US Aerospace & Defense

2Q26 growth tracker preview and outlook

Equities

Americas

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Estimating quarterly growth rates across A&D

We track organic growth rates of 44 companies and 80 segments to get a better picture of the underlying trends. We have in our tracker our forecasts for 2Q organic growth and the coming years as a reference guide for earnings. We also compare those growth rates by sub-segment to their macro drivers. See our 2Q26 Earnings Preview for a detailed perspective ahead of earnings for each company of our coverage. **Reach out for our tracker.**

Commercial OE: UBSe up 20% yoy vs. up 13% last quarter. UBSe up 15% in 2026 and 15% in 2027.

- **We model build rate of 41/mo and 8/mo in 2Q for MAX and 787, respectively.** Cirium shows 2Q deliveries of 127 MAX (3 from inventory) and 25 787 (6 from inventory). We model MAX build rates at 44/mo by 3Q26 and 47/mo by year-end, and we see 787 ramping to 9/mo by 3Q26, and 10/mo by 1Q27, and 11/mo by 3Q27.

Commercial Aftermarket: UBSe up 16% yoy, vs. up 15% last quarter, vs. weighted flight activity flat, down from up 2% in the last quarter. UBSe up 14% in 2026 and 10% in 2027.

- **Aftermarket demand remains solid across the industry.** We see no aftermarket slowdown or impact from Iran/oil prices impact yet. We expect airlines to continue to make fleet purchases and keep maintenance behavior unchanged.

Business jet: UBSe OE up 6% and AM up 7% (vs. up 12% and up 16% last quarter, respectively). We model deliveries up 6%. UBSe OE up 7%/ 4% and AM up 9%/ 3% in 2026/2027.

- **We expect 118 business jet deliveries in 2Q26 vs. 123 in 2Q25.** Private flights remained largely unaffected to the impact from the Middle East conflict or elevated oil prices.

Defense: UBSe up 7% yoy, vs. up 9% in the last quarter. Primes up 7% with Suppliers up 7%. UBSe up 7% in 2026 and up 8% in 2027.

- **We model Investment Outlays up 4% yoy in 2Q,** lower than our 2Q average Prime organic growth forecast. LTM up 5% (in line with last quarter).

Govt IT: UBSe up 1% yoy, vs. flat last quarter. UBSe up 3% in 2026 and 5% in 2027.

- **Federal Civilian obligations rebounded 9% yoy in June** across our coverage vs. down 17% in May, while C2Q obligations were up 11%. DoD obligations were up 31% in March and improved LTM (though still LTM flat yoy). We continue to see broad-based improvement in LTM trends across the coverage group.

Airline MRO: UBSe up 7%, and Commercial AM up 16% (vs. 8% and 15% last quarter, respectively). UBSe up 4% and 6% in 2026 and 2027, respectively.

This report has been prepared by UBS Securities LLC. **ANALYST CERTIFICATION AND REQUIRED DISCLOSURES, INCLUDING INFORMATION ON THE QUANTITATIVE RESEARCH REVIEW PUBLISHED BY UBS, BEGIN ON PAGE 10.**

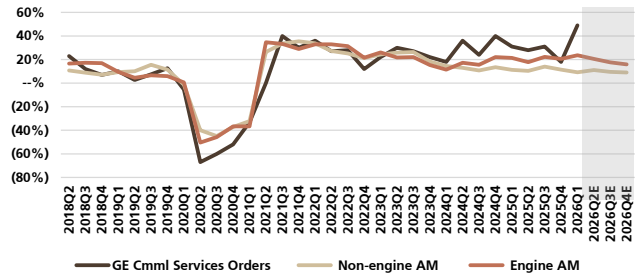
Figure 1: Organic growth by segment - UBSe for C2Q26

	Jun'Q-26	Mar'Q-26	Jun'Q-25	QoQ	YoY
Commercial OE	20%	13%	10%	730 bps	1040 bps
Commercial Aftermarket	16%	15%	14%	120 bps	240 bps
Business Jet OE	6%	12%	(1%)	-630 bps	640 bps
Business Jet Aftermarket	7%	16%	8%	-880 bps	-120 bps
Business jet Average	6%	14%	4%	-750 bps	260 bps
Airlines MRO	7%	8%	8%	-32 bps	-116 bps
Defense Suppliers - OE	10%	19%	35%	-940 bps	-2540 bps
Defense Suppliers - AM	6%	10%	(1%)	-400 bps	650 bps
Defense Suppliers - All	7%	7%	11%	20 bps	-420 bps
Defense Primes	7%	10%	5%	-250 bps	220 bps
Defense Drones	(1%)	28%	2%	-2900 bps	-230 bps
Defense All	7%	9%	8%	-230 bps	-70 bps
Govt IT	1%	0%	0%	85 bps	88 bps

Source: Company data, UBS estimates

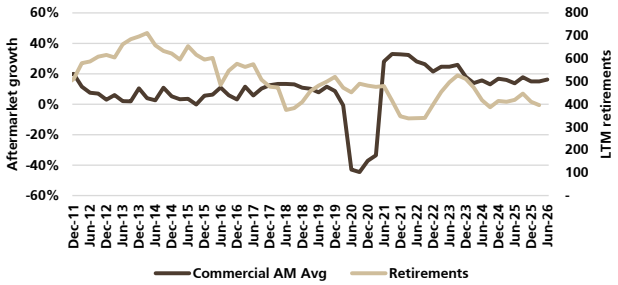
TOP OF MIND CHARTS

Figure 2: GE Services orders a leading indicator of engine aftermarket growth



Source: Company data.

Figure 3: Retirements remain low but we expect this to pick up in 2027



Source: Company data, Cirium.

Figure 4: Organic growth heatmap: Commercial Aerospace, Business Jet & Airlines MRO

