



# Aerospace & Defense MRO and Aftermarket Components M&A Industry Update

SUMMER 2024



[www.meridianib.com](http://www.meridianib.com)



**Brian Murphy**  
[bmurphy@meridianib.com](mailto:bmurphy@meridianib.com)

**Aaron Franzheim**  
[afranzheim@meridianib.com](mailto:afranzheim@meridianib.com)



# Meridian Capital's Aerospace, Defense, & Space Practice

Team Leads

## Meet the Team



**Brian Murphy**  
CEO & Managing Director  
bmurphy@meridianib.com



**Aaron Franzheim**  
Director  
afranzheim@meridianib.com



**Randy Moe**  
Managing Director  
rmoe@meridianib.com



**Nolan Bernard**  
Associate  
nbernard@meridianib.com



**Ian Nathan**  
Analyst  
inathan@meridianib.com

## Overview

Meridian Capital's Aerospace, Defense, & Space team has extensive transaction experience within the MRO services and Aftermarket components sector.

The coverage team possesses deep industry relationships with leading acquirers in the space and is up-to-date on the latest sector trends and considerations.

Meridian Capital is pleased to present its Summer 2024 MRO and Aftermarket M&A Industry Update.

## Select AD&S Transactions

**Project Kepler**

---

Aftermarket Rotorcraft Components

- Strategic Advisory -

**Project Link**

---

Defense RF Communications

- In Progress -

**J&M Machine**

---

- Acquired By -

**PCI Gases**

---

- Recapitalized by -

**Shields Manufacturing**

---

- Acquired by -

**Weatherhaven**

---

- Acquired by -

**JL Manufacturing**

---

- Acquired by -

**Berg Companies**

---

- Acquired by -

## Segment Coverage

MRO services and aftermarket components	Aerostructures, engine components, and subsystems	Automation, tooling, and engineering
Electronics and electro-mechanical components	Finish processing	Defense technology
Precision machining, fabrication, and sub-assemblies	Space, satellites and launch systems and services	UAVs

# MRO AND AFTERMARKET M&A UPDATE







# MRO and Aftermarket Industry Trends



## Increasing Air Travel Driving Industry Demand

Global commercial air travel is set to surpass historic levels, with 4.7 billion people expected to travel in 2024 compared with 4.5 billion in 2019<sup>1</sup>. Following a recovery phase, the worldwide commercial aviation fleet is expected to grow 28% over the next 10 years, underscoring the demand growth for aircraft and related services<sup>2</sup>.



## Aging Aircraft Fleet

The average age of aircraft has increased from 14 to 16 years old from 2019 to 2024 as airlines have been forced to operate older aircraft to meet increasing travel demand in light of slower new aircraft deliveries<sup>1,3</sup>. This aging trend amplifies the need for aftermarket parts and services, as older aircraft undergo more frequent and intensive maintenance and repairs, creating opportunities for aftermarket providers to meet growing demand.



## Component Availability and Labor Challenges

As demand for MRO services continues to increase, the industry is facing a shortage of skilled technicians. This highly technical workforce is critical to ensuring aircraft safety and timely return-to-service. Further, supply chain challenges continue to impact availability of aftermarket parts creating opportunities for new PMA suppliers to capitalize.



## Recurring Revenue and High Barriers to Entry Create Attractive Dynamics for Investment

Due to the ongoing MRO cycles of aircraft, and replacement cycles of components, companies operating in the aftermarket are well positioned to benefit from recurring revenue streams providing predictability and steady financial performance. Companies that have developed aftermarket components are able to obtain PMAs and STCs for their products, creating high barriers of entry for competitors by undertaking meaningful R&D investments and establishing intellectual property. As a result, these providers often have ability to exhibit pricing power with strong margin opportunities.



## Active M&A Environment Across Services and Parts

Private equity and strategic investors have remained active across the aerospace aftermarket. Fueled by strong underlying growth fundamentals and attractive business characteristics for investment, Meridian expects continued consolidation in the space.



# Select Recent M&A Activity – Transaction Profiles



## Target Description

Turbine Controls provides aftermarket maintenance, repair, and overhaul support. The Company caters to complex aircraft engine components of commercial and military applications.

