



# Aerospace and Defence Sector Performance Report

January 2025

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## Executive Summary

This updated report (January 2025 edition) presents the latest key performance metrics, M&A deals, news, and traffic statistics of the U.S. aerospace and defence (A&D) industry.

## Aerospace and Defence Performance Overview

American aerospace and defence industry continues to be an economic powerhouse – outpacing national averages for job creation and wages and contributing significantly to global trade, national security, and technology leadership. In 2024, the industry demonstrated strong performance with 52.3% growth and projected annual earnings growth of 17.5%. U.S. Passenger Airlines achieved a pre-tax profit margin of 3.1% in Q3 2024, despite facing increased costs across maintenance (12%), airport operations (18%), and net interest expenses (30%). The sector saw U.S.-International Air Travel grow by approximately 12% year-over-year in the first nine months of 2024, while the nationwide spot price averaged \$2.61 per gallon during the same period.

### Key Industry Metrics

	2024	2023 (Dec)	Change
Revenue (in Bn)	\$415.6	\$302.1	27.30%
Net Earnings (in Bn)	\$25.4	\$20.9	14.30%
Net Margin	6.12%	6.91%	(79) bps

## Key Trends in Aviation and Defence sector

- Continued strong investor interest through the first half of 2024 in the MRO/Aftermarket and Electronics/Engineered Systems sectors.
- The House passed a \$833B defence spending bill for GFY25, with significant contention over F-35 fighter jet and Virginia-class submarine purchases. The bill funds 76 new F-35s, exceeding the Defence Department's request, and limits submarine procurement to one vessel due to production delays.
- Companies are keen to be involved in submarine programs, particularly as the Virginia- and Columbia-class remain top priority programs.
- The U.S. economy and demand for air travel remain healthy. Air cargo demand has subsided materially since reaching an all-time high in 2021 but remains solidly above pre-pandemic levels.
- U.S Government data show that airline fares have trended down over the past two years. In 2024, fares have fallen 4.5% from 2023 in nominal terms and 7.3% when adjusted for inflation.

## A&D Deals

Aerospace deal volume remained consistent with last quarter as strong commercial aerospace demand has been met with lingering supply chain and production challenges. Defence deal volume through the first half of 2024 was lower compared to the same period in 2023, but slightly outpaced the first half of 2022 as the sector continues to get a lift from ongoing geopolitical conflicts, dwindling stockpiles, and investments in critical defence programs.

### Some Notable Deals

- In December 2024 Turkish drone maker Baykar acquired Piaggio Aerospace, an Italian aircraft manufacturer. Financial terms were undisclosed. Piaggio, under special administration since 2018, chose Baykar's bid over two international competitors, with promises to protect workers and creditors

- In October 2024 Teledyne Technologies acquired aerospace and defence-electronics units from Excelitas Technologies for \$710 million. The deal includes Qioptiq (U.K.) and a U.S.-based business specializing in custom energetics. The acquisition is expected to close in early 2025
- In June 2024 Boeing has agreed to acquire Spirit Aerosystems with enterprise value of \$8.3 Bn enabling greater integration of both companies manufacturing and engineering capabilities, including safety and quality systems.
- In May 2024 Honeywell has agreed to acquire Cobham Advanced Electronic Solutions Inc (“CAES”) a Portfolio Company of Advent International with enterprise value of \$1.9 Bn.
- In Apr 2024, SES S.A. Announced to acquire Interslat S.A with enterprise value of \$5 Bn.

## Terminated Deal

- Jetblue and Spirit Airlines terminated their \$3.8 Bn merger agreement on March 04, 2024, the compensation was decided that JetBlue would pay Spirit \$69 million in cash, and Spirit shareholders would receive \$425 million in prepayments.

