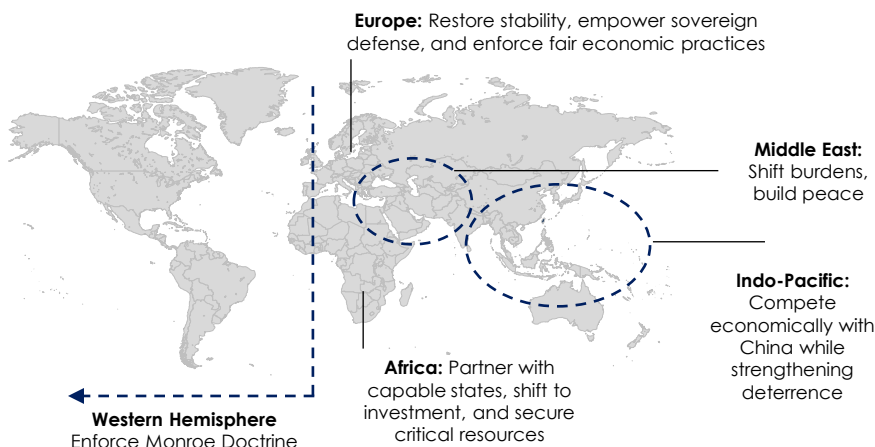


Military Superiority



Advanced Technology

INTERNATIONAL RELATIONS



- The graphic highlights a shift toward regionally focused, transactional US foreign policy
- The Western Hemisphere is prioritized as the primary security region, while international engagement is selective, emphasizing economic interests, and involvement only when US security or strategic interests are directly at stake

SPOTLIGHT: SDA TRANCHE 3 TRACKING LAYER SCALE-UP

TRACKING LAYER TRANCHE 3 AWARDS TOTAL \$3.5 BILLION

- » In December, the Space Development Agency ("SDA") awarded agreements for the construction of 72 satellites for the Tracking Layer Tranche 3 ("TRKT3") in support of the Proliferated Warfighter Space Architecture ("PWSA")
- » This low-earth-orbit constellation will provide critical missile warning & missile tracking across the globe by interacting with existing Transport Layer satellites, which provide secure data transmission across the system
- » This award represents a critical step forward for American missile defense systems as foreign adversaries continue to develop hypersonic threats

TRKT3 KEY CAPABILITIES

Ballistic Missile Tracking



Fire-Control Data Tracks



Hypersonic Glide Vehicle Tracking



Improved Infrared Sensing



Resilience & Survivability



Transport Layer Integration



TRKT3 AWARD RECIPIENTS

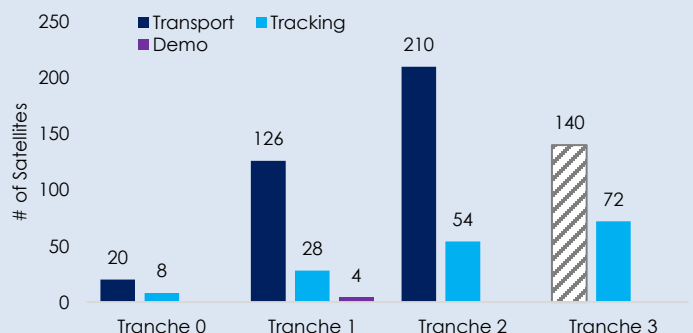


Recipient	Facility	Contract \$	Satellite #
LOCKHEED MARTIN	1 Sunnyvale, CA	\$1.1Bn	18
ROCKETLAB	2 Fort Wayne, IN	\$843M	18
L3HARRIS	3 Long Beach, CA	\$805M	18
NORTHROP GRUMMAN	4 Redondo Beach, CA	\$764M	18

SDA PWSA CONSTELLATION GROWTH






- » Congressional funding was restored for the Tranche 3 Transport Layer in December 2025, with \$500 Million allocated
- » SDA anticipates releasing final solicitations in mid-2026 once budget appropriations are finalized, with launches from the end of 2028 through 2030
- » SDA Tranche 4 is currently in its concept and planning phase, with RFPs anticipated in 2028 and launches beyond 2030, demonstrating the potential longevity and critical nature of the program

