

Quarterly M&A and Industry Update – Aerospace & Defense Q2 2021



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By Lucintel

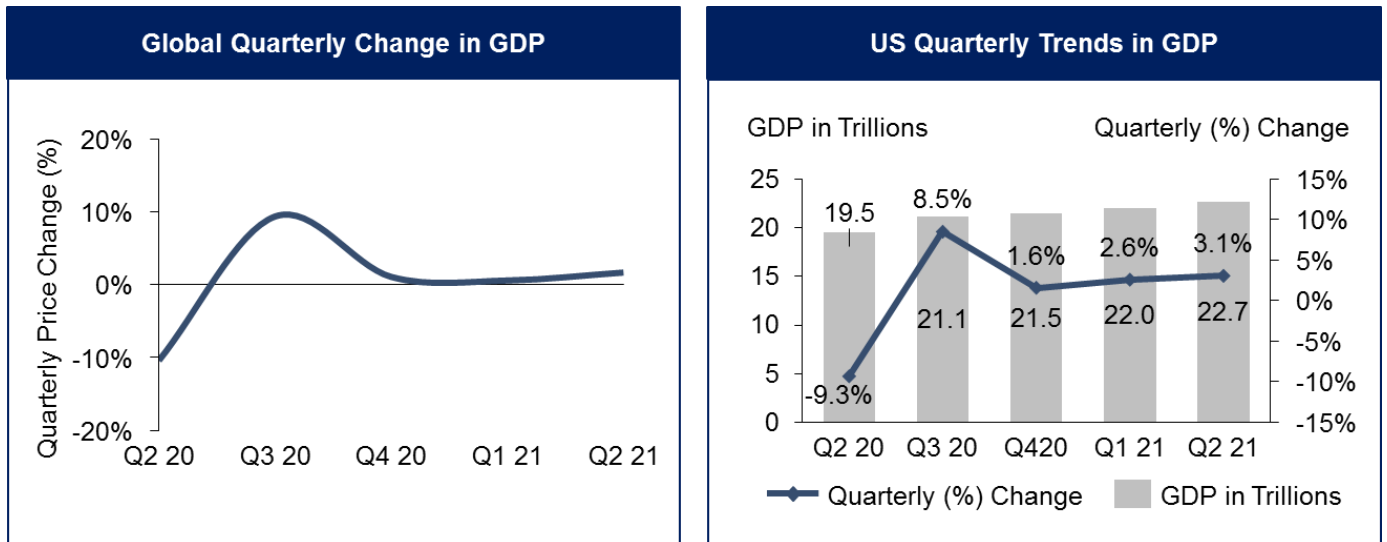
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Economic Situation Q2 2021

The global GDP grew by 1.7% in Q2 2021 from Q1 2021, while it increased by 13.2% when compared to Q2 2020. The U.S. GDP grew by 3.1% in Q2 2021 as compared to Q1 2021. The world economy has brightened but it is likely to remain uneven and depends on the effectiveness of vaccination programs and public health policies. Controlling the pandemic at the global level will require more equitable vaccine distribution, especially for low-income countries. The progress of vaccination campaigns will be pivotal to economic outcomes. As per OWID (Our World in Data), about 23.4% of the global population received at least one dose of vaccine by the end of Q2 2021. While vaccination rates are progressing well in many advanced economies, poorer and emerging-market countries are being left behind. Only 14.4% of doses have been administered in low income and low to middle income countries while they represent 46.7% of the world's population in Q2 2021. Contrary to this rest of the countries which consist of HIC (high income countries) and UMIC (upper middle-income countries) received 85.5% of vaccine doses administered (Source: WHO).



