



**SOUTHWIND
C A P I T A L**

**Aerospace | Defense & Government |
Intelligence Community**

December 2025 Market Snapshot



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Macro Demand and Budgets

The US FY25 DoD request (about 850B) emphasized strengthening the defense industrial base and boosting missile, unmanned, and space investments, sustaining a multiyear up-cycle for primes and key subs.

The American aerospace and defense sector generated nearly 1T in total economic activity in 2025, underscoring its central role in US manufacturing, exports, and employment.

Acquisition, Policy and Contracting Environment

2025 marked a "pivotal" shift in US defense acquisition, with executive orders aimed at modernizing acquisition, reducing regulation, and explicitly pushing greater use of commercial technologies and contracting pathways.

For federal contractors broadly, 2025 brought substantial policy and compliance changes that will shape how government contractors pursue, price, and execute work in 2026, creating both opportunity and operational burden.

Programs, Awards and Segment Trends

Missile defense and space-based sensing were big winners: the Space Development Agency awarded roughly 3.5B for 72 missile-tracking satellites, and MDA's SHIELD IDIQ selected over 2,000 vendors for a 151B multi-year layered homeland defense architecture.

Within aerospace and defense, aircraft & engines and defense contractor segments enjoyed strong demand and M&A, while components and specialty systems lagged, reflecting bottlenecks and margin pressure in lower tiers of the supply chain.

Defense Dealmaking and Industry Structure

2025 defense dealmaking was labeled a "year of disruption," with primes reshuffling portfolios—exiting non-core businesses and doubling down on higher-margin, tech-heavy areas like space, C4ISR, and advanced weapons.

"Defense tech disruptors" (AI, autonomy, sensing, software-defined systems) gained negotiating leverage as DoD spending and acquisition reforms created more room for non-traditional vendors and mid-tier players.

Technology Themes: AI, Autonomy, Space, Digital

2025 was described as the year the industry began to "operationalize" technologies—moving AI, digital engineering, and advanced manufacturing from pilots into day-to-day operations and programs of record.

Space continued its rise as a growth engine, with large LEO tracking constellations, missile warning layers, and new interceptor/space-based defense concepts gaining funding and contracts.

GovCon and IC Contractor Market

The 2025 govcon year-in-review emphasized shifting evaluation criteria, compliance regimes, and small-business/OTA pathways that altered how firms positioned for 2026 bids and recompetes.

Agencies increased use of multi-vendor IDIQs and large vehicles (e.g., SHIELD, other enterprise IDIQs), rewarding firms capable of rapid task-order response, teaming, and full-stack solutions across cyber, intel, and mission IT.



Please see additional insights on the satellite & space industry in the [December 2025 Market Monitor](#) from our partners at Quilty Space.

Spending Trajectory and Macro Environment

[Analysts expect defense spending momentum to persist through 2026 and beyond, driven by heightened geopolitical risk, NATO rearmament, and sustained US and allied commitments to Ukraine and Indo-Pacific deterrence.](#)

[One data-driven outlook pegs the global defense market at roughly 2.75T in 2026, with a projected CAGR of about 5% through 2035, implying a structurally expanding market for defense contractors and tech suppliers.](#)

Acquisition, Contracting and Policy in 2026

[2025 developments will shape 2026's federal contracting landscape, with a "tidal wave" of changes in requirements, competition practices, and compliance that contractors must navigate to remain eligible and competitive.](#)

[Govcon analysts highlight 2026 as a year to double down on capture discipline, pipeline shaping, and post-award performance, as agencies use data and category management to rationalize vendors.](#)

Capability and Tech Focus Areas

[AI will diffuse deeper into the defense enterprise and industrial base—supporting predictive maintenance, supply chain risk management, targeting, and decision support—while raising new requirements around test, evaluation, and validation.](#)

[Space will remain a high-growth segment, with additional tranches of LEO constellations, proliferated sensing, and resilient communications as key themes, and more commercial firms moving into national security space work.](#)

