

European Aerospace & Defense M&A fueled by strategic autonomy and security priorities

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“The next wave of Aerospace & Defense M&A will be driven by the need to secure critical technologies, retain strategic innovation within Europe, strengthen supply chains and expand industrial capacity rather than simply gaining scales.”

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MARKET TRENDS

Key insights

Current market fundamentals of the European Aerospace & Defense sector and the impact on M&A activity including: deal statistics, noteworthy transactions and the activity of leading consolidators

02

INTERVIEW

Navigating the future of Aerospace & Defense: An interview with Kirsten Drost

Kirsten Drost, Chief Commercial Officer (CCO) of S[&]T and Board member of SpaceNed shares her views on key sector dynamics and the most important challenges in the industry

13

SECTOR IN THE SPOTLIGHT

Space situational awareness: From niche capability to strategic infrastructure

As governments increasingly invest in space security and resilience, space situational awareness is emerging as a strategically important capability, driving investments, consolidation and innovation across the sector

15

Market trends

HEIGHTENED GEOPOLITICAL UNCERTAINTY, SHIFTING SECURITY PRIORITIES AND A RENEWED FOCUS ON STRATEGIC AUTONOMY ARE PLACING AEROSPACE & DEFENSE AT THE CENTER OF EUROPE'S POLITICAL AGENDA, DRIVING SUSTAINED INCREASES IN SPENDING AND INVESTMENT ACROSS THE VALUE CHAIN

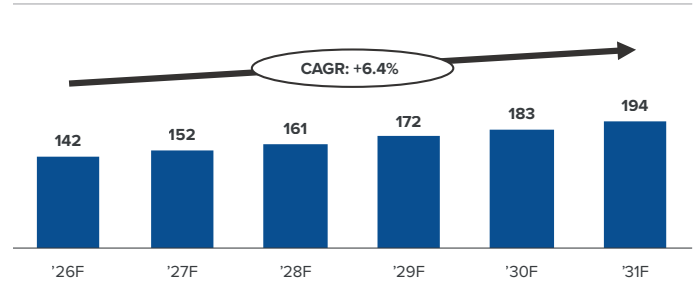
European Aerospace & Defense M&A accelerates in the midst of structural market tailwinds

Amidst ongoing macroeconomic uncertainty, heightened geopolitical tensions and subdued M&A activity across broader markets, the Aerospace & Defense (A&D) sector remains firmly at the forefront of political, strategic and investor agendas. The fundamental shift in security priorities and a renewed focus on strategic autonomy are driving sustained increases in defense spending and investment across the value chain.

This shift is particularly pronounced in Europe, where defense has moved from a prolonged period of underinvestment to a structural policy priority. While Russia's invasion of Ukraine was a key catalyst, Europe's reprioritization of defense is also being driven by wider geopolitical instability, including tensions in the Middle East, Arctic security dynamics and growing uncertainty around the US as a long-term security guarantor. In response, European governments have significantly increased defense budgets, both in absolute terms and as a percentage of GDP. This shift has been further reinforced by NATO's new commitment to increase defense investment to 5% of GDP by 2035, comprising 3.5% for core defense requirements and up to 1.5% for broader security-related investments.

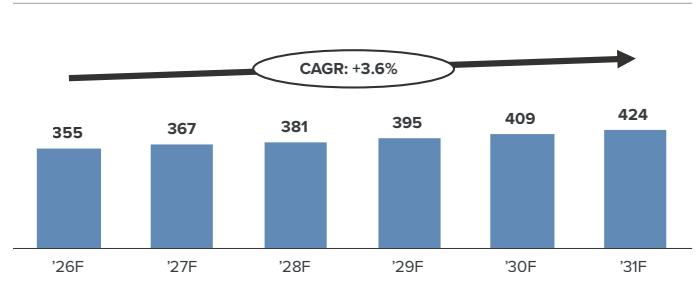
As a result, European defense markets are expected to outpace other regions, supported by higher budgets, accelerated procurement programs and renewed investment in domestic industrial capacity. While the global defense market continues to grow steadily at ca. 5.0% CAGR, European markets are projected to grow at approximately 6.4%, compared to 3.6% in the US. However, this growth differential should be viewed in the context of a fundamentally different market starting point. The US defense market remains significantly larger, more mature and more liquid, supported by an established ecosystem of defense primes, specialist suppliers, government procurement programs and experienced financial investors. Europe, by contrast, remains more fragmented and is still scaling its industrial base after years of relative underinvestment.