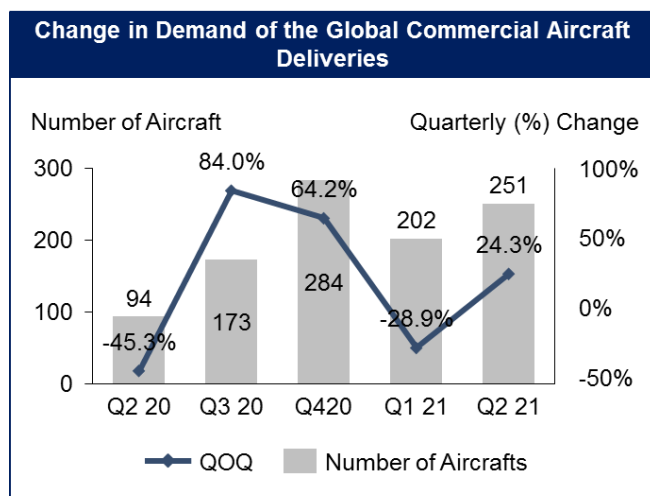
Note: The above image shows quarter over quarter change in GDP

Source: IMF, Lucintel

Figure 1: Quarterly GDP Trends

Aerospace & Defense Industry Update – Q2 2021

Global deliveries of commercial aircraft increased by 24.3% in Q2 2021 from Q1 2021, and grew significantly by 167% when compared to Q2 2020. Airbus registered the highest revenue increase of 38% in Q2 of 2021 on quarter-over-quarter basis. The aerospace & defense industry has been massively impacted by the corona virus pandemic. Commercial aerospace could take three years or more to recover to the pre-COVID revenue range. Production cutbacks have taken place and liquidity is at an all-time premium, as aviation demand dropped during 2020. The industry has faced many challenges, such as significant reduction in number of passengers resulting in massive reduction in revenues for airlines, reduction in aircraft orders and deliveries, workers' safety, and supply chain issues. The figure below depicts change in commercial aircraft deliveries in the past five quarters.



Source: Lucintel

Figure 2: Quarterly Change in the Global Commercial Aircraft Deliveries

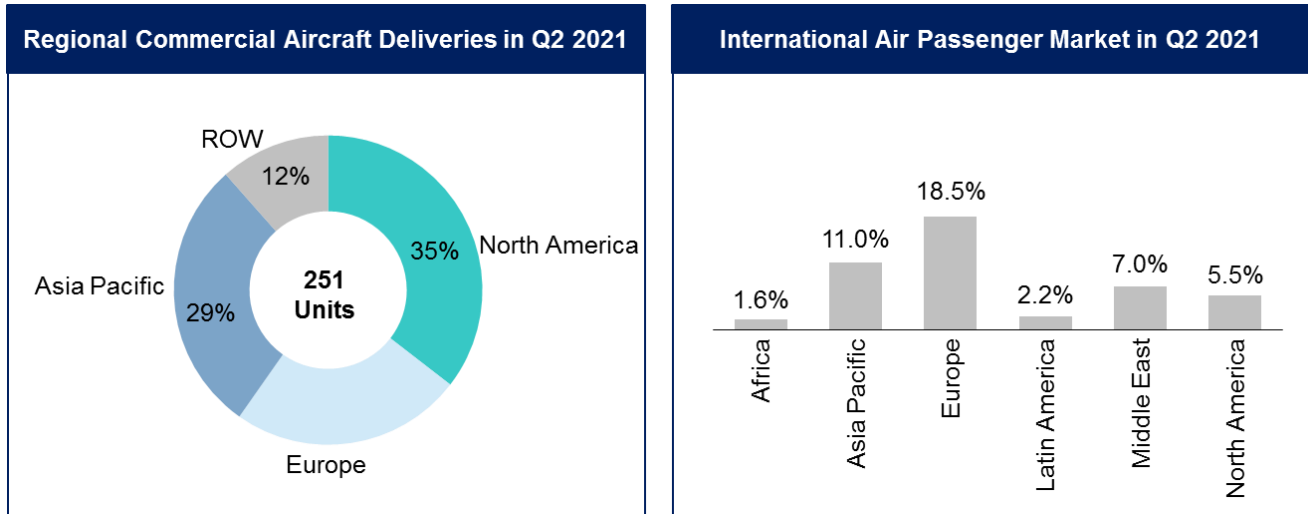
Company Name	Change in Revenue	
	Q2 21/Q1 2021	Q2 21/Q2 20
Boeing	12%	44%
Airbus	38%	81%
General Dynamics	-2%	0%
Lockheed Martin	5%	5%
Northrop Grumman	-0.1%	3%
GE Aviation	7%	3%
Raytheon	4%	13%
Rolls-Royce	0.3%	-1%
BAE Systems	-13%	0.0%
Safran	8%	8%