Industrial Base, Reindustrialization and Supply Chain

[2026 forecasts point to "reindustrialization" of the defense manufacturing base, including commercial manufacturers adding defense lines and defense firms commercializing capabilities to keep factories warm between surges.](#)

[Defense primes aim to ramp output across missiles, drones, and aircraft, which will further stress an already fragile supplier base and force more strategic investments in tier-2/3 suppliers and raw materials.](#)

[The US and allies are expected to continue funding industrial base expansions—especially in munitions and rocket motors—so that the "down payment" made through 2025 begins to translate into real surge capacity by the late 2020s.](#)

Financial and Capital Markets Expectations

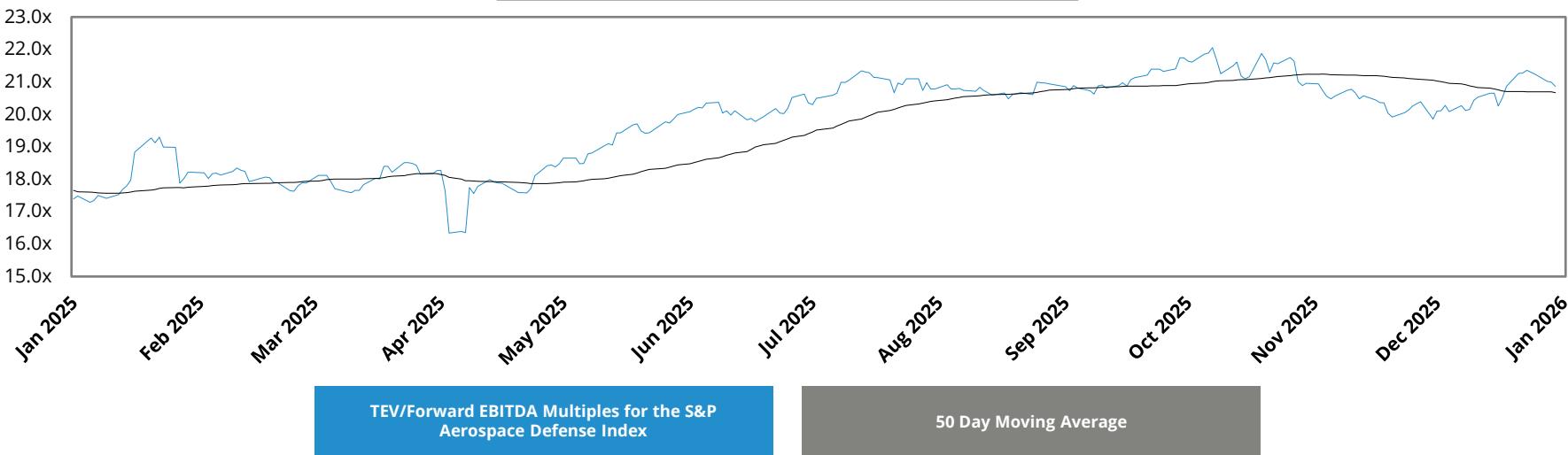
[Sector outlooks project that credit quality, already improved in 2025, will strengthen further in 2026, with upgrades outpacing downgrades and balance sheets improving for many major A&D names.](#)

[A&D M&A is likely to remain active, with primes pruning legacy units, acquiring tech capabilities, and seeking vertical integration in critical subsystems and components.](#)

