

OUTLOOK 2026

**AEROSPACE,
DEFENSE &
GOVERNMENT
SERVICES**



 Harris Williams

Across industries, the market is accelerating. Yet it's a nuanced environment, in which quality is king, strategic options are expanding, technology is transforming the landscape, and change is a constant. Overall, 2026 offers a wealth of potential for buyers and sellers who can navigate this complexity with strategic conviction and tactical creativity. [Read our 2026 Outlook.](#)

Here, we explore how these dynamics are driving M&A opportunities in aerospace, defense, and government services.



Aerospace, Defense & Government Services: Tailwinds Persist

The dynamic aerospace, defense, and government services industries offer many areas primed for M&A activity. From ramping commercial aircraft production, to continued growth in aviation aftermarket services, to the evolving defense landscape, these trends offer numerous opportunities for investors.

“As these industries continue to adapt to changing geopolitical dynamics, shifts in global demand, and technological advancements, M&A will play a critical role in shaping their future trajectories,” says [Chris Smith](#), the managing director who leads Harris Williams’ [Aerospace, Defense & Government Services Group](#).

Below, we highlight key aerospace, defense, and government services sectors for investors to watch in 2026 and a selection of clients that illustrate the industry’s opportunity.

Aerospace Technology and Products: Positive Demand Signals

After years of supply chain disruptions and related challenges, commercial aircraft production should remain resilient in 2026. OEMs have shown continued progress in ramping up new aircraft production. Boeing achieved key 737 production milestones in 2025 and Airbus continues to ramp narrowbody deliveries, with both Boeing and Airbus continuing to secure significant aircraft orders throughout the year.

Amid a stabilizing supply chain landscape, M&A appetite is expanding. Proprietary A&D content platforms are commanding premium valuations, reflecting scarcity and the segment's outsize strategic value, with several recent deals clearing at record EBITDA multiples. After a subdued stretch, specialty manufacturers now appear well positioned for increased deal activity as higher production visibility and pent-up consolidation demand converge. And as OEMs maintain discipline and airlines renew order books, investors are sharpening their focus on differentiated technologies and content-rich platforms with resilient revenue streams.

Aviation Services: Highly Visible Demand

Given its many appealing traits and multiple ways to succeed, the aviation services subsector offers ongoing opportunities for a large pool of potential investors, including traditional financial sponsors, strategic buyers, infrastructure investors, and others with longer holding periods.

"We expect a robust set of leading businesses to come to market over the foreseeable future, and buyer interest should be strong," says Smith. "This is a space that stands out to investors looking for predictable growth linked to strong, steady, and highly visible demand."

For example, global air traffic continues to weather economic cycles, fueling a resilient and recurring need for maintenance, repair, and overhaul (MRO) services. MRO market growth is further supported by an expanding and aging aircraft fleet with highly regulated and cyclical maintenance requirements. These factors are attracting a broader group of buyers to the aftermarket sector, with ample M&A opportunities in a fragmented market to establish differentiated platforms of scale.

Demonstrating this potential is [Aero 3](#), a diversified MRO service provider and distributor supporting the global aviation wheel and brake aftermarket. The company operates across three complementary business units: wheel and brake MRO services, OEM-aligned distribution, and proprietary solutions. Aero 3 has built a strong reputation for technical expertise, reliability, and partnership with OEMs across the industry. As a unique independent platform of scale within the aviation wheel and brake aftermarket, Aero 3's global footprint and OEM-aligned model enable it to serve as a one-stop-shop solution provider for fleet operators.

Another is [West Star Aviation](#), which offers comprehensive MRO services for the business aviation sector. West Star services aircraft manufactured by every major OEM, and it maintains the largest national aircraft on-ground technician network. Its full-service capabilities are closely aligned with mandatory, calendar-driven maintenance events, and the company has earned a reputation for excellent customer service and quality. "West Star exemplifies the most attractive attributes of differentiated aviation services businesses and the interest they can generate among a compelling set of prospective buyers," says Smith.

Defense: An Evolving Global Threat Environment

The integration of commercial innovations into defense applications continues to reshape the industry and create new growth potential in the space. At the same time, the U.S. Department of Defense is prioritizing funding in several strategic focus areas, including naval industrial base expansion, air and missile defense integration, munitions restocking, and advanced technologies. In these categories, smaller, earlier-stage investments are often favored over large, long-term programs, establishing opportunities for niche players with unique capabilities.

Unmanned aerial systems (UAS), for example, are rapidly advancing, posing a significant threat to the military, critical infrastructure, and public spaces. These dangers are dynamic and diverse, accelerating demand for counter-UAS defense technologies that can detect, track, and defeat enemy drones. And in this evolving global threat environment with advancing missile capabilities, the U.S. is also modernizing and strengthening its defenses. This is leading to greater investment across the missiles and munitions sector, underpinned by a strategy to deter and defend.

