

William Blair

June 2024

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Positive Aerospace Aftermarket
Outlook for 2024

Increasing Demand for Commercial
and Business Aviation

Activity Updates and Analyses

Aviation Services
Industry Update



Aviation Services Observations and Key Trends

Aerospace Aftermarket Industry Forecasts Positive 2024 Amid Rising Global Demand for Commercial and Business Aviation

U.S. general aviation activity in the first quarter of 2024 was up just ~1% compared to the same period in 2023, and business jet activity fell ~2%, though it was still 10% higher compared with 2019.¹ Additionally, the early months of 2024 exhibited other positive signs across aviation services.

Strong Signs for Aftermarket at MRO Americas

In April, the MRO Americas exhibition brought together 17,000 industry professionals, featuring nearly 1,000 exhibitors. The exhibition highlighted the recent demand for MRO services, leading to expectations of double-digit growth throughout 2024.² Management teams reported higher demand for parts compared to MRO services. Industry leaders expressed optimism for the aerospace aftermarket in 2024.

The general aerospace market experienced 18 M&A deals between February 2023 and February 2024, with over 10 transactions related to the aerospace aftermarket which has a positive outlook for the remainder of 2024.

Despite commercial travel already exceeding pre-pandemic 2019 levels,

industry observers believe that strong travel tailwinds due to pent-up demand will continue to benefit the aftermarket.

Demand for Commercial and Business Aviation Continues to Climb

Although commercial aviation has recently faced increasing challenges with flight delays and cancellations, the resilience of travel demand is evident. In March 2024, the industry-wide air passenger traffic, measured by Revenue Passenger-Kilometers (RPK), grew by 13.8% year-over-year.³

Domestic travel experienced more moderate growth, increasing 6.6% over the year, indicating a return to pre-pandemic levels.³ All markets experienced growth in RPK, with PR China remaining the fastest-growing market at 17.6%.³ International traffic demonstrated sustained demand, with RPK rising by 18.9% compared to the prior year.³

Global business aviation activity increased by 1.7% in April compared to the year prior.⁴ North America diverged from the trend, declining by 1.1% year-over-year. Europe experienced positive growth of 3.9% following months of underwhelming performance.

The fractional ownership industry was the only segment in North America that experienced positive growth, expanding by 7.5% compared to April 2023. With the exception of turboprops, all fractional aircraft categories improved, led by midsize cabin class, which was up ~15% compared to the year prior.

Overall, April was a strong month for business aircraft activity in other regions, increasing by more than 30% over the year.

In the News

- **Two highly anticipated aircraft are soon to hit the market.** Gulfstream delivered two of this year's planned 52 G700s while Beechcraft begins FAA certification flight tests for the long-awaited Denali.
- **Aerospace parts manufacturer Loar Holdings goes public.** Loar Holdings Inc., a diversified manufacturer and supplier of niche aerospace and defense components, is listed on the New York Stock Exchange under the ticker "LOAR". Following the offering, Loar had 88 million outstanding shares priced at \$28 per share, valuing the company at \$2.46 billion, according to Pitchbook Data, Inc.⁵
- **Used business jet inventory in an adjustment period.** There has been a significant rise in preowned business jet inventories. Buyers, sellers, and intermediaries are exercising caution due to high interest rates, declining values, and election year uncertainties.⁶
- **Proposed budget to increase jet fuel tax.** The Fiscal Year 2025 proposed budget plans to amend tax treatment for corporate jet purchases and expenses while increasing jet fuel tax and lengthening the depreciation schedule.