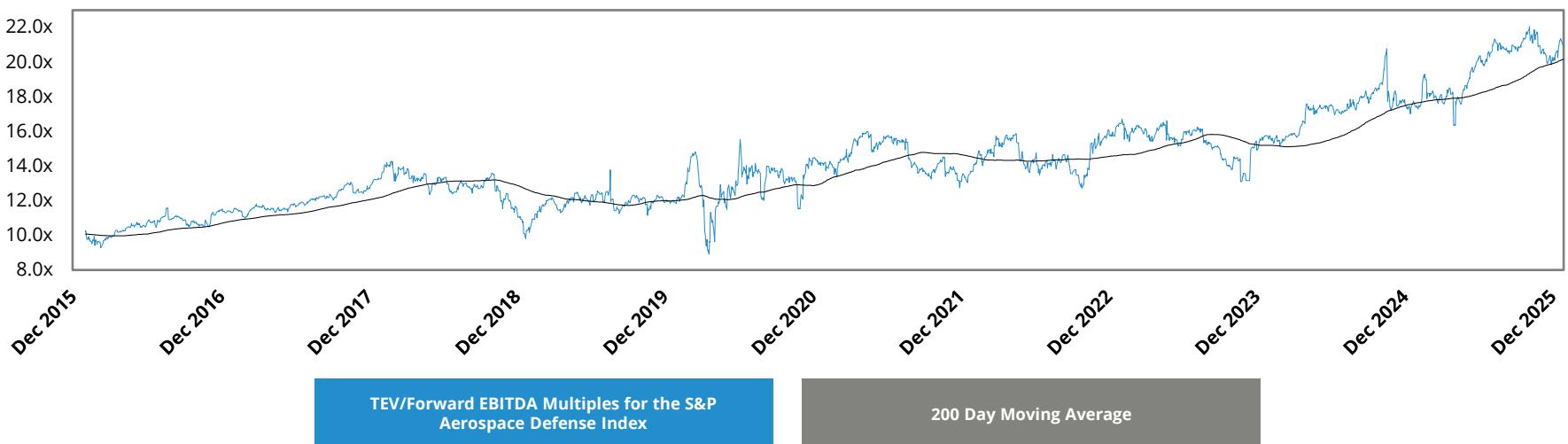


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1-Yr Historical EBITDA Multiples*

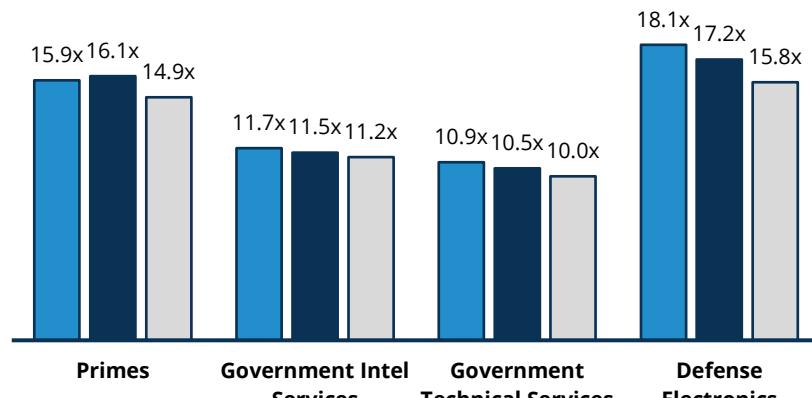


10-Yr Historical EBITDA Multiples*



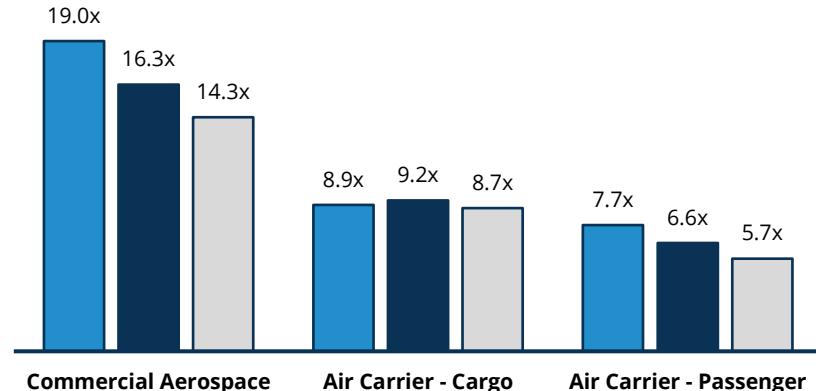
Defense & Government | Intelligence Community*

