



Houlihan
Lokey



European Defence Market Update

April 2026

Introduction

Houlihan Lokey is pleased to present its European Defence Market Update as of April 2026.

We have included recent public market listings, M&A transaction announcements, minority equity raises, and other industry insights to help you stay ahead in this evolving industry. We hope you find this update informative and that it serves as a valuable resource for staying abreast of the market. If there is additional content you would find useful for future updates, don't hesitate to call or email us with your suggestions.

We look forward to staying in touch with you.

Contact us

Please reach out to us to discuss this market update or to explore how we can serve your business needs.



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Financial and Valuation Advisory



Milko Pavlov
Managing Director
Financial and Valuation Advisory
MPavlov@HL.com
+44 20 7747 2788



Anita Bucanac
Senior Vice President
Financial and Valuation Advisory
ABucanac@HL.com
+44 20 7747 2786

Capital Solutions



David Kelnar
Managing Director
Capital Solutions
David.Kelnar@HL.com
+44 20 7550 7496



Gareth Owen
Managing Director
Capital Solutions
Gareth.Owen@HL.com
+44 161 240 6431

Our Service Offerings



Mergers and Acquisitions



Transaction Opinions



Corporate Valuation



Capital Solutions



Direct Placements



Equity Placements



Secondary Liquidity Solutions



Fund Opinions



Portfolio Valuation



Illiquid Asset Valuation

No. 1

Investment Bank for Aerospace & Defence M&A

2021–2025 M&A Advisory Rankings
All Global Aerospace & Defence
Sellside Transactions

	Advisor	Deals
1	Houlihan Lokey	59
2	KAL	24
2	Philpott Ball & Werner	24
4	Jefferies	20
5	Kroll	19

Source: Defense & Aerospace Competitive Intelligence Service (DACIS).
Excludes government services transactions.

Most Active A&D Advisor
Significant momentum with 90+ transactions completed since 2020.

Long-Term Sector Focus
Decades of exclusive sector focus across the leadership team.

Highly Relevant Experience
Extensive transaction experience across all key A&D subsectors.

Unparalleled Access
Long-standing relationships with strategic and financial investors across A&D.

Global Leader in Aerospace and Defence Advisory



Gérard Estrangin
Managing Director
Paris, France
Geraud.Estrangin@HL.com



David Benin
Managing Director
Paris, France
David.Benin@HL.com



Adam Sivner
Managing Director
Manchester, U.K.
Adam.Sivner@HL.com



Danny Small
Managing Director
Washington D.C., U.S.
DSmall@HL.com



Eric Cho
Managing Director
Los Angeles, U.S.
ECho@HL.com



Susan Gabay
Managing Director
Washington D.C., U.S.
SGabay@HL.com



Greg Van Beuren
Managing Director
Washington D.C., U.S.
GVanBeuren@HL.com



Alban Collin du Bocage
Director
Paris, France
Alban.CollinduBocage@HL.com



Garrett Asta
Director
Washington D.C., U.S.
GAsta@HL.com



Alex Fast
Director
Los Angeles, U.S.
AFast@HL.com

Featured European Transactions

Survitec
SURVIVAL TECHNOLOGY
beaufort
CAPITOR MERIDIAN PARTNER
stellex
STELLEXTREME
Survitec Group has sold Beaufort to Capitor Meridian Partners and Stellex Capital Management
Sellside Advisor

KLAS
ANDURIL
Klas Group has been acquired by Anduril Industries
Sellside Advisor

RICARDO
PROTEUS
PROTEUS SYSTEMS
GLADSTONE INVESTMENT
Ricardo Defense, Inc. a subsidiary of Ricardo PLC, has been acquired by Proteus Enterprises and Gladstone Investment Corporation
Sellside Advisor

CADRE HOLDINGS
Carr's Engineering
Carr's Group plc
Cadre Holdings has acquired Carr's Engineering, a division of Carr's Group plc
Buyside Advisor

TEKEVER
Tekever has raised Series B funding from a consortium of investors led by Baillie Gifford
Financial Advisor

BPAERO
ITP Aero
BainCapital
BP Aero has been acquired by ITP Aero, a portfolio company of Bain Capital
Sellside Advisor

SK AeroSafety Group
LEVINE LEICHTMAN CAPITAL PARTNERS
Bridgepoint
SK AeroSafety Group, a portfolio company of Levine Leichtman Capital Partners, has been acquired by Bridgepoint Group
Sellside Advisor

Farsound
RUBICON PARTNERS
AGIC
Farsound Aviation, a portfolio company of Rubicon Partners, has been acquired by AGIC
Sellside Advisor

UAV FACTORY
ae
Industrial Partners
UAV Factory has been acquired by AE Industrial Partners
Sellside Advisor

E.I.S. AIRCRAFT
EQT
QINETIQ
E.I.S. Aircraft (Aviation Operations), a portfolio company of EQT, has been acquired by QinetiQ
Sellside Advisor

ASV
L3 Technologies
ASV Global has been acquired by L3 Technologies
Sellside Advisor

COBHAM
MARLIN EQUITY PARTNERS
The Surveillance Business of Cobham has been acquired by Marlin Equity Partners
Sellside Advisor

Aerospace

- Airframe and Engine Part Manufacturing
- Engineered Components and Equipment
- Avionics
- Flight Operations and Services
- Composites and Specialty Materials
- Flight Software and Simulation
- Distribution and Supply Chain Management
- Maintenance, Repair, and Overhaul

Defense

- C4ISR
- Soldier Systems
- Cyber Defense
- Space Systems
- Electronics
- Unmanned and Autonomous Systems
- Missile Defense and Hypersonic Systems
- Weapons and Ammunition

Note: Tombstones included herein represent transactions closed from 2016 forward.

European Defence

The 2026 Outlook

As the strategic realignment solidifies, the focus shifts from sentiment to execution.

The market is now looking for evidence of industrial scale, technological superiority, and robust order backlogs.

The European defence sector has entered a new era of capital maturity, leaving the speculative fervour of 2025 behind for a disciplined pursuit of value realisation. With strategic realignment now a reality, the focus has decisively shifted from sentiment to execution.

The evidence of this shift is unambiguous. As of mid-April 2026, public markets are booming, with the FTSE 350 Aerospace & Defense Index up more than 60% since the start of 2025. This momentum enabled the January 2026 IPO of CSG, the largest defence listing ever recorded globally. Concurrently, private markets are injecting record capital, with venture funding for European defence and security startups hitting an unprecedented €7.4 billion in 2025, a 55% year-on-year surge.⁽¹⁾

This update explores the sector's next evolutionary phase. Investors are no longer rewarding promises; they are funding tangible outcomes and proven capabilities. From IPOs and strategic alliances to a surge in M&A, the industry is now focused on translating historic investment into industrial scale, technological superiority, and the delivery of robust order backlogs.

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Sources: S&P Capital IQ, Nato Innovation Fund, Euronext, company websites, press releases.
Note: FTSE 350 Aerospace & Defense Index movement is for period 2 January 2025 through 17 April 2026. (1) USD/EUR FX as of 30 December 2025.



Geopolitical Landscape

01

The Iran War Has Revealed Key Themes That Will Drive Defence Industry Dynamics



Air Dominance

Overview: The U.S.-allied forces achieved air dominance in the first few days of the war through strikes on Iranian air defences, allowing free rein to strike targets inside Iran using a range of fighter jets and bombers.

