

Why Canada's Aerospace and Defence sector is ripe for M&A

Trends and transactions

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As demand for Aerospace and Defence (A&D) products and solutions surges globally, companies are priming for M&A activity to pick up. In this report, KPMG's A&D leader looks at the five key trends driving Canada's A&D sector with some tips on what to expect going forward.

These should be good times for Canadian A&D players. On the aerospace side, backlogs have hit all-time records – both for commercial and business jets. Defence spending is also set to surge with NATO countries pledging to more than double their defence investment by 2035.

Near-term orders for Canadian A&D players should follow. As part of the NATO pledge, Canada has added \$9 billion to its defence budget – bringing the national total to more than \$62 billion for the 2025-2026 fiscal year. Our big aerospace OEMs and suppliers have also seen a big bump in orders, driving renewed investment into the Canadian aerospace supply chain.

Indeed, the challenge facing Canadian A&D players isn't how to find new business; it's how to deliver on the business they already have. Everyone is looking for rapid growth.

Yet, at the same time, the complexity of serving the A&D sector is rising. Geopolitics has become challenging. The tariff environment is creating significant cost and supply chain challenges for

international players – particularly those Canadian manufacturers with products that may cross the border multiple times. Global trade relationships are rapidly changing.

The quick pace of technological change and digitalization is also creating new challenges as defence purchasers look for more integrated and automated systems and tech companies seek to capture new business opportunities. Ecosystems and supply chains are evolving.

What's driving the global A&D sector?

KPMG International's *Aerospace and Defense Emerging Trends* report identifies the 10 big trends influencing A&D organizations, customers, investors and suppliers in today's rapidly evolving environment. [Download the full report today](#) to get KPMG's insight on the key trends.

Is M&A activity on the rise?

With defence spending trending upward, indicators point to a pickup in merger and acquisition activity across Canada's Aerospace and Defence sector. The market data shows enterprise values are increasing, supporting stronger valuations for both public and private Canadian A&D companies. Innovation-focused subsectors — including space, cybersecurity, drones, and AI — appear particularly active, reflecting investor interest and strategic alignment with national defence priorities.

M&A momentum is also building across the supply chain. Larger Canadian and overseas companies are moving to consolidate key suppliers in growth markets to enhance resilience and scale. In parallel, adjacent industry participants, such as automotive suppliers, are seeking to diversify into defence by acquiring viable assets that provide rapid entry into the sector and access to long-term programs.

5 drivers setting the stage for M&A activity in Canada's A&D sector

01

Geopolitics and trade: While larger A&D players will have some room to adjust their supply chains and operations to reduce the impact of tariffs, smaller players and suppliers continue to struggle with the costs, paperwork and uncertainty. Expect to see some transactions, joint ventures and partnerships designed to help smaller organizations achieve the scale they need to survive.

02

Competition: Canada punches above its weight in A&D innovation. From promising new hybrid VTOL (vertical take-off and landing) vehicles in Ontario through to a burgeoning drone ecosystem in Alberta, a range of new ideas and technologies are being commercialized here in Canada. As the risk of these new startups starts to fall, expect large foreign players and OEMs to look for opportunities to acquire these new capabilities.

03

Digitalization: The need to integrate new technologies into existing products and services is driving many OEMs and suppliers to look for bolt-on solutions that can deliver rapid integration. At the same time, many sector startups are looking for ways to participate in government and OEM programs. Expect to see tie-ups between those with existing certifications and those who need them.

04

Workforce: With a shortfall of skills and capabilities emerging as one of the biggest barriers to growth across the sector, many A&D organizations are looking for strategic partnerships and strategies that could help scale operations. The Montréal region, for example, is experiencing a shortage of skilled machinists, with many companies now seeking to tap into a range of government foreign skilled worker immigration programs to fill open positions. Nationally, we are also seeing an uptick in the number of founders and owners looking to retire, seeking out possible exits for their business.

05

Supply chain: As one of only a handful of countries capable of building an airplane from nose to tail, Canada boasts a robust ecosystem of suppliers. With competition for sovereign A&D capabilities growing around the world, expect to see interest from foreign players seeking to acquire capabilities that can be replicated or extended into their home markets (notwithstanding any considerations around the ownership of IP).

