

Quarterly M&A and Industry Update – Aerospace & Defense Q4 2020



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By Lucintel**

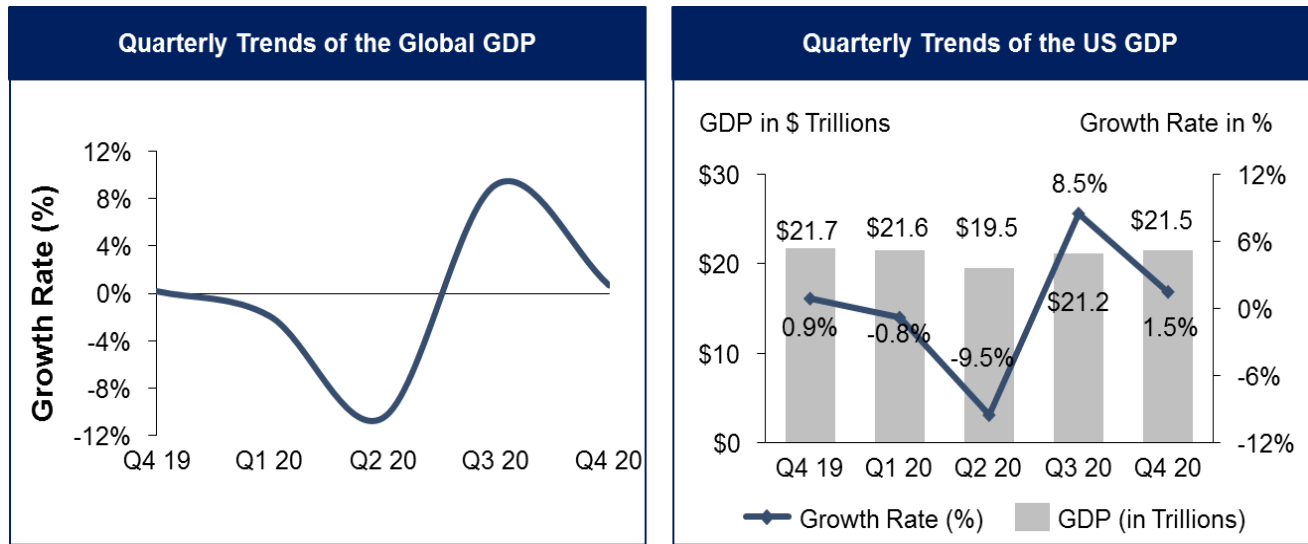
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Economic Situation Q4 2020

The global GDP grew by 0.7% in Q4 2020 as compared to Q3 2020. The U.S. GDP grew by 1.5% in Q4 2020 as compared to Q3 2020, while it declined by 1.1% when compared to Q4 2019. The global economy remains in pandemic mode as it heads into the end of 2020. Second waves of the COVID-19 have slowed down or even temporarily reversed economic recoveries. The strength of the recovery varies across countries, depending on the severity of the health crisis, the extent of domestic disruptions to activity, the exposure to cross-border spillovers, and importantly the effectiveness of policy support to limit persistent damage. The pandemic will slow down the recovery particularly in more hard-hit countries, such as the US, the UK, Spain, and France. The future is highly dependent on the response towards the pandemic situation. Recent vaccine approvals have raised hopes of a turnaround in the pandemic later this year.



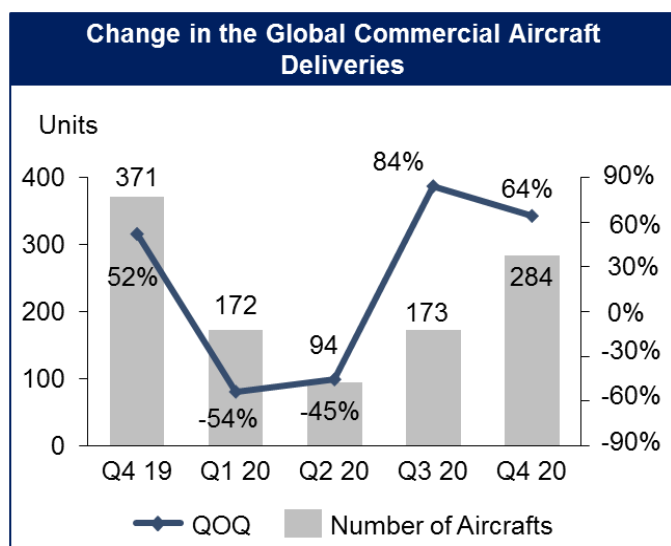
Note: The above image shows quarter over quarter change in GDP