		2022Q1	2022Q2	2022Q3	2022Q4	2023Q1	2023Q2	2023Q3	2023Q4	2024Q1	2024Q2	2024Q3	2024Q4	2025Q1	2025Q2	2025Q3	2025Q4	2026Q1	2026Q2E	2026Q3E	2026Q4E	2025	2026E	2027E	2028E	2029E	2030E
		Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Dec-25	Dec-26	Dec-27	Dec-28	Dec-29	Mar-30
Commercial OE																											
TransDigm Group	TDG	28.0%	23.0%	29.0%	20.0%	25.0%	25.0%	22.0%	25.0%	21.0%	23.2%	13.0%	-4.0%	0.0%	-7.0%	7.0%	17.0%	12.0%	15.0%	15.0%	13.0%	-3.1%	13.5%	12.0%	9.5%	5.0%	5.0%
Collins Aerospace	RTX	12.0%	14.0%	16.0%	20.0%	12.0%	14.0%	27.0%	16.5%	14.0%	10.0%	-8.0%	-6.0%	2.0%	1.0%	16.0%	9.0%	15.0%	15.0%	10.0%	8.0%	6.9%	11.9%	12.0%	10.0%	7.0%	7.0%
Pratt & Whitney	RTX	12.0%	22.0%	26.0%	37.0%	27.0%	22.0%	25.0%	20.4%	63.5%	33.0%	9.0%	31.0%	3.0%	15.0%	5.0%	28.0%	-1.0%	10.0%	12.0%	0.0%	12.6%	4.9%	10.0%	6.0%	5.0%	4.0%
Woodward	WWD	20.6%	37.1%	24.5%	32.5%	29.6%	41.1%	19.5%	23.4%	15.2%	2.0%	16.2%	-10.1%	-9.0%	-7.6%	0.0%	22.0%	30.5%	28.0%	17.9%	12.0%	-6.5%	24.4%	10.8%	16.8%	7.1%	2.8%
Boeing Commercial	BA	-1.8%	4.0%	41.4%	95.2%	59.8%	41.3%	25.0%	13.1%	-30.6%	-32.1%	-5.5%	-54.6%	75.1%	81.1%	49.1%	-	13.0%	6.8%	14.5%	18.8%	81.5%	13.3%	35.4%	22.1%	10.8%	11.4%
Airbus Commercial	AIR	17.5%	-14.7%	34.0%	28.0%	-5.0%	36.1%	22.3%	10.0%	13.0%	-1.6%	4.5%	9.3%	3.9%	-6.1%	11.9%	5.2%	-11.4%	na	na	na	3.8%	8.6%	10.6%	13.7%	14.4%	10.1%
Howmet Commercial	HWM	28.8%	33.5%	23.0%	29.1%	28.5%	23.4%	22.8%	21.6%	23.2%	27.0%	17.3%	13.3%	9.5%	8.3%	15.3%	13.5%	19.6%	20.0%	18.0%	18.0%	11.7%	17.9%	19.7%	15.0%	8.0%	8.0%
Hexcel	HXL	48.3%	48.1%	25.1%	28.3%	30.0%	16.1%	20.5%	4.4%	5.2%	21.3%	17.5%	4.0%	-6.4%	-8.6%	-7.3%	7.6%	18.8%	20.0%	22.0%	15.8%	-4.0%	19.1%	17.1%	12.9%	7.4%	6.6%
GE Aerospace	GE	-10.0%	-6.0%	8.0%	26.0%	19.0%	44.0%	17.0%	1.0%	31.0%	-11.2%	5.1%	34.5%	8.9%	35.3%	22.1%	7.4%	20.2%	25.0%	19.0%	15.0%	16.9%	19.5%	18.0%	17.0%	12.0%	7.0%
Honeywell	HON	11.0%	22.0%	30.0%	25.0%	14.0%	16.0%	5.0%	25.0%	24.0%	10.0%	10.0%	-7.0%	-7.0%	-12.0%	2.0%	5.0%	3.0%	na	na	na	13.0%	na	na	na	na	na
MTU Aero Engines	MTU	-15.0%	-1.9%	39.8%	33.2%	40.0%	17.1%	30.0%	30.0%	40.0%	33.3%	-18.7%	16.5%	5.0%	9.2%	10.0%	15.0%	0.0%	na	na	na	10.3%	7.0%	6.5%	4.7%	4.0%	4.3%
Safran	SAF	9.9%	10.3%	27.2%	22.4%	55.8%	60.5%	15.8%	2.2%	8.3%	-3.6%	4.0%	52.2%	8.8%	7.1%	28.3%	-11.5%	23.9%	42.9%	4.5%	29.1%	6.2%	24.7%	9.3%	12.0%	3.7%	1.2%
LOAR Holdings	LOAR	na	na	na	na	na	na	na	na	27.9%	9.0%	24.6%	-6.0%	6.8%	15.3%	8.3%	na	22.0%	na	na	na	9.3%	na	na	na	na	na
Crane Co	CR	-1.0%	1.0%	0.0%	11.0%	12.0%	13.0%	16.0%	10.0%	20.0%	17.0%	15.0%	7.0%	5.7%	9.0%	10.0%	23.0%	16.0%	na	na	na	na	na	na	na	na	na
OE Average		**13.3%**	**15.8%**	**24.3%**	**26.7%**	**26.8%**	**25.9%**	**20.1%**	**18.1%**	**18.2%**	**8.7%**	**5.6%**	**4.2%**	**6.1%**	**9.9%**	**12.7%**	**11.8%**	**13.0%**	**20.3%**	**14.8%**	**14.4%**	**12.2%**	**15.0%**	**14.7%**	**12.7%**	**7.7%**	**6.1%**
Commercial Aftermarket																											
TransDigm Group	TDG	46.0%	44.0%	36.0%	31.0%	38.0%	32.0%	27.0%	22.0%	8.0%	11.1%	8.0%	9.0%	13.0%	6.0%	11.0%	7.0%	14.0%	12.0%	10.0%	10.0%	10.4%	11.9%	10.0%	10.0%	10.0%	10.0%
Collins Aerospace	RTX	39.0%	25.0%	25.0%	21.0%	24.0%	29.0%	30.0%	22.5%	14.0%	12.0%	9.0%	12.0%	13.0%	13.0%	13.0%	13.0%	7.0%	8.0%	8.0%	8.0%	12.9%	8.0%	8.0%	8.0%	8.0%	8.0%
Collins Parts/Repair	RTX	43.0%	33.0%	31.0%	25.0%	29.0%	28.0%	30.0%	26.0%	17.0%	16.0%	11.0%	9.0%	15.0%	12.0%	13.0%	11.0%	8.0%	na	na	na	na	na	na	na	na	na