Industry Implications: Exquisite stealth platforms and traditional bombers/jets remain a key pillar of successful U.S.-allied operations.



Air Defence Infrastructure

Overview: Strikes by both the U.S. alliance and Iran have focused on damaging the sensing and C2 infrastructure, which is crucial for identifying, tracking, and intercepting potential threats.

Industry Implications: The risk of relying on a few key sensing systems creates opportunities for companies focused on software-enabled distributed sensing.



Scalability of Production

Overview: The volume of Iranian projectiles, largely built using commercial components, has highlighted the low production rates of Western air defence solutions and the challenges in ramping production.

Industry Implications: Increased munitions demand is creating opportunities for companies in the relevant supply chains.



Global Guerrilla Warfare

Overview: Widely available components and simple assembly for long-range weapons such as Shahed drones enable groups of guerrilla-style fighters to extend their influence and disruption to more than 1,000km.

Industry Implications: The reduced ability for proactive air-defence and the proliferation of long-range threats require improved reactive capabilities.



Cost-to-Kill Ratio

Overview: Projectiles leveraging mass-produced, commercially available technologies can be produced at a low cost (less than \$50,000), which is lower than that of many traditional air defence solutions reliant on defence supply chains.

Industry Implications: Global militaries are increasingly looking for novel, cost-effective solutions to combat emerging threats.



Subterranean Defence

Overview: The Iranian regime's use of subterranean storage and production facilities (up to 500m deep) has limited the ability of the U.S.-allied forces to eliminate Iran's missile and nuclear capabilities.

Industry Implications: Subterranean military sites increase the need for heavy munitions and strategic national planning.

Iran's Low-Cost, Mass-Produced, Long-Range Projectiles Pose Fundamental Challenges to the U.S.-Allied Air Defence Strategy

The Four-Pronged Approach to Iran's Aerial Threat to U.S.-Allied Nations

Reactive: Neutralize Projectiles

- U.S. allies have been forced to shoot down hostile projectiles, employing a range of technology, including surface-to-air missiles, air-launched missiles, and interceptor drones.
- Following extensive initial use of ballistic missiles, Iran has turned to mass deployment of low-cost, attritable systems coupled with low flight trajectories to stress radar systems and diminish stockpiles.
- The low cost of Shahed drones means that Iran has attacked a range of targets rather than solely high-value military facilities.
- The U.S. and allies are evolving their tactics to preserve scarce missile interceptors and achieve parity/advantage in the cost-to-kill ratio.

Proactive: Destroy Launch Sites

- U.S.-allied missions in Iran have focused heavily on destroying launch sites to reduce Iran's ability to launch its strikes.
- It is reported that Iran entered the conflict with approximately 470 mobile and fixed launchers combined, of which more than 60% have been destroyed/disabled after the first six weeks of the war.
- Iran's effective use of alternative projectiles, such as Shahed drones, has reduced the efficacy of the strategy to destroy launch sites, as, unlike missiles, these systems can be launched with minimal infrastructure (e.g. from the back of a pickup truck), with launch sites scattered widely across the country.

Proactive: Destroy Stockpiles

- A key focus of the U.S.-allied campaign has been the Iranian stockpiles of long-range munitions, which can hit U.S.-allied forces across the region.
- Geopolitical analysts suggest that Iran entered the war with ~2,500 medium-range ballistic missiles and an additional ~7,000 short-range ballistic missiles alongside ~80,000 Shahed drones.
- Ballistic missiles require specialist storage facilities and thus tend to be stored in centralised locations, which are hard to replicate—the same does not apply for drones such as the Shahed, which can be stored in any standard building and were pre-emptively distributed throughout Iran by the regime prior to the start of the war.

Proactive: Destroy Production

- Traditional long-range strike weapons systems such as ballistic missiles contain thousands of highly specialised components and rely on a small number of sites to produce each of these.
- For some critical ballistic missile components, Iran only has two production sites, making these sites a key focus for U.S.-allied strikes.
- Iran's use of long-range weapons platforms such as Shahed drones—designed and built to rely on off-the-shelf parts which utilise commercial distributed supply chains (including those in Russia and China) and can be assembled with minimal infrastructure—has reduced the ability of production facility strikes to deny Iran the ability to maintain production of strike systems.

943

Patriot air defence missiles used in the first 96 hours of war.

620

Total annual production of Patriot missiles.

2,500+

Iranian missiles and UAS launched in the first 100 hours of war.

13,000+

Targets struck within Iran by U.S. allies in the first six weeks of war.



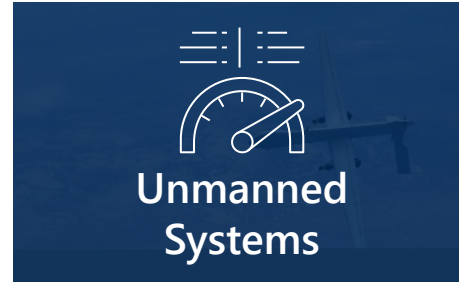
Selected Takeaways From the War in Ukraine



- **Threat:** Mass production of Shahed-style drones at a sub-\$50,000 price tag has enabled Russia to ramp up strikes deep into Ukraine from approximately 500 a month in spring 2024 to more than 5,000 in December 2025.
- **Response:** Ukraine's air defences have evolved to increasingly utilise a range of interceptor drones to intercept Russian strike drones while reserving more expensive systems such as Patriot missiles (approximately \$4 million per shot) for ballistic missiles.



- **C2:** Since the full-scale invasion in 2022, Ukraine's development of its DELTA battlefield management and situational awareness platform has been central to its ability to manage and coordinate a 21st-century ground war.
- **Procurement:** In 2025, Ukraine introduced an e-points system whereby units receive points for verified strikes, which can then be exchanged for additional equipment on the Brave1 marketplace, an "Amazon for war."



- **Air:** Ukraine has pioneered the scaled use of strike FPV drones with more than 4 million utilised in 2025 alongside the systematic use of UAS for bombing, ISR, etc.
- **Land:** Unmanned ground vehicles have become increasingly crucial for logistics and medevac as the "kill zone" has expanded to approximately 40km.
- **Sea:** Autonomous surface and subsea vessels have been central to a campaign which has seen approximately 40% of the Russian Black Sea fleet destroyed.

Ukrainian Company Landscape

Ecosystem

The war in Ukraine has catalysed the development of a dynamic defence technology ecosystem with more than 2,000 defence companies registered with Brave1, a branch of the Ukrainian government responsible for defence tech.

Production

The demand for critical items such as FPV drones enabled multiple companies to generate more than \$100 million in revenue in 2025 with a highly focused product range (including some less than five years old).

Technology

A feedback loop, measured in hours and days, has enabled rapid product development in areas such as electronic warfare and autonomy solutions, where companies now have a credible claim to be global leaders.

