

# A&DSupplyChain

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# Is More Consolidation Inevitable in the Global Supply Chain?



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**COUNTERPOINT**.aero

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the aerospace industry



### Market reports

Detailed research reports on aerospace and defence markets, with a special emphasis on Tier 1 and Tier 2 suppliers



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Including strategic planning, market deep dives, target acquisitions, forecasting and due diligence

## Is More Consolidation Inevitable in the Global Supply Chain?

SHORT  
ANSWER

**YES!**



Geopolitical risks



Long-term COVID effects



Labour shortages



Regulatory demands



Environmental pressures

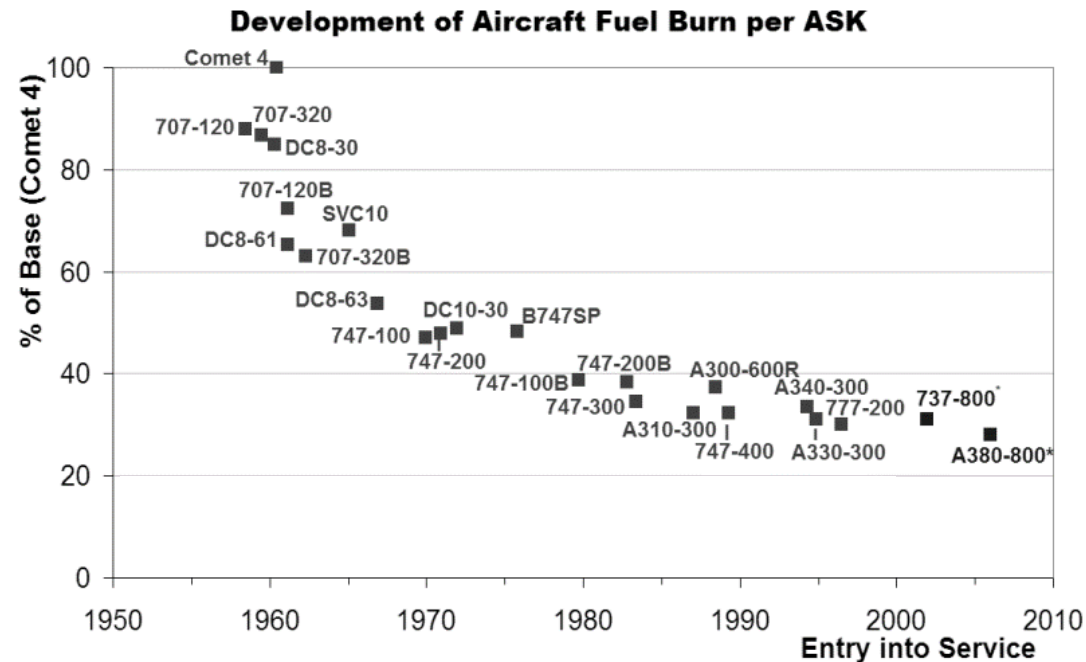


Technology uncertainty

# Aerospace technology is at an inflection point

Over the last 50 years, we've reduced fuel burn without changing the shape of the airplane...

... but the next 50 years might require more radical changes to maintain progress



New  
structural  
concepts?



New  
engine  
concepts?



New  
fuel  
concepts?

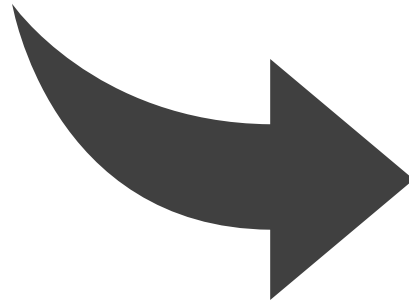




## The logical response from the supply chain is consolidation

### **OEM drivers:**

- OEM consolidation
- Fewer programmes
- More demanding technology and investment



### **Supply Chain reaction:**

- Better economies of scale
- Improved balance sheet
- More bargaining power
- Greater ability to invest

## But... consolidation is not always the answer

### Triumph Group Completes Multisite Aerostructures Divestiture

Company Release - 05/10/2021

BERWYN, Pa, May 10, 2021 /PRNewswire/ -- Triumph Group [NYSE:TGI] announced today the completion of sale for three of its Aerostructures sites to Arlington Capital Partners. The transaction was effective May 7, 2021 and includes the Triumph Composites business consisting of the Milledgeville, Georgia and Rayong Thailand operations, as well as its structures operations in Red Oak, Texas. Combined, the businesses encompass approximately 1.8 million square feet of factory space and employ approximately 900 people.

The Triumph Composites businesses provide structural and engine composite fabrications and assemblies across commercial, business jet, and defense platforms.