Collins Provisioning	RTX	73.0%	20.0%	44.0%	32.0%	43.0%	68.0%	30.0%	27.0%	16.0%	15.0%	16.0%	21.0%	1.0%	9.0%	10.0%	24.0%	15.0%	na	na	na	na	na	na	na	na	na
Collins Mods/Upgrades	RTX	11.0%	8.0%	3.0%	5.0%	1.0%	9.0%	9.0%	7.0%	-3.0%	-9.0%	-6.0%	18.0%	18.0%	20.0%	17.0%	7.0%	-3.0%	na	na	na	na	na	na	na	na	na
Pratt & Whitney	RTX	37.0%	26.0%	23.0%	11.0%	14.0%	26.0%	21.0%	18.4%	8.5%	15.0%	13.0%	17.0%	28.0%	19.0%	23.0%	21.0%	19.0%	14.0%	12.0%	12.0%	22.4%	14.0%	11.0%	11.0%	12.0%	12.0%
Woodward	WWD	39.9%	44.0%	33.7%	47.1%	28.5%	27.4%	21.7%	8.6%	17.5%	19.0%	21.7%	19.1%	23.3%	30.0%	39.1%	49.5%	36.1%	30.0%	22.0%	15.0%	28.4%	33.0%	15.8%	20.0%	20.0%	13.0%
Boeing BGS (Commercial)	BA	40.1%	30.7%	26.2%	14.7%	19.3%	14.5%	13.1%	14.4%	10.5%	7.3%	3.0%	5.4%	-1.0%	3.3%	7.1%	0.2%	2.1%	10.0%	8.0%	6.0%	2.4%	-0.7%	5.0%	5.0%	5.0%	5.0%
GE Cmml Services	GE	26.0%	47.0%	33.0%	26.0%	27.0%	22.0%	29.0%	17.0%	12.0%	13.9%	9.6%	11.7%	16.6%	28.8%	28.3%	30.7%	38.7%	24.0%	19.0%	17.0%	26.5%	23.6%	13.2%	9.5%	8.0%	8.0%
GE Cmml Services Orders	GE	36.0%	27.0%	28.0%	12.0%	22.0%	30.0%	27.0%	22.0%	18.0%	36.0%	24.0%	40.0%	31.0%	28.0%	31.0%	18.0%	49.0%	na	na	na	na	na	na	na	na	na
HEICO (Aftermarket replacement parts)	HEI	22.3%	23.5%	16.3%	27.6%	21.2%	27.5%	32.0%	18.2%	20.6%	17.5%	12.7%	15.0%	16.4%	12.4%	19.5%	13.0%	21.5%	15.0%	12.0%	12.0%	15.9%	15.3%	11.7%	11.0%	11.0%	11.0%
HEICO (Repair and overhaul parts and services)	HEI	24.1%	19.6%	17.4%	13.9%	19.7%	21.8%	18.7%	15.5%	5.3%	3.7%	10.5%	11.0%	10.6%	17.0%	17.0%	13.3%	10.0%	10.0%	10.0%	9.0%	11.4%	10.7%	9.0%	9.0%	9.0%	9.0%
Honeywell	HON	28.0%	19.0%	24.0%	22.0%	22.0%	27.0%	22.0%	19.0%	17.0%	17.0%	8.0%	17.0%	15.0%	7.0%	19.0%	13.0%	3.0%	na	na	na	13.4%	na	na	na	na	na
MTU Aero Engines - Spares	MTU	18.0%	12.8%	24.0%	18.0%	35.0%	10.2%	18.0%	12.0%	-5.0%	12.7%	15.4%	28.0%	15.0%	2.3%	18.7%	8.0%	10.0%	na	na	na	13.0%	11.5%	4.0%	4.5%	5.6%	6.3%
MTU Aero Engines - MRO	MTU	20.8%	32.3%	42.0%	33.0%	24.7%	18.8%	10.0%	15.0%	11.8%	9.7%	24.0%	33.0%	33.3%	9.9%	18.0%	11.5%	7.8%	na	na	na	17.6%	14.2%	9.0%	6.2%	6.3%	4.4%
Safran	SAF	53.0%	41.0%	36.0%	4.3%	30.5%	17.2%	27.6%	15.1%	18.1%	26.5%	10.7%	8.3%	25.4%	19.1%	17.4%	19.2%	23.4%	21.6%	17.7%	12.3%	20.1%	18.6%	4.1%	4.9%	5.6%	5.4%
SARO (Engine Services)	SARO	na	na	na	na	na	na	na	na	6.3%	17.8%	12.9%	21.3%	15.6%	11.5%	21.3%	13.4%	20.6%	20.5%	20.5%	20.5%	15.3%	14.0%	13.5%	9.7%	8.3%	7.4%
SARO (Component Repair Services)	SARO	na	na	na	na	na	na	na	na	15.7%	5.3%	9.0%	20.7%	5.1%	11.2%	4.2%	14.1%	7.4%	13.0%	15.0%	17.0%	8.8%	13.2%	14.2%	13.2%	13.0%	11.0%
AAR	AIR	10.2%	8.8%	-1.9%	7.6%	15.2%	16.2%	23.2%	16.1%	5.5%	6.0%	12.0%	12.0%	19.6%	12.0%	17.0%	12.2%	14.0%	na	na	na	na	na	na	na	na	na
LOAR Holdings	LOAR	na	na	na	na	na	na	na	na	3.3%	20.4%	17.7%	2.1%	12.3%	12.4%	15.4%	na	14.1%	na	na	na	18.5%	na	na	na	na	na
Crane Co	CR	12.0%	7.0%	5.0%	25.0%	21.0%	29.0%	44.0%	34.0%	39.0%	33.0%	17.0%	21.0%	20.4%	18.0%	20.0%	1.0%	-2.0%	na	na	na	na	na	na	na	na	na
AM Average		**32.4%**	**28.1%**	**26.3%**	**21.5%**	**24.6%**	**24.7%**	**25.8%**	**18.1%**	**13.9%**	**15.7%**	**13.1%**	**16.8%**	**15.9%**	**13.8%**	**17.7%**	**15.0%**	**15.0%**	**16.2%**	**14.0%**	**12.6%**	**15.8%**	**14.4%**	**9.9%**	**9.4%**	**9.4%**	**8.5%**
Business Jet OE																											