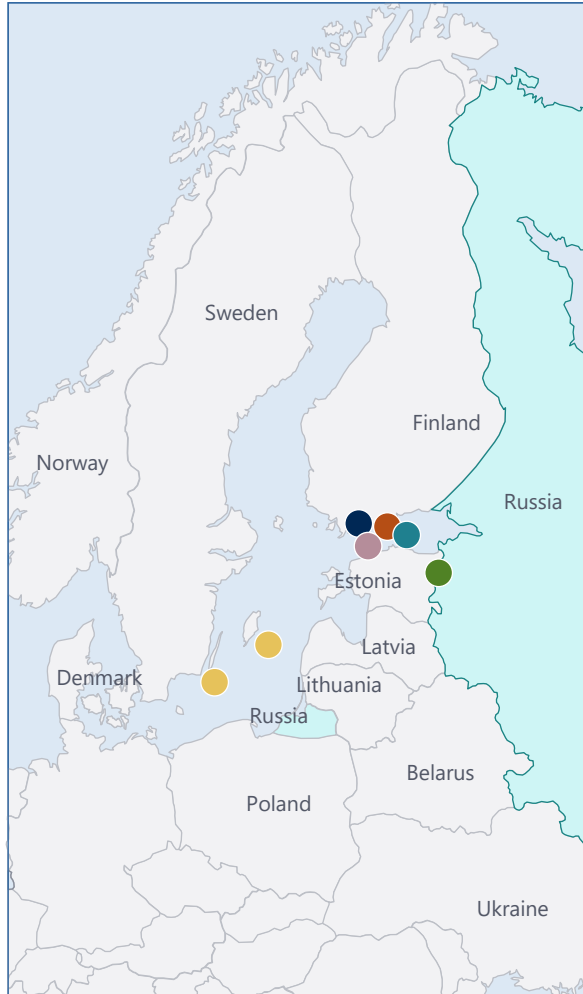
Diversification

Several large defence technology players are emerging, each with \$100 million in revenue in 2025, and are increasingly looking to diversify beyond core platforms, utilising both M&A and partnerships.

Internationalisation

Ukrainian companies are increasingly seeking to internationalise, utilising a range of strategies, including minority sales and partnerships with strategic players.

Increased Grey Zone Activity in the Baltic Sea...



- 26 Jan., 2026 Latvia-Sweden Fibre-Optic Cable Damaged
- 31 Dec., 2025 Finland-Estonia Fibre-Optic Cable Damaged
- 17-18 Nov., 2024 Finland-Germany and Sweden-Lithuania Fibre-Optic Cables Damaged
- 23 May, 2024 Estonian Border Buoys Removed on the Narva River
- 25 Dec., 2024 Estonia-Finland Electric Cable and Telco Cables Damaged
- 7-8 Oct., 2023 Finland-Estonia Cables and Gas Pipeline Severed

Source: Reuters, NATO, UK Defence Journal.

...Resulted in the Creation of NATO Baltic Sentry

Overview: Baltic Sentry

- 01 NATO Baltic Sentry was launched in 2025 in response to increased acts of sabotage against critical national infrastructure.
- 02 The task force includes participation from the eight initial signatory nations which border the Baltic Sea as well as ally nations.
- 03 Baltic Sentry protects critical Baltic undersea and maritime infrastructure, including subsea cables, pipelines, and energy and data nodes.

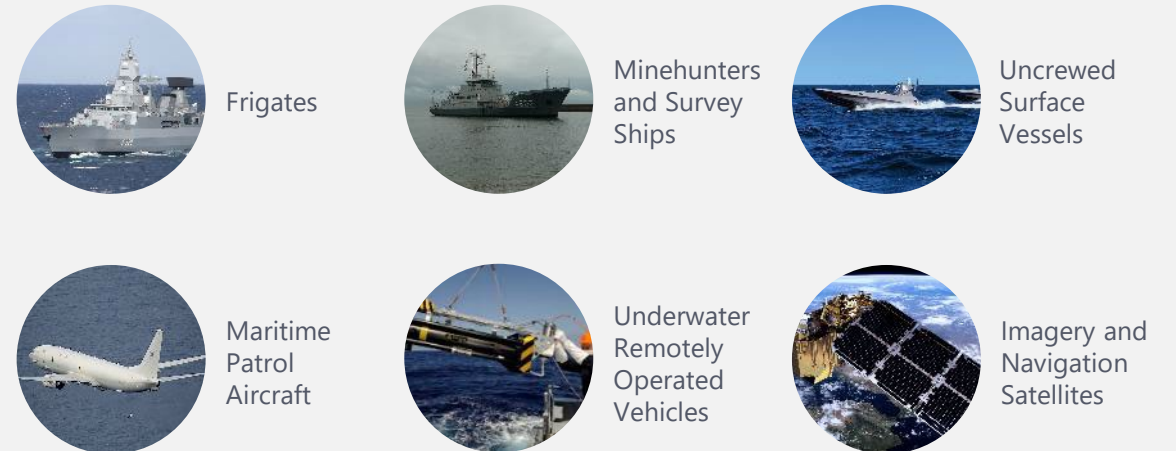
Signatories



Additional Participants



Types of Assets Deployed



The Strategic Importance of the GIUK Gap...

01



The GIUK Gap (Greenland–Iceland–U.K.) is the gateway between the Arctic and North Atlantic and, by extension, is the chokepoint controlling Russian maritime threats to Europe/NATO.

02



The Gap is the primary theatre for NATO anti-submarine warfare and early warning, shaping the freedom of manoeuvre of Russian nuclear and conventional submarines.

03

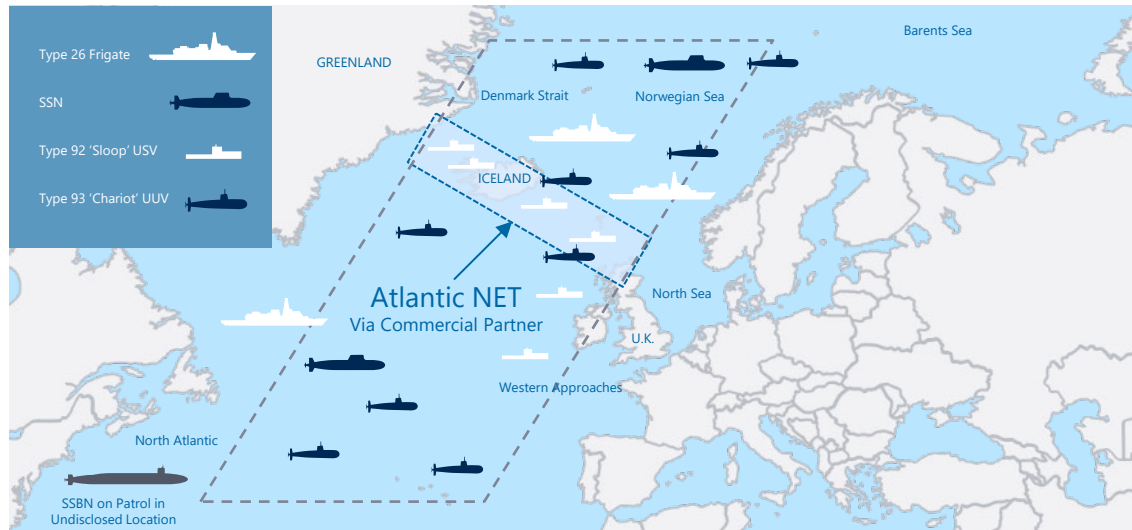


The Gap sits astride critical transatlantic sea lines of communication, making it essential to NATO reinforcement, trade flows, and European energy security.

04



Receding ice and technological advances are driving an expansion in maritime activity and opportunities for mineral extraction, contributing to an increased geopolitical relevance.



Source: UK Royal Navy, RUSI.

...Underpins the Atlantic Bastion Initiative

01



Atlantic Bastion is a U.K.-led initiative announced in December 2025 as a direct response to increased Russian submarine and underwater activity in and around the U.K.