Source: Lucintel

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

Commercial aircraft deliveries in Q2 2021 witnessed growth of 24% from Q1 of 2021; it surpassed pre-Covid levels. North America holds the largest demand of around 35% in the global commercial aircraft deliveries, followed by Asia Pacific. International air travel holds 46% of the total air passenger market. Europe contributed to the largest share of 18.5% in the international air passenger market. Global air travel recovery improved in Q2 2021; supported by vaccine rollout. The macroeconomic drivers of air travel demand remain supportive for now. Moreover, consumer confidence hovers close

to pre-crisis levels, which means that consumers are becoming more positive about their personal finances and might be willing to spend money on air travel.

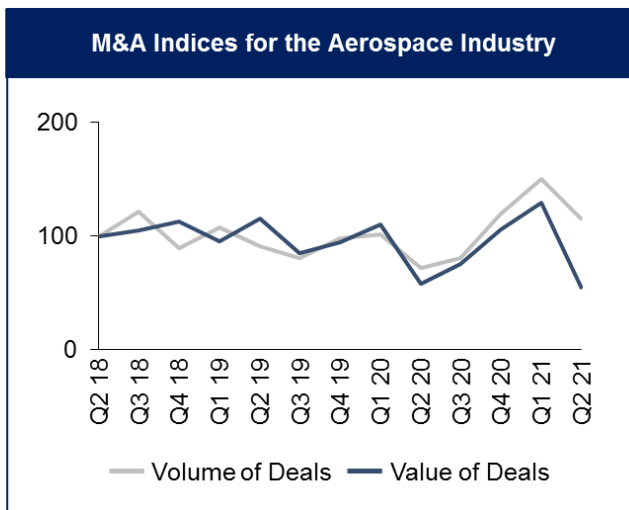
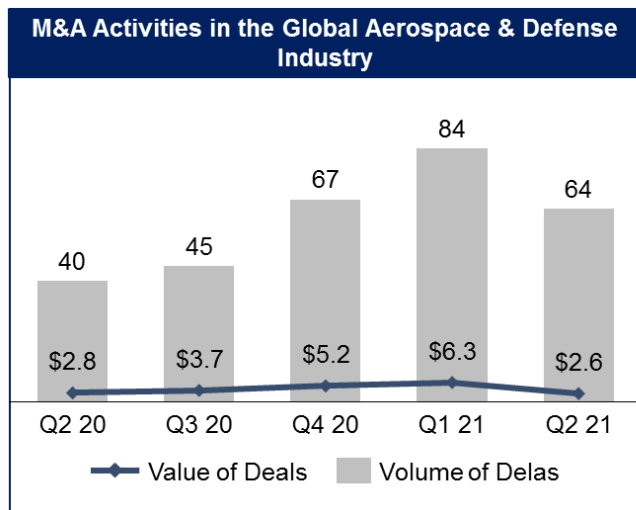