Bombardier	BBD	-17.3%	-1.9%	-4.5%	60.7%	17.5%	4.7%	34.1%	15.5%	-22.1%	36.2%	6.4%	0.2%	28.6%	-15.1%	12.2%	18.8%	-4.6%	2.7%	17.5%	-11.3%	9.8%	-0.8%	6.1%	0.6%	1.3%	-1.0%
Textron	TXT	42.4%	13.4%	-12.9%	14.2%	11.7%	2.5%	19.3%	-12.0%	-2.8%	4.4%	-4.9%	-19.4%	-4.7%	5.8%	15.2%	45.9%	34.5%	3.3%	15.6%	14.7%	15.7%	15.4%	4.4%	1.2%	1.5%	1.6%
Gulfstream	GD	-8.0%	3.7%	17.1%	-8.6%	-8.8%	9.4%	-21.3%	11.5%	9.6%	70.0%	25.1%	40.2%	71.9%	3.0%	36.0%	0.9%	6.6%	11.7%	5.9%	1.9%	20.5%	6.2%	1.8%	1.5%	1.8%	na
Bizjet OE Average		**(5.2%)**	**(1.9%)**	**1.1%**	**41.2%**	**9.5%**	**18.5%**	**25.0%**	**1.6%**	**(3.6%)**	**32.0%**	**9.5%**	**12.9%**	**24.1%**	**(0.5%)**	**21.1%**	**21.9%**	**12.1%**	**5.9%**	**13.0%**	**1.8%**	**15.3%**	**7.0%**	**4.1%**	**1.1%**	**1.5%**	**0.3%**
Business Jet Aftermarket																											
Bombardier	BBD	34.2%	21.7%	20.0%	14.6%	17.5%	19.2%	11.3%	15.9%	12.5%	18.5%	27.5%	8.7%	3.8%	16.4%	11.7%	20.2%	24.6%	11.0%	12.0%	11.0%	13.2%	14.2%	8.0%	5.0%	3.0%	3.0%
Textron	TXT	19.4%	17.6%	18.3%	10.5%	9.4%	3.3%	3.0%	10.7%	5.8%	13.1%	5.1%	1.7%	5.9%	1.4%	4.7%	13.8%	9.9%	5.0%	5.0%	3.0%	6.4%	5.6%	3.0%	2.0%	2.0%	2.0%
Gulfstream	GD	24.5%	37.3%	5.1%	9.6%	15.6%	-2.4%	7.7%	13.5%	11.1%	18.5%	16.4%	26.3%	4.3%	6.9%	18.2%	2.0%	12.8%	5.0%	5.0%	8.0%	7.5%	7.6%	2.0%	2.0%	2.0%	2.0%
Bizjet AM Average		**26.0%**	**25.5%**	**14.5%**	**11.6%**	**14.1%**	**6.7%**	**7.3%**	**13.3%**	**9.8%**	**16.7%**	**16.4%**	**12.2%**	**4.6%**	**8.2%**	**11.5%**	**12.0%**	**15.8%**	**7.0%**	**7.3%**	**7.3%**	**9.1%**	**9.1%**	**4.3%**	**3.0%**	**2.3%**	**2.3%**
Airlines																											
Delta Aircraft maintenance materials & outside repairs	DAL	58.2%	81.9%	12.5%	31.6%	25.8%	17.6%	35.7%	12.6%	16.1%	11.4%	-5.1%	9.4%	-4.9%	-13.6%	6.4%	-15.7%	9.8%	6.6%	5.1%	5.6%	-7.0%	6.8%	4.9%	5.1%	5.1%	5.1%
American Maintenance, materials, & repairs	AAL	64.1%	41.0%	25.0%	23.3%	15.4%	24.9%	27.0%	19.2%	24.2%	17.6%	13.7%	10.8%	4.3%	-2.4%	3.9%	-0.3%	6.5%	8.5%	2.2%	4.9%	1.3%	5.5%	7.5%	5.6%	5.6%	5.6%
United Aircraft maintenance materials & repairs	UAL	51.3%	74.5%	78.9%	50.4%	72.5%	30.2%	10.5%	10.7%	10.1%	4.4%	11.8%	21.8%	-5.4%	20.8%	1.8%	13.6%	16.8%	9.7%	8.1%	8.1%	7.5%	10.4%	7.6%	7.6%	6.1%	6.1%
Southwest Maintenance materials & repairs	LUV	22.0%	74.8%	-18.4%	9.1%	13.7%	18.3%	59.8%	-	50.4%	-23.7%	2.8%	6.0%	-19.1%	-5.4%	-10.7%	-37.9%	-11.3%	4.0%	4.0%	4.0%	-20.2%	0.4%	5.6%	6.1%	6.1%	6.1%
Air France Aircraft maintenance costs	AF.FP	49.3%	34.9%	34.7%	38.1%	25.8%	-1.0%	11.6%	17.1%	24.7%	32.3%	33.5%	31.1%	20.8%	7.3%	3.5%	-8.4%	-11.7%	na	na	na	5.2%	-4.3%	4.0%	4.0%	4.0%	na
Turkish Airlines Maintenance	THYAO	38.7%	71.1%	51.0%	46.8%	40.1%	20.5%	26.1%	-12.7%	6.2%	11.1%	7.5%	39.0%	22.3%	21.5%	18.3%	15.8%	24.0%	na	na	na	na	na	na	na	na	na
Ryanair Holdings Aircraft maintenance costs	RYA-IE	2.8%	42.7%	100.2%	35.3%	16.3%	-8.6%	-9.1%	40.1%	27.0%	3.0%	-0.9%	25.6%	25.9%	8.3%	13.9%	14.9%	24.1%	na	na	na	na	na	na	na	na	na
SkyWest Aircraft maintenance costs	SKYW	-27.2%	-8.4%	-12.7%	-35.5%	-4.2%	-7.1%	-2.6%	38.2%	2.2%	12.8%	1.8%	6.3%	43.8%	30.4%	36.5%	22.5%	1.9%	na	na	na	na	na	na	na	na	na
Airline Maintenance - Average		**32.4%**	**51.6%**	**33.9%**	**24.9%**	**25.7%**	**11.8%**	**19.9%**	**17.9%**	**20.1%**	**8.6%**	**8.1%**	**18.8%**	**11.0%**	**8.4%**	**9.2%**	**0.6%**	**7.5%**	**7.2%**	**4.9%**	**5.7%**	**(2.6%)**	**3.8%**	**5.9%**	**5.7%**	**5.4%**	**5.7%**

