

**Aerospace and defence deals take a nose dive in 2008 according to PricewaterhouseCoopers report**

Aerospace and defence (A&D) deal-making stalled in 2008 as companies and investors faced new market realities according to 'Aerospace & Defence Deals\* 2008' the annual review of merger and acquisition activity in the global aerospace and defence industry, by PricewaterhouseCoopers. Total deal value in the sector more than halved from US\$32.9bn to US\$14.3bn.

The number of private equity deals more than halved from 77 in 2007 to just 31 in 2008 with a total value of US\$2.4bn down from US\$16bn in 2007. In fact, private equity deals now amount to only 17% of total A&D value, down from 49% in 2007. The Jet Aviation deal was the only US\$1bn plus deal in 2008, compared to seven similar in 2007 involving private equity players.

In civil aviation, a growing number of airlines are seeking to defer or cancel aircraft deliveries as they respond to falling demand for air travel and air cargo, coming on top of fuel price costs incurred in 2008. This in turn has led Boeing and Airbus to consider modest production cuts. This reduced demand for new aircraft is having a significant knock-on effect on SME sub-contractors leading to further cuts.

The new US administration has, so far, left uncertainty in relation to defence deal-making and in Europe, the long awaited French defence review proposals signalled a refocusing in defence priorities towards intelligence gathering.

Large deals were thin on the ground in 2008 and only three US\$1bn plus deals featured in the top ten, the lowest number since 2000. The largest of these deals being Finmeccanica's US\$5.6bn purchase of DRS Technologies – deal of the decade in terms of size and industry significance.

North America and Europe accounted for 89% of total deal value (US\$12.7bn) however transatlantic deals dominated the deal totals, accounting for US\$9.7bn of deal value with US\$7.3bn attributable to European bids for North American targets. Deal value in the rest of the world came close to its record US\$1.7bn level reached in 2006.

Neil Hampson, global aerospace and defence leader, PricewaterhouseCoopers, commented:

"Conservation of cash reserves is the immediate priority for many large companies. Smaller businesses who may have scaled up to meet expected demand increases may find the tide has gone out and left them in need of buyers."

"Looking forward, concerns about global capacity, cancelled orders, flatter defence spending and technological challenges associated with the manufacture of the new generation of aircraft will influence deal-making, leading to a subdued year in 2009. We suspect most companies will adopt a 'wait and see' attitude until key concerns about growth and financing have been addressed."

**ENDS**

## Notes to Editor:

1. A full version of 'Aerospace and Defence Deals\* 2008 Annual Review' will be available for download on March 10, 2009 at: [www.pwc.com/aerospaceanddefence/deals](http://www.pwc.com/aerospaceanddefence/deals)
2. **Methodology:** Aerospace & Defence Deals\* 2008 is based on published transactions from the Dealogic 'M&A Global' database, January 2009. Analysis encompasses only those deals which were completed in the calendar year. Deal values are the consideration value announced or reported including any assumption of debt and liabilities. Figures relate to actual stake purchased and are not multiplied up to 100%. The geographical split of the deals refers to the location of the target company. The analysis relates to the aerospace & defence development, manufacturing

and services sectors, and therefore excludes commercial airlines. The analysis includes targets in commercial and military aerospace, defence, homeland security and space. Data for earlier years may differ slightly to that appearing in previous editions of our annual analysis as a result of fresh information, refinements in methodology and consequent restatement of the input database. A full list of transactions throughout 2008 is available by visiting the Aerospace & Defence Deals website at [www.pwc.com/aerospaceanddefence/deals](http://www.pwc.com/aerospaceanddefence/deals).

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