For these and other reasons, a variety of defense investments are gaining traction among newly capitalized platforms, European financial sponsors, and other buyers. “Defense assets with differentiated capabilities and alignment to funding priorities are attracting strong buyer interest across the U.S. and EU,” says Smith. “Looking ahead, we also expect sponsors to increasingly pursue smaller initial investments to capitalize on emerging opportunities.”

Exemplifying the defense sector’s potential is [Stellant Systems](#). Stellant designs and manufactures vacuum electron devices, solid state power amplifiers, and related RF components for the defense, space, medical, and industrial markets. The company supports critical space, radar, missile, and secure communications platforms for the Department of War and allied militaries globally. Stellant has agreed to be acquired by TransDigm Group for \$960 million.


[Excelitas Technologies Corp.](#) is also a prime example, which sold select aerospace and defense electronics businesses to Teledyne Technologies Incorporated. The sale included its Optical Systems business, which provides advanced optics for heads-up and helmet-mounted displays, dismounted tactical night vision systems, and proprietary glass used in space and satellite applications. It also included its U.S.-based Advanced Electronic Systems business that offers custom energetics, including electronic safe and arm devices, high-voltage semiconductor switches, and rubidium frequency standards.




a portfolio company of




has been acquired by

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PENDING



a portfolio company of



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SELECT AEROSPACE AND DEFENSE ELECTRONICS BUSINESSES OF



a portfolio company of



has been acquired by



Government Technology and Services: Unlocking Efficiencies and Better Security

The government technology landscape is evolving due to the dual forces of immense opportunity and significant risk. On the one hand, governments are exploring AI-powered solutions to drive internal efficiencies, though readiness varies widely due to complex ethical and security considerations. On the other hand, the accelerating velocity of cyber threats has made resilience a primary spending focus.

In 2026 and beyond, the modernization of aging and vulnerable technology infrastructure will remain essential. The adoption of innovative solutions will be aimed at breaking down legacy data silos to improve collaboration and decision-making, particularly within public safety, where emergency services are rapidly adopting next-generation platforms.

Ultimately, governments will look to create unified systems and a seamless customer experience for citizens, enhancing the quality and delivery of digital services to build trust and engagement. “We expect the pace of these ambitious technology improvements to ramp up with continued federal funding,” says Smith. “Digital transformation will remain a priority among governments, which will drive demand and investor interest in a variety of technology and service categories like administration and operations, asset and resource management, civic engagement and public services, and public safety and justice.”

WHAT'S NEXT

The aerospace, defense, and government services industries remain poised for strong investor interest in 2026, with significant M&A potential and ongoing transformation creating new opportunities. Key tailwinds—including the further stabilization of commercial aircraft production, the continued rise of aviation aftermarket services, and the dynamic evolution of the global defense landscape—are set to drive dealmaking across the sector.

Beyond fundamental sector growth, the market is also seeing a wider spectrum of potential buyers. As we move through 2026, this more varied buyer universe will be positioned to capitalize on persistent demand and other appealing themes throughout aerospace technology and products, aviation services, defense, and government technology and services.

[Learn more about the Harris Williams Aerospace, Defense & Government Services Group.](#)

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aero | 3
a portfolio company of
GenNx360
has been acquired by
VSE CORPORATION

PENDING
Stellant
a portfolio company of
ACP
is being acquired by
TRANSDIGM GROUP INC.

WEST STAR AVIATION
a portfolio company of
THE STERLING GROUP
has been acquired by
GREENBRIAR

SELECT AEROSPACE AND DEFENSE ELECTRONICS BUSINESSES OF
EXCELITAS TECHNOLOGIES
a portfolio company of
AEA
have been acquired by
TELETYPE TECHNOLOGIES
Everywhere you look

RAPTOR SCIENTIFIC
a portfolio company of
CAPITAL PARTNERS
has been acquired by
TRANSDIGM GROUP INC.

ae Industrial Partners
has raised structured equity for
GLOBAL CYBERSECURITY SOLUTIONS PLATFORM
capital raise

ATG
a portfolio company of
SHOREVIEW
has received a strategic investment from
TINICUM

CPI
ELECTRON DEVICE BUSINESS
a portfolio company of
TJC
has been acquired by
TRANSDIGM GROUP INC.

MODERN AVIATION
a portfolio company of
Tiger Infrastructure Partners
has received a majority investment from
APOLLO

PENDING
TEXTTECH
a portfolio company of
ACP
is being acquired by
MICHELIN

2026 Outlooks by Market

OVERALL MARKET OUTLOOK >

BUSINESS SERVICES >

CONSUMER >

ENERGY, POWER & INFRASTRUCTURE >

HEALTHCARE & LIFE SCIENCES >

INDUSTRIALS >

PRIMARY FUND PLACEMENT >

PRIVATE CAPITAL SOLUTIONS >

TECHNOLOGY >

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