European defense market size (in USDbn)



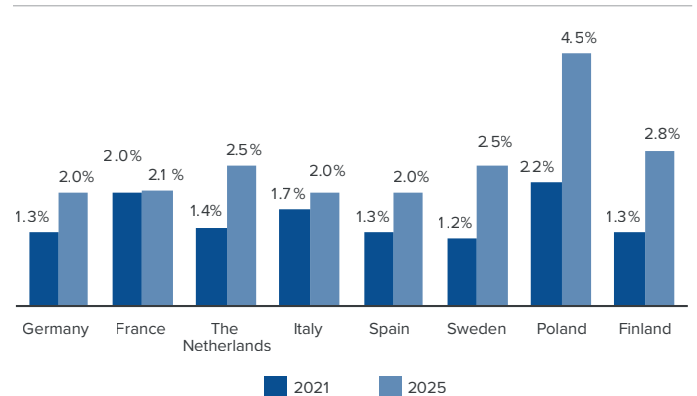
Source: Mordor intelligence, Business Research Insights and Our World In Data

US defense market size (in USDbn)



Source: Mordor intelligence, Business Research Insights and Our World In Data

Key European countries defense spending in 2021 vs 2025 (in % of GDP)



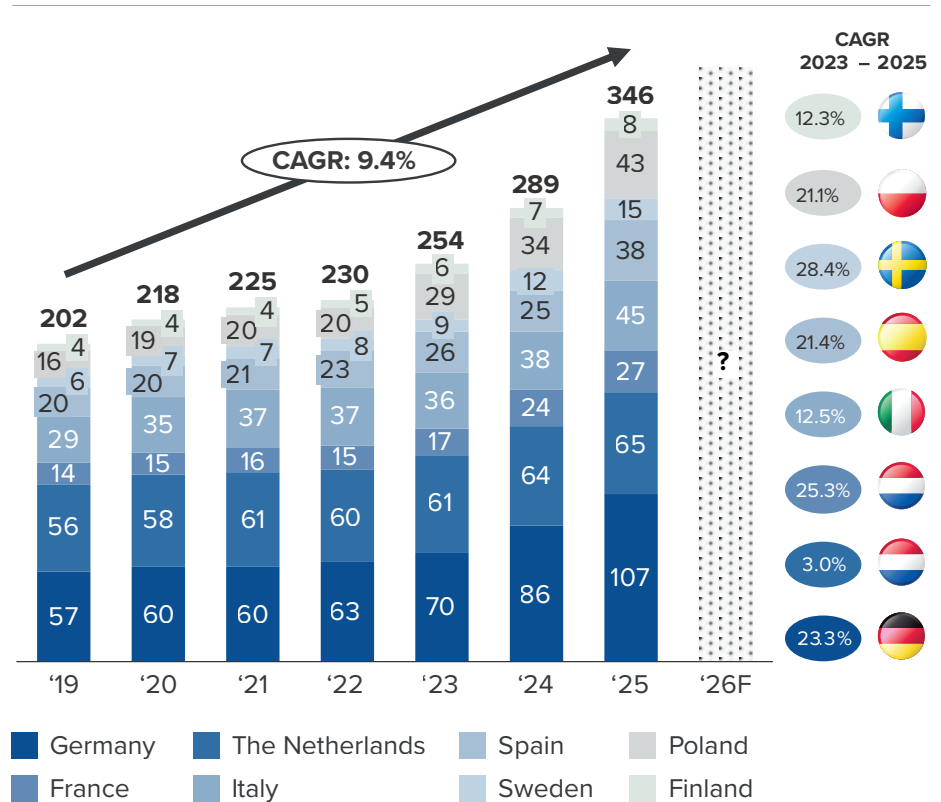
Source: Mordor intelligence, Business Research Insights and Our World In Data

EUROPE'S STRUCTURAL CATCH-UP EFFORTS CREATE A SIGNIFICANT RUNWAY FOR GROWTH: SUSTAINED DEFENSE SPENDING, INDUSTRIAL SCALING AND STRATEGIC AUTONOMY PRIORITIES CONTINUE TO DRIVE DEMAND ACROSS THE A&D VALUE CHAIN

This distinction is important. Europe's faster growth is not merely a cyclical increase from a smaller base, but reflects structural catch-up efforts. Despite the clear reprioritization of defense, European spending remains significantly below US levels in absolute terms, highlighting the considerable runway still ahead to strengthen Europe's military capabilities and industrial base. The current geopolitical dynamics have acted as a wake-up call for European governments and industry participants, reinforcing the need to invest in domestic production capacity, reduce reliance on non-European suppliers and strengthen sovereign capabilities across the A&D value chain. This renewed focus will accelerate investment in Europe's defense industrial base in the years ahead.