Source: OECD, Fred Louis, Lucintel

Figure 1: Quarterly GDP Trends

Aerospace & Defense Industry Update – Q4 2020

Global deliveries of commercial aircraft grew by 64% in Q4 2020 as compared to Q3 2020. Airbus registered the highest increase of 84% in Q4 of 2020 on quarter-over-quarter basis. The commercial aerospace sector has been significantly affected by the COVID-19 pandemic, which has led to a dramatic reduction in passenger traffic, in turn affecting aircraft demand. As a result, the commercial aerospace sector is expected to recover slowly, as travel demand is not expected to return to pre-COVID-19 levels before 2024. The defense sector is expected to remain stable in 2021. The figure below depicts change in commercial aircraft deliveries in the past five quarters (Q4 2019 – Q4 2020).



Source: Lucintel

Figure 2: Quarterly Change in the Global Commercial Aircraft Deliveries

Company Name	Change in Revenue	
	Q4 20/Q3 20	Q4 20/Q4 19
Boeing	9%	-15%
Airbus	84%	-12%
General Dynamics	11%	-3%
Lockheed Martin	3%	7%
Northrop Grumman	12%	17%
GE Aviation	13%	-16%
Raytheon	11%	-16%
Rolls-Royce	14%	-20%
BAE System	10%	9%
Safran	19%	-31%

Source: Lucintel

Figure 3: Change in Revenue of Major Aerospace & Defense OEMs

Asia Pacific holds the largest market of around 35.9% in the total air passenger market, followed by Europe. International air travel holds 58% of the total air passenger market. Europe contributed the largest share of 22% in the international air passenger market. Many industry executives believe commercial aerospace could take three years or more to recover to the revenue passenger.

