



# Aerospace and Defence M&A in Canada

Preparing for turbulence

July 2022



The global mergers and acquisitions (M&A) market has seen relatively high activity since the end of 2020 after the initial uncertainties of the COVID-19 pandemic were digested and capital market liquidity returned. M&A activity in the global Aerospace and Defence (A&D) market has been no different – innovations with respect to sustainability and the digitization of the A&D ecosystem have driven dealmakers to close deals and seize opportunities in a hot market with the “fear-of-missing-out”, private investment appetite, and lots of liquidity pushing the market along. Many of the larger global A&D companies have strong balance sheets allowing for debt-financed acquisitions.

However, with the recent pull-back of public equity markets, higher interest rates, inflationary pressures, and fears of slowing growth and a recession, can global M&A activity in the A&D sector continue at the current pace? Or will collaboration with other A&D players be the option selected to avoid the greater risks to creating value inherent with M&A transactions?

Fundamentals appear good for the A&D sector. Domestic air passenger traffic has almost returned to pre-pandemic levels in many countries including Canada; the race to develop sustainable electric and hydrogen propulsion systems is well underway; advanced air mobility system innovation activity is strong; rising geopolitical tensions are pushing up defense spending budgets around the world and the space ecosystem is thriving with private company innovation and risk-taking occurring in a sector previously driven almost entirely by government-sponsored programs.

## Recent A&D deals in Canada

A&D M&A activity specific to Canada has been choppy over the last few years with 2020 having a handful of unusually large transactions for the Canadian sector which was largely driven by Bombardier’s transformation into a pure-play business jet company. We note that certain private M&A transactions are often announced without deal values. Comments in this article therefore only highlight deals with announced values.

In 2020, there were 5 A&D transactions involving Canada with announced deal values greater than USD 50 million:

- **Airbus** increased its stake to 75% and the Government of Quebec acquired 25% of the legacy **Bombardier CSeries** (now known as the A220) program in February 2020. The announced value of this transaction was USD 1.6 billion.
- **MDA Ltd.** was acquired from **Maxar Technologies** by **Northern Private Capital** in April 2020 for USD 766 million.
- **Bombardier’s CRJ program** was acquired by **Mitsubishi Heavy Industries** for USD 750 million in May 2020 which finalized Bombardier’s exit from the commercial aircraft market to focus on business jets.
- **Spirit AeroSystems** acquired a number of business units of **Bombardier** in October 2020 for USD 865 million, including a significant MRO business based in Dallas, Texas.
- **CAE** acquired **Flight Simulation Company** in the Netherlands, which trains pilots on Airbus, Boeing, and Embraer aircraft, in November 2020 for USD 105 million.



In 2021, there were very few significant A&D M&A transactions involving a Canadian acquirer or seller. None, in fact, exceeded an announced value of USD 50 million except for the successful IPO of **MDA Ltd.** launched by its previous private equity owner **Northern Private Capital** which raised gross proceeds of USD 320 million for MDA's treasury.

In the first half of 2022, there were two announced A&D transactions with a published value over USD 50 million in Canada:

- **TransDigm Group** acquired **Dart Aerospace** from its private equity owner **Greenbriar Equity Group** for USD 360 million in May 2022. Dart provides design, manufacturing and market-certified solutions for the helicopter and aerospace industry.
- **Avcorp Industries**, a TSX-listed company and designer and builder of major airframe structures, announced in June 2022 that its shareholders had approved a plan of arrangement for **Latécoère SA** to acquire all the shares of Avcorp for USD 108 million. Latécoère is based in Toulouse, France, and is a Tier 1 supplier of aerostructures and interconnections systems for all segments of the aeronautics industry. The transaction is expected to close in Q3-2022.