■ LTM ■ 2025CY □ 2026CY



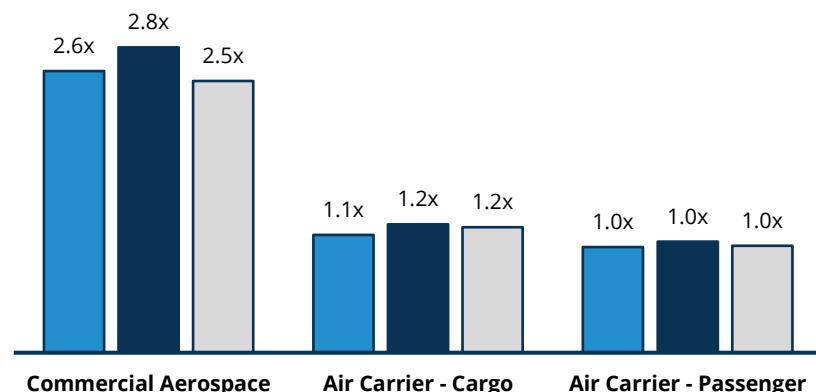
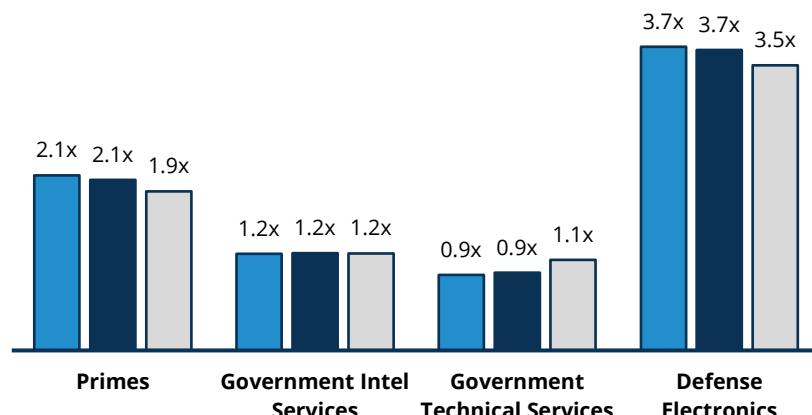
Commercial Aerospace*

■ LTM ■ 2025CY □ 2026CY



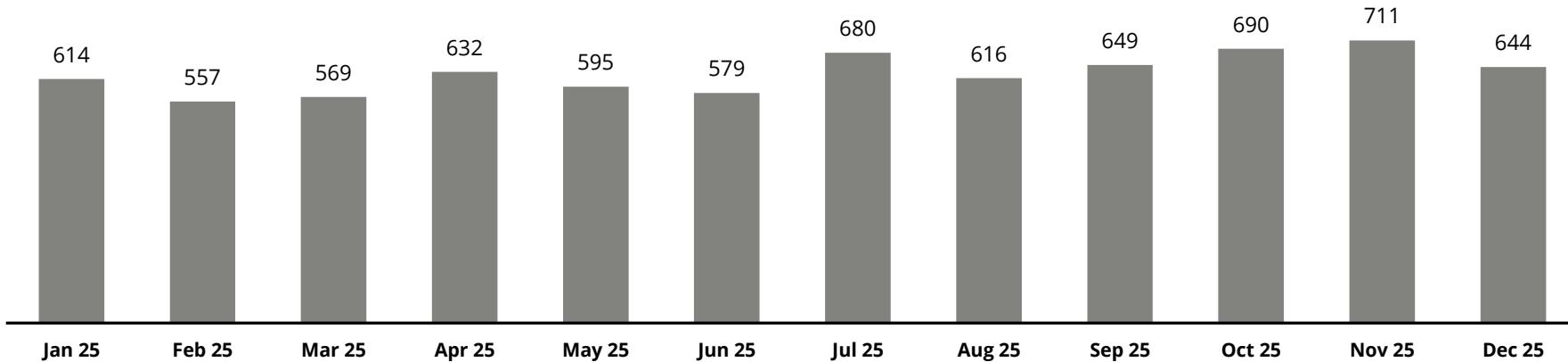
Median EV/Revenue (x)