### Spirit AeroSystems seeks to renegotiate contracts with Airbus as losses pile up

By Jon Hemmerdinger | 1 November 2023

Spirit AeroSystems is working to renegotiate loss-making supply contracts with Airbus and to refinance more than \$1 billion in debt coming due in 2025, efforts executives describe as requiring urgent attention.

"Between us and Airbus, we have to come to some solution," Spirit interim chief executive Patrick Shanahan said on 1 November. "It is a near-



## Aerostructures remains a very tough business regardless of scale



## What will consolidation look like?

### Super Tier 1s

Tier 1s

Tier 2s

Tier 3s

Interiors

### Key trends:

- Portfolio refining
- There might be room for another Super Tier 1 if other Tier 1s combine

### Examples:

- RTX actuation sale to Safran
- Safran divesting some ex-Zodiac businesses

## What will consolidation look like?

Super Tier 1s

**Tier 1s**

Tier 2s

Tier 3s

Interiors

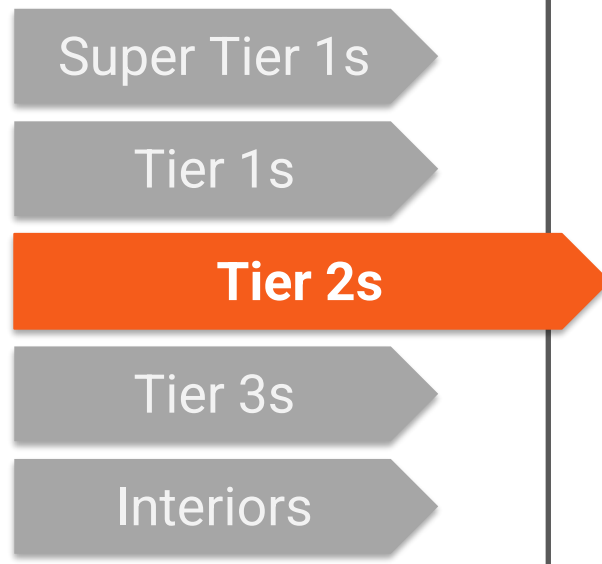
### Key trends:

- Active space for acquirers and divestors
- Many are multi-industry conglomerates
- Focus on synergies and capability building

### Examples:

- Eaton acquisitions
- Parker acquisitions

## What will consolidation look like?



### Key trends:

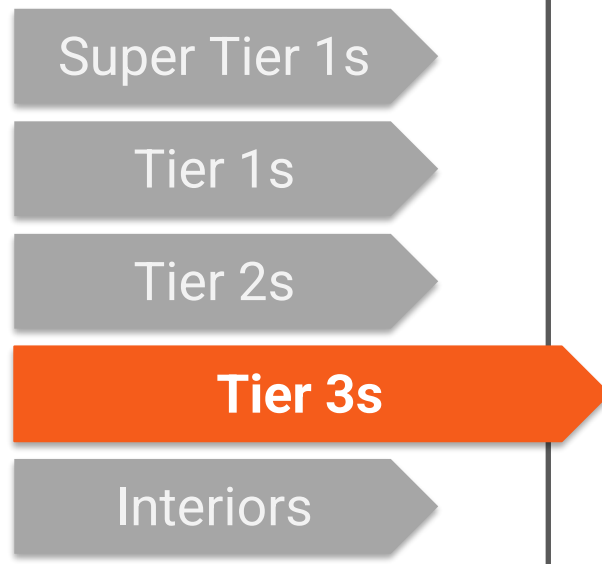
- Large pool of sub-scale players
- Further consolidation is likely
- Some consolidation may come as a result of private equity activity

### Examples:

- Ducommun acquires BLR
- Latecoere acquires Avcorp



## What will consolidation look like?



### Key trends:

- US private equity firms are major players and have been consolidating portfolios
- Further bolt-on acquisitions are likely

### Examples:

- Arlington Capital Partners
  - Radius Aerospace
  - Kinetic Engine Systems
  - Forged Solutions
- CDR & Greenbriar
  - Pursuit Aerospace

## What will consolidation look like?

Super Tier 1s

Tier 1s

Tier 2s

Tier 3s

**Interiors**

### Key trends:

- Interiors has different dynamics as it does not rely on new programmes
- The industry has a large number of players and very fragmented tail
- Big deals are possible (e.g. if Safran divests)
- Technology change in IFEC is likely to drive further consolidation

### Examples:

- Zim acquisition of HAECO Cabin Solutions

## Conclusions

- More large deals are possible in the industry
- Portfolio shaping is likely at Tier 1s and Super Tier 1s
- Tier 2s are still fragmented and further deals are likely
- Major PE players are consolidating portfolios and adding bolt-on acquisitions
- Aerostructures may continue to churn
- Space remains for some new entrants

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Counterpoint

