SOUTHWIND CAPITAL

Aerospace | Defense & Government | Intelligence Community

October 2025 Market Snapshot

IN THIS ISSUE

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SPOTLIGHT: DEFENSE TECHNOLOGY: BEYOND THE BUZZWORD

What "New Space" Got Right – What Defense Tech Still Has to Learn

Over the last few years, "Defense Technology" has become a convenient shorthand for a complex realignment between private capital, national security, and innovation. Like "New Space" a decade ago, it's a label that captures both the excitement and the growing pains of a sector trying to evolve from buzzword to industry.

The parallels are striking. The Space Technology revolution began with a simple but radical shift — private companies building what government once owned. SpaceX, Rocket Lab, and a generation of commercial startups proved that the model could work: leverage venture capital to create scalable infrastructure, validate it through early government contracts, and reinvest through vertical integration. The result was not just new technology, but an entirely new supply chain — one that blurred the line between commercial and national security space.

Defense Technology today sits in a similar moment. Capital is abundant, and the Department of Defense has shown unprecedented willingness to engage non-traditional suppliers. Yet, the system remains caught between two operating models: a venture ecosystem built for speed, and a government customer conditioned for risk avoidance. "Prototype fatigue" and inconsistent procurement pathways have left many startups circling the runway without a viable scale-up path.

The challenge for Defense Tech now is not innovation, but evolution. The companies that survive will be those that can make the same leap Space Tech did — from demonstration to delivery, from venture-backed promise to recurring revenue. That transition will require more than clever engineering; it will demand capital discipline, manufacturing maturity, and patient investors who understand the long sales cycle of national security.

Space Technology succeeded when it proved that commercial capability could be trusted for mission-critical work. Defense Technology will succeed when it does the same — when private sector speed can coexist with government reliability. If Space Tech's decade-long journey from "new" to "necessary" is any guide, the next generation of Defense Tech leaders won't just be disruptors; they'll be integrators.

Hype attracts attention, but structure attracts capital — and in that sense, Defense Technology faces a harder climb than Space ever did. The Space economy has continued to expand as commercial demand for launch, connectivity, and imagery pulled government along with it. Defense, by contrast, remains a largely fixed market: growth comes through competition, not expansion. The winners in this environment won't be those who invent faster, but those who deliver capability that can displace incumbent spend. Evolution in Defense Tech won't be measured in new markets opened, but in old markets redefined.

Please see additional insights on the satellite & space industry in the October 2025 Market Monitor from our partners at Quilty Space.

WHAT WE'RE READING

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Strategy & Policy

✓ **China's De-Americanization Strategy**

"…reflects a broader effort by China to redefine its path of development and reduce exposure to U.S. pressure."

✓ **Shipbuilding, Shareholders, and National Asynchronization**

"If you think defense companies are primarily focused on ensuring a properly resourced Navy, you don't understand how business works."

✓ **Colin Gray, The RMA and the Rise of Drone Warfare**

"…the RMA's emphasis on information warfare was not particularly novel — Sun Tzu in The Art of War had a similar perspective."

Trends in Technology

✓ **Navy CCA Program's Shape Coming into Focus**

"…modular, interchangeable planforms on a common chassis…"

✓ **Shield AI Reveals X-BAT Autonomous Fighter with Vertical Take-off Capability and 2000nm Range**

"X-BAT is a revolution in air power because it combines four things: VTOL, range, multi-role capability, and autonomy."

✓ **SpaceX Updates for Faster and Simpler Plan to Return Astronauts to the Moon**

"A single Starship has a pressurized habitable volume of more than 600 cubic meters, which is roughly two-thirds the pressurized volume of the entire International Space Station."

Contracting, Procurement & Budget

✓ **Is ProSec The New ESG?**

"How "sustainable" is your business (or country) if you outsource things that are critical to your business/people, and you don't have any control over the things you desperately need?"

✓ **Pentagon Stuck in Acquisition 'Cul-de-Sac' New Report Finds**

"Despite extended periods of very expensive research and development, major weapon systems have frequently failed to enter production on time or in numbers large enough to make a difference…"

✓ **The Golden Fleet and the Future of U.S. Maritime Superiority**

"…a smaller number of very large, heavily armed surface combatants paired with a greater number of unmanned or minimally crewed vessels."