This upward trend is also reflected in the spending data shown in the figure on the right, with defense spending across key European countries increasing from approximately USD 202bn in 2019 to USD 346bn in 2025, representing a CAGR of 9.4%. This broad-based increase underscores the scale of Europe's rearmament cycle to date.

Defense spending of key European countries (in USDbn)



From an investor perspective, we believe this growth is structural rather than temporary. Given sustained geopolitical uncertainty, NATO's increased spending commitments and Europe's renewed focus on strategic autonomy and domestic industrial capacity, we expect defense spending and related investment across Europe to continue at least at a similar pace, with potential for further acceleration in selected segments. This will drive structurally higher demand across the A&D value chain.

Taken together, defense spending across key European countries has risen sharply in recent years and is expected to remain on an upward trajectory. This sustained increase is driving a prolonged rearmament cycle, structurally higher demand across the A&D value chain and a more supportive environment for consolidation, investment and M&A activity in Europe.

Source: Mordor intelligence, Business Research Insights and Our World In Data



Source: Dutch Army

M&A activity

CONSOLIDATION ACROSS THE FRAGMENTED SUPPLIER BASE IS BECOMING A STRATEGIC NECESSITY AS EUROPEAN DEFENSE PROCUREMENT INCREASINGLY FAVORS SCALE, RESILIENCE AND INTEGRATED CAPABILITIES

Europe is still in early stages of a broader M&A cycle driven by consolidation and increasing capital availability

The strong underlying demand across the A&D sector is increasingly translating into elevated M&A activity. Aerospace & Defense transaction volumes have demonstrated resilient momentum in recent periods, supported by rising defense budgets, accelerated procurement programs and the growing strategic relevance of the sector. While the US remains the most mature and active A&D M&A market, European deal activity has accelerated meaningfully in recent years, as highlighted in the figure on the right. In our view, Europe is still in the early stages of a broader M&A cycle, driven by the need to scale domestic capabilities, secure critical technologies and reduce strategic dependencies.

A key driver of this activity is the ongoing consolidation of the highly fragmented European defense ecosystem, which consists of a large number of specialized suppliers operating alongside established defense primes. This consolidation trend is strategically important for several reasons:

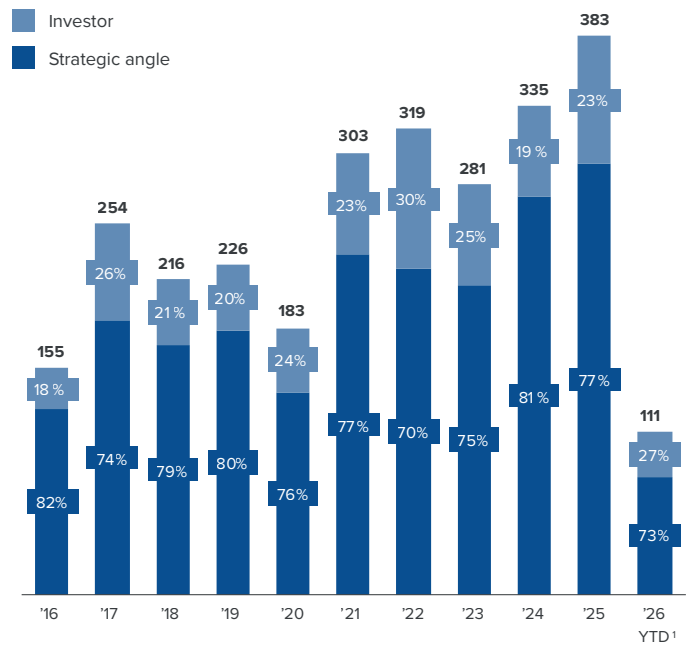
1. Scale is becoming increasingly essential as defense procurement increasingly favors integrated suppliers that can deliver larger, more complex and mission-critical programs;
2. Sovereign resilience requires local production capacity and secure supply chains, particularly in areas where Europe has historically relied on non-European suppliers;
3. Smaller niche suppliers may struggle to finance the required expansion in capacity, certification, talent and technology independently;
4. Governments increasingly prefer European-controlled supply chains, particularly for strategically sensitive technologies and critical components.