1. Source: Federal Aviation Administration.

2. Source: William Blair Equity Research.

3. Source: © International Air Transport Association, 2024, "Air Passenger Market Analysis" All Rights Reserved.

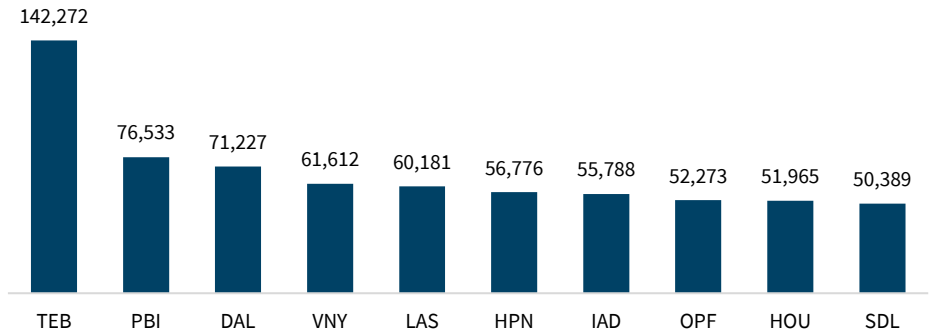
4. Source: ARGUS International TRAQPak, "Argus TraqPak: Global Bizav Flying Up in April" May 8, 2024.

5. Source: Pitchbook Data Inc., "Loar Group (NYS: LOAR)" April 25, 2024.

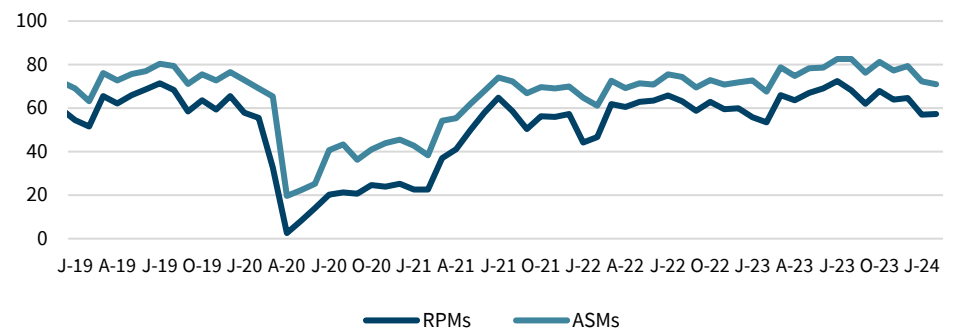
6. Source: Vref, "Vref: Preowned Bizjet Market in Adjustment Period" April 16, 2024.

Business Jet Operations and Commercial Flight Activity

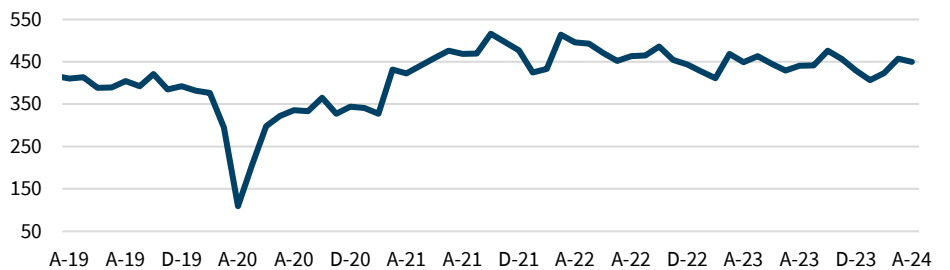
Top 10 Airports for Domestic Business Jet Operations (LTM April 2024 Business Jet Operations)



Air Traffic (RPMs) and Capacity (ASMs) (Millions of Miles)

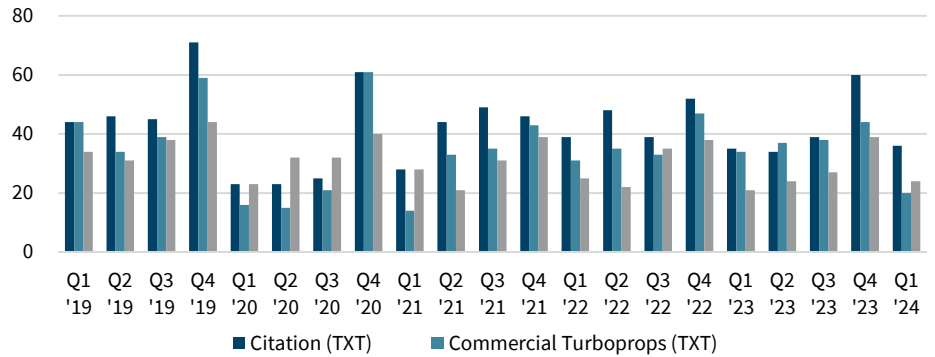


Business Jet Operations (Thousands of Operations)