Capital Markets

✓ **Arlington Capital Partners Raises $6B for Fund VII**

"…surpassing its $4.75 billion target and reaching its hard cap in less than five months."

✓ **Public Defense Companies Are Raking In Record Profits**

"Defense is hot right now…"

✓ **Finance & Deal Flow - Building Our Future**

"…a16z plans to raise $10B across funds focused on mature companies, AI applications and infrastructure, and 'American Dynamism' defense and manufacturing. "

Aviators & Warfighters

✓ **The Commando Who Died So That Others Could Live**

"Once on the ground, Pitsenbarger provided medical attention to the critically injured infantrymen and organized their evacuation to the hovering helicopters, overseeing nine medevacs in several trips."

✓ **The Top US Fighter Ace of WWII Europe Was Almost Rejected as a Pilot Twice**

"He was one of only seven pilots who achieved "ace" status in two wars."

✓ **This Delta Force Rescue Was The First Attack of Operation Just Cause**

"The regime had an American hostage in its notorious Cárcel Modelo prison, and the guards who held this hostage had orders to kill him if the United States attacked."

VALUATION TRENDS

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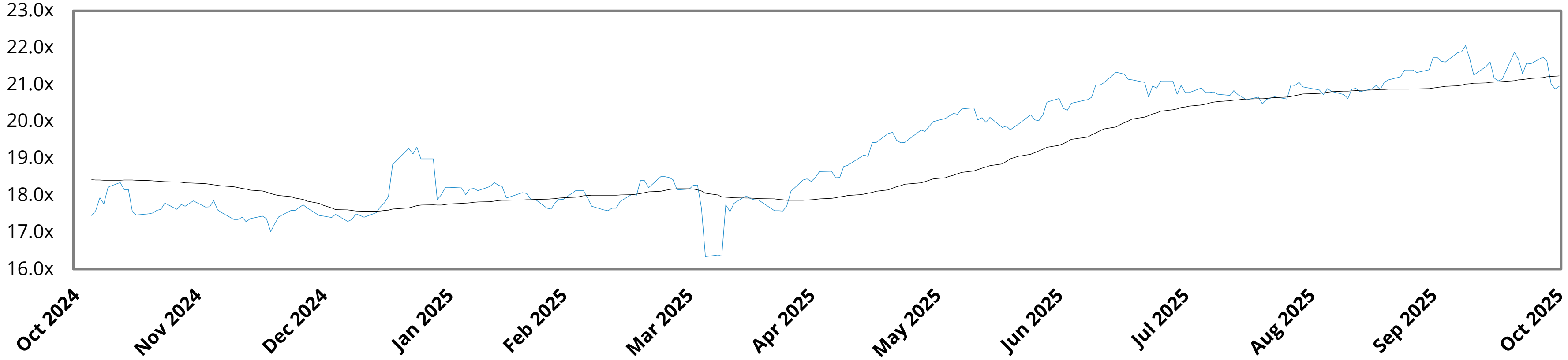
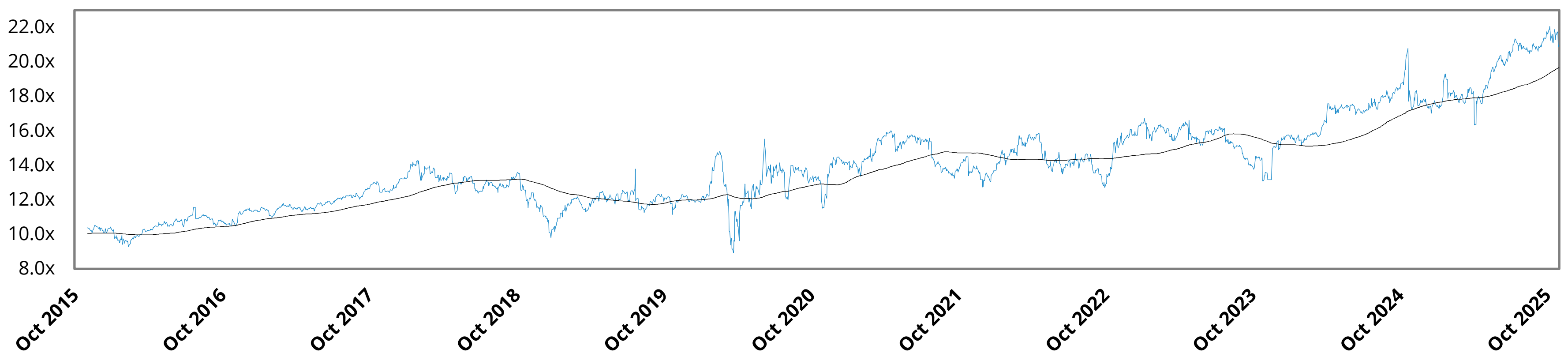
1-Yr Historical EBITDA Multiples*