Keeping the economic benefit in Canada

Canada may be an A&D leader. But – in many sectors – we simply lack the scale to deliver on some of the country's bigger contracts. Foreign suppliers and primes will be needed.

While many pundits suggest this money would be better spent within Canada, it is worth remembering that all government defence and coast guard procurement must adhere to the Industrial and Technological Benefits (ITB) Policy. It contractually requires companies awarded defence procurement contracts to undertake business activity in Canada equal to the value of the contracts they have won.

Interestingly, the ITB may itself be a catalyst for M&A activity in Canada as foreign suppliers seek to expand their local footprint in order to meet the local investment requirements of defence procurement.

Making the most of an active M&A environment

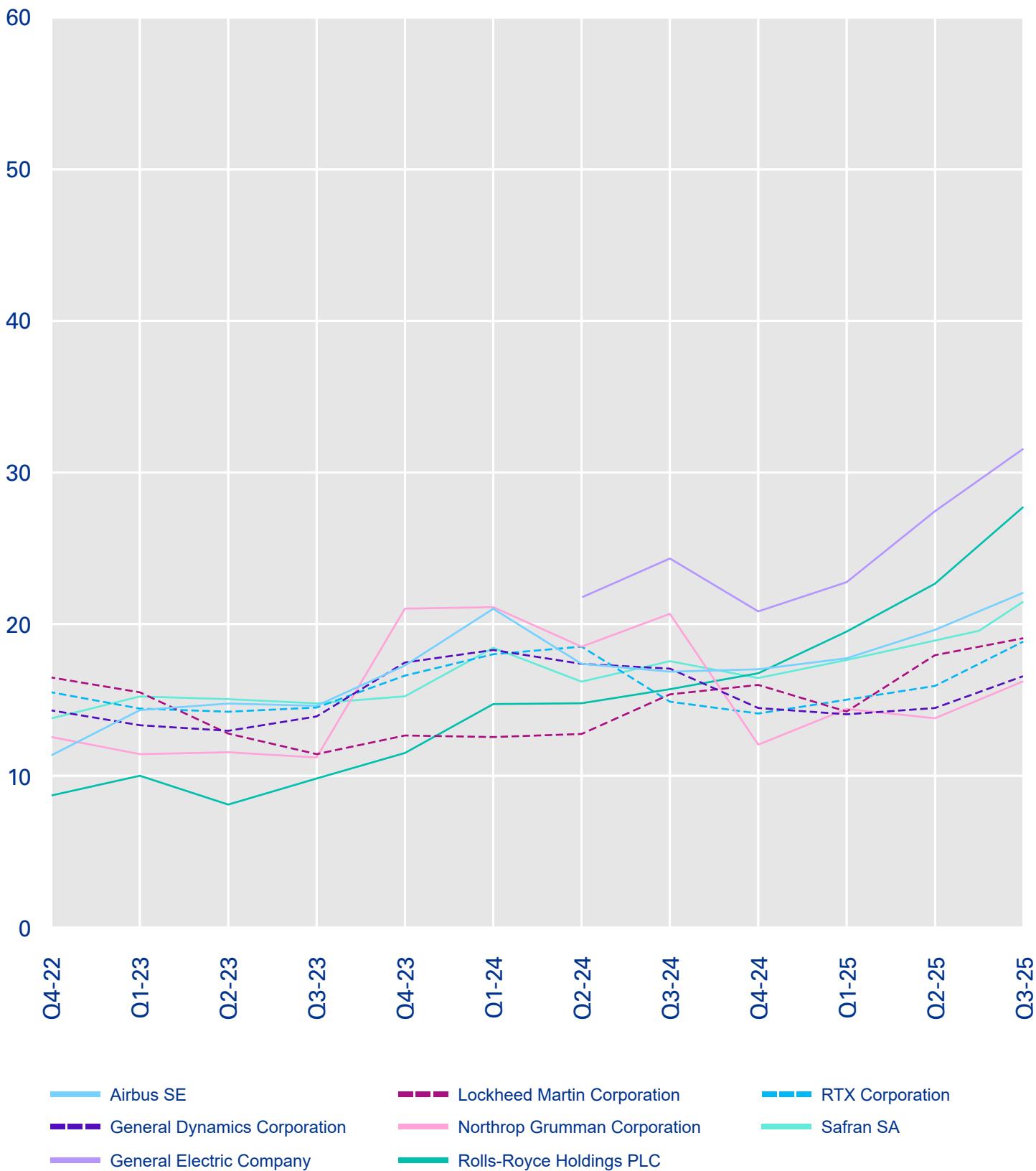
If you are considering selling your business in the next few years, now is the time to start preparing. Focus should be placed on quantifying and accelerating value creation opportunities that could enhance overall enterprise value. Understand who your potential acquirers may be and what they are looking for. Start conducting market soundings as soon as possible.