Source: IATA, Lucintel

Figure 4: Regional Share in the Aircraft Deliveries and Air Passenger Market

M&A Update – Q2 2021

Merger and acquisition activities in the global aerospace & defense industry in Q2 2021 decreased and recorded 64 completed M&A deals, a decrease of 24% from Q1 of 2021. The total deal value in Q2 of 2021 is \$2.6 billion, which is a decrease of 59% from Q1 of 2021. The second quarter of 2021 falling back sharply from record hit in the first quarter. Some cross-border deals may be affected by a tightening of US foreign investment rules put in place to restrict opportunistic acquisitions by foreign entities. Commercial aerospace manufacturers are likely to focus on restructuring and cost reduction to position them for profitable growth in the long term. The long-term growth prospects for the aerospace & defense industry remain strong. The technological developments, such as advanced air mobility, hypersonic, electric propulsion, and hydrogen-powered aircraft, are likely to drive future growth for the industry. Also, aerospace & defense companies could pursue M&A opportunities to build scale and capture greater value.



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				
	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21
Deal Value (\$ Billion)	-47%	30%	40%	22%	-59%
No. of Deal	-30%	13%	49%	25%	-24%

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

Date	Target Company	Acquirer Company	Value of Deal	Description
June 29, 2021	Nuviation LLC	Jet Support Services Inc	NA	This partnership will enable the JSSI platform to deliver a full suite of highly complementary services to the market that will simplify and optimize the entire maintenance experience, allowing owners and operators to manage their aircraft more efficiently.
June 22, 2021	Aerialtronics DV BV	Aquiline Drones LLC	\$8.94 M	This partnership allows to access years of cutting-edge research and development in UAS technology to fill national void with competitively-priced, American-made drone products. This acquisition intends to continue investing in technology, marketing, and sales with the goal of becoming a US leader in professional civil UAVs.

June 02, 2021	Cubica Technology Ltd	Chemring Group PLC	\$12.73 M	This acquisition creates further opportunities for Chemring to enhance and further accelerate growth in business. This investment is focused on research and development, infrastructure, and security.
May 25, 2021	AeroData Inc	Garmin International Inc	NA	This collaboration provides advanced software solutions for both air transport and business aviation. In addition to broadening Garmin's presence in commercial aviation, AeroData's extensive load planning, performance, and flight path analysis expertise significantly enhances and expands the digital services portfolio.
May 05, 2021	Discovery Jets	National Airways Corp	NA	NAC Charter has entered the US charter market by acquiring a 25% stake in Discovery Jets. The acquisition is in line with NAC's expanding global footprint and will see Discovery Jets expand its range of service offerings to mirror those of NAC.
May 03, 2021	Birken Mnfg	Enjet Aero Llc	NA	This acquisition puts Enjet in a strong position to capitalize on the emerging recovery with greater capabilities, resources, and capacity to respond to the increasing production demands.
April 21, 2021	GEM Elettronica Srl	Leonardo SPA	NA	The partnership is aimed at strengthening capabilities to increase competitiveness in the long-term, in line with Leonardo's strategic plan "Be Tomorrow – Leonardo 2030".
April 20, 2021	Frontier Aerospace Corp	American Pacific Corp	NA	American Pacific has invested an undisclosed sum in the space propulsion company Frontier Aerospace as part of efforts to better support the needs of space launch industry clients. This is a strategic investment in next-generation, in-space liquid propulsion technology.
April 12, 2021	TestVronics Inc	Raptor Scientific LLC	NA	The addition of TestVronics to the Raptor portfolio of products further strengthens the existing customer relationships and allows customers to work with one supplier for a number of Test & Measurement products and services.
April 03, 2021	Area-I Inc	Anduril Industries Inc	NA	The acquisition expands Anduril's portfolio of unmanned aerial systems, creates new opportunities for its software-defined capabilities such as mission autonomy and intelligent teaming and significantly accelerates the company's strategic growth.
April 01, 2021	BAE Sys Rokar Intl Ltd	Elbit Systems Ltd	\$31 M	The partnership focuses on the upgradation of existing platforms, development of new technologies for defense, homeland security, and commercial applications and providing a range of support services, including training and simulation systems.

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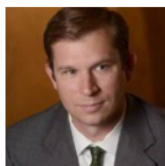


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