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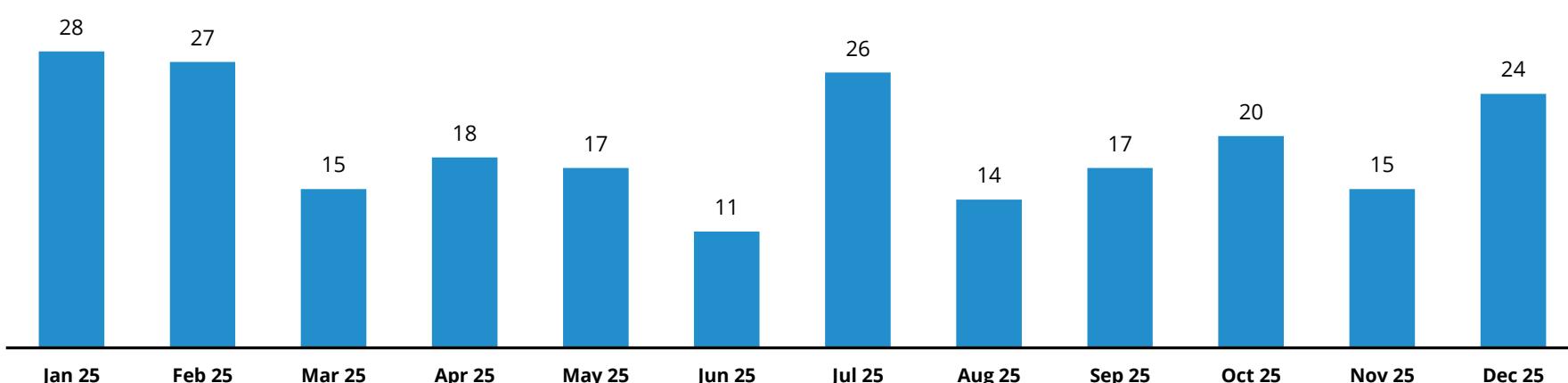


* Source: S&P Capital IQ as of January 2nd, 2026. For a full list of companies within each index, see page 11.

LTM US M&A Activity—Consolidated*



LTM US M&A Activity—Southwind Industry Universe*



* Source: S&P Capital IQ. These charts consist of completed transactions that were announced within the last twelve months.

Date	Status	Target	Acquirer/Investor	Transaction Value (US\$ Mil)	Valuation (EV/LTM EBITDA)
12/01/2025	Announced	FACT II Acquisition Corp	Precision Aerospace & Defense Group, Inc.	n.d.	n.d.
12/08/2025	Announced	Crawford United Corporation	SPX Enterprises, LLC	\$313.39	10.2x
12/08/2025	Announced	Confluent, Inc.	International Business Machines Corporation	\$12,651.35	n.d.
12/10/2025	Announced	Safran Passenger Innovations, LLC	Kingswood Capital Management, LP	n.d.	n.d.
12/11/2025	Announced	Smiths Interconnect Group Limited	Molex Electronic Technologies, LLC	\$1,300.00	n.d.
12/16/2025	Announced	Zone 5 Technologies, LLC	Kongsberg Defence & Aerospace AS	n.d.	n.d.
12/17/2025	Announced	Aircraft Reconfig Technologies LLC	AAR Aircraft Services, Inc.	\$35.00	n.d.
12/22/2025	Announced	ARKA Group, LP	CACI, Inc. - Federal	\$2,600.00	n.d.
12/22/2025	Announced	Consolidated Aerospace Manufacturing, LLC	Howmet Aerospace Inc.	\$1,805.00	n.d.
12/23/2025	Announced	Armis Inc.	ServiceNow, Inc.	\$7,750.00	n.d.
12/31/2025	Announced	Stellant Systems, Inc.	TransDigm Group Incorporated	\$960.00	n.d.
12/01/2025	Closed	JGA Space & Defense	Torque Capital Group LLC	n.d.	n.d.

* This list represents select deals within Southwind's industry universe that have been announced and/or closed in the past month.