As a result, larger defense contractors and industrial groups are actively pursuing acquisitions to expand technological capabilities, increase production capacity and secure access to critical parts of the supply chain.

Smaller players, meanwhile, are increasingly exploring partnerships, combinations or strategic investors to gain scale, improve access to procurement programs and finance growth.

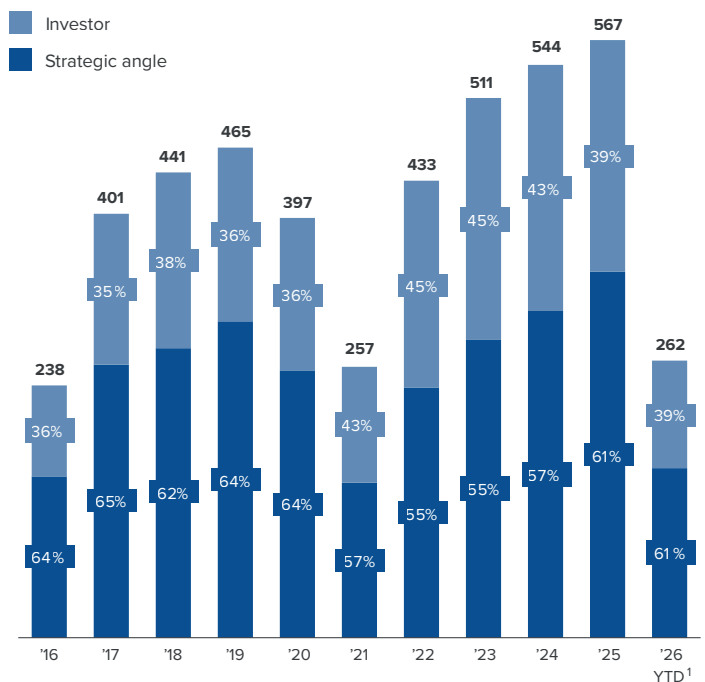
We also expect more cross-border European transactions, as national defense ecosystems increasingly need to connect capabilities across borders to deliver scale, resilience and interoperability.

European Aerospace & Defense M&A activity, by buyer type (in # of deals)



Note 1: 2026 YTD as of 1 May 2026. Source: Merger Market

US Aerospace & Defense M&A activity, by buyer type (in # of deals)



Note 1: 2026 YTD as of 1 May 2026. Source: Merger Market

EUROPEAN INVESTORS ARE NOW ACTIVELY LOOKING FOR OPPORTUNITIES IN DEFENSE, SECURITY AND DUAL-USE TECHNOLOGIES.

At the same time, European governments are taking a more active role in both supporting and overseeing the defense industrial base. Governments are supporting the scaling of domestic capabilities and reducing structural fragmentation through targeted policy initiatives, funding programs and public-private collaboration.

However, strategic assets, dual-use technologies and critical infrastructure are also likely to face increasing regulatory review, particularly where foreign ownership, digital sovereignty or security of supply are involved.

Recent government intervention in transactions involving strategic digital infrastructure, such as the blocked acquisition of Dutch cloud services provider Solvinity by US-based IT infrastructure services firm Kyndryl, underlines that national security considerations are becoming increasingly relevant in European M&A processes.



Source: Dutch Army

Growth is particularly visible in subsegments linked to modern warfare, digital sovereignty and supply-chain resilience, including cyber, drones and autonomous systems, AI, propulsion, ammunition, critical components, secure cloud infrastructure and satellite infrastructure. Competition for dual-use technologies is intensifying, as both strategic buyers and financial investors seek exposure to technologies that serve both defense and commercial end markets.

Investor appetite for the sector is also increasing. Historically, defense was often considered difficult or even off-limits for many European investors, driven by lower defense spending, ESG-related constraints and reputational considerations. This has changed significantly in recent years.

Private equity and venture capital investors are increasingly attracted by government-backed demand, long-term contracted revenues and buy-and-build opportunities in fragmented niches such as specialized manufacturing,

electronic components, software, cyber and dual-use technologies.

This trend is also visible in the buyer split shown on the previous page, where financial investors represent a meaningful part of A&D deal activity, although the US market still benefits from a larger and more established base of specialized defense investors.