02



The initiative is focused on increasing monitoring of the GIUK Gap with a focus on submarine tracking and seabed/critical infrastructure security.

03



Atlantic Bastion will be supported by the U.K.-Norway Lunna House agreement signed in December 2025 to create a joint patrol fleet of 13 Type 26 frigates in the North Atlantic.

04



Companies have begun showcasing technology demonstrators with capabilities due to be deployed starting in 2026.

Types of Assets Deployed



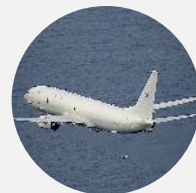
Frigates



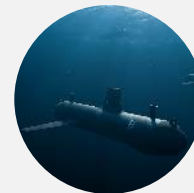
Astute-Class Submarines



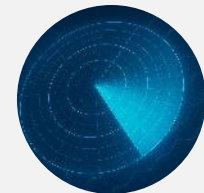
Uncrewed Surface and Underwater Vessels



Maritime Patrol Aircraft



Autonomous Sensors and Gliders



AI-Powered Acoustic Monitoring

The Joint Expeditionary Force (JEF) Is a Key Part of Europe's Defence Landscape



Membership

The Joint Expeditionary Force (JEF) is a security coalition of 10 Northern and Eastern European nations.



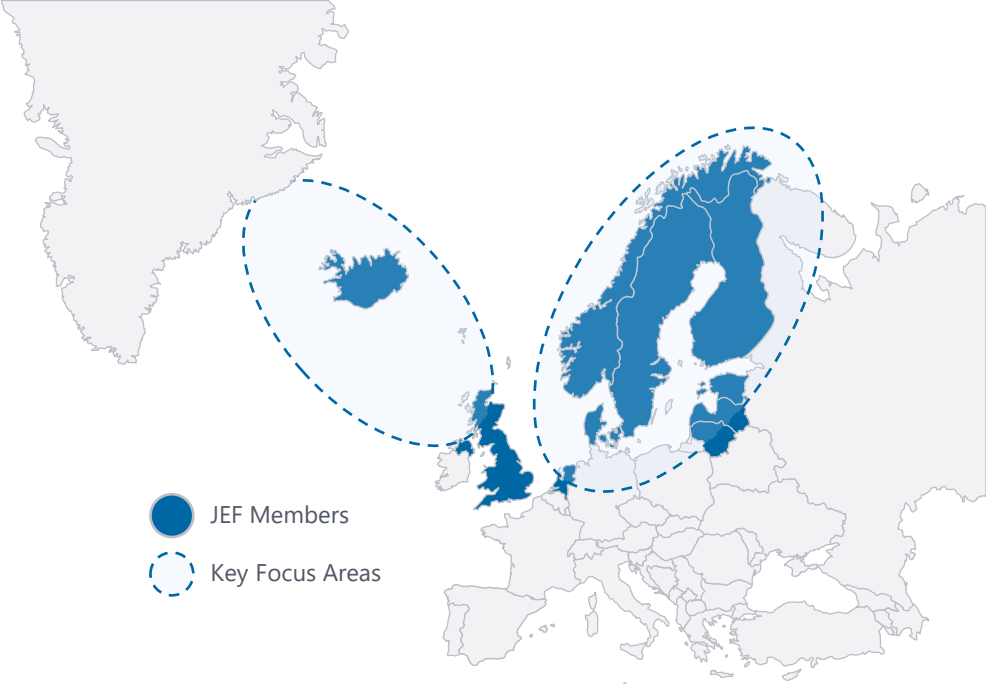
Purpose

The JEF serves as a vehicle for coordination of member nations with a focus on grey-zone deterrence, reassurance and early intervention.



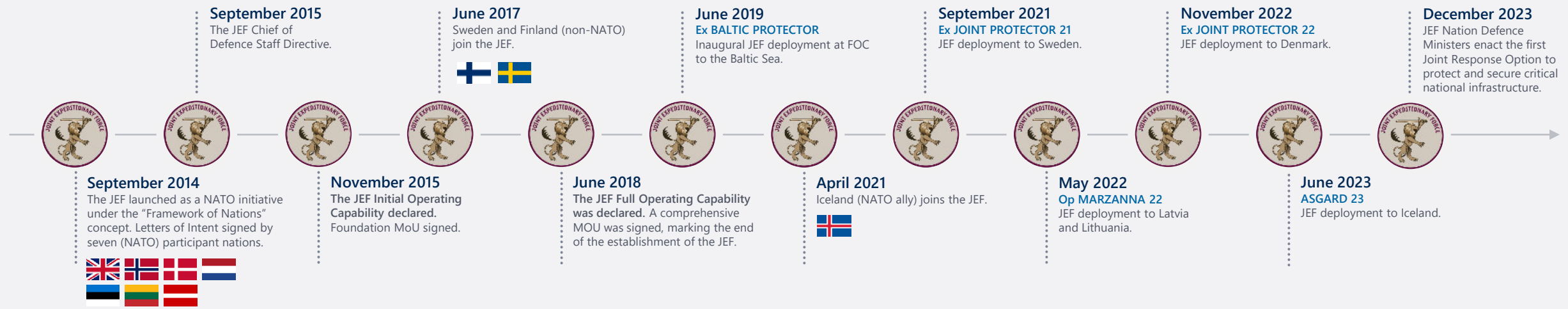
Modus Operandi

Members "opt-in" to both exercises and response operations (the JEF does not maintain a constant presence), allowing the JEF to act faster than NATO consensus allows.



● JEF Members
○ Key Focus Areas

Since Its Conception in 2014, the JEF Has Expanded Into a Fast-Response Framework for Like-Minded Nations



Source: The Joint Expeditionary Force.



The IPO Surge

02

Public Markets

The New Liquidity Engine

Institutional appetite opens the door for major listings, with CSG leading the charge.

The exit environment for European defence champions has thawed rapidly in the first quarter of 2026, with public markets firmly establishing themselves as the new liquidity engine for the sector.

This renewed investor confidence is underscored by significant market performance; as of mid-April 2026, the FTSE 350 Aerospace & Defense Index has risen more than 60% since the start of 2025, while the STOXX Europe Total Market Aerospace & Defense Index is up by almost 65% in the same period.

This trend culminated in the January 2026 listing of CSG, which became the world's largest defence IPO ever recorded in terms of both amount raised and market capitalisation. This activity marks a critical maturation point for the industry, where established platforms can now access the deep, sustainable liquidity of public markets: an essential step for funding large-scale industrial expansion and ambitious M&A strategies.

Sources: S&P Capital IQ, Company websites, Mergermarket, press releases. Note: FTSE 350 Aerospace & Defense Index and STOXX Europe Total Market Aerospace & Defense Index movement is for period 2 January 2025 through 17 April 2026.

Closing market prices as of 17 April 2026. Enterprise Value and LTM EBITDA calculated based on 31 December 2025 financials.



Thyssenkrupp Marine Systems (TKMS)

Status: Listed (October 2025)
Exchange: Frankfurt

TKMS, a specialised naval defence supplier, completed its spinoff from Thyssenkrupp AG in October 2025. The company listed at €60.00 per share, establishing an initial market capitalisation of €3.8 billion. Following the separation in which the parent company retained a 51% majority stake subject to a 12-month lock-up, the stock has seen significant price appreciation. As of mid-April 2026, the shares were trading at €89.60, implying a market capitalisation of €5.7 billion and a trailing EBITDA multiple of 23.0x.