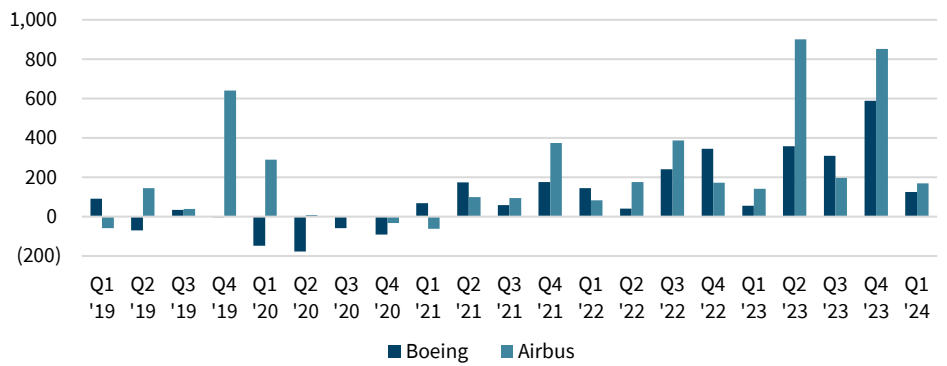


Business Jet and Commercial Aircraft Orders and Deliveries

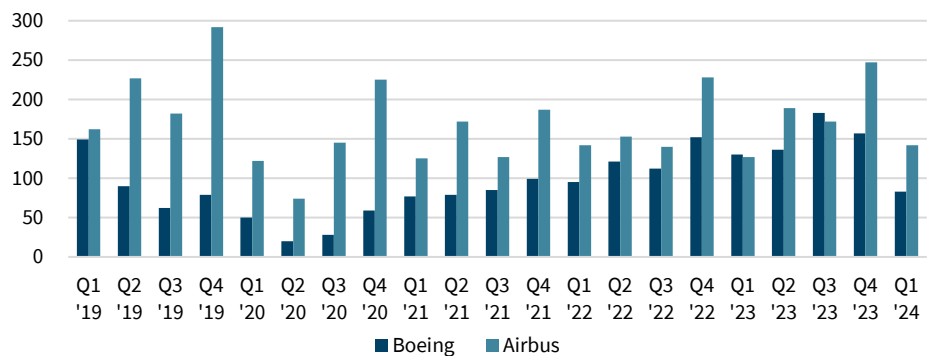
Private Aircraft Deliveries



Net Orders



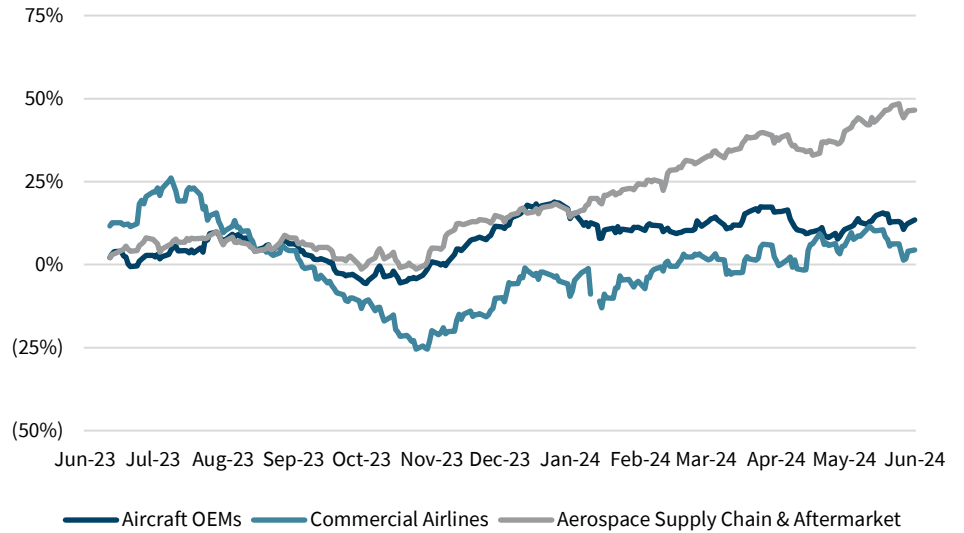
Deliveries



Public Company Performance

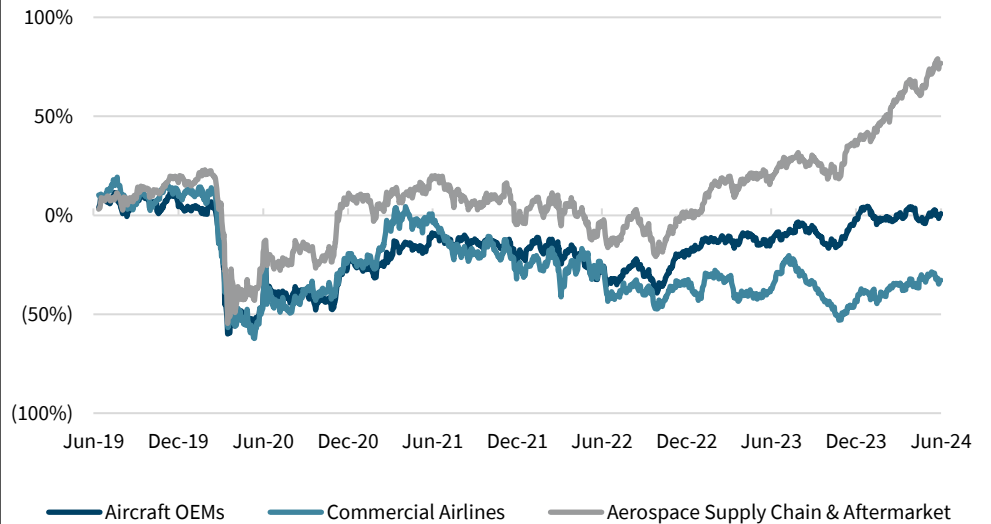
Public Company 1-Year Stock Performance

(Indexed Market Capitalization for the Period June 2023–June 2024)



Public Company 5-Year Stock Performance

(Indexed Market Capitalization for the Period June 2019–June 2024)



Aircraft OEMs: ENXTPA:AIR, ENXTPA:AM, NYSE:BA, NYSE:ERJ, NYSE:GD, NYSE:TXT, TSX:BBD.B
Commercial Airlines: NasdaqGS:AAL, NasdaqGS:JBLU, NasdaqGS:UAL, NasdaqGS:ULCC, NYSE:ALK, NYSE:DAL, NYSE:LUV, NYSE:SAVE
Aerospace Supply Chain & Aftermarket: ENXTPA:SAF, NasdaqCM:ASLE, NasdaqGS:ATRO, NasdaqGS:VSEC, NasdaqGS:WWD, NYSE:AIR, NYSE:B, NYSE:DCO, NYSE:HXL, NYSE:MOGA, NYSE:RBC, NYSE:SPR, NYSE:TDG, NYSE:TGI, NYSE:WCC, TSX:CAE, TSX:MAL, XTRA:MTX, NYSE:LOAR