PRODUCTION BY TRANCHE



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	208.78	216.90	193.19	2.1x	2.3x	15.1x	19.9x
 BOEING	229.84	242.69	174.70	2.2x	2.6x	36.1x	-
 Parker	928.76	931.39	117.20	5.9x	6.3x	21.6x	23.2x
 TRANSDIGM GROUP INC.	1,384.40	1,623.83	77.97	10.6x	11.9x	20.2x	22.9x
HEICO	347.70	348.98	41.88	9.0x	9.9x	32.7x	35.1x
 MTU Aero Engines	224.78	232.86	24.08	2.3x	2.6x	12.2x	13.5x
 L3HARRIS AEROSPACE	71.17	99.67	6.66	12.4x	14.4x	31.9x	40.8x

NOTABLE COMMERCIAL AERO TRANSACTIONS

Date	Target	Acquirer	Description
12/16	 AERO NORWAY Quality Engines	 ITP AERO  BainCapital	» Provider of overhaul and repair services for CFM56 engines
12/4	 PCX AEROSYSTEMS	 APPLIED AEROSPACE	» Manufacturer of large structural airframe assemblies, including wing, fuselage, & engine components
12/3	 H.E.R.O.S. Maintenance Services	 PAG  GenNx360 Capital Partners	» Provider of MRO solutions for Rolls-Royce M250/RR300 engines, accessories, and components
11/10	 NOVARIA GROUP	ARCLINE	» Holding company for providers of engineered aerospace components and specialty processes
11/7	 UNICAL AVIATION	SATAIR AIRBUS	» Provider of used serviceable material (USM) aircraft parts and components to the commercial aerospace market
11/3	 HAECO Americas	 AAR	» Provides heavy aircraft MRO, engineering, services and aerospace manufactured products

» Commercial aerospace stocks delivered a mixed performance over Q4. Parker stood out as a strong performer, up 41% in 2025, driven by margin expansion and sustained demand, reflected in the Company's growing backlog

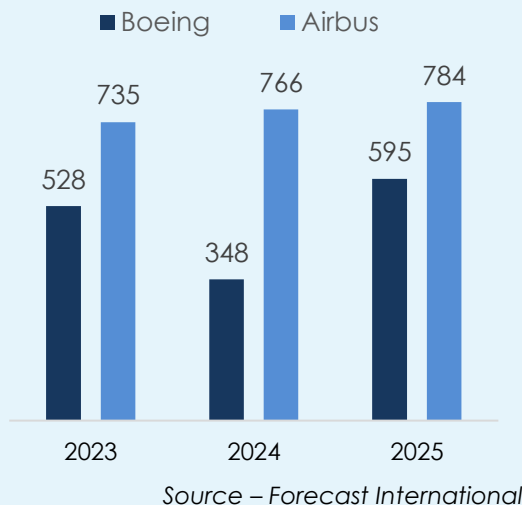
» Major players in the commercial aerospace M&A market continued to make acquisitions, with Q4 2025 activity heavily concentrated in MRO-focused businesses

BOEING REBOUNDS WHILE SUPPLY CHAIN CONSTRAINTS PERSIST

BOEING RECOVERY IN FULL SWING BEATING 2025 DELIVERY EXPECTATIONS

- » 2025 was the year Boeing rebounded particularly in its B737MAX and B787 programs as FAA approved production rate increase from 38 to 42 for the 737MAX program while B787 production line issues eased
- » While Airbus remains in the lead, it had to revise delivery forecast of 820 aircraft downward in Dec-25 to 790 due to an ongoing quality concerns resulting from a production flaw in fuselage panels as well as EASA grounding A320neo because of a software concern
- » Engine constraints remain the primary bottleneck for both Airbus and Boeing as limited availability of LEAP and GTF engines continues to delay aircraft handover
- » Additional shortages of avionics, interiors, aerostructures, and semiconductors continue to slow assembly lines and create inventory imbalances

Airbus vs. Boeing Deliveries

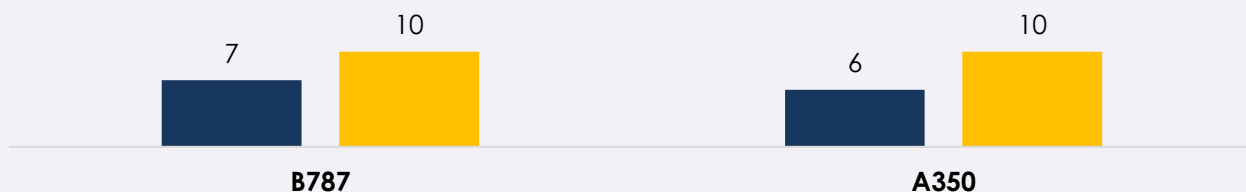


WIDEBODY AIRCRAFT PRODUCTION LAGS LONG HAUL AIRCRAFT DEMAND

- » In 2025, long-haul travel demand finally recovered to pre-COVID levels, prompting airlines to restore routes, increase frequencies, and seek additional widebody capacity
- » Widebody production has experienced more pronounced supply chain challenges than narrowbody due to smaller supplier base and greater technical complexity
- » The A350 has not been able to meet Airbus' production ramp expectations and remains challenged while B787 ramped production from 6 to 8 aircraft a month in 2025 but will struggle to reach targeted 10 aircraft a month in 2026