CSG

Status: Listed (January 2026)
Exchange: Euronext Amsterdam

CSG, a provider of artillery ammunition and heavy military equipment, executed the world's largest defence IPO ever recorded in January 2026, both in terms of amount raised and market capitalisation. The offering raised €3.8 billion and was priced at €25 per share, implying an initial market capitalisation of €25.0 billion. The stock registered an approximately 30% increase during its debut session. As of mid-April 2026, the share price was €21.40, resulting in a market capitalisation of €21.4 billion. The implied trailing EBITDA multiple was 14.0x.



Gabler Group

Status: Listed (March 2026)
Exchange: Frankfurt

Gabler Group AG, a Germany-based manufacturer of submarine mast systems, completed its IPO on the Frankfurt Stock Exchange in early March 2026. Priced at €44.00 per share, the IPO raised €132.8 million and established a 49.9% free float. Despite strong institutional demand that resulted in the offering being seven-times oversubscribed, the stock faced a volatile market debut amid a broader market decline, ultimately trading below its issue price. As of mid-April 2026, the share price was €41.80, implying a market capitalisation of €253 million and a trailing EBITDA multiple of 14.7x.



Vincorion

Status: Listed (March 2026)
Exchange: Frankfurt

VINCORION, a Germany-based specialist in military power and drive systems, went public on the Frankfurt Stock Exchange in March 2026. The oversubscribed IPO was priced at €17.00 per share, raising approximately €345 million from investors and giving the company a market capitalisation of €850 million. As of mid-April 2026, the share price was €17.00, resulting in a market capitalisation of €850 million. The implied trailing EBITDA multiple was 18.5x.



Public Markets

The New Liquidity Engine (cont.)



**COLT
CZGROUP**

Colt CZ

Status: Listed

Exchange: Prague (2020) and Amsterdam (April 2026)

Colt CZ Group SE, a Czech-based vertically integrated producer of firearms, ammunition and energetic nitrocellulose, completed its dual listing on 15 April 2026 by debuting on Euronext Amsterdam, complementing its long-standing listing on the Prime Market of the Prague Stock Exchange, where its shares have traded since 2020. At the time of the Amsterdam listing, the group had a market capitalisation of approximately €2.6 billion, marking a significant milestone in broadening its international investor base.



KNDS

KNDS

Status: Upcoming (Q3 2026)

Exchange: Frankfurt and Paris

KNDS, the Franco-German group responsible for land-based systems, including main battle tanks, is targeting a dual listing by autumn 2026. The board approved the move in December 2025. Financially, the group reported 2024 sales of €3.8 billion and a 15% year-on-year increase in its order backlog to €23.5 billion. Current estimates place the potential valuation at approximately €20 billion, with a plan to float around 25% of equity.



DONCASTERS

Doncasters Group

Status: Upcoming (Q2/Q3 2026)

Exchange: New York (Likely NYSE)

Doncasters Group, a United Kingdom-based metal engineering firm and supplier to Boeing, is reportedly preparing for an IPO in 2026. The company is currently favouring a listing on the New York Stock Exchange over domestic options, aiming to access U.S. capital markets and potentially achieve higher valuation multiples. The anticipated target raise could range from \$500 million to \$1 billion, with an estimated total valuation exceeding \$4 billion.



WB ELECTRONICS
WB GROUP

WB Electronics

Status: Upcoming (Late 2026/Early 2027)

Exchange: Warsaw

WB Electronics, a Poland-based manufacturer of unmanned systems and C4I solutions, is evaluating a listing on the Warsaw Stock Exchange. Planned for late 2026 or early 2027, the IPO is intended to fund expansion efforts. While specific valuation figures have not been disclosed, the listing highlights the growing prominence of defence technology companies in Central Europe.

Sources: S&P Capital IQ, company websites, Mergermarket, press releases.





M&A, Equity Raises, and
Strategic Alliances

03

M&A Transactions

A Surge in European Defence M&A Activity

M&A transaction activity has surged in line with the broader interest in European defence.

From January 2025 to early April 2026, 133 M&A deals were executed involving European defence industry targets. Within the European defence landscape, M&A activity remains strong across all value segments, geographies and buyer groups.

- Larger deal-making, including the acquisition of Iveco Group's Defence division by Leonardo, has been complemented by a strong appetite for bolt-on M&A, often to acquire capabilities and access growth markets.
- Due to strong corporate bolt-on activity, financial sponsors only represent ~20% of total buyers. However, private equity has participated in multiple larger transactions.
- M&A activity is buoyant across Europe, with targets acquired from 22 unique countries and cross-border M&A accounting for ~45% of deals.
- Overall, ~90% of buyers were European, signalling investor appetite in the region.

Sources: Company websites, press releases, Mergermarket.

Recent M&A Transactions in the European Defence Sector

Date	Target	Country	Subsector	Buyer	Seller	EV
Pending	 COMROD <small>Reaching further</small>		Tactical Communication Products	Bridgepoint	n/d	n/d
Pending	 INTEGRIS		Survivability and Composite Solutions	Triton	AGILITAS	n/d
Mar-26	 FORGED SOLUTIONS GROUP		Forged Components for A&D Applications	 J.F. Lehman & Company	A C P	n/d
Mar-26	I V E C O • G R O U P <i>Defence Division</i>		Ground Vehicle Manufacturer	 LEONARDO	I V E C O • G R O U P	€1.7B
Dec-25	 beaufort		Survivability Products Manufacturer	 CAPITOL MERIDIAN PARTNERS stellex <small>GROUP FINANCIAL SERVICES</small>	 survitec <small>SURVIVAL TECHNOLOGY</small>	n/d
Oct-25	 ALA		Distributor of A&D Products	 H.L.G. <small>CAPITAL</small>	 AIP	€330M
Aug-25	 WESCOM GROUP		Survivability Products Manufacturer	 AlbionRiver	 SUN CAPITAL PARTNERS, INC.	n/d

 indicates a Houlihan Lokey advised transaction

Minority Equity Raises

The Rise of Europe's Defence Startups

The widespread deployment in Ukraine of commercially derived technologies, coupled with an urgency that resulted in increased flexibility of European defence procurement processes, has created an opportunity for startups to scale rapidly in defence.

Companies founded pre-2022, such as TEKEVER, Quantum Systems, and ICEYE, have stepped forward to meet demand and achieved unicorn status off the back of large Ukraine-related revenues and accelerating success in mainstream military procurement as Western doctrine and procurement begin to adapt to the modern battlefield, as demonstrated in Ukraine.

The unique confluence of technological innovation and changing demand has also led to the founding of a new set of companies post-2022. These are often more explicitly defence-focused and include unicorns STARK and Harmattan AI, as well as earlier-stage companies such as Cambridge Aerospace, Hypersonica, and Frankenburg Technologies.

The early- and growth-stage investor landscape in Europe continues to undergo a significant shift as new defence-focused funds are raised and existing funds relax restrictions on defence investing, with an increasing willingness to fund kinetic technologies. Despite this shift, European defence technology companies remain heavily reliant on U.S. investors for funding, particularly in rounds of more than €30 million.

€7.4B+

2025 European
Defence VC Funding⁽¹⁾

200+

Investors Active in
European Defence in 2025

Sources: Dealroom, Nato Innovation Fund, company websites, press releases.
Note: (1) USD/EUR FX as of 30 December 2025.