Public Company Operating and Valuation Metrics

Company	Enterprise Value (\$ millions)	Market Capitalization (\$ millions)	% of 52 - Week High	Rev Growth			Enterprise Value /			
				'24P	'25P	LTM EBITDA Margin	LTM Revenue	NTM Revenue	LTM EBITDA	NTM EBITDA
Aircraft OEMs										
The Boeing Company	\$153,709	\$113,305	69.0%	14.8%	11.4%	3.5%	2.0x	1.8x	NMF	NMF
Airbus SE	130,827	133,636	89.9%	14.3%	12.4%	9.4%	1.8x	1.6x	19.3x	12.4x
General Dynamics Corporation	91,727	81,700	98.6%	9.4%	10.8%	11.1%	2.1x	1.9x	19.1x	14.7x
Textron Inc.	19,158	16,638	89.6%	7.2%	6.6%	12.2%	1.4x	1.3x	11.3x	10.7x
Bombardier Inc.	11,780	6,601	97.5%	13.9%	13.3%	11.8%	1.5x	1.3x	12.7x	8.4x
Dassault Aviation société anonyme	9,105	16,844	92.2%	(27.3%)	20.5%	9.6%	1.7x	1.4x	17.3x	12.3x
Embraer S.A.	6,507	5,078	90.1%	20.6%	21.7%	8.0%	1.2x	1.0x	15.2x	9.1x
Mean	\$60,402	\$53,400	89.6%	7.5%	13.8%	9.4%	1.7x	1.5x	15.8x	11.3x
Median	\$19,158	\$16,844	90.1%	13.9%	12.4%	9.6%	1.7x	1.4x	16.2x	11.5x
Aerospace Supply Chain and Aftermarket Support										
Safran SA	\$97,439	\$96,967	98.4%	25.3%	18.2%	18.7%	3.7x	3.2x	20.0x	16.0x
TransDigm Group Incorporated	93,051	74,939	98.2%	29.7%	12.3%	49.4%	12.7x	11.3x	NMF	21.7x
WESCO International, Inc.	13,855	9,005	90.7%	3.7%	0.5%	6.9%	0.6x	0.6x	9.1x	8.2x
MTU Aero Engines AG	14,103	13,359	94.4%	3.6%	39.6%	(1.2%)	2.4x	1.7x	NMF	10.3x
CAE Inc.	8,114	5,917	74.7%	13.6%	6.4%	16.8%	2.6x	2.4x	15.2x	9.9x
Woodward, Inc.	11,752	11,249	98.0%	30.1%	5.9%	17.7%	3.7x	3.5x	20.8x	18.9x
RBC Bearings Incorporated	9,689	8,466	97.4%	8.8%	6.7%	29.8%	6.2x	5.8x	20.8x	18.7x
Hexcel Corporation	6,305	5,682	86.4%	14.3%	13.3%	18.4%	3.5x	3.1x	19.0x	14.5x
Spirit AeroSystems Holdings, Inc.	7,443	3,626	85.6%	25.6%	15.7%	(5.0%)	1.2x	1.0x	NMF	11.0x
Moog Inc.	6,435	5,390	92.7%	14.2%	3.8%	13.1%	1.8x	1.8x	14.0x	12.6x
Loar Holdings Inc.	5,642	5,127	93.7%	39.9%	17.7%	35.2%	NMF	14.3x	NMF	NMF
Barnes Group Inc.	3,172	1,939	87.6%	22.5%	5.5%	19.3%	2.1x	1.9x	10.6x	9.2x
Triumph Group, Inc.	1,816	1,114	83.7%	0.0%	2.6%	12.5%	1.5x	1.5x	12.2x	10.0x
AAR Corp.	2,726	2,447	94.9%	20.1%	21.3%	8.7%	1.2x	1.0x	14.2x	8.9x
VSE Corporation	2,026	1,524	95.9%	36.4%	20.1%	13.5%	2.2x	1.8x	16.4x	14.0x
Ducommun Incorporated	1,119	864	97.9%	7.6%	5.1%	10.5%	1.5x	1.4x	13.9x	9.6x
Astronics Corporation	893	707	90.0%	34.2%	8.8%	2.8%	1.2x	1.1x	NMF	9.1x
AerSale Corporation	476	394	44.5%	(15.1%)	13.2%	1.6%	1.4x	1.2x	NMF	9.4x
Magellan Aerospace Corporation	392	343	94.3%	16.5%	13.0%	8.3%	0.6x	0.5x	7.1x	5.1x
Mean	\$15,076	\$13,108	89.4%	17.4%	12.1%	14.6%	2.8x	3.1x	14.9x	12.1x
Median	\$6,305	\$5,127	93.7%	16.5%	12.3%	13.1%	1.9x	1.8x	14.2x	10.1x
Commercial Airlines										
Delta Air Lines, Inc.	\$55,718	\$32,775	94.3%	16.7%	0.4%	13.9%	0.9x	0.9x	6.8x	5.7x
American Airlines Group Inc.	38,529	7,565	60.4%	8.6%	4.2%	11.1%	0.7x	0.7x	6.5x	5.6x
United Airlines Holdings, Inc.	38,187	17,335	90.5%	22.0%	5.9%	14.6%	0.7x	0.7x	4.8x	4.5x
Southwest Airlines Co.	15,220	16,571	70.0%	12.2%	6.2%	7.8%	0.6x	0.5x	7.3x	5.8x
Alaska Air Group, Inc.	6,864	5,321	73.3%	8.5%	6.4%	12.0%	0.7x	0.6x	5.5x	4.2x
Spirit Airlines, Inc.	6,686	404	18.7%	4.1%	2.1%	(5.0%)	1.3x	1.2x	NMF	14.6x
JetBlue Airways Corporation	6,004	1,915	59.6%	3.7%	1.0%	5.3%	0.6x	0.6x	11.9x	9.4x
Frontier Group Holdings, Inc.	4,206	1,221	51.6%	8.4%	18.9%	(3.7%)	1.2x	1.0x	NMF	4.8x
Mean	\$21,427	\$10,388	64.8%	10.5%	5.6%	7.0%	0.8x	0.8x	7.1x	6.8x
Median	\$11,042	\$6,443	65.2%	8.5%	5.0%	9.5%	0.7x	0.7x	6.7x	5.7x