B787 and A350 Production Rates

■ Current ■ 2026 Target



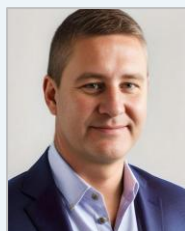
Due to their high complexity and lower production volumes, both Boeing and Airbus will face challenges to stabilize their widebody supply chains ahead of expected production ramp in 2026

RECENT TRANSACTIONS

 SEEMANN COMPOSITES HAS BEEN ACQUIRED BY  KARMAN SPACE & DEFENSE SALE OF COMPANY	 FORESIGHT FINISHING HAS BEEN ACQUIRED BY  VALENCE SURFACE TECHNOLOGIES A PORTFOLIO COMPANY OF  ATI PARTNERS SALE OF COMPANY	 ESTERES ENERGETICS HAS BEEN ACQUIRED BY  VOYAGER SALE OF COMPANY	 FIVE AXIS INDUSTRIES HAS BEEN ACQUIRED BY  KARMAN SPACE & DEFENSE SALE OF COMPANY	 MACHINE SCIENCES HAS BEEN ACQUIRED BY  Viking SALE OF COMPANY	 CANOPY HAS MERGED WITH  MMI MORE INDUSTRIES, INC.  HERA PORTFOLIO COMPANIES OF  TRIVE CAPITAL	 AEROSPACE TECHNOLOGIES GROUP HAS BEEN ACQUIRED BY  Jamco ALWAYS TO FLY TOGETHER A PORTFOLIO COMPANY OF  Bain Capital SALE OF COMPANY
 ISC INTERCONNECT SOLUTIONS COMPANY HAS BEEN ACQUIRED BY  cogenuity SALE OF COMPANY	 OSG OSHIMA SEALS GROUP HAS BEEN ACQUIRED BY  INTEGRATED POLYMER SOLUTIONS A PORTFOLIO COMPANY OF  ARCLINE ACQUISITION ADVISORY	 INDUSTRIAL SOLID PROPULSION HAS BEEN ACQUIRED BY  KARMAN SPACE & DEFENSE SALE OF COMPANY	 3P PROCESSING HAS BEEN ACQUIRED BY  LITTLEJOHN CAPITAL	 Metal Technology INNOVATIVE PRECISION PORTFOLIO COMPANIES OF  Cumming Capital Management HAVE BEEN ACQUIRED BY  KARMAN SPACE & DEFENSE	 AET AEROSPACE HAS BEEN ACQUIRED BY  THE THERMAL GROUP A PORTFOLIO COMPANY OF  LITTLEJOHN CAPITAL SALE OF COMPANY	 SPIRA HAS BEEN ACQUIRED BY  INTEGRATED POLYMER SOLUTIONS A PORTFOLIO COMPANY OF  ARCLINE SALE OF COMPANY
 HERA TECHNOLOGIES HAS BEEN ACQUIRED BY  TRIVE CAPITAL SALE OF COMPANY	 SUNVAIR HAS BEEN ACQUIRED BY  GREENBRIAR EQUITY GROUP LLC ACQUISITION ADVISORY	 segers HAS BEEN ACQUIRED BY  HIC CAPITAL SALE OF COMPANY	 FOX FOX VALLEY METAL-TECH, INC. HAS BEEN ACQUIRED BY  ARMORWORKS A PORTFOLIO COMPANY OF  LITTLEJOHN CAPITAL SALE OF COMPANY	 STACK HIP HAS BEEN ACQUIRED BY  KITTYHAWK A PORTFOLIO COMPANY OF  TRIVE CAPITAL SALE OF COMPANY	 LCMT LIGHT CITY HAS BEEN ACQUIRED BY  Bodycote SALE OF COMPANY	 VIAN Enterprises HAS BEEN ACQUIRED BY  CRANE SALE OF COMPANY

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