Helsing Inc. 2021

Helsing is an AI startup that produces live battlefield maps. Its software fuses data from infrared, video, sonar, and radio-frequency sensors mounted on military vehicles to generate real-time battlefield imagery. Helsing is expanding from its origins in AI software to produce its own drones, aircraft, and submarines.

Last Funding Round

Date	June 2025
Series	Series D
Amount Raised	€600 Million
Valuation	Post-Money: >€12 Billion
Lead Investors	Prima Materia

TEKEVER Inc. 2001

TEKEVER specialises in providing data and intelligence services through its advanced unmanned aerial systems (UASs). TEKEVER's core product lines include mission-oriented UASs designed to support maritime and land-based missions.

Last Funding Round

Date	May 2025
Series	Series C
Amount Raised	ND
Valuation	Post-Money: >€1.2 Billion
Lead Investors	Ventura Capital

QUANTUM SYSTEMS Inc. 2015

Quantum-Systems specialises in the development and production of advanced unmanned aerial vehicles designed for data acquisition and analysis. The company primarily serves industries such as agriculture, surveying, and defence, providing high-precision drones.

Last Funding Round

Date	November 2025
Series	Series C Extension
Amount Raised	€180 Million
Valuation	Post-Money: >€3 Billion
Lead Investors	Balderton Capital

Minority Equity Raises

The Rise of Europe's Defence Startups (cont.)



UFORCE builds battle-proven autonomous weapons systems with more than 150,000 real combat missions undertaken. Its capabilities span sea, air, land, and intercept, including the infamous Magura USV and the Nemesis family of quadcopters. Iterated under fire in Ukraine, UFORCE is now scaling globally for allied militaries.



Roark Aerospace is a defence and security technology company focused on counter-drone detection and AI-driven airspace awareness, combining low-cost sensors with a software platform. Its core strategy is to offer "drone detection as a service," blending hardware sales with recurring data and analytics revenue.



Originally established to provide radar imagery of moving ice blocks to Arctic shipping routes, ICEYE shifted its focus towards military applications following the imposition of Western sanctions on Russia in 2022. Today, the company operates the world's largest constellation of synthetic aperture radar (SAR) satellites.



Harmattan AI is a next-generation defence prime developing autonomous, scalable, and attritable defence systems. The company's current offering includes small UAS, a synthetic-aperture radar payload, and an autonomous interceptor for counter-UAS operations. Since its founding in 2024, the company has expanded rapidly and currently has locations in six countries.



STARK is a European defence-tech company specialising in unmanned weapons systems across multiple domains: AI-enabled, software-defined, and ready for affordable, large-scale production. The company's current product portfolio includes a loitering munition, unmanned surface vessel (USV), and C2 software.

Last Funding Round

Date	March 2026
Series	Seed
Amount Raised	\$50 Million
Valuation	>\$1 Billion
Lead Investors	Shield Capital, Lakestar

Last Funding Round

Date	December 2025
Series	Series B
Amount Raised	\$210 Million
Valuation	\$1.6 Billion
Lead Investors	n/d

Last Funding Round

Date	December 2025
Series	Series E
Amount Raised	€200 Million
Valuation	€2.4 Billion
Lead Investors	General Catalyst

Last Funding Round

Date	January 2026
Series	Series B
Amount Raised	\$200 Million
Valuation	\$1.4 Billion
Lead Investors	Dassault Aviation

Last Funding Round

Date	February 2026
Series	n/a
Amount Raised	n/d
Valuation	>€1 Billion
Lead Investors	n/d

Sources: Company websites, press releases.

Strategic Alliances Help Navigate Fragmented Markets

Previously serving as essential bridges across Europe's fragmented regulatory landscape, strategic alliances are now pivoting towards operational impact. The focus has shifted from merely forming partnerships to operationalising them for mass-scale delivery. By integrating R&D efforts more deeply than ever, major primes and agile disruptors are leveraging these JVs not just for market access, but to pool the massive resources necessary to meet the ambitious volume targets of the new defence era.

Recent Examples of Strategic Alliances and Joint Ventures

	Party 1	Party 2	Focus
2026			Integration of reconnaissance, engagement coordination, and strike capabilities within a single, unified operational framework.
2026			Establishment of the Rheinmetall Destinus Strike Systems joint venture for the manufacture, marketing, and delivery of advanced missile systems.
2026			Establishment of a JV and the construction of a new manufacturing facility for MACS for artillery systems. ZVS Holding is a JV of the Slovak Republic and MSM Group, part of the CSG Group.
2026			4iG Group acquired a controlling stake in Rába, a Hungarian manufacturer of heavy vehicles and components, and formed a partnership with CSG Defence, which will give CSG an indirect minority stake (37%) in Rába.
2026			Formation of a UAE-based company to co-develop and export advanced defence systems.
2026			Production of large-calibre ammunition in Greece.
2025			Production of gunpowder and 155mm artillery shells in Bulgaria.
2025			Construction of a munition's ignition powder factory in Romania.
2025			Construction of a new 155mm artillery ammunition facility in Poland.
2025			Announced a collaboration agreement in February 2025.

	Party 1	Party 2	Focus
2025			Development of UASs.
2025			Development of modular unmanned ground vehicles (UGVs) for logistics and reconnaissance.
2025			Satellite production, starting with SAR satellites.
2025			Development of a suite of software-defined autonomous air systems and advanced propulsion capabilities.
2025			Development of secure communications systems.
2024			Radar systems for FCAS.
2024			Sixth-generation fighter jet (Tempest) under the Global Combat Air Programme (GCAP). The third JV partner is Mitsubishi Heavy Industries (Japan).
2024			Co-development of hypersonic missile interceptors and sensors, specifically TAURUS KEPD 350 stand-off missile system.
2024			Development of the Main Armoured Tank of Europe (MARTE), a next-generation main battle tank system.
2024			Production of military armoured vehicles, including main battle tanks and infantry fighting vehicles.
2024			Development of a 100% European engine for future military rotorcraft (EURA JV).

Sources: Company websites, press releases.



Bond Market Shift

04

Fixed Income

The Structural Shift to a ‘Security Dividend’

As the “ESG penalty” evaporates, issuers lock in sustainable long-term financing.

The End of the ‘ESG Penalty’

The yield compression first observed in late 2025 has evolved into a structural recalibration of the defence sector. Defence credits are no longer niche instruments but are now trading in line with their broader industrial peers, signalling a decisive shift in institutional mandates toward security. In October 2025, we highlighted how strategic relevance was beginning to drive down borrowing costs, as evidenced by the sharp tightening in yields for issuers like CSG. Throughout 2026, this dynamic has solidified.

The historical “ESG penalty,” which previously restricted access to capital and inflated spreads, is rapidly diminishing. In its place, fixed-income markets are now pricing in a “security dividend,” enabling European defence firms to raise long-duration capital at competitive rates—a normalisation that is critical for the industry’s future.

The Decoupling of Equity and Credit

2025 marked the decoupling of “Defence Equity” from “Defence Credit.” While the German debt brake reform sent equity valuations to record highs on the back of order-book growth, it created a challenging environment for fixed income. The anticipated surge in sovereign debt issuance required to fund these programmes raised the expectations of future risk-free rate increases, temporarily hurting bond valuations.

Looking forward, future spread compression will depend not on further spending announcements, but on execution. Specifically, credit investors are now rewarding companies that demonstrate an ability to translate record order books into efficient production and margin growth. Evidence of improved operational efficiency and the successful integration of new technologies is seen as the next driver for further spread tightening.