Select Aviation Services Transactions

Date	Target	Acquirer	Sub-Sector	William Blair Transaction
Apr-24	Turbine Controls, Inc.	VSE	MRO	
Mar-24	Mid-Continent Aviation Services	Yingling Aviation	MRO	
Mar-24	Triumph Group (Product Support Group)	AAR	MRO	
Jan-24	Meridian	Signature Flight Support	FBO	
Dec-23	Fontainebleau Aviation	Skyservice (Instar)	FBO	●
Dec-23	FlyExclusive	EG Acquisition	Charter	
Nov-23	Jet East	West Star Aviation	MRO	
Nov-23	Modern Aviation (16 locations)	Apollo (Majority) and Tiger Infrastructure Partners	FBO	
Aug-23	Wencor	HEICO	MRO	●
Aug-23	Flying Colours-	FlexJet (Eldridge and Directional Aviation)	MRO	
Jun-23	Yingling Aviation	AE Industrial Partners	FBO / MRO	
May-23	Primeflight Aviation Services	Capitol Meridian Partners and The Sterling Group	Ground Handling	
May-23	Star Handling	Skytanking (Primeflight)	Ground Handling	
Apr-23	Epps Aviation (Atlanta, GA)	Aero Centers (SAR-Trilogy and Redbird Capital)	FBO / Charter / MRO	●
Mar-23	Midwest Corporate Aviation	Clemens Aviation	FBO / Charter / MRO	
Mar-23	Atlas Air	Apollo Global, JF Lehman, and Hill City Capital	Air Cargo	
Mar-23	Golden Isles Aviation (St. Simons, GA)	Odyssey Aviation	FBO	
Mar-23	Dolphin Aviation (Sarasota, FL)	Hawthorne Global Aviation Services	FBO	
Feb-23	Western Jet Aviation	StandardAero	MRO	
Feb-23	Constant Aviation (Cleveland, OH)	Directional Aviation (AKA FlexJet)	MRO	
Jan-23	Dumont (Charter Division)	Rennia Aviation	Charter	
Nov-22	Northeast Aero Compressor (Bohemia, NY)	Jet Parts Engineering	MRO	
Nov-22	Associated Aircraft Manufacturing & Sales, Inc	First Aviation Services	MRO	
Oct-22	UltraAir (Omaha, NE)	Four Corners Aviation	Charter	
Oct-22	TCR International	3i Infrastructure	Ground Handling	
Oct-22	Mystic Jet Center (3 locations)	Modern Aviation	FBO	
Sep-22	Skytech (2 locations)	Pilatus	Charter / MRO	
Sep-22	Mayo Aviation (Centennial, CO)	Priester Aviation	Charter	
Sep-22	Textar Aviation (Dallas, TX)	Atlantic Aviation	FBO	
Sep-22	Elliot Aviation (Des Moines, IA)	Modern Aviation	FBO	
Sep-22	Odyssey Aviation (2 locations)	Granite Creek Capital Partners	FBO	
Aug-22	Menzies	Agility	Ground Handling	
Aug-22	Four Points Aero Services (Dallas, TX)	Elliot Aviation	MRO	
Aug-22	Blue Heron Aviation (Turks & Caicos)	Atlantic Aviation	FBO	
Jul-22	Skycharter (Halifax, Nova Scotia)	IMP Group	Charter	
Jul-22	Signature Flight Support (3 locations)	Atlantic Aviation	FBO	●
Jul-22	TAC Air (17 locations)	Signature Aviation	FBO	●
May-22	Central Flying Service	Tricoastal Ventures	MRO	
May-22	EB Airfoils (Palm City, FL)	StandardAero	MRO	
May-22	Ross Aviation (16 locations)	Atlantic Aviation	FBO	
May-22	Atlantic Aviation (Stuart, FL)	APP Jet Center	FBO	●