## Target Overview

**31** **Founded:** 1979  
**📍 Location:** Bloomfield, CT  
**\$ EV:** \$120M

## Investment Rationale

VSE's acquisition of Turbine Controls helped to expand the Company's OEM authorized repair capabilities. Turbine Controls further enabled VSE to capture new market opportunities through the addition of specialized service capabilities to cater to a more niche segment of the market.



## Target Description

Segers Aerospace provides essential maintenance, repair, and overhaul services on mission-critical platforms. The Company offers a comprehensive suite of engine, accessory, and propeller services for global operators of the C-130 and similar aircraft.

## Target Overview

**31** **Founded:** 1976  
**📍 Location:** Fairhope, AL

## Investment Rationale

HIG Capital's objective in the acquisition was to support continued growth as Segers has made substantial investments into facilities, expertise, and capabilities over the past five decades. With the addition of HIG's capital and resources, Segers can continue to invest in current and forecasted opportunities, enabling market and customer expansion.



## Target Description

Triumph's MRO division is a provider of maintenance, repair, and overhaul of structures-related services. The Division specializes in airframe and engine accessories, servicing both commercial and military aftermarkets.

## Target Overview

**31** **Founded:** 1993  
**📍 Location:** Radnor, PA  
**\$ EV:** \$725M  
**\$ EV/Revenue:** 2.71x

## Investment Rationale

AAR's acquisition of Triumph's MRO division aimed to expand AAR's market presence and service offerings in the aerospace industry. The acquisition enabled AAR to access new customers, technologies, and capabilities, enhancing its competitive position and ability to provide comprehensive MRO solutions.



## Target Description

BP Aero is a provider of aircraft engine aftermarket services catering to airlines and leasing companies. The Company's services include engine teardowns, parts overhauls, and component repairs.

## Target Overview

**31** **Founded:** 2008  
**📍 Location:** Irving, TX

## Investment Rationale

The acquisition of BP Aero marked ITP's first investment into the United States as the Company continued to advance its overall maintenance, repair, and overhaul capabilities in tandem with extending its global reach.



# Select Recent M&A Activity – Transaction Profiles



**Target Overview**  
 31 **Founded:** 2012  
 Location: Enterprise, AL



**Target Description**

Arista Aviation Services specializes in helicopter airframe and avionics maintenance, repair, and overhaul services. Arista is also a provider of aircraft parts distribution and leasing services to federal, state, and corporate customers.

**Investment Rationale**

United Aero's acquisition of Arista help to expand the Company's existing offerings by introducing more advanced manufacturing capabilities while extending its customer base into rotary-wing focused markets. Arista provides United Aero with additional revenue streams and the opportunity to expand market share.

## ARCLINE

November 2023



**Target Description**

Hartzell Aviation manufacturers proprietary aircraft subsystems and aftermarket components. The Company offers a range of engine accessories and adjacent products.

**Target Overview**

31 **Founded:** 1976  
 Location: Fairhope, AL

**Investment Rationale**

The acquisition of Hartzell was in line with Arcline's overall acquisition thesis to focus on critical suppliers to critical industries. Hartzell's portfolio of flight-critical components, in addition to its long-lived installed base, complemented attributes that Arcline historically seeks.

## HEICO

August 2023



**Target Description**

Wencor is a manufacturer of parts and highly-engineered aftermarket replacement components intended for its global customer base of commercial airlines and MRO providers.

**Target Overview**

31 **Founded:** 1995  
 Location: Peachtree City, GA  
 \$ **EV:** \$2.1B  
 \$ **EV/EBITDA:** 13.4x

**Investment Rationale**

The acquisition of Wencor was driven by synergistic considerations as HEICO sought to expand its PMA portfolio offerings. Wencor's expertise in engineering solutions and parts distribution also enabled HEICO to capture additional wallet share from existing customers.



May 2023



**AVIATION SPARES LLC**

**Target Description**

AOG Aviation is a provider of aircraft component and repair services for the domestic and international aerospace market. The Company's offerings include providing overhaul services and PMA parts to airline operators, repair stations, and global distributors.

**Target Overview**

31 **Founded:** 2002  
 Location: Oswego, IL

**Investment Rationale**

The acquisition of AOG Aviation enabled Loar Group to expand its presence in the aviation aftermarket industry and strengthen its capabilities in providing spare parts and support services for aircraft operators. The purchase also expanded the Company's customer and geographic reach, creating additional revenue streams.