Buy-side players, on the other hand, will want to hit the road to start talking to potential targets. Competition for attractive assets is heating up and valuations are rising. Those with an eye on a specific target or capability area should be preparing their bids and planning their value creation strategies.

At KPMG in Canada, our team of M&A professionals have deep experience in Aerospace and Defence working on both the buy-side and sell-side to drive value from transactions. Contact us today to find out how we can help your organization.



Aerospace & Defence - EV/LTM EBITDA last 3 years



LTM = Last twelve months

Public comparable set (US\$ millions)

Company	Country	Market Cap	Enterprise Value	EV/LTM EBITDA	EV/NTM EBITDA
General Electric Company	United States	319,001	327,462		
RTX Corporation	United States	223,978	264,640	18.8x	19.1x
The Boeing Company	United States	163,202	196,596		
Airbus SE	Netherlands	183,271	184,633		14.7x
Safran SA	France	147,259	145,842		17.6x
Lockheed Martin Corporation	United States	116,548	136,893	19.0x	12.7x
Rolls-Royce Holdings PLC	United Kingdom	134,255	132,468		
Rheinmetall AG	Germany	106,830	109,315		
Northrup Grumman Corporation	United States	87,244	103,431	16.1x	16.5x
General Dynamics Corporation	United States	91,589	100,367	16.5x	15.9x
TransDigm Group Incorporated	United States	74,271	96,540		18.9x
BAE Systems PLC	United Kingdom	82,548	92,517		15.5x
Howmet Aerospace Inc.	United States	79,105	82,002		
L3Harris Technologies, Inc.	United States	57,141	68,761	17.2x	17.0x
Thales S.A.	France	64,241	68,299		15.9x
Dassault Systèmes	France	43,996	42,242		14.9x
HEICO Corporation	United States	39,155	41,849		
Leonard S.p.a.	Italy	36,535	40,615	15.9x	13.8x
MTU Aero Engines AG	Germany	24,668	24,954	15.4x	12.4x
Elbit Systems Ltd.	Israel	23,485	23,783		
Rocket Lab Corporation	United States	23,187	22,997		
Curtiss-Wright Corporation	United States	20,457	21,255		
Bombardier Inc.	Canada	13,883	19,107	17.8x	11.6x
Textron Inc.	United States	15,057	17,398	11.5x	9.5x
AeroVironment Inc.	United States	15,653	15,781		
Embraer S.A.	Brazil	11,052	12,607	16.8x	13.5x
CAE Inc.	Canada	9,485	11,918	17.2x	13.1x
Spirit AeroSystems Holdings, Inc.	United States	4,532	9,560		
Moog Inc.	United States	6,573	7,765	16.3x	13.5x
Hexcel Corporation	United States	4,989	5,739	17.3x	14.8x
AAR Corp.	United States	3,190	4,210	16.5x	11.1x
QinetiQ Group PLC	United Kingdom	3,964	4,129	13.2x	9.5x
MDA Space Ltd.	Canada	3,137	2,921	19.3x	12.2x
Magellan Aerospace Corporation	Canada	671	681	8.9x	7.0x
Firan Technology Group Corporation	Canada	213	236	11.7x	8.9x
New Horizon Aircraft Ltd.	Canada	100	92		

LTM EBITDA = Last Twelve Months' Earnings Before Interest, Taxes, and Depreciation & Amortization

NTM EBITDA = Next Twelve Months' Earnings Before Interest, Taxes, and Depreciation & Amortization

Valuation multiple summary

	EV/LTM EBITDA	EV/NTM EBITDA
Group minimum	8.9x	7.0x
Group median	16.5x	14.8x
Group average	15.9x	13.7x
Group maximum	19.3x	19.1x



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