Compared to Europe, the US is supported by a more mature defense investment ecosystem, characterized by deeper capital markets, higher liquidity and a larger pool of investors with longstanding sector experience. In Europe, however, investor participation is moving from incidental and opportunistic to increasingly proactive. Rather than suggesting that Europe has already closed the gap with the US, the more important development is that European investors are now actively looking for opportunities in defense, security and dual-use technologies. As defense becomes increasingly investable, private equity is moving from opportunistic participation toward dedicated defense investment strategies, including the emergence of dedicated funds focused on defense and security.

Looking ahead

Looking ahead, we expect M&A activity in the European Aerospace & Defense sector to remain strong, due to permanently altered global balance of power, sustained geopolitical uncertainty, continued government spending and increasing investor participation. Europe seems to have understood that it is expected to permanently rely on its own industrial, technological and financial capacity to strengthen security and strategic autonomy. In our view, this creates a compelling backdrop for a broader European A&D M&A cycle, with consolidation, dual-use technology investments and dedicated defense capital likely to play an increasingly important role.



Source: Dutch Army

Market multiples and valuation trends

PUBLIC MARKET VALUATIONS SHOW THAT A&D ASSETS CONTINUE TO TRADE AT PREMIUM MULTIPLES, WITH EUROPEAN VALUATIONS INCREASINGLY CONVERGING TOWARD US LEVELS. AS INVESTORS RECOGNIZE THE SCARCITY- AND VALUE OF SOVEREIGN, MISSION-CRITICAL DEFENSE CAPABILITIES

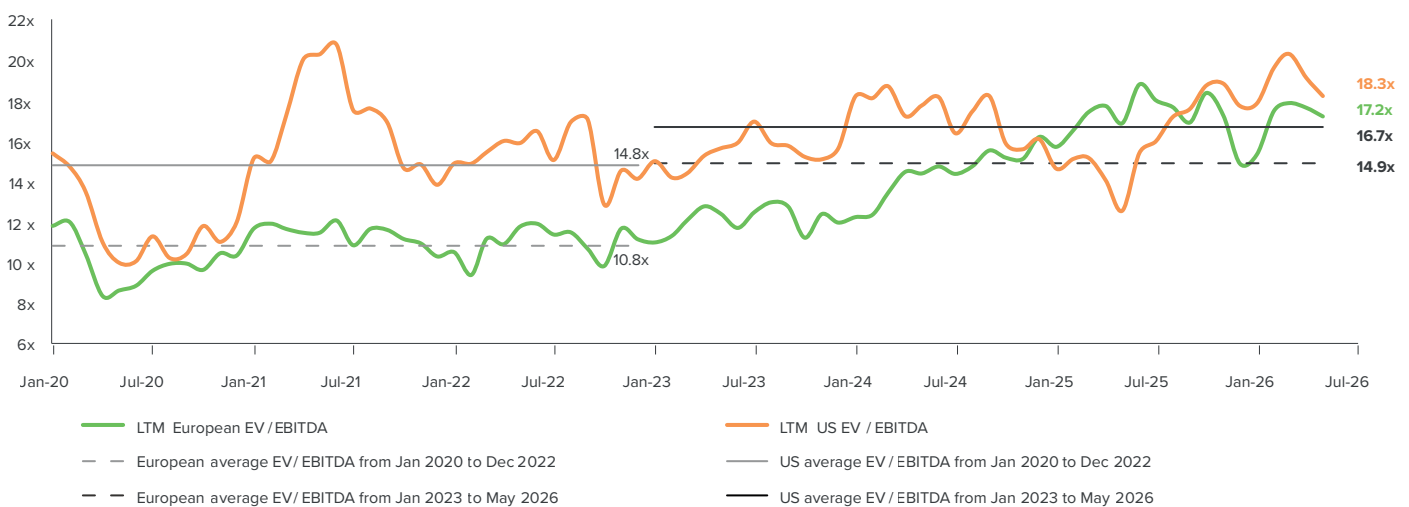
The operational and strategic developments discussed in the previous sections are clearly reflected in public market valuations. While elevated valuation levels have historically been a characteristic of US A&D companies, European A&D valuations have experienced a significant re-rating over the past several years. Multiples are now approaching US levels. This convergence has been driven by growing investor recognition of Europe’s structural defense growth outlook and the increasing strategic importance of sovereign defense capabilities, reflecting strong investor appetite for assets with resilient government-backed demand, mission-critical capabilities and exposure to long-term defense spending growth.