TEV/Forward EBITDA Multiples for the S&P Aerospace Defense Index

50 Day Moving Average

10-Yr Historical EBITDA Multiples*



TEV/Forward EBITDA Multiples for the S&P Aerospace Defense Index

200 Day Moving Average

PUBLIC COMPANY VALUATIONS

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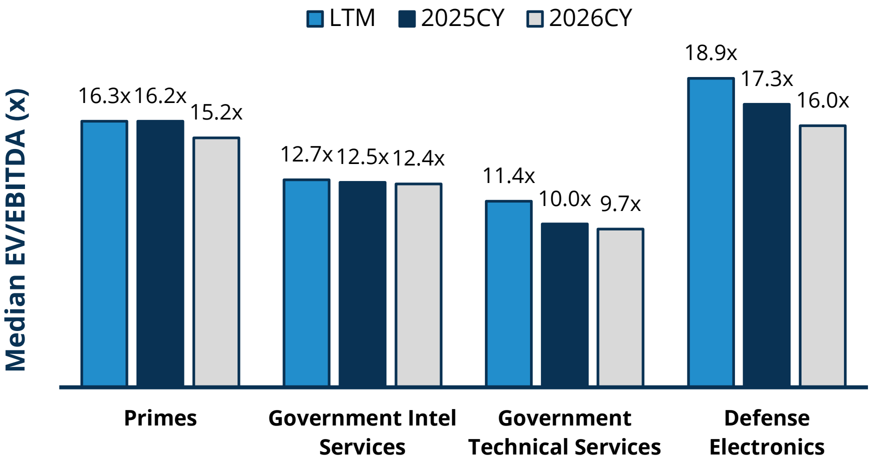
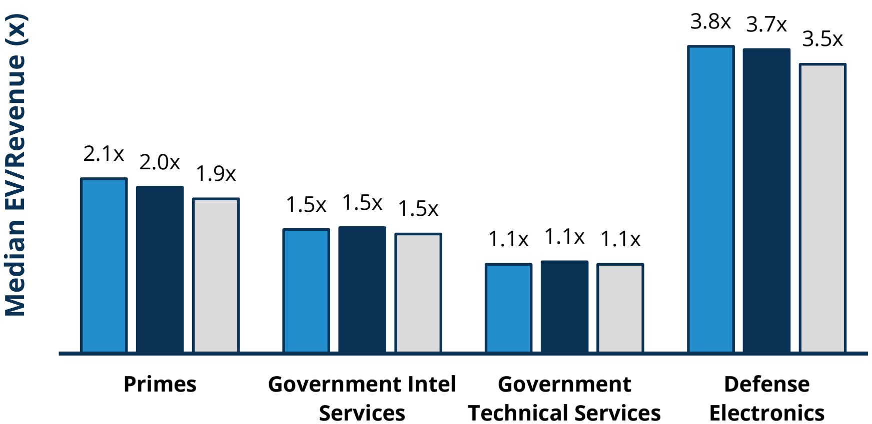
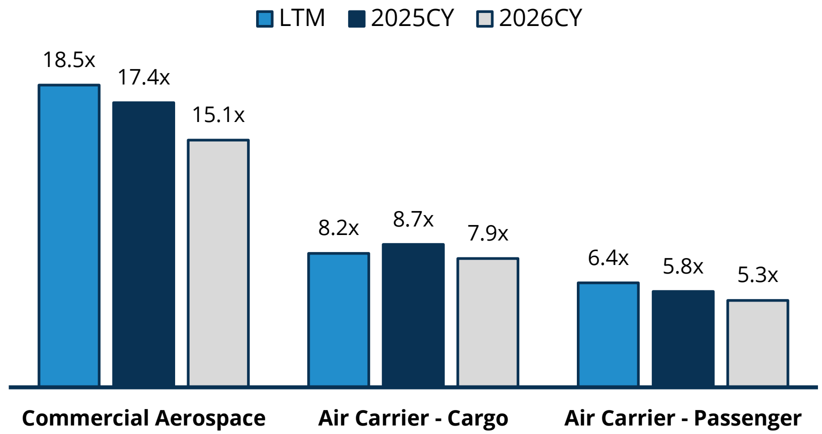
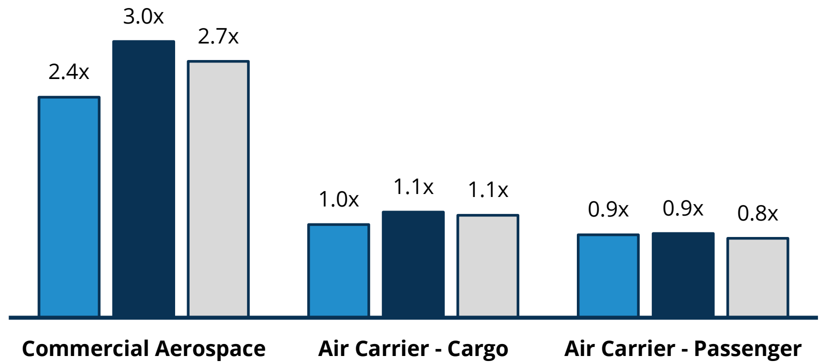
Defense & Government | Intelligence Community*