Recent Debt Capital Markets Transactions

Launch Date	Company	Corporate Rating	Amount (\$ millions)			Term Loan B		2nd Lien	
			Total	TLB	RC	2nd Lien	Spread (bps)	Floor (bps)	Spread (bps)
May-24	Ontic	B/B2	\$1,425	\$1,425	--	--	325	--	--
Mar-24	Swissport International AG	B+/B2	\$500	\$500	--	--	425	--	--
Mar-24	TransDigm Inc	B+/B1	\$4,525	\$4,525	--	--	275	--	--
Feb-24	Novaria Group	--	\$40	\$40	--	--	550	100	--
Nov-23	Atlantic Aviaiton Corporation	B/B2	\$1,069	\$1,069	--	--	350	50	--
Nov-23	TransDigm Inc	B+/B1	\$1,000	\$1,000	--	--	325	--	--
Oct-23	Industria de Turbo Propulsores SA	B/B2	\$200	\$200	--	--	375	50	--
Sep-23	Vertex Aerospace	B1/B+	\$913	\$913	--	--	300	75	--
Aug-23	Standard Aero Holdings Inc	B3/B-	\$257	\$257	--	--	400	--	--
Jul-23	Ontic (8/23)	B2/B	\$957	\$957	--	--	400	--	--
May-23	Atlantic Aviation (6/23)	B/B2	\$750	\$750	--	--	400	50	--
Apr-23	Signature Aviation (5/23)	B+/B2	\$400	\$400	--	--	375	50	--
Feb-23	American Airlines (Extend 3/23)	B-/B2	\$1,000	\$1,000	--	--	275	--	--
Feb-23	Castlelake Aviation (Add-on 3/23)	BB-/Ba3	\$635	\$635	--	--	275	50	--
Sep-22	Ontic (Add-on 10/22)	B/B2	\$85	\$85	--	--	450	--	--
Jul-22	Atlantic Aviation (Add-on TL 8/22)	B/B2	\$425	\$325	\$100	--	400	50	--
Jun-22	Signature Aviation (7/22)	B+/B1	\$1,100	\$1,100	--	--	375	50	--
Feb-22	Ontic (Add-on 3/22)	B/B2	\$80	\$80	--	--	400	--	--
Oct-21	Signature Aviation (Add-on 11/21)	B+/B1	\$330	\$330	--	--	275	50	--
Oct-21	Atlantic Aviation (Add-on 11/21)	B/B2	\$330	\$330	--	--	300	50	--
Sep-21	Castlelake Aviation (TL 10/21)	BB-/Ba3	\$1,730	\$980	\$750	--	275	50	--
Jul-21	Avolon (Amend 8/21)	BBB-/Baa3	\$672	\$672	--	--	225	50	--
Jul-21	Ontic (Add-on 8/21)	B/B2	\$140	\$140	--	--	400	--	--
Jul-21	Air Canada (TL 8/21)	B+/Ba3	\$2,900	\$2,300	\$600	--	350	75	--
Jul-21	Atlantic Aviation (TL 8/21)	B/B2	\$1,925	\$1,350	\$225	\$350	300	50	575
Apr-21	Gogo (TL 5/21)	B-/B3	\$825	\$725	\$100	--	375	75	--
Apr-21	Signature Aviation (TL 5/21)	B+/B1	\$2,035	\$1,685	\$350	--	275	50	--
Apr-21	United Airlines (TL 5/21)	B+/Ba2	\$6,750	\$5,000	\$1,750	--	375	75	--
Mar-21	American Airlines (4/21)	B-/B2	\$3,500	\$3,500	--	--	475	75	--
Feb-21	Ontic (Amend 3/21)	B-/B3	\$551	\$551	--	--	400	--	--
Nov-20	Avolon Aerospace (12/20)	BBB-/Baa3	\$675	\$675	--	--	250	75	--
Sep-20	Fly Leasing (10/20)	BB/B1	\$180	\$180	--	--	600	100	--
Sep-20	Delta SkyMiles (10/20)	--	\$3,000	\$3,000	--	--	375	100	--
Jun-20	JetBlue (7/20)	B+/Ba2	\$750	\$750	--	--	525	100	--
Apr-20	Delta Air Lines (5/20)	BB/Baa3	\$1,500	\$1,500	--	--	475	100	--
Feb-20	Avolon Aerospace (3/20)	BBB-/Baa3	\$850	\$850	--	--	150	75	--
Jan-20	American Airlines (Amend 2/20)	BB-/Ba3	\$1,220	\$1,220	--	--	175	--	--
Nov-19	Fly Leasing (Amend 12/19)	BB/Ba3	\$391	\$391	--	--	175	--	--
Oct-19	Air Canada (Amend 11/19)	BB+/Ba1	\$592	\$592	--	--	175	--	--
Oct-19	Ontic (TL 11/19)	B-/B3	\$740	\$480	\$85	\$175	475	--	850
Jul-19	WestJet Airlines (TL 8/19)	B+/Ba3	\$2,305	\$1,955	\$350	--	300	100	--
Jul-19	Kaman Distribution (TL 8/19)	B/B3	\$510	\$320	\$75	\$115	500	--	900
Nov-18	Atlantic Aviation (12/18)	BB-/Ba3	\$1,325	\$1,025	\$300	--	375	--	--