## Industry State

According to latest facts and figures published by Aerospace Industries Association, the current state of aviation industry is as follows:

- **Economic Impact:** The industry surpassed national averages in job creation and wages, demonstrating its robust economic contributions.
- **Strategic Importance:** The sector remains a vital strategic asset for the United States, maintaining leadership in aviation, delivering advanced equipment, and fostering international collaboration.
- **Key Strengths:** The industry boasts a world-class workforce, advanced supply chain, and cutting-edge innovations.

## Latest News

- Under a \$6 million grant from the US Defence Advanced Research Projects Agency, Sikorsky will modify a government-owned UH-60M helicopter with autonomy technologies that could allow for single-pilot or fully pilotless flight.
- Most Florida airports back in service post Hurricane Milton.
- Aviation Industry coalition calls for measures to prevent use of unapproved plane parts.

## Commercial Aviation and aerospace market

In March, the world’s largest air carrier, American Airlines, placed large narrow-body orders with both Boeing and Airbus. On March 4, 2024 the company placed an order for 85 Boeing 737-10s, the largest 737 MAX variant. At the same time, the airline converted 30 737-8s to 737-10s and announced options for an additional 75 737-10s. On the same day, American Airlines ordered 85 A321neos. The airline is the world’s largest operator of A320 Family aircraft.

Many airlines are seeking to expand their fleet, aircraft manufacturers are experiencing supply chain issues and struggling to fulfil orders on time. In the first quarter of 2024, Boeing delivered just 83 aircraft — down from 130 in the first quarter of 2023. Rival Airbus delivered 142 aircraft, which fell short of its initial expectations for the quarter.

Transatlantic travel remains strong, with U.S. consumers — buoyed by a strong dollar — flocking to destinations across Europe. Business travel is picking up too: Delta Air Lines recently reported that corporate bookings were up 14% in 2024.

## U.S Air Carrier Traffic Statistics Analysis through 2024

- Total Revenue Passenger Enplanements stood 78.7 million systemwide (domestic and international) scheduled service passengers, marking a 9.5% increase from December 2023
- Total Revenue Passenger Miles grew from 104.22 Bn in July 23 to 108.71 Bn in July 24, registering a growth of 4.30%.
- Total Available Seat Miles grew from 118.6 Bn in July 23 to 124.43 Bn in July 24, registering a growth of 4.91%
- Total Passenger load factor declined from 87.87% in July 2023 to 87.67% in July 24.
- Total Revenue Ton Miles grew from 11.01 Bn in July 23 to 11.5 Bn in July 24 registering a growth of 4.45%.

## Top Airlines in United States by Fleet size as of December 2024

Airline Name	Fleet Description
American Airlines	1280 mainline aircraft from Boeing and Airbus
Delta Airlines	1271 Airbus and Boeing aircraft
Southwest Airlines	821 Airbus and Boeing aircraft
United Airlines	994 Airbus and Boeing aircraft
Alaska Airlines	145 Airbus and Boeing aircraft
JetBlue Airlines	282 Airbus and Embraer aircraft

## 2024 Comparison with Pre-covid Levels

- Average seats per domestic U.S flights has increase from 116 in 2019 to 132 in 2024.
- TSA checkpoint volume saw a significant surge during Jan-Sep 2024, with increases of 10.1% on Sundays and 10.4% on Saturdays compared to the same period in 2019. While Tuesday has shown slowest recovery by increasing just 3.5%.

## Outlook for 2025

- The global aerospace market size is valued at \$373.61 Bn in 2024 and is anticipated to reach \$402.75 Bn in 2025 with growth rate of 7.8%.
- In United States, the Biden administration has requested a budget of \$849.8 Bn for Department of Defence (DoD) for fiscal 2025. The fiscal 2025 DoD budget request allocates a portion of the US\$61.2 billion for air power to unmanned aircraft systems like the MQ-4 Triton and the MQ-25 Stingray.
- From military demands to commercial applications, 2025 is shaping up to be a year of continued growth for several next-generation unmanned technologies in aerospace and defence.
- In 2024, the aerospace and defence industry continued to struggle with talent attraction and retention challenges, and these challenges are likely to persist into 2025.

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