Commercial Aerospace*

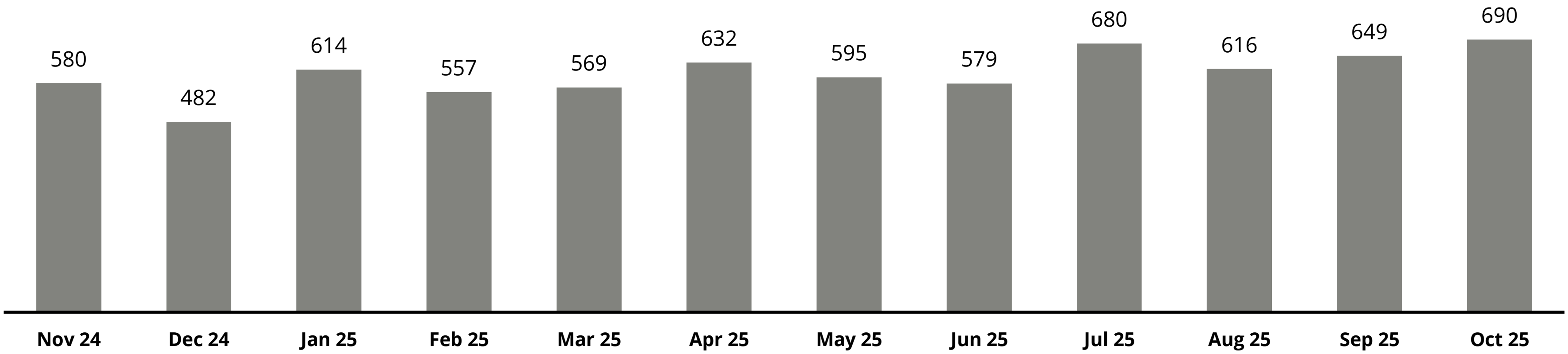




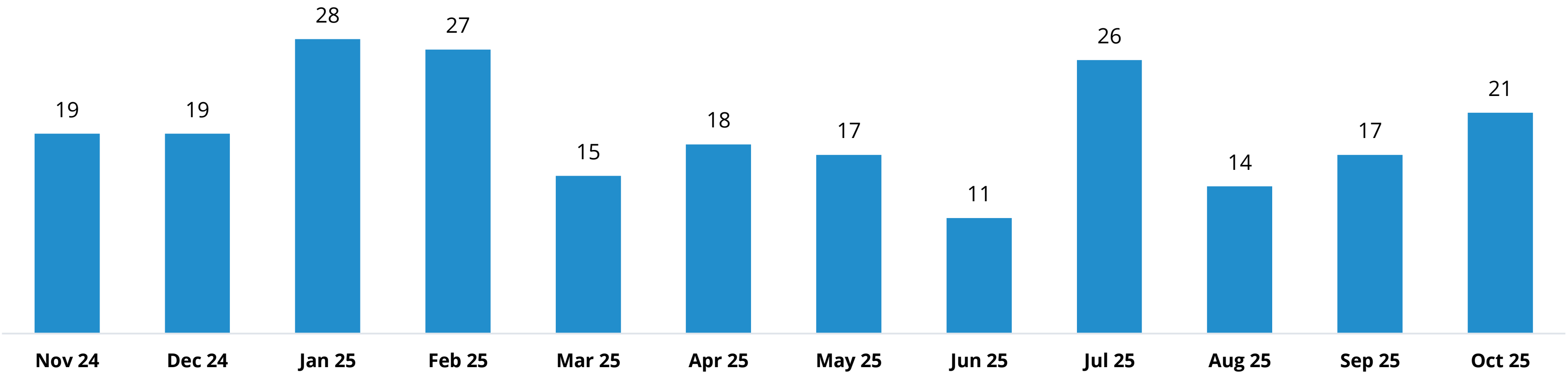
* Source: S&P Capital IQ as of November 3rd, 2025. For a full list of companies within each index, see page 12.

M&A TRENDS

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.

MONTHLY TRANSACTION ACTIVITY*

Date	Status	Target	Acquirer/Investor	Transaction Value (US$ Mil)	Valuation (EV/LTM EBITDA)
10/06/2025	Announced	SilverEdge Government Solutions LLC	Science Applications International Corporation	$205.00	n.d.
10/07/2025	Announced	HigherEchelon, Inc.	Cherokee Federal	n.d.	n.d.
10/09/2025	Announced	Epirus, Inc.	Messier 42 LLC	n.d.	n.d.
10/14/2025	Announced	Sun Air Jets, LLC	FlyHouse Technology, LLC	n.d.	n.d.
10/15/2025	Announced	Cognitus Consulting LLC	International Business Machines Corporation	n.d.	n.d.
10/16/2025	Announced	Smiths Interconnect Group Limited	Molex Electronic Technologies, LLC	$1,300.00	n.d.
10/20/2025	Announced	Regional Express Holdings Limited	Air T, Inc.	n.d.	n.d.
10/21/2025	Announced	ThreatConnect, Inc.	Dataminr, Inc.	$290.00	n.d.
10/22/2025	Announced	Omnispace, LLC	Lynk Global, Inc.	n.d.	n.d.