Impact of Broader Market Environment

The current macroeconomic landscape is creating a complex but ultimately favourable environment for defence bonds. While government bond yields remain elevated due to central bank policies, the defence sector’s specific strengths are providing a significant insulating effect. While the starting point for borrowing costs is higher across the board, defence firms benefit from a much tighter credit spread, making their debt relatively attractive.

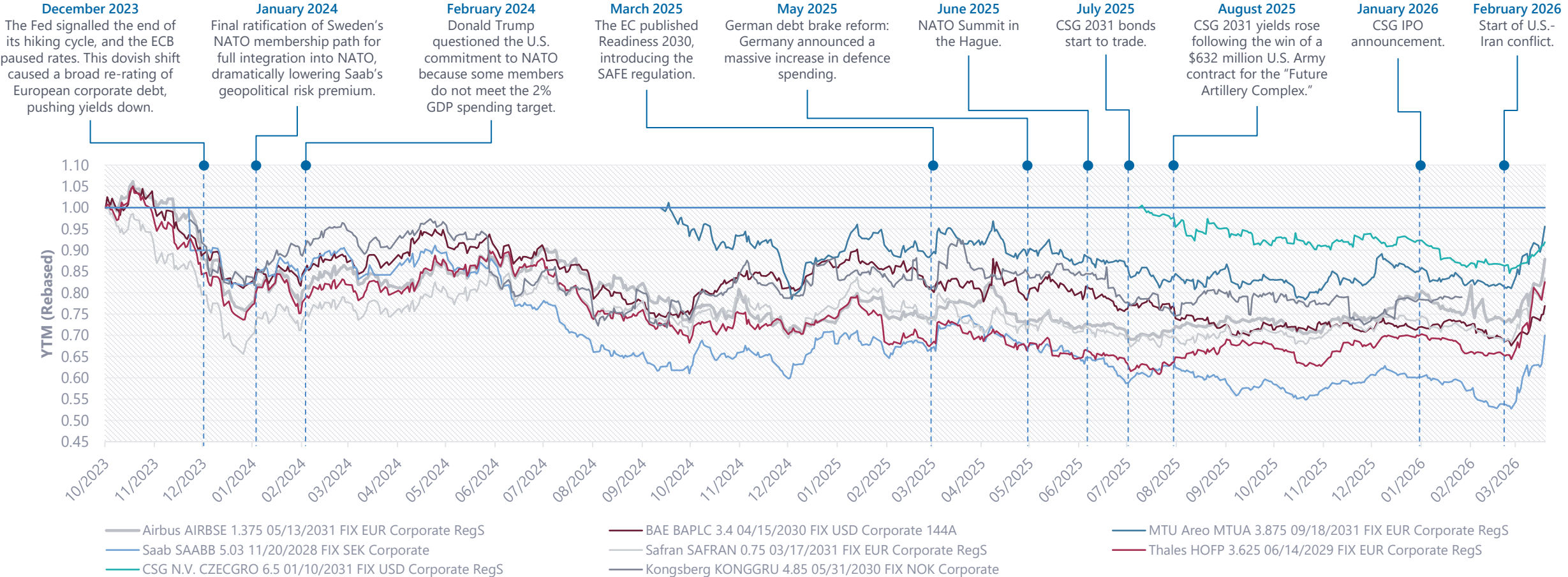
Sources: Company websites, press releases.



Fixed Income

The Yield Compression Continues

European defence bonds have undergone a structural shift from an “ESG penalty” to a “security dividend,” driving long-term yield compression. However, since the start of the U.S.-Iran conflict in February 2026, this sector-specific tailwind has been temporarily overshadowed by macroeconomic contagion, causing yields to rise amid global inflationary pressures and a market-wide flight to safety.



Sources: Bloomberg, S&P Capital IQ.
Note: Market data as of 20 March 2026. Yield to maturity (YTM) rebased to the later of October 2023 or bond issuance.

Fixed Income

The Yield Compression Continues (cont.)

MTU Aero Engines successfully leveraged robust investor demand to refinance its debt at a near-zero cost of capital while simultaneously extending its maturity profile to 2033.

MTU Aero's Zero-Coupon Deal

In January 2026, the company executed a concurrent transaction comprising a new €600 million convertible bond offering due July 2033 (the "New Convertible Bond") and a tender offer for its existing €500 million convertible bonds due 2027. Under the tender offer, the company successfully repurchased 92.88% of the outstanding bonds at a final price of 117.83% of par.

The New Convertible Bonds were issued at par with a zero-coupon structure. Unless previously converted, the bonds will be redeemed at 105.00% of their principal amount at maturity, reflecting an implied yield to maturity of 0.65%. The conversion price was set at a 47.50% premium over the reference share price of €392.06, which represented the volume-weighted average price (VWAP) on XETRA on the launch date.

The success of the MTU Aero deal provides a clear blueprint for how established aerospace and defence players can leverage the bond market to finance both legacy obligations and future growth - a model likely to be replicated by peers in 2027.

Sources: Company websites, press releases.



Fixed Income

The European Defence Bond Label

A new label brings clarity and improves capital access for A&D.

In 2025, Euronext introduced the European Defence Bond Label, a market classification designed to bring structure and transparency to capital raising within the aerospace and defence (A&D) sector. Created amid growing emphasis on European strategic autonomy, the initiative addresses long-standing financing challenges, particularly the uncertainty surrounding defence-related instruments in ESG-oriented portfolios. By formalising how defence debt is categorised, the framework aims to improve capital access for companies contributing to national and EU-level security priorities, offering an alternative to reliance on bank lending or government funding.

The market data underscores the scale of existing financing in the sector. The label currently covers more than 15 listed instruments with a combined issuance volume of roughly €7 billion, predominantly issued since 2020. These encompass bonds from major prime contractors such as Kongsberg Gruppen, Safran, and Thales, consolidating both new and outstanding defence-related issuances under a coherent, transparent framework. Adoption by specialised technology firms like Exail Technologies, as well as public investors such as Bpifrance, further demonstrates the label's broad applicability: from advanced defence innovators to state-backed investment institutions.

Sources: Euronext, press releases.





Policy-Driven Investment

05

Timeline of Key European Defence and Security Initiatives



March 2021

Establishment of the **European Peace Facility (EPF)**, a €17 billion off-budget fund (2021–2027) designed to enhance the EU's capacity to prevent conflicts, support peace, and strengthen international security.



September 2024

Publication of the **Draghi Report**, officially titled *The Future of European Competitiveness*.



June 2025

The **German cabinet passed a draft budget for 2025**, with €95 billion in defence spending, expected to reach €162 billion by 2029.



April 2021

The **European Defence Fund (EDF)**, initially launched in 2017, became a fully operational €8 billion programme to support collaborative defence research and development among EU member states.



January 2025

The European Commission published its **EDF Work Programme 2025**, allocating a substantial budget of €1.065 billion to foster collaborative research and development in the defence sector.



July 2025

The **European Commission presented its proposal for the 2028–2034 Multiannual Financial Framework (MFF)**, the EU budget.



July 2023

Adoption of the **Act in Support of Ammunition Production (ASAP)**, a regulation aimed at increasing the EU's capacity to produce ammunition and missiles, with a €500 million budget.



February 2025

The U.K. Prime Minister announced the most significant sustained increase in defence spending since the Cold War, targeting 2.5% of GDP by 2027, with a potential rise to 3.0% in the next Parliament (2029).