Date	Status	Target	Acquirer/Investor	Transaction Value (US\$ Mil)	Valuation (EV/LTM EBITDA)
12/01/2025	Closed	Aerospace Quality Research and Development 145, LLC	DAS Aviation	n.d.	n.d.
12/01/2025	Closed	Lamar Technologies LLC	Hartzell Engine Technologies, LLC	n.d.	n.d.
12/01/2025	Closed	Paragon Energy Solutions, LLC	Mirion Technologies, Inc.	\$585.00	18.0x
12/02/2025	Closed	QED Systems, LLC	Peerless Technologies Corporation	n.d.	n.d.
12/02/2025	Closed	Cystemic Security Inc.	Woven Solutions, LLC	n.d.	n.d.
12/02/2025	Closed	Catchpoint Systems, Inc.	LogicMonitor, Inc.	\$250.00	n.d.
12/03/2025	Closed	H.E.R.O.S., Inc.	Precision Aviation Group, Inc.	n.d.	n.d.
12/03/2025	Closed	PCX Aerospace Enfield, LLC	Applied Aerospace Structures, Corp.	n.d.	n.d.
12/03/2025	Closed	NetServices, Inc.	Synergy ECP, LLC.	n.d.	n.d.
12/03/2025	Closed	Invictus International Consulting, LLC	Red River Technology LLC	n.d.	n.d.
12/08/2025	Closed	Ownership of Certain Assets and Sites of Spirit	Airbus SE	n.d.	n.d.
12/08/2025	Closed	Spirit AeroSystems Holdings, Inc.	The Boeing Company	\$8,588.00	n.d.

Date	Status	Target	Acquirer/Investor	Transaction Value (US\$ Mil)	Valuation (EV/LTM EBITDA)
12/10/2025	Closed	Elder Research, Inc.	ManTech International Corporation	n.d.	n.d.
12/11/2025	Closed	Aerospace Control Products, Inc.	Advanced Manufacturing Company of America, Inc.	n.d.	n.d.
12/11/2025	Closed	Veterans Engineering Incorporated	Aretum, LLC	n.d.	n.d.
12/16/2025	Closed	GlobalSim, Inc.	CM Labs Simulations Inc.	n.d.	n.d.
12/16/2025	Closed	Rite-Solutions, Inc.	Analex Corporation	n.d.	n.d.
12/17/2025	Closed	Regional Express Holdings Limited	Air T, Inc.	\$108.00	n.d.
12/17/2025	Closed	ScioTeq BV	Tikehau Capital	n.d.	n.d.
12/18/2025	Closed	Innovative Signal Analysis, Inc.	HawkEye 360, Inc.	n.d.	n.d.
12/19/2025	Closed	Shellback Tactical, LLC	n.d.	n.d.	n.d.
12/23/2025	Closed	Aero 3, Inc.	VSE Corporation	\$350.00	n.d.
12/31/2025	Closed	Ask Sage, Inc.	BigBear.ai Holdings, Inc.	\$250.00	n.d.

* This list represents select deals within Southwind's industry universe that have been announced and/or closed in the past month.

Date	Status	Company	Deal Type	New Investor(s)	Industry Sector*	Investment Size (US\$ Mil)
12/01/2025	Completed	Heven AeroTech	Later Stage VC	IonQ	Aerospace and Defense	\$100.00
12/08/2025	Completed	ProximaVision	Accelerator/Incubator	Gold Coast Tech Accelerator	Aerospace and Defense	n.d.
12/09/2025	Completed	Pryzm	Seed Round	Andreessen Horowitz Alpha Funds, Alphaaero, Altimeter Capital Management, ARK Investment Management, Darsana Capital Partners, Robinhood Ventures, WYO VC	Aerospace and Defense	\$12.20
12/09/2025	Completed	Boom Supersonic	Later Stage VC	Alpha Funds, Alphaaero, Altimeter Capital Management, ARK Investment Management, Darsana Capital Partners, Robinhood Ventures, WYO VC	Aerospace and Defense	\$300.00
12/11/2025	Completed	FreeFall Aerospace	Later Stage VC	n.d.	Aerospace and Defense	\$0.99
12/16/2025	Completed	Soar Technologies	Seed Round	n.d.	Air Mobility	\$0.04
12/16/2025	Completed	Ivo (Aerospace and Defense)	Angel (individual)	n.d.	Aerospace and Defense	\$0.75
12/19/2025	Completed	Lonestar	Early Stage VC	n.d.	Aerospace and Defense	\$6.64
12/22/2025	Completed	ZeroAvia	Later Stage VC	n.d.	Air Mobility	n.d.
12/23/2025	Completed	Cross Domain Systems	Seed Round	n.d.	Aerospace and Defense	\$1.22
12/26/2025	Completed	G-Space	Angel (individual)	The Bond Fund	Aerospace and Defense	n.d.

