

ARTICLE

Go Big or Get Bought: Surviving the GovCon Hunger Games

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The government aerospace and defense (A&D) market is among the world's most complex and strategically significant sectors.

Companies within this industry often engage in mergers and acquisitions (M&A) as a means of achieving diverse objectives, from boosting technological capabilities to expanding market share. Private Equity has played an increasing role in buying and growing companies since the GovCon companies depend on government spending that always seems to grow in key areas. Over the past few years between 45 and 50% of the M&A activity in this market is backed by private equity, making it a major player that influences valuations and growth strategies through acquisitions. This document discusses the primary reasons companies pursue acquisitions in the government A&D market.

1. Expanding Product and Service Portfolios

One of the foremost reasons for A&D acquisitions is to broaden a company's product and service offerings. The defense sector, in particular, is marked by rapid technological evolution and the need for integrated, end-to-end solutions. Specifically, companies want to fill capability gaps, create cross-selling opportunities and just stay competitive.

EXAMPLES

In June 2024, Chenega Corporation acquired Securigence to expand its technical capabilities into DARPA and the Intel market. This acquisition was a game changer for Chenega.

RTX (Raytheon Technologies) acquired Blue Canyon Technologies to enhance its satellite and small spacecraft segment, allowing RTX to offer more comprehensive space-based solutions in addition to its traditional defense electronics.

In April 2022, Citrin Cooperman acquired McNulty & Associates to add this leading provider of price-to-win (PTW) and competitive analysis and assessments professional services to their government contractor clients.



2. Accessing New Markets and Customers

Geopolitical shifts and changing defense budgets often open new opportunities—or close old ones. Acquisitions can provide a direct route into previously inaccessible markets. Company strategies include diversifying their customer base and entering emerging or growing markets.

EXAMPLE

In April 2024 Canadian company Dexterra acquired CMI Management, based in Alexandria, Virginia to expand their Integrated Facilities Management offerings into the US.

3. Accelerating Innovation and Gaining Access to Technology

The pace of innovation in government A&D is relentless. Whether it's next-generation avionics, cybersecurity, artificial intelligence, or autonomous systems, technology is a major battleground for competitive advantage. Companies strive to acquire proprietary technologies, expand their innovation ecosystems and acquire companies that meet strict security and regulatory standards.

EXAMPLES

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4. Enhancing Scale and Cost Efficiency

In a sector marked by long product development cycles and high fixed costs, economies of scale are powerful. Companies are looking for cost/operational synergies and bargaining power through greater scale.

EXAMPLE

In early 2023 L3Harris Technologies merged with Aerojet Rocketdyne, seeking cost efficiencies through shared manufacturing facilities and elimination of redundant corporate functions. The merger created one of the largest defense propulsion and missile solution providers, resulting in significant operational synergies.



5. Securing Strategic Assets and Capabilities

Certain assets in the A&D industry are strategically vital due to national security concerns or their role in critical infrastructure. Many acquirers are looking to strengthen their strategic positioning by controlling supply chains and acquiring unique expertise or geographic presence.

EXAMPLES

In May 2023, Leidos purchased Gibbs & Cox, a naval architecture and marine engineering firm. The acquisition enabled Leidos to access established relationships and existing Navy contracts, bolstering its position in the maritime defense market.

The accelerating focus on cybersecurity led Northrop Grumman to acquire Deepwatch in August 2023. This move allowed Northrop to rapidly strengthen its cybersecurity offerings in response to growing defense and government demands for advanced digital protection.

6. Defensive Moves and Survival Strategies

The A&D sector has a long history of consolidation, driven by budgetary pressures, evolving customer needs, and the desire for scale. Many companies are interested in controlling pricing power or taking out a pesky competitor.

EXAMPLE

In late 2023, Honeywell acquired Satcom Direct to prevent a potential competitor from gaining control over critical satellite communication assets. The acquisition ensured Honeywell's continued security and domestic control of sensitive technologies amid global supply chain risks.

7. Improving Financial Performance and Shareholder Value

Acquisitions can also be a tool for financial engineering—boosting revenues, improving margins, or generating more predictable cash flows. New products, markets and customers can drive top line revenue and increasing scale can improve profitability ratios.

EXAMPLE

In a deal that closed in early 2025, AeroVironmental acquired BlueHalo, a defense/space technology platform, rom Arlington Capital. AeroVironment is expecting to drive improved profitability through the integration of BlueHalo's technology and contracts.



8. Talent Acquisition and Knowledge Transfer

People remain a company's most valuable asset, especially in specialized, knowledge-intensive fields. Gaining access to highly skilled scientists, engineers or executives with deep industry experience can open and grow new markets.

EXAMPLE

Lockheed Martin acquired Terran Orbital's satellite design division in September 2024 and gained not only access to new technology but to a team of top engineers and satellite systems experts, reinforcing Lockheed's internal engineering and innovation capacity.

9. Adapting to Geopolitical Shifts and National Security Priorities

The A&D sector is inextricably linked to changing geopolitical realities. Fluctuations in defense budgets, shifting alliances, and emerging threats all impact strategy. Companies seek to align with national priorities in cybersecurity, space exploration, or unmanned systems by quickly acquiring relevant capabilities and make acquisitions that expand and protect supply chains.

EXAMPLE

In 2025, Redwire's acquired Edge Autonomy, a leading provider of field-proven uncrewed airborne system ("UAS") technology. The acquisition allowed Redwire to quickly broadening its portfolio of mission-critical space platforms to include combat-proven autonomous airborne platforms.

10. Purely Financial Gain

Private Equity Groups (PEGs) are simply in the business of making extraordinary returns for their investors. The A&D market is a specialty market that has attracted numerous PEGs due to the sector's stable revenue streams, long-term contracts, and potential for growth. The strategy employed by most PEGs is to buy a platform company and acquire bolt-on acquisitions to grow the platform, so the PEG sells the company in a few years for multiple of their original investment.

EXAMPLES

In September 2024 DC Capital Partners made an investment in C5MI, a leader in digital transformations and modernization, for primarily Federal and State Governments. This investment capitalized on decades of neglect and underinvestment in critical infrastructure which posed a significant risk to U.S. National Security and the Defense Industrial base.

In September 2024 Renovus Capital partners acquired the QualX Corporation, a leader in providing records and information management, digital transformation, and business process improvement to agencies across the Federal Government.



Conclusion

Acquisitions in the government, aerospace, and defense market are driven by a complex interplay of strategic, operational, financial, and political factors. Companies pursue M&A not only to grow and diversify, but also to acquire vital technologies, enhance efficiency, and respond to the unique regulatory and national security imperatives of the sector. As the industry continues to evolve, shaped by technological disruption and geopolitical uncertainty, acquisitions will remain a central strategy for companies seeking to thrive in this demanding environment.



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ABOUT THE AUTHOR

Eric M. Oganesoff, a FOCUS Managing Director, is a member of the Government and Defense group and has conducted over 80 M&A, debt and capital raise transactions. He has over 20 years of senior executive level experience in leading businesses ranging from government contracting, wireless solutions, software, and RFID services to manufacturing, industrial products, and energy and environmental products.

Oganesoff received a White House appointment to NASA as Special Assistant to the Associate Administrator, Office of Space Flight, where he headed the NASA task force that developed NASA's first strategic marketing plan for Space Shuttle launch services. In this role he directed efforts to determine sales, pricing strategies, NASA's involvement in insurance, financing, and countertrade. He received a Presidential Commendation from President Reagan for his work at NASA.

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