# Recent M&A Activity

Deal Date	Target	Acquirer	Target Description
Apr-24	Turbine Controls	VSE Corporation	Provider of aftermarket MRO support services catering to complex aircraft engine components.
Apr-24	Segers Aerospace Corporation	H.I.G. Capital	Provider of maintenance, repair, and overhaul services intended for mission-critical military platforms.
Apr-24	Austrian Techniks Bratislava	SAMCO Aircraft Maintenance	Provider of maintenance services to regional aircraft operators for various aircraft models.
Apr-24	Alpha Aircraft Services	Ventura Air Services	Provider of maintenance services intended for aircraft.
Mar-24	Mid-Continent Aviation Services	Yingling Aviation	Provider of maintenance, repair, and overhaul services to business and general aviation.
Mar-24	Techni Air 2000	Argo MRT Americas	Provider of aircraft maintenance services.
Mar-24	Triumph Group (MRO Business)	AAR	Provider of maintenance, repair and overhaul of structures-related services.
Feb-24	BP Aerospace	ITP Aero	Provider of aircraft engine aftermarket services.
Feb-24	Arista Aviation Services	United Aero Group	Distributor and provider of aviation aftermarket parts and repair services.
Jan-24	AeroCision	Verus Aerospace	Manufacturer of engine components and assemblies intended for the aerospace industry.





# Recent M&A Activity (Cont.)

Deal Date	Target	Acquirer	Target Description
Dec-23	DCM Group	Thrust Capital Partners	Provider of aviation services intended to offer ground maintenance for the aviation industry.
Dec-23	South Breeze Aviation	Aviation Integrated Services Group	Provider of aircraft MRO services.
Dec-23	SAR Trilogy Management (MRO Division)	PILATUS Flugzeugwerke AG	Provider of MRO services.
Nov-23	Hartzell Aviation	Arcline	Manufactures proprietary aircraft subsystems and aftermarket components.
Nov-23	Precision Aviation Group	GenNx360 Capital	Manufacturer of aircraft parts and maintenance, repair and overhaul services for rotary and fixed-wing aircraft.
Nov-23	SkyWheels	AeroRepair	Provider of maintenance services intended for the global aviation industry.
Nov-23	Modern Aviation	Apollo Global Management	Provider of fixed-base operator services.
Oct-23	Jet East	West Star Aviation	Provider of external and interior aircraft MRO services.
Oct-23	Pax Aero Solutions	Airtec	Provider of aviation maintenance services.
Sep-23	CAV Systems Group	Loar Group	Leading provider of in-flight ice protection and drag reduction technology to general aerospace markets.





# Recent M&A Activity (Cont.)

Deal Date	Target	Acquirer	Target Description
Aug-23	Specline	RBC Bearings	Manufacturer of precision bearings intended for the commercial and defense aftermarket.
Aug-23	Wencor Group	HEICO	Manufacturer of aircraft parts and highly-engineered aftermarket replacement components.
Aug-23	Flying Colours	Flexjet	Provider of aviation services intended for mid and large-sized business aircraft.
Jul-23	Ayesa Air Control	Alten	Provider of engineering services throughout the entire lifecycle and strives for efficiency at every stage.
Jul-23	SK AeroSafety Group	Bridgepoint Advisors	Provider of aviation maintenance services intended for airline operators and OEMs.
Jul-23	AAA Assistance Aeronautique	Bpifrance	Manufacturer of aerospace products intended for civil, military and business aircraft.
Jun-23	DASI	Marubeni	Supplier of aircraft inventory parts and equipment intended for major aircraft platforms.
Jun-23	Cobalt Aero Services	FCAH Aerospace	Provider of aircraft repair services intended for the aerospace industry.
May-23	Yingling Aviation	AE Industrial Partners	Provider of MRO and fixed-base operator services to business aviation and government customers.
May-23	AOG Aviation Spares	Loar Group	Provider of aircraft component and repair services.

# Thank you

## CONTACT INFORMATION

**Aaron Franzheim**  
Director  
Direct: (206) 582-3890  
afranzheim@meridianib.com



1809 7<sup>th</sup> Avenue #1330, Seattle, WA, 98101



9755 SW Barnes Road, Suite 680, Portland OR 97225



10 West Broadway, Suite 700, Salt Lake City, UT, 84101



@Meridian Capital LLC



@MeridianCap\_LLC



<https://meridianib.com>