10/27/2025	Announced	Aero 3, Inc.	VSE Corporation	$350.00	n.d.
10/30/2025	Announced	Varec, Inc.	n.d.	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.

MONTHLY TRANSACTION ACTIVITY*

Date	Status	Target	Acquirer/Investor	Transaction Value (US$ Mil)	Valuation (EV/LTM EBITDA)
10/01/2025	Closed	Canyon Composites Inc.	Advanced Cooling Technologies, Inc.	n.d.	n.d.
10/01/2025	Closed	Calca Solutions, LLC	NewMarket Corporation	n.d.	n.d.
10/01/2025	Closed	KinetX Aerospace, Inc.	Intuitive Machines, Inc.	$29.70	n.d.
10/02/2025	Closed	Vector Atomic, Inc.	IonQ, Inc.	$378.56	n.d.
10/06/2025	Closed	Simmonds Precision Products, Inc.	TransDigm Group Incorporated	$765.00	n.d.
10/07/2025	Closed	clearAvenue, LLC	Celerity Government Solutions, LLC	n.d.	n.d.
10/09/2025	Closed	Group W Inc.	Systems Planning and Analysis, Inc.	n.d.	n.d.
10/09/2025	Closed	goTenna, Inc.	Robotic Research OpCo, LLC	n.d.	n.d.
10/10/2025	Closed	Aeronautical & General Instruments Limited	DC Capital Partners, LLC; DC Capital Partners Fund III, L.P.	n.d.	n.d.
10/13/2025	Closed	Aries Defense LLC	Sigma Defense Systems LLC	n.d.	n.d.