September 2025

The U.K. published its **Defence Industrial Strategy**.



October 2023

Introduction of the **European Defence Industry Reinforcement Through Common Procurement Act (EDIRPA)**, a short-term emergency measure (2023–2025) to address urgent defence capability gaps, particularly in response to the war in Ukraine.



March 2025

The European Commission unveiled the **ReArm Europe Plan/Readiness 2030**, a comprehensive €800 billion defence investment initiative, including a €150 billion SAFE note, formally approved in May 2025.



October 2025

The European Commission published its **Defence Readiness Roadmap 2030**.



January 2024

Launch of the **Defence Equity Facility (EDF)** to stimulate investment in innovative defence and dual-use technologies.



May 2025

The **European Investment Bank (EIB)** approved €9.1 billion in new financing to bolster Europe's security, defence capabilities, technological leadership, and critical infrastructure.



December 2025

The European Council formally adopted the **Mini-Omnibus Defence Regulation**, allowing the EU's existing civilian and innovation budgets to support dual-use projects. The regulation also formally associates Ukraine with the EDF, enabling Ukrainian companies to participate in EDF-funded initiatives.



March 2024

Establishment of the **Structure for European Armament Programme (SEAP)**, a long-term framework to enhance cooperation among EU member states, associated countries, and Ukraine in defence equipment development, procurement, and maintenance.



May 2025

Conclusion of the **U.K.–EU Security and Defence Partnership**, enabling U.K. participation in selected EU defence initiatives.



January 2026

First tranche of SAFE funding approved, with the first payments expected to be made in Q2 2026.



March 2024

Publication of the **European Defence Industrial Strategy (EDIS)**.



May 2025

Formal approval of the **SAFE Regulation**.



March 2026

The European Commission approved a **€1.5 billion work programme under EDIP** for 2026 and 2027 to boost industrial production capacity and support the joint procurement of defence capabilities across the European Union.



March 2024

Release of the **European Defence Industrial Programme (EDIP)**, designed to bridge the gap between EDIRPA and the long-term strategic vision outlined in EDIS.



June 2025

The U.K. published its **Strategic Defence Review (SDR)**, outlining 62 recommendations to be implemented through a forthcoming **Defence Investment Plan**.



May 2024

Entry into force of the **Critical Raw Materials Act (CRMA)**, aimed at ensuring a secure and resilient supply of critical raw materials.



June 2025

The European Commission adopted the **Defence Readiness Omnibus**, a comprehensive package aimed at accelerating defence investments across the EU.

Sources: European Commission, European Parliament, European Investment Bank (EIB), U.K. government.



The European Union Is Leveraging the Strength of the Bloc to Support Defence Spending

Leveraging the EU's credit rating, a €150 billion SAFE loan finances critical capability gaps while mandating cross-border collaboration.

READINESS 2030

€800B

Given by the European Commission in defence-related funding.

Introduced by the European Commission in March 2025.

A comprehensive package leveraging more than €800 billion in defence-related funding through a combination of EU funds, national budgets, and private capital.

INITIAL SAFE FUNDING

€75B+

European Commission combined endorsement to top 3 beneficiaries.

The European Commission has formally endorsed National Defence Investment Plans focusing on these distinct categories.

Poland, Romania, and Italy are the three largest beneficiaries of these endorsements.

SECURITY ACTION FOR EUROPE

€150B

Loan amount as part of SAFE for European Union member states.

The "SAFE" loan, is a temporary financial instrument designed to mobilise up to €150 billion in loans for Member States.

It leverages the EU's strong credit rating to raise capital, offering back-to-back loans with favourable terms.

MANDATORY COLLABORATION

2+

Countries required for joint procurement, including a partner country.

To combat market fragmentation, SAFE requires beneficiaries to partner with other nations for joint procurement.

Partners can include another Member State, Ukraine, or an EEA-EFTA country.

'EU-FIRST' CRITERIA

65%+

Minimum value sourced from EU member states for procurement contracts.

Procurement contracts under SAFE must source a majority of their value from within the EU or associated countries.

This creates a predictable, long-term demand signal for European defence capacity and drives supply chain resilience.

TARGETED INVESTMENTS

40%

Defence equipment to be procured collaboratively by 2030.

Funding is directed at both immediate needs and long-term strategic assets.

Immediate needs include ammunition and missiles, while strategic assets include air defence and AI technologies.



Source: European Commission.



Glossary

06

Glossary of Key Terms

A&D	Aerospace and Defence
ASAP	Act in Support of Ammunition Production
C2	Command and Control
C4I	Command, Control, Communications, Computers, and Intelligence
CRMA	Critical Raw Materials Act
EC	European Commission
EDF	Defence Equity Facility/European Defence Fund
EDIP	European Defence Industry Programme
EDIRPA	European Defence Industry Reinforcement Through Common Procurement Act
EDIS	European Defence Industrial Strategy
EDITB	European Defence Technological and Industrial Base
EIB	European Investment Bank
EPF	European Peace Facility
FCAS	Future Combat Air System
FPV	First-Person View
GCAP	Global Combat Air Programme

GIUK	Greenland, Iceland, United Kingdom
ISR	Intelligence, Surveillance, and Reconnaissance
JEF	Joint Expeditionary Force
MACS	Modular Artillery Charge System
MFF	Multiannual Financial Framework
SAFE	Security Action for Europe
SAR	Synthetic Aperture Radar
SDR	Strategic Defence Review (U.K.)
SFDR	Sustainable Finance Disclosure Regulation
SEAP	Structure for European Armament Programme
SSBN	Ship Submersible Ballistic Nuclear (Nuclear-Powered Ballistic Missile Submarines)
SSN	Ship Submersible Nuclear (Nuclear-Powered Attack Submarines)
UAS	Unmanned Aerial Systems
UGV	Unmanned Ground Vehicles
USV	Unmanned Surface Vessel
UUV	Unmanned Underwater Vehicle



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Houlihan Lokey is the trusted advisor to more top decision-makers than any other independent global investment bank.

CORPORATE FINANCE

2025 M&A Advisory Rankings
All Global Transactions

	Advisor	Deals
1	Houlihan Lokey	458
2	Goldman Sachs & Co	441
3	Rothschild & Co	400
4	JP Morgan	364
5	Morgan Stanley	357

Source: LSEG.
Excludes accounting firms and brokers.

No. 1
Global M&A Advisor

Leading
Capital Solutions Group

FINANCIAL RESTRUCTURING

2025 Global Distressed Debt &
Bankruptcy Restructuring Rankings

	Advisor	Deals
1	Houlihan Lokey	83
2	PJT Partners Inc	55
3	Lazard	50
4	Rothschild & Co	44
5	Evercore Inc	33

Source: LSEG.

No. 1
Global Restructuring Advisor

1,900+
Transactions Completed Valued at
More Than **\$4 Trillion** Collectively

FINANCIAL AND VALUATION ADVISORY

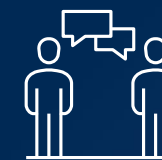
2001–2025 Global M&A
Fairness Advisory Rankings

	Advisor	Deals
1	Houlihan Lokey	1,170
2	Duff & Phelps, A Kroll Business	1,069
3	JP Morgan	1,034
4	UBS	769
5	Morgan Stanley	716

Source: LSEG.
Announced or completed transactions.

No. 1
Global M&A Fairness Opinion
Advisor Over the Past 25 Years

2,500+
Annual Valuation Engagements



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