

2023 Mid-Year Sector Report: Aerospace & Defense

2023: Mid-year update

Similar to our report at the end of 2022, the A&D M&A market continues to face both macroeconomic uncertainty and tight capital markets. While Mesirow anticipates these broad, challenging conditions to persist through 2023, there remains potent interest in diversified, well-performing businesses, particularly for those that are servicing established commercial airframe platforms or government agreements on programs of record.

Commercial aviation demand persists, but some supply chain issues still linger

Throughout our recent reports, we have noted the continued increasing demand for commercial air travel as COVID restrictions ease. Halfway through 2023, this trend carries on as Revenue-Passenger Kilometer (“RPKs”), an essential metric for the commercial aviation industry, continues to climb. In fact, global RPKs are only 12.0% off their 2019, pre-COVID levels. While all regions continue to see growth driving RPKs higher, the International Air Transport Association (IATA) reports that the global recovery to pre-COVID levels is currently being pushed by demand within the Asia Pacific region.

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