Premier, Global Boutique

Globally integrated advisory capabilities, deep sector experience, and unmatched industry intelligence driven by frequent dialogue with the most relevant market participants

Firm Snapshot

24

offices worldwide

~2,000

total employees

~650

investment banking employees

800+

M&A advisory transactions since 2019

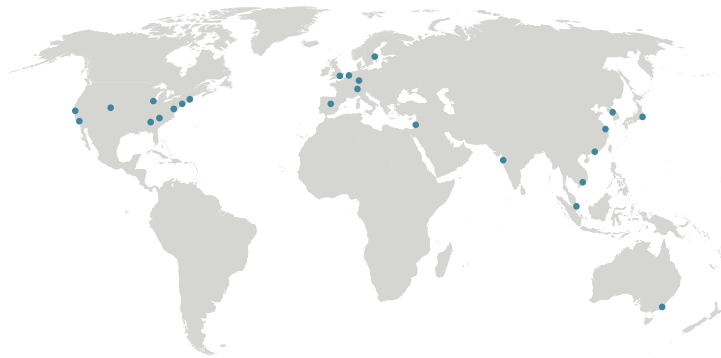
\$765B+

M&A and financing activity since 2019

100%

owned by active partners

Global Footprint



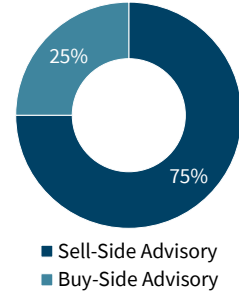
Selected Aviation Services Transaction Experience

 Follow-on Offering	 has partnered with a portfolio company of Instar	 a portfolio company of WARBURG PINCUS has been acquired by 	 has been acquired by a portfolio company of SAR Trilogi Management and Redbird Capital Partners
 has been acquired by a portfolio company of Blackstone, Global Infrastructure Partners and Cascade Investment	 a portfolio company of Blackstone, Global Infrastructure Partners & Cascade Investments has divested three FBO locations to a portfolio company of KKR	 a portfolio company of KKR has divested its Stuart, FL location to a portfolio company of Ridgewood Infrastructure	 a portfolio company of NexPhase has been acquired by
 has been acquired by 	 Follow-on Offering	 has been acquired by J.F. Lehman & Company	 has been acquired by

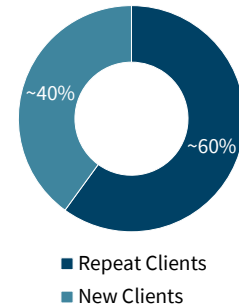
Note: Data is as of March 31, 2024. Map includes strategic partnerships with Allier Capital, BDA Partners, and Poalim Capital Partners.

➤ Represents transactions closed by William Blair employees while at other firms.

M&A Expertise Since 2019



Trusted Advisor Since 2019



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