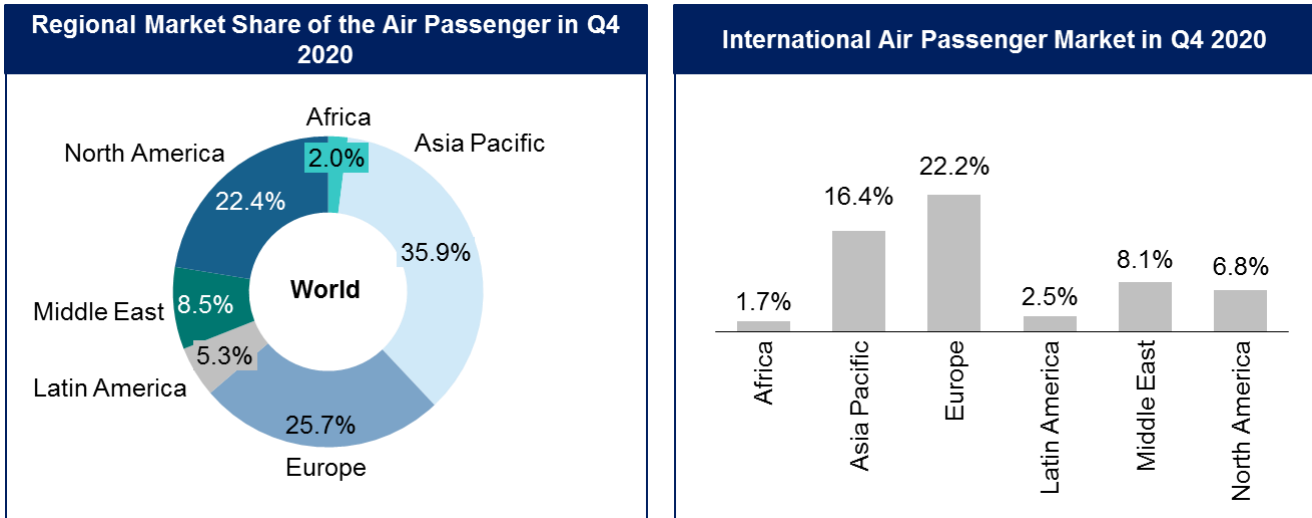
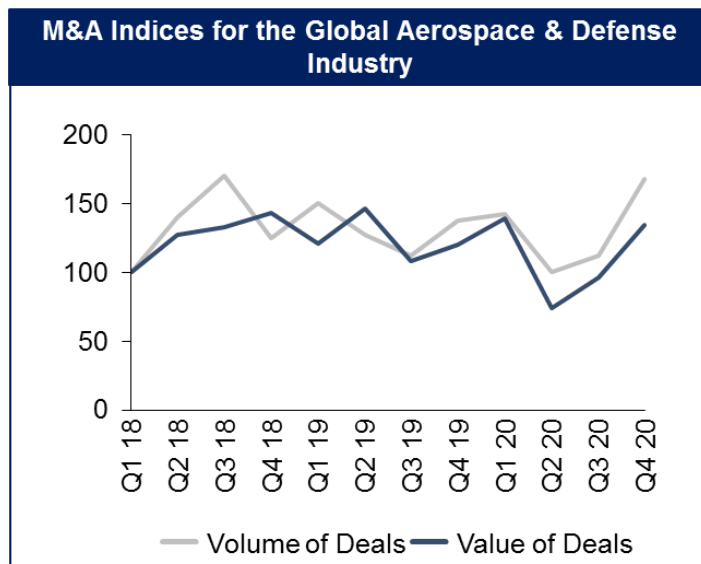
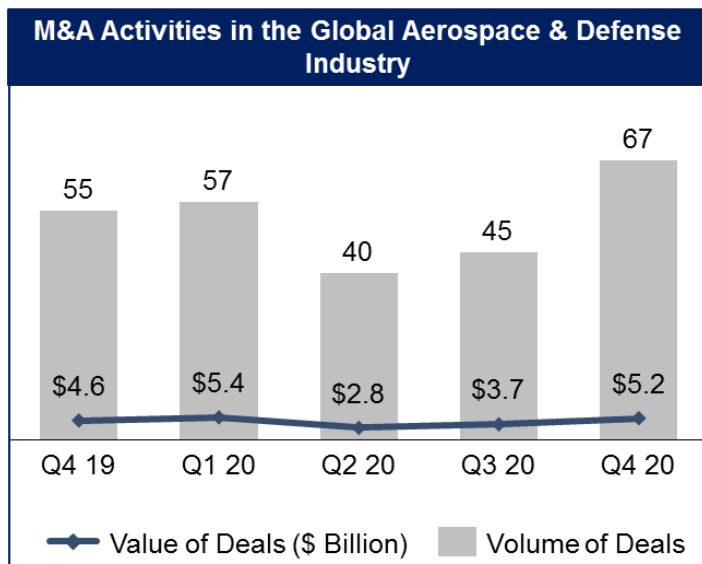


Figure 4: Regional Market Share in the Air Passenger Market

M&A Update – Q4 2020

Merger and acquisition activities in the global aerospace & defense industry for Q4 of 2020 increased significantly. The global aerospace & defense industry recorded 67 completed M&A deals in the Q4 of 2020, an increase of 49% from Q3 of 2020. The total deal value in Q4 of 2020 is \$5.2 billion, which is an increase of 40% from Q3 of 2020 and an increase of 12% from Q4 of 2019. Commercial aerospace has suffered an enormous setback under COVID-19, with passenger traffic down massively in 2020. The damage to the commercial sector from the COVID-19 pandemic has been substantial and a recovery will take two to three years. The players continued in involving major changes to their businesses, such as focus on liquidity, investment, and search for attractive deals, thus providing continued activities further.