Primes	Government Intel Services	Government Technical Services	Defense Electronics
RTX Corporation	Leidos Holdings, Inc.	Jacobs Solutions Inc.	L3Harris Technologies, Inc.
The Boeing Company	Booz Allen Hamilton Holding Corporation	AECOM	BAE Systems plc
Lockheed Martin Corporation	CACI International Inc	KBR, Inc.	Thales S.A.
Northrop Grumman Corporation	Science Applications International Corporation	ICF International, Inc.	Teledyne Technologies Incorporated
General Dynamics Corporation	Parsons Corporation	V2X, Inc.	Textron Inc.
Huntington Ingalls Industries, Inc.			Mercury Systems, Inc.
			AeroVironment, Inc.
			Kratos Defense & Security Solutions, Inc.

Commercial Aerospace	Air Carrier - Cargo	Air Carrier - Passenger
Honeywell International Inc.	United Parcel Service, Inc.	Delta Air Lines, Inc.
Airbus SE	FedEx Corporation	United Airlines Holdings, Inc.
TransDigm Group Incorporated	Expeditors International of Washington, Inc.	Southwest Airlines Co.
HEICO Corporation	Atlas Air Worldwide Holdings, Inc.	Spirit Airlines, Inc.
Embraer S.A.	Air Transport Services Group, Inc.	Alaska Air Group, Inc.
Curtiss-Wright Corporation	Exchange Income Corporation	JetBlue Airways Corporation
Spirit AeroSystems Holdings, Inc.	Forward Air Corporation	Frontier Group Holdings, Inc.
Hexcel Corporation	Cargojet Inc.	SkyWest, Inc.
Moog Inc.	Hub Group, Inc.	Copa Holdings, S.A.
Triumph Group, Inc.	Chorus Aviation Inc.	Allegiant Travel Company
AAR Corp.	AAR Corp.	Hawaiian Holdings, Inc.
Ducommun Incorporated	Sun Country Airlines Holdings, Inc.	Mesa Air Group, Inc.
Astronics Corporation	Mesa Air Group, Inc.	
	Air T, Inc.	





Southwind is a proven merchant bank with exceptional, sector-focused sell-side M&A experience. Our bankers leverage extensive relationships within both the operational and investor communities to provide advice and solutions to product and service providers in the aerospace, defense & government, and intelligence communities.

Multiple Perspectives, Exceptional Advice

- Southwind's senior leadership has decades of industry-specific knowledge and experience as customer, contractor, legal counsel, private equity investor and board member, in addition to over 2 decades of M&A advisory track record.
- We understand the challenges of management and our advice is informed by our background—not only as advisors, but as executives and investors.
- We are also uniquely positioned to anticipate questions and concerns before they arise from prospective suitors, thereby enabling us to effectively (and preemptively) communicate company-specific attributes that will optimize potential outcomes.

Client-Focused Solutions

Mergers & Acquisitions | Underpinned by proprietary modeling and detailed marketing and diligence support, our focus on preparation fosters buyer interest and efficiency.

Equity & Debt Financing | Southwind maintains relationships with leading industry capital providers and assists in equity and debt financing services from cradle to grave.

Valuation & Fairness Opinions | Southwind offers professional evaluations of a company to determine whether a merger, acquisition, or other transaction is fair and viable.

Merchant Banking | Through deep relationships with board-level advisors and family office and high net worth investors, Southwind helps facilitate capital formation.