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MONTHLY TRANSACTION ACTIVITY*

Date	Status	Target	Acquirer/Investor	Transaction Value (US$ Mil)	Valuation (EV/LTM EBITDA)
10/13/2025	Closed	Trident Maritime Systems UK Limited	DC Capital Partners Management, L.P.	n.d.	n.d.
10/13/2025	Closed	Buhler Motor Aviation GmbH	Astronics Corporation	n.d.	n.d.
10/14/2025	Closed	Joined Alloys, LLC	Trusted Aerospace Engineering Pvt. Ltd.	$1,060.00	n.d.
10/15/2025	Closed	Spirent Communications plc	Keysight Technologies, Inc.	$1,205.37	25.4x
10/20/2025	Closed	American Infrared Solutions, LLC	Anduril Industries, Inc.	n.d.	n.d.
10/20/2025	Closed	Thermal Switches Product Line of Honeywell International Inc.	Acron Aviation	n.d.	n.d.
10/22/2025	Closed	VerifyID.ai	MTX Group Inc	n.d.	n.d.
10/22/2025	Closed	Anderson Connectivity, Inc.	Hughes Network Systems, LLC	n.d.	n.d.
10/22/2025	Closed	WestJet Airlines Ltd.	Delta Air Lines, Inc.	$330.00	n.d.
10/27/2025	Closed	ExoTerra Resource, LLC	Voyager Technologies, Inc.	n.d.	n.d.
10/31/2025	Closed	SciTec, Inc.	Firefly Aerospace Inc.	$604.11	n.d.

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

MONTHLY VENTURE ACTIVITY*

Date	Status	Company	Deal Type	New Investor(s)	Industry Sector*	Investment Size (US$ Mil)
10/01/2025	Completed	MapLarge	Later Stage VC	Crescent Cove Advisors	A&D	n.d.
10/01/2025	Completed	Diffraqtion	Early Stage VC	milemark.capital	A&D	n.d.
10/02/2025	Announced	LIFT Aircraft	Equity Crowdfunding	n.d.	AAM	n.d.
10/03/2025	Announced	Onebrief	Equity Crowdfunding	n.d.	A&D	$0.07
10/08/2025	Completed	Hoverfly Technologies	Corporate	n.d.	A&D	$20.00
10/09/2025	Completed	Odys Aviation	Later Stage VC	Climate Capital, Daft Capital, Gaingels, Knighthood Capital, Nova Threshold (Venture Capital), Palrecha Capital, Tuchen Ventures	AAM	$26.00
10/17/2025	Completed	Albacore (Aerospace and Defense)	Early Stage VC	468 Capital, Alumni Ventures, BoxGroup, Brave Capital, D3 (Venture Capital), Heliad, Karman Ventures, Outlander VC, Pioneer Fund, Spot VC, UA1	A&D	$6.50

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

MONTHLY VENTURE ACTIVITY*

SOUTHWIND CAPITAL

Date	Status	Company	Deal Type	New Investor(s)	Industry Sector*	Investment Size (US$ Mil)
10/22/2025	Completed	Utopiacompression	Accelerator/Incubator	Catalyst Campus for Technology and Innovation	A&D	n.d.
10/22/2025	Completed	Soresu	Accelerator/Incubator	Catalyst Campus for Technology and Innovation	A&D	n.d.
10/22/2025	Announced	Little Place Labs	Early Stage VC	n.d.	A&D	$3.00
10/29/2025	Completed	BTS Software Solutions	Later Stage VC	Blue Delta Capital Partners	A&D	n.d.
10/30/2025	Completed	AURA Network Systems	Later Stage VC	n.d.	A&D	$17.02

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

SOUTHWIND PUBLICLY TRADED COMPANY INDICES

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.