While broader technology-enabled markets have faced valuation pressure from macroeconomic uncertainty and AI-driven disruption, defense technology assets continue to command a significant premium. This reflects the scarcity of sovereign, mission-critical capabilities and the increasing strategic value of businesses active in areas such as secure communications, sensors, cyber, AI-enabled systems, space infrastructure and other defense-critical technologies. The valuation gap between European and US A&D companies has also narrowed meaningfully over time.

Based on LTM EV/EBITDA multiples, European A&D companies traded at approximately 10.8x in early 2023 compared to approximately 14.8x for US peers, implying a gap of around 4.0x. Today, this gap has reduced to approximately 1.1x, with European multiples at around 17.2x versus 18.3x for the US. At certain points, including early 2025, European multiples even temporarily exceeded US levels. This confirms that investors are increasingly recognizing Europe’s structural catch-up opportunity and the scarcity value of sovereign defense capabilities.

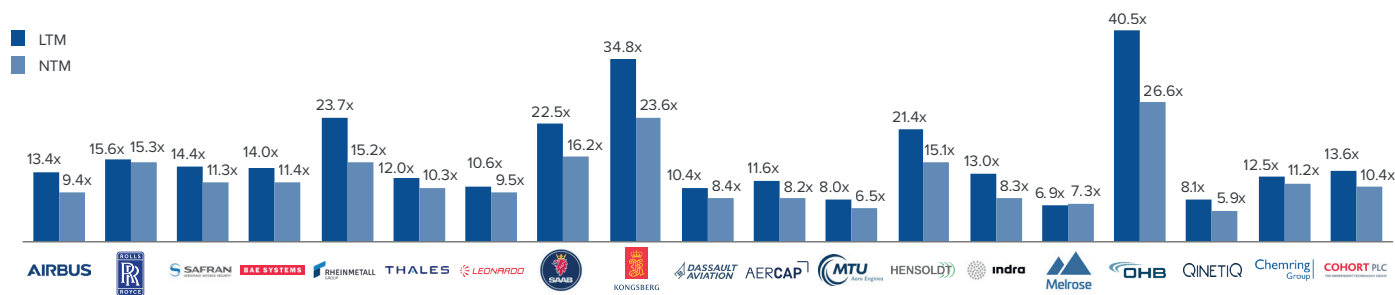
We see that this re-rating is not merely a public market development, but has clear implications for M&A. Higher valuation levels indicate that buyers are increasingly willing to pay for scarce, mission-critical and hard-to-replicate capabilities, particularly where assets support European sovereignty, supply-chain resilience or defense technology leadership. As a result, scarcity, strategic relevance and technological differentiation are becoming increasingly important valuation drivers across the A&D sector, supporting a favorable valuation environment for strategically positioned European defense assets.

Selection of European and US Aerospace & Defense companies | LTM median EV/EBITDA multiples over time



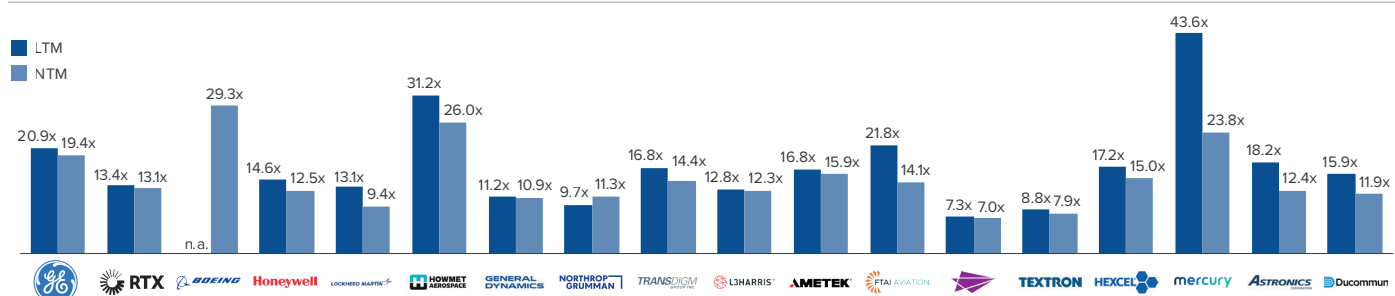
Source: CapitalIQ and Oaklins analysis

Selection of European Aerospace & Defense companies | EV/EBITDA current multiples^{1,2}