# A&D Company Valuations at June 30, 2022 (all values in USD)

## Select listed A&D companies ranked by Enterprise Value in US dollars at June 30, 2022

Company	Country	Capitalization (in USD millions)			LTM Multiples			NTM Multiples			
		Enterprise Value	Net cash/ (net debt)	Market Cap	EV/ EBITDA	EV/ EBIT	P/E	EV/ EBITDA	EV/ EBIT	P/E	
Raytheon Technologies Corporation	United States	171,156	(28,619)	142,537	15.1x	NM	NM	13.2x	19.6x	19.2x	
Honeywell International Inc.	United States	129,383	(11,065)	118,318	15.4x	18.0x	22.5x	13.8x	16.3x	19.1x	
The Boeing Company	United States	124,952	(44,064)	80,888	NM	NM	NM	15.0x	NM	NM	
Lockheed Martin Corporation	United States	124,361	(9,762)	114,599	14.2x	16.4x	18.5x	12.5x	14.5x	16.0x	
Northrop Grumman Corporation	United States	86,710	(12,319)	74,391	11.8x	14.2x	12.9x	17.7x	NM	19.2x	
Airbus SE	Netherlands	73,366	2,727	76,093	8.8x	11.9x	13.5x	8.1x	11.3x	16.6x	
General Dynamics Corporation	United States	71,260	(9,935)	61,325	13.5x	16.3x	18.7x	13.4x	16.1x	17.5x	
L3Harris Technologies, Inc.	United States	54,159	(7,541)	46,618	15.2x	NM	25.2x	14.1x	15.9x	17.5x	
Dassault Systèmes SE	France	48,838	(719)	48,118	NM	NM	NM	NM	NM	NM	
TransDigm Group Incorporated	United States	45,033	(15,728)	29,305	NM	NM	NM	16.4x	19.0x	26.3x	
Safran SA	France	44,572	(2,541)	42,032	15.5x	NM	NM	11.7x	16.8x	22.7x	
BAE Systems plc	United Kingdom	36,693	(4,904)	31,789	12.2x	14.7x	13.4x	10.0x	12.5x	16.1x	
Thales S.A.	France	27,103	(1,042)	26,061	11.5x	19.3x	21.0x	9.5x	13.6x	17.2x	
Howmet Aerospace Inc.	United States	16,987	(3,844)	13,143	14.7x	19.2x	NM	12.4x	15.5x	20.7x	
Rolls Royce Holdings plc	United Kingdom	15,218	(6,784)	8,434	11.3x	NM	NM	9.6x	NM	NM	
Textron Inc.	United States	14,658	(1,524)	13,134	10.2x	14.0x	17.1x	9.0x	12.0x	14.6x	
Leonardo S.p.a.	Italy	11,135	(5,314)	5,820	7.2x	9.5x	7.9x	6.0x	8.6x	7.5x	
CAE Inc.	Canada	9,957	(2,145)	7,812	NM	NM	NM	13.6x	NM	28.7x	
Bombardier Inc.	Canada	7,394	(5,938)	1,456	19.3x	NM	NM	8.0x	15.5x	NM	
Spirit AeroSystems Holdings, Inc.	United States	5,743	(2,667)	3,077	NM	NM	NM	11.6x	NM	NM	
Hexcel Corporation	United States	5,141	(745)	4,397	NM	NM	NM	15.8x	NM	NM	
Maxar Technologies Inc.	United States	4,168	(2,245)	1,923	9.6x	NM	15.6x	8.4x	NM	NM	
Embraer S.A.	Brazil	3,423	(1,816)	1,607	12.6x	NM	NM	7.1x	13.2x	25.3x	
QinetiQ Group plc	United Kingdom	2,251	304	2,555	9.6x	14.0x	21.6x	8.7x	11.5x	15.7x	
MDA Ltd.	Canada	805	(73)	732	10.9x	NM	NM	6.4x	14.5x	10.7x	
Héroux Devtek Inc.	Canada	492	(120)	372	8.6x	13.1x	14.3x	7.1x	11.7x	14.1x	
Magellan Aerospace Corporation	Canada	377	(40)	337	15.4x	NM	NM	6.3x	14.9x	18.1x	
<b>Valuation Multiples Summary</b>											
Minimum					7.2X	9.5X	7.9X	6.0X	8.6X	7.5X	
Median					12.2X	14.5X	17.1X	10.8X	14.5X	17.5X	
Average					12.5X	15.0X	17.1X	11.0X	14.4X	18.1X	
Maximum					19.3X	19.3X	25.2X	17.7X	19.6X	28.7X	
Lower quartile					10.2X	13.7X	13.5X	8.1X	12.2X	15.9X	
Upper quartile					15.1X	16.8X	21.0X	13.6X	16.0X	19.6X	

Source: Capital IQ

## Contact us



### Peter Graham

Partner, Deal Advisory  
National Sector Leader, Aerospace and Defence  
416-777-8229  
peterjgraham@kpmg.ca