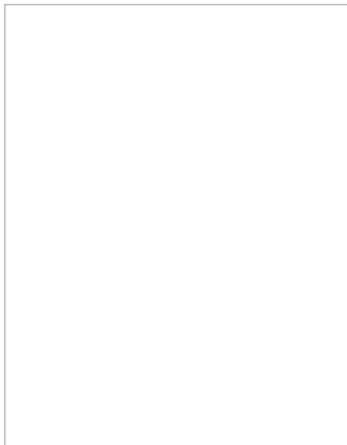


2021 Year-End Sector Report: Aerospace & Defense

2021: Year-end update

For the aerospace and defense (A&D) sector, the second half of 2021 was all about rebounding from the depths of the pandemic and building on the recovery that began a year ago. The demand for business jets and large commercial aircraft bounced back; firms focused on maintenance, repair and overhaul (MRO) continued to recover; and the defense budget created clear areas of emphasis. While the emergence of the omicron variant in late 2021 cast an additional pall of uncertainty, early indications are that it will not affect the economy nearly as much as the initial virus. If that forecast holds, we expect M&A activity in the sector to increase substantially in the coming year, supported by four primary drivers:

1. Learning to live with COVID
2. Boeing rebound with help from China
3. Continued industry consolidation
4. Defense emphasizing software over hardware



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