

Missioncontrol

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First-quarter 2013 global aerospace and defense industry mergers and acquisitions analysis



Scott Thompson

To help provide further insights on recent mergers and acquisitions (M&A) activity, PwC is pleased to share with you our quarterly analysis of M&A activity in the global aerospace and defense (A&D) industry.

During the first quarter of 2013, the volume of M&A in the A&D sector continued to be dampened by US sequestration and related defense budget uncertainty, which could slow deals throughout the rest of the year.

Ten A&D deals worth more than \$10 million, at a total value of \$1.4 billion, occurred during the period. Deal value during the quarter represents an annual rate of less than \$6 billion; the 10-year average is about \$20 billion.

Overall, first-quarter deal volume and value were down significantly compared with the fourth quarter of 2012, which recorded 14 deals worth more than \$50 million, with a total value of \$8.8 billion.

PwC analysts are monitoring several additional trends expected to affect the values and locations of deals in the A&D sector:

- Strategic investors, gaining from recent, robust stock market performance that made equity a more attractive form of currency for financing new deals, led A&D transactions during the first quarter. Financial investors were involved in only 20 percent of transactions during the period, but with healthy balance sheets and less corporate competitive pressure, interest may be on the rise for financial investors.
- The United States led acquisitions activity, with seven deals worth \$50 million or more. Four deals targeted Asia & Oceania entities, and four targeted those in the United States. We believe that companies are awaiting more clarity regarding the direction of the U.S. defense sector and that will ultimately unfreeze the market, potentially driving more deals.
- While aerospace continues to dominate the market, accounting for eight deals worth \$50 million or more, the strongest pace since 2000, total deal value in the sector — \$900 million — represented the slowest pace since 2009.
- Defense companies are expected to continue to have a greater interest in diversification, adjacent markets, and new commercial applications for their products, which could help bolster M&A totals.

Uncertainty as to the extent and nature of the spending downturn continues to affect deal making. M&A in the A&D sector may remain weak through the end of 2013, but activity could accelerate in 2014.



We are pleased to present our first-quarter 2013 analysis as part of our ongoing commitment to provide you with a deeper understanding of M&A trends and prospects in the industry.

Launch the data explorer at <http://www.pwc.com/us/en/industrial-products/publications/mission-control.jhtml> for a deeper dive into the data, or contact us to further discuss our insights.

Sincerely,

A handwritten signature in dark ink, appearing to read "Scott", with a stylized, cursive flourish.

Scott Thompson
US Aerospace & Defense Leader