Source: Company data, UBS estimates

Figure 5: Organic growth heatmap: Defense & Gov IT

		2022Q1	2022Q2	2022Q3	2022Q4	2023Q1	2023Q2	2023Q3	2023Q4	2024Q1	2024Q2	2024Q3	2024Q4	2025Q1	2025Q2	2025Q3	2025Q4	2026Q1	2026Q2E	2026Q3E	2026Q4E	2025	2026E	2027E	2028E	2029E	2030E
		Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Dec-25	Dec-26	Dec-27	Dec-28	Dec-29	Mar-30
Defense Suppliers - OE																											
Woodward	WWD	-27.9%	-1.7%	-17.6%	-14.8%	-10.2%	-12.3%	-13.1%	4.1%	3.7%	-4.0%	39.9%	20.7%	52.1%	55.7%	27.0%	22.6%	9.1%	10.0%	12.0%	10.0%	38.0%	12.9%	10.0%	6.0%	4.0%	4.0%
GE Aerospace	GE	na	na	na	na	na	na	na	na	18.0%	-5.8%	6.6%	8.4%	4.1%	15.1%	53.2%	18.4%	29.7%	10.0%	5.0%	9.0%	21.9%	12.4%	7.0%	5.0%	5.0%	4.0%
Defense OE Average		**(17.9%)**	**0.3%**	**(11.1%)**	**(8.4%)**	**(2.1%)**	**(0.8%)**	**(5.4%)**	**0.5%**	**10.8%**	**(4.9%)**	**23.2%**	**14.5%**	**28.1%**	**35.4%**	**40.1%**	**20.5%**	**19.4%**	**10.0%**	**8.5%**	**9.5%**	**29.9%**	**12.7%**	**8.5%**	**5.5%**	**4.5%**	**4.0%**
Defense Suppliers - AM																											
Woodward	WWD	-12.3%	-11.7%	-6.7%	0.6%	16.1%	17.4%	17.5%	44.6%	17.0%	22.0%	5.7%	8.1%	-7.9%	-16.2%	8.5%	1.0%	8.5%	5.0%	5.0%	6.0%	-2.4%	4.7%	5.3%	5.0%	4.0%	na
Boeing BGS - Government	BA	-4.9%	-16.3%	-14.2%	-4.7%	-2.1%	5.8%	2.0%	-1.6%	0.4%	-2.7%	0.8%	5.6%	3.2%	14.6%	12.1%	5.0%	11.6%	5.0%	5.0%	5.0%	8.6%	6.6%	5.0%	4.0%	3.0%	na
GE Aerospace	GE	na	na	na	na	na	na	na	na	18.0%	7.4%	-1.6%	2.4%	-2.3%	0.0%	6.7%	7.3%	10.1%	8.0%	7.0%	7.0%	2.9%	8.0%	7.6%	5.0%	5.0%	na
Defense AM Average		**(4.6%)**	**(9.2%)**	**(7.5%)**	**2.9%**	**6.4%**	**3.0%**	**10.9%**	**21.5%**	**9.6%**	**9.4%**	**(0.5%)**	**7.5%**	**1.7%**	**(0.5%)**	**9.1%**	**4.4%**	**10.0%**	**6.0%**	**5.7%**	**6.0%**	**3.1%**	**6.4%**	**6.0%**	**4.7%**	**4.0%**	**na**
Defense Suppliers - All																											
TransDigm Group	TDG	-2.0%	0.0%	2.0%	3.0%	5.0%	17.0%	15.0%	28.0%	21.0%	13.3%	16.0%	11.0%	9.0%	13.0%	16.0%	7.0%	11.0%	10.0%	10.0%	9.0%	13.3%	7.6%	8.3%	6.2%	5.0%	5.0%
Collins Aerospace	RTX	-12.0%	-6.0%	-6.0%	5.0%	9.0%	5.0%	-1.0%	0.5%	1.0%	7.0%	14.0%	13.0%	10.0%	11.0%	6.0%	2.0%	9.0%	7.0%	5.0%	8.0%	7.4%	7.1%	5.0%	4.0%	3.0%	3.0%
Pratt & Whitney	RTX	-11.0%	5.0%	-2.0%	-2.0%	13.0%	-3.0%	7.0%	4.4%	20.5%	16.0%	20.0%	8.0%	4.0%	0.0%	15.0%	30.0%	7.0%	10.0%	2.0%	2.0%	12.3%	4.9%	7.0%	6.0%	4.0%	4.0%
Howmet	HWM	-16.5%	-1.3%	-3.9%	12.6%	11.1%	17.5%	12.6%	0.0%	11.6%	10.7%	15.1%	21.5%	18.9%	21.4%	23.5%	20.3%	9.9%	7.0%	6.0%	5.0%	21.0%	5.7%	5.9%	4.0%	3.0%	3.0%
Hexcel	HXL	5.8%	4.7%	-1.6%	19.5%	6.8%	22.9%	18.6%	20.4%	10.2%	1.0%	-4.2%	2.9%	2.0%	9.5%	13.3%	-1.9%	-4.3%	-4.0%	0.0%	6.3%	5.4%	-0.5%	5.5%	4.7%	4.7%	4.7%
Honeywell	HON	-14.0%	-11.0%	-10.0%	-3.0%	5.0%	3.0%	18.0%	5.0%	17.0%	19.0%	14.0%	14.0%	10.0%	13.0%	10.0%	10.0%	4.0%	na	na	na	10.7%	na	na	na	na	na
MTU Aero Engines	MTU	4.0%	6.0%	20.0%	14.0%	37.0%	11.0%	20.0%	15.0%	9.0%	24.0%	6.0%	21.0%	12.0%	4.0%	20.0%	5.0%	5.0%	na	na	na	10.0%	6.7%	2.4%	1.9%	5.0%	6.3%
GE Aerospace	GE	na	na	na	na	na	na	na	na	17.6%	1.1%	1.7%	5.1%	0.5%	6.7%	26.1%	12.5%	19.1%	8.9%	6.0%	8.0%	11.3%	10.2%	7.3%	5.0%	5.0%	4.0%
LOAR Holdings	LOAR	na	na	na	na	na	na	na	na	7.9%	56.1%	30.8%	--	32.6%	10.5%	12.2%	na	-13.9%	na	na	na	16.2%	na	na	na	na	na
Kratos Defense	KTOS	1.0%	9.3%	14.0%	17.8%	18.1%	14.6%	20.1%	9.8%	19.6%	16.8%	0.5%	3.4%	7.4%	15.2%	23.7%	20.0%	15.8%	9.5%	20.0%	28.6%	16.5%	18.5%	21.5%	18.4%	15.5%	13.5%
Mercury Systems	MRCY	-9.0%	9.0%	-4.0%	1.0%	4.0%	na	na	na	na	na	na	na	na	na	10.2%	--	11.5%	na	na	na	na	na	na	na	na	na
Defense Suppliers - All Average		**(5.0%)**	**1.9%**	**2.6%**	**8.8%**	**12.8%**	**13.1%**	**15.3%**	**10.6%**	**15.3%**	**16.7%**	**11.5%**	**13.1%**	**10.0%**	**11.2%**	**16.0%**	**11.7%**	**6.7%**	**6.9%**	**7.0%**	**9.5%**	**12.4%**	**7.5%**	**7.9%**	**6.3%**	**5.6%**	**5.4%**
Defense Primes																											
BA - Boeing Defense	BA	-6.1%	-5.2%	-7.3%	7.0%	24.9%	7.2%	3.3%	9.1%	4.6%	2.0%	1.0%	-19.8%	-10.2%	0.2%	24.7%	37.1%	18.0%	10.0%	7.0%	5.0%	15.1%	10.3%	7.0%	5.0%	7.0%	6.0%
LMT - Aeronautics	LMT	0.2%	-12.1%	7.9%	7.1%	-2.1%	17.3%	-5.2%	-0.3%	9.2%	5.8%	-3.4%	5.2%	3.1%	2.0%	11.9%	6.4%	-1.5%	5.0%	1.0%	6.0%	5.7%	2.8%	4.0%	2.5%	1.9%	2.0%
LMT - Missiles & Fire Control	LMT	-10.8%	-6.7%	1.8%	2.1%	-2.6%	0.3%	3.8%	-3.5%	25.3%	12.6%	8.0%	7.6%	12.7%	10.7%	14.1%	17.8%	8.2%	15.0%	17.0%	18.0%	13.9%	14.7%	17.1%	20.0%	18.0%	15.0%
LMT - Rotary & Mission Systems	LMT	-13.5%	-5.4%	-5.0%	7.7%	-1.2%	-2.9%	9.0%	-1.9%	16.5%	16.7%	6.0%	-9.6%	5.9%	-12.2%	0.1%	8.3%	-7.8%	8.0%	3.0%	4.0%	0.3%	1.7%	4.0%	3.0%	2.0%	2.0%
LMT - Space	LMT	-15.1%	-11.1%	6.8%	11.7%	15.6%	12.1%	7.6%	3.5%	10.5%	0.9%	-0.8%	-13.0%	-2.0%	3.5%	8.0%	6.3%	5.9%	5.0%	4.0%	5.0%	3.8%	5.0%	4.0%	3.8%	3.5%	3.0%