Note: The above chart includes total completed deals with disclosed and undisclosed values

Source: Lucintel

Figure 5: Quarterly M&A Activities in the Global Aerospace & Defense Market

Table 1: Quarterly Changes in M&A Activities in the Global Aerospace & Defense Market

M&A Deals	Quarter Over Quarter Change in Merger and Acquisition Activities				
	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20
Deal Value (\$ Billion)	12%	16%	-47%	30%	40%
No. of Deal	22%	4%	-30%	13%	49%

Table 2: M&A Deals in the Global Aerospace & Defense Market

Date	Target Company	Acquirer Company	Value of Deal	Description
Dec 30, 2020	Physical Optics Corp	Mercury Systems Inc	\$0.3 B	The acquisition is directly aligned with strategy and enables to deliver more complete, pre-integrated avionics subsystems to customers.
Dec 23, 2020	Sparton Corporation	Elbit Systems of America, LLC	\$0.4 B	The acquisition will strengthen Elbit Systems of America's capabilities and will enable expansion of activities in the naval arena.
Dec 21, 2020	Blue Canyon Technologies LLC	Raytheon Technologies Corp	N/A	The acquisition allows BCT to grow its innovative product line to meet customer demand, including small satellite solutions including nanosatellites, microsatellites, ESPA-class satellites, and related technology.

Dec 18, 2020	Genesys Aerosystems Group, Inc	Moog Inc	\$0.1 B	The product synergies and cultural alignment of two organizations will enable future growth beyond current core flight control business.
Dec 01, 2020	Gogo Commercial Aviation	Intelsat	\$0.4 B	This airline relationships will create unprecedented innovation in inflight digital connectivity, unlocking exciting new growth and brand loyalty opportunities across the airline industry.
Nov 25, 2020	Integration Innovation-Portfol	Lockheed Martin Corp	N/A	This business combination not only reinforces commitment to the missions, but also expands portfolio in a strategic way.
Nov 23, 2020	Sensorem Pty Ltd	Aerodyne Ventures Sdn Bhd	N/A	Sensorem will provide Aerodyne Group's smart drone solutions and innovative data analytics technologies to businesses across industries in Australia.
Nov 16, 2020	Trinity Mobility Pvt Ltd	Honeywell International Inc	\$10.0 M	This strategic investment will allow Honeywell to expand its capabilities by providing solutions, which integrate information from various systems.
Nov 05, 2020	Spear Research LLC	Pacific Defense Strategies Inc	N/A	The combined company will deliver enhanced capabilities to customers.
Nov 23, 2020	TDA Holdings BV	Sojitz Corp	N/A	This partnership will give the opportunity to accelerate the expansion of business which is the narrow-body USM component distribution, and it will also allow developing business within new regions and branches in aviation.
Oct 30, 2020	Bombardier Aerostructures	Spirit AeroSystems	\$1.2 B	This transaction represents another strategic milestone in the reshaping of portfolio to focus on strong business aircraft.
Oct 29, 2020	Sensor Concepts Inc	Raptor Scientific LLC	N/A	This acquisition has built deep customer relationships by providing world-class precision measurement solutions used in mission-critical applications across the aerospace & defense sector.
Oct 19, 2020	Electro Kut Inc.	DCM Group Inc	N/A	DCM Group Inc. acquired Electro Kut Inc, a Laval-based manufacturer of aircraft parts and auxiliary equipment.
Oct 07, 2020	Rocky Research Inc	Honeywell International Inc	N/A	This acquisition expands Honeywell's existing, broad portfolio, which includes power generation systems, energy storage, and power and thermal management systems.
Oct 06, 2020	California Screw Products Corp	Avantus Aerospace Ltd	N/A	Avantus Aerospace Ltd, a unit of Bridgepoint Development Capital Ltd, acquired California Screw Products Corp, a Paramount based manufacturer of military armored vehicles, tanks and tank components.
Oct 05, 2020	IKHANA Group LLC	AEVEX Aerospace LLC	N/A	AEVEX, a unit of Madison Dearborn Partners LLC, acquired IKHANA Group LLC, a Murrieta-based manufacturer of aircrafts.

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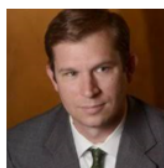


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