LHX - Integrated Mission	LHX	-5.3%	-10.0%	-0.7%	-6.4%	2.8%	7.9%	-3.8%	-5.9%	-1.8%	-0.3%	6.6%	9.0%	-2.2%	6.3%	16.6%	11.6%	na	na	na	na	8.1%	na	na	na	na	na
LHX - Space & Airborne	LHX	3.9%	4.1%	6.6%	13.4%	9.1%	9.1%	5.8%	5.8%	5.8%	0.6%	2.3%	-1.0%	-5.5%	6.5%	7.5%	0.6%	na	na	na	na	2.2%	na	na	na	na	na
LHX - Communication	LHX	-13.4%	-11.9%	3.7%	17.2%	12.4%	21.2%	8.4%	5.5%	11.3%	4.4%	10.1%	5.4%	4.5%	2.2%	5.8%	3.2%	na	na	na	na	3.9%	na	na	na	na	na
LHX - Space & Mission Systems	LHX	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	30.1%	5.0%	4.0%	8.0%	na	11.1%	6.0%	5.5%	4.0%	3.0%
LHX - Communication & Spectrum Dominance	LHX	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	2.5%	5.0%	5.0%	6.0%	na	4.7%	6.0%	6.2%	2.0%	2.0%
LHX - Missile Solutions	LHX	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	17.9%	16.0%	13.0%	18.0%	na	16.2%	19.0%	19.0%	17.0%	16.0%
NOC - Aeronautics	NOC	-9.6%	-13.0%	-6.9%	4.8%	-7.0%	2.4%	9.0%	5.5%	18.1%	14.2%	4.0%	10.7%	-7.6%	1.8%	6.1%	17.7%	16.7%	6.0%	4.5%	3.0%	4.8%	7.0%	6.8%	8.0%	13.0%	11.0%
NOC - Defense	NOC	-11.1%	-9.3%	-4.5%	20.2%	7.2%	9.7%	5.7%	-0.7%	1.2%	5.5%	1.7%	4.6%	3.9%	9.3%	18.4%	11.1%	9.2%	9.0%	10.0%	12.0%	10.7%	10.1%	10.0%	9.0%	7.0%	5.0%
NOC - Mission	NOC	-1.9%	-2.8%	0.8%	16.1%	2.6%	5.0%	7.0%	4.6%	3.7%	5.0%	7.4%	2.6%	5.6%	13.8%	9.6%	9.7%	1.9%	2.0%	3.0%	4.0%	9.7%	2.8%	5.0%	4.0%	4.0%	3.0%
NOC - Space	NOC	13.9%	8.4%	18.0%	23.3%	17.3%	17.1%	10.8%	9.9%	10.5%	1.0%	-2.8%	-12.5%	-18.5%	-11.9%	-6.0%	5.5%	-3.4%	4.0%	4.0%	3.0%	-8.2%	2.0%	8.0%	8.0%	6.0%	6.0%
GD - Marine	GD	6.8%	4.5%	5.0%	3.4%	12.9%	15.4%	8.4%	14.8%	11.3%	12.9%	19.9%	16.2%	7.7%	22.2%	13.8%	21.7%	21.0%	4.2%	7.7%	9.3%	16.6%	10.1%	7.5%	6.8%	6.0%	5.3%
GD - Combat	GD	-8.0%	-12.3%	2.5%	15.5%	4.8%	15.5%	24.4%	8.5%	19.7%	18.9%	-0.5%	1.3%	3.5%	-0.2%	1.8%	5.8%	4.9%	6.0%	6.2%	3.8%	2.8%	5.2%	6.2%	4.2%	4.2%	4.2%
Raytheon	RTX	-3.6%	-6.1%	-2.0%	0.7%	3.6%	9.8%	3.2%	3.9%	5.8%	4.2%	5.3%	10.2%	2.1%	6.4%	10.3%	7.0%	9.5%	7.0%	9.0%	8.0%	6.4%	8.4%	9.0%	9.0%	7.0%	5.0%
Huntington Ingalls - Ingalls	HII	-2.8%	-1.8%	-0.8%	13.3%	-8.6%	0.9%	14.1%	21.6%	13.5%	7.2%	-6.6%	-8.0%	-2.7%	1.7%	24.7%	20.8%	14.0%	na	na	na	na	na	na	na	na	na
Huntington Ingalls - Newport News	HII	-1.2%	5.1%	6.7%	2.9%	8.3%	5.3%	0.6%	5.1%	-4.8%	1.7%	-2.8%	-4.6%	-2.6%	4.4%	14.5%	19.1%	19.0%	na	na	na	na	na	na	na	na	na
Airbus - Defense & Space	AIR	16.0%	7.4%	8.3%	10.9%	-6.3%	-9.6%	-2.2%	19.0%	4.3%	9.9%	5.8%	2.5%	10.7%	22.1%	16.7%	1.3%	7.0%	na	na	na	11.0%	10.0%	8.0%	8.0%	9.0%	9.0%
Def Prime Average		**(3.4%)**	**(4.3%)**	**2.3%**	**9.5%**	**5.2%**	**8.0%**	**6.1%**	**5.8%**	**9.2%**	**6.8%**	**3.4%**	**0.4%**	**0.5%**	**4.9%**	**11.0%**	**11.7%**	**9.6%**	**7.1%**	**6.6%**	**7.5%**	**6.7%**	**7.6%**	**8.0%**	**7.6%**	**7.0%**	**6.1%**
Defense Drones																											
AeroVironment	AVAV	-2.5%	7.4%	-8.5%	49.2%	40.3%	40.4%	62.0%	38.8%	5.9%	24.4%	4.2%	-10.2%	39.6%	17.9%	9.5%	6.5%	25.8%	-1.3%	7.2%	18.2%	na	na	na	na	na	na
Kratos Defense - Unmanned Systems	KTOS	-5.9%	-6.5%	-18.4%	15.3%	-8.7%	-7.6%	13.4%	-11.6%	23.8%	64.7%	13.2%	10.3%	6.2%	-14.7%	35.8%	12.1%	30.9%	0.0%	5.0%	35.0%	na	na	na	na	na	na
Defense Drones Average		**(4.2%)**	**0.5%**	**(13.5%)**	**32.2%**	**15.8%**	**16.4%**	**37.7%**	**13.6%**	**14.8%**	**44.5%**	**8.7%**	**0.1%**	**22.9%**	**1.6%**	**22.7%**	**9.3%**	**28.4%**	**(0.7%)**	**6.1%**	**26.6%**	**na**	**na**	**na**	**na**	**na**	**na**
Govt IT																											
Amentum	AMTM	na	na	na	na	na	na	na	na	na	na	na	2.3%	0.8%	2.0%	13.4%	-2.0%	2.8%	2.2%	-3.6%	3.4%	4.7%	-0.2%	3.7%	4.8%	4.8%	4.0%
Booz Allen Hamilton	BAH	13.1%	7.9%	3.8%	11.6%	12.5%	16.6%	14.8%	12.8%	14.1%	10.6%	12.5%	12.6%	6.2%	-1.5%	-4.4%	-10.2%	-6.4%	-3.9%	0.0%	6.2%	-5.6%	1.6%	4.4%	4.4%	na	na
CACI International	CACI	-2.3%	1.6%	4.3%	6.2%	10.1%	3.6%	9.0%	5.0%	10.2%	18.5%	16.0%	8.1%	5.6%	5.3%	5.5%	4.5%	6.8%	11.3%	11.1%	13.0%	7.1%	10.8%	7.7%	5.4%	na	na
Leidos Holdings	LDOS	4.4%	3.8%	3.4%	5.3%	5.0%	5.9%	7.9%	7.4%	7.5%	7.7%	6.9%	9.7%	6.8%	2.6%	6.0%	-4.0%	3.1%	1.5%	2.9%	7.8%	2.7%	3.8%	4.6%	5.9%	5.7%	4.8%
Parsons Federal Solutions	PSN	6.2%	9.3%	11.2%	9.0%	11.8%	22.5%	23.2%	33.5%	28.9%	21.8%	25.9%	13.5%	-1.7%	-8.7%	-14.0%	-9.8%	-8.1%	-1.2%	4.0%	9.5%	-8.8%	1.1%	8.5%	6.5%	3.4%	3.2%
Science Applications International Corporation	SAIC	4.0%	-1.9%	0.6%	1.9%	3.5%	7.4%	9.5%	7.7%	0.3%	1.9%	4.3%	5.8%	1.6%	-2.7%	-5.8%	-6.0%	0.5%	-2.9%	-1.6%	-0.6%	-3.3%	-1.1%	2.5%	2.8%	2.8%	2.4%
GD - Technologies	GD	-1.1%	-5.0%	-1.6%	9.3%	2.5%	7.0%	7.9%	-3.1%	-0.8%	2.5%	2.0%	2.8%	6.8%	5.5%	-1.6%	-0.1%	4.2%	1.7%	7.6%	10.7%	2.6%	5.9%	2.7%	2.7%	2.7%	2.7%
Govt IT - Average		**4.0%**	**2.6%**	**3.6%**	**7.2%**	**7.6%**	**10.5%**	**12.1%**	**10.5%**	**10.0%**	**10.5%**	**11.2%**	**7.8%**	**3.7%**	**0.4%**	**(0.1%)**	**(3.9%)**	**0.4%**	**1.3%**	**2.9%**	**7.2%**	**(0.1%)**	**3.1%**	**4.9%**	**4.6%**	**3.9%**	**3.4%**

Source: Company data, UBS estimates

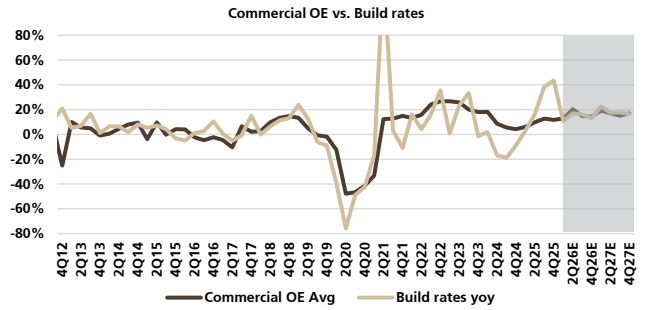
Figure 6: Organic growth by company - UBSe for June 2026

	Jun'Q-26	Mar'Q-26	Jun'Q-25	QoQ	YoY
Commercial OE					
TDG	15.0%	12.0%	(7.0%)	300 bps	2200 bps
COL (RTX)	15.0%	15.0%	1.0%	0 bps	1400 bps
PW (RTX)	10.0%	(1.0%)	15.0%	1100 bps	-500 bps
WWD	28.0%	30.5%	(7.6%)	-250 bps	3560 bps
BA	6.8%	13.0%	81.1%	-620 bps	-7430 bps
HWM	20.0%	19.6%	8.3%	40 bps	1170 bps
HXL	20.0%	18.8%	(8.6%)	120 bps	2860 bps
GE	25.0%	20.2%	35.3%	480 bps	-1030 bps
Commercial Aftermarket					
TDG	12.0%	14.0%	6.0%	-200 bps	600 bps
Collins Aerospace	8.0%	7.0%	13.0%	100 bps	-500 bps
Pratt & Whitney	14.0%	19.0%	19.0%	-500 bps	-500 bps
WWD	30.0%	36.1%	30.0%	-610 bps	0 bps
BA	10.0%	2.1%	3.3%	790 bps	670 bps
GE Cmml Services	24.0%	38.7%	28.8%	-1470 bps	-480 bps
HEICO (Aftermarket replac	15.0%	21.5%	12.4%	-650 bps	260 bps
HEICO (Repair and overhau	10.0%	10.0%	17.0%	0 bps	-700 bps
SARO (Engine Services)	20.5%	20.6%	11.5%	-10 bps	900 bps
SARO (Component Repair S	13.0%	7.4%	11.2%	560 bps	180 bps
Business Jet OE					
BBD	2.7%	(4.6%)	(15.1%)	730 bps	1780 bps
TXT	3.3%	34.5%	5.8%	-3120 bps	-250 bps
GD	11.7%	6.6%	3.0%	520 bps	870 bps
Business Jet Aftermarket					
BBD	11.0%	24.6%	16.4%	-1360 bps	-540 bps
TXT	5.0%	9.9%	1.4%	-490 bps	360 bps
GD	5.0%	12.8%	6.9%	-780 bps	-190 bps
Airline Maintenance					
DAL	6.6%	9.8%	(13.6%)	-320 bps	2020 bps
AAL	8.5%	6.5%	(2.4%)	200 bps	1090 bps
UAL	9.7%	16.8%	20.8%	-720 bps	-1110 bps
LUV	4.0%	(11.3%)	(5.4%)	1530 bps	940 bps
Defense Suppliers - OE					
WWD	10.0%	9.1%	55.7%	90 bps	-4570 bps
GE	10.0%	29.7%	15.1%	-1970 bps	-510 bps
Defense Suppliers - AM					
WWD	5.0%	8.5%	(16.2%)	-350 bps	2120 bps
BA	5.0%	11.6%	14.6%	-660 bps	-960 bps
GE Aerospace	8.0%	10.1%	(0.0%)	-210 bps	800 bps
Defense Suppliers - All					
TDG	10.0%	11.0%	13.0%	-100 bps	-300 bps
Collins Aerospace	7.0%	9.0%	11.0%	-200 bps	-400 bps
Pratt & Whitney	10.0%	7.0%	--%	300 bps	1000 bps
HWM	7.0%	9.9%	21.4%	-290 bps	-1440 bps
HXL	(4.0%)	(4.3%)	9.5%	30 bps	-1350 bps
GE	8.9%	19.1%	6.7%	-1020 bps	220 bps
KTOS	9.5%	15.8%	15.2%	-630 bps	-570 bps
Defense Primes					
BA	10.0%	18.0%	0.2%	-800 bps	980 bps
LMT - Aeronautics	5.0%	(1.5%)	2.0%	650 bps	300 bps
LMT - Missiles & Fire Contr	15.0%	8.2%	10.7%	680 bps	430 bps
LMT - Rotary & Mission Sys	8.0%	(7.8%)	(12.2%)	1580 bps	2020 bps
LMT - Space	5.0%	5.9%	3.5%	-90 bps	150 bps
LHX - Space & Mission Syst	5.0%	30.1%	na	-2510 bps	--
LHX - Communication & Sp	5.0%	2.5%	na	250 bps	--
LHX - Missile Solutions	16.0%	17.9%	na	-190 bps	--
NOC - Aeronautics	6.0%	16.7%	1.8%	-1070 bps	420 bps
NOC - Defense	9.0%	9.2%	9.3%	-20 bps	-30 bps
NOC - Mission	2.0%	1.9%	13.8%	10 bps	-1180 bps
NOC - Space	4.0%	(3.4%)	(11.9%)	740 bps	1590 bps
GD - Marine	4.2%	21.0%	22.2%	-1680 bps	-1800 bps
GD - Combat	6.0%	4.9%	(0.2%)	100 bps	620 bps
Raytheon	7.0%	9.5%	6.4%	-250 bps	60 bps
Defense - Drones					
AeroVironment	(1.3%)	25.8%	17.9%	-2710 bps	-1930 bps
Kratos Defense - Unmanne	--%	30.9%	(14.7%)	-3090 bps	1470 bps
Govt IT					
BAH	(3.9%)	(6.4%)	(1.5%)	260 bps	-240 bps
CACI	11.3%	6.8%	5.3%	460 bps	600 bps
LDOS	1.5%	3.1%	2.6%	-150 bps	-110 bps
SAIC	(2.9%)	0.5%	(2.7%)	-340 bps	-20 bps
GD - Technologies	1.7%	4.2%	5.5%	-250 bps	-380 bps

Source: Company data, UBS estimates

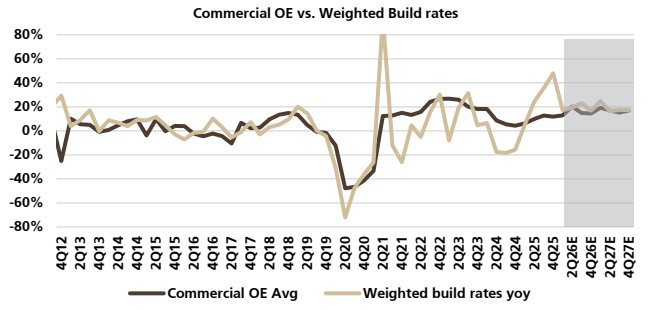


Figure 7: Commercial OE vs. Build rates



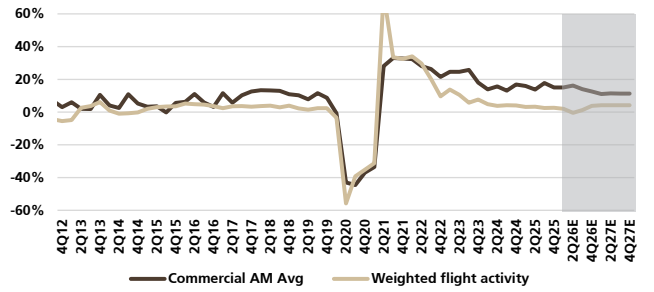
Source: Company data, UBS estimates

Figure 8: Commercial OE vs. Weighted Build rates



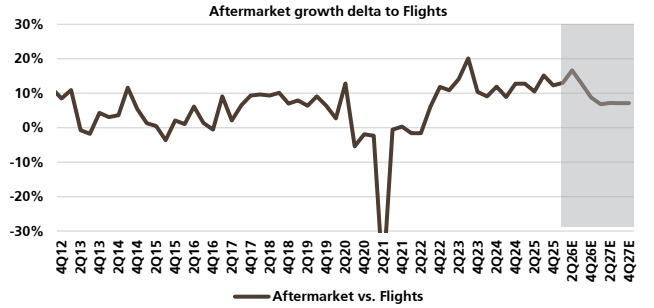
Source: Company data, UBS estimates

Figure 9: Commercial AM vs. Weighted flights



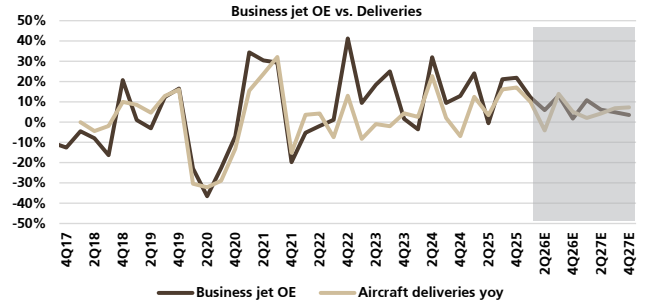
Source: Company data, Diio, FAA, IATA

Figure 10: Commercial AM relative to flights



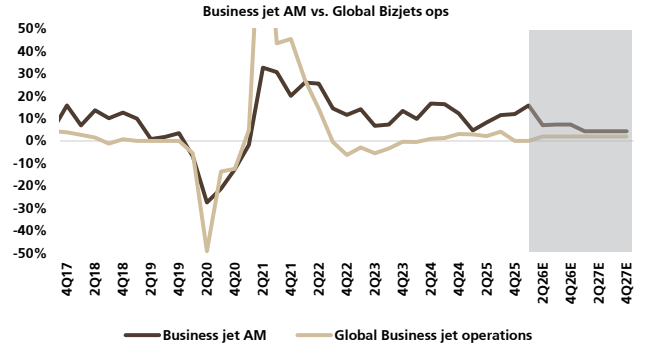
Source: Company data, Diio, FAA, IATA

Figure 11: Business jet OE vs. Deliveries



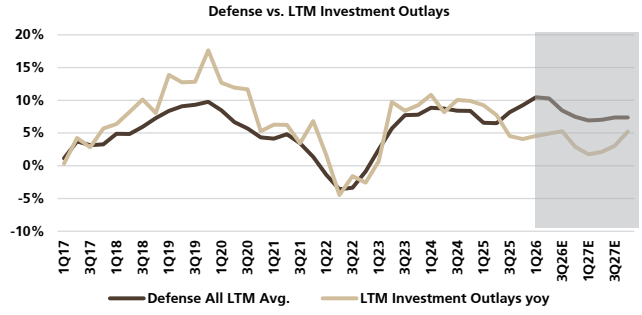
Source: Company data

Figure 12: Business jet AM vs. Flights



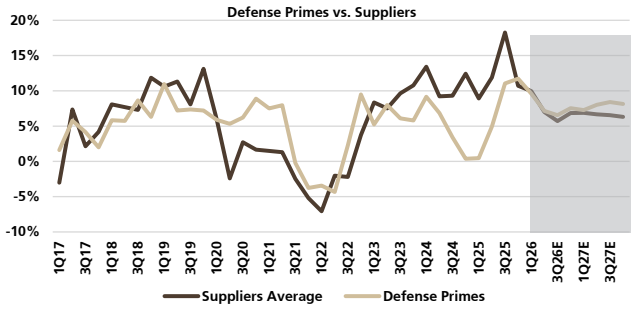
Source: Company data, FAA

Figure 13: Defense vs. LTM Investment Outlays



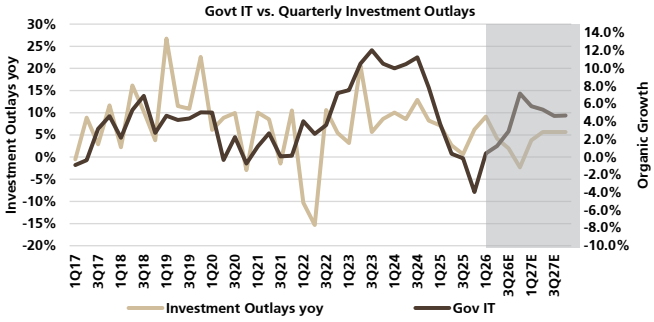
Source: Company data, DoD

Figure 14: Defense Primes vs. Suppliers



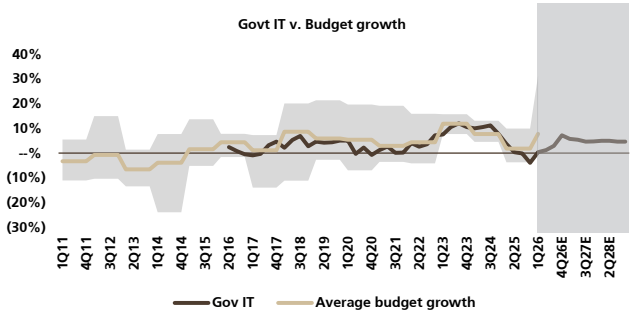
Source: Company data

Figure 15: Govt IT vs. Quarterly Investment Outlays



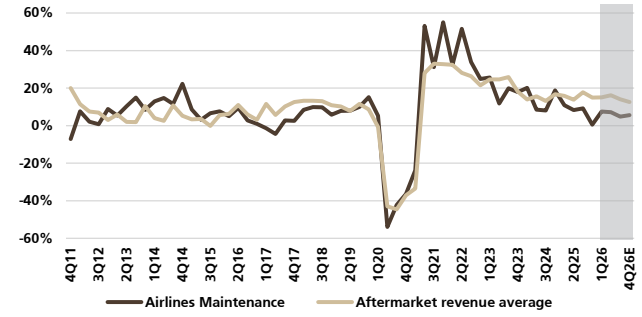
Source: Company data, DoD

Figure 16: Govt IT vs Budget growth



Source: Company data

Figure 17: Airlines MRO vs. Commercial AM



Source: Company data

Valuation Method and Risk Statement

Aerospace – Valuation: Our 12-month price targets are based on a target EV/EBITDA multiple on rolling 5-8 quarter EBITDA, with the target determined by the long-term trading average with considerations for current multiple and growth prospects relative to history and peers. OE and Business jet take into consideration the discounted normalized EBITDA given the cyclical natures of the businesses. Risk: The sector is tied to global air travel demand, which is exposed to a variety of macroeconomic, geopolitical, and other factors. It is a highly technical industry with a complex supply chain with long-lasting implications from disruption. These and other factors could have adverse impacts on our companies' sales, earnings, and valuation.
Defense and Gov IT – Valuation: Our 12-month price targets are based on a target EV/EBITDAP multiple on rolling 5-8 quarter EBITDAP, with the target determined by the long-term trading average with considerations for stage of defense spending cycle, current multiple and growth prospects relative to history and peers. Risk: The sector is tied to US and international national security spend, which is driven by geopolitical, political, and other factors. Deficit concerns can lead to Defense spending cuts. Many contracts are long-term in nature and cost overruns on fixed price contracts can have a lengthy impact on financials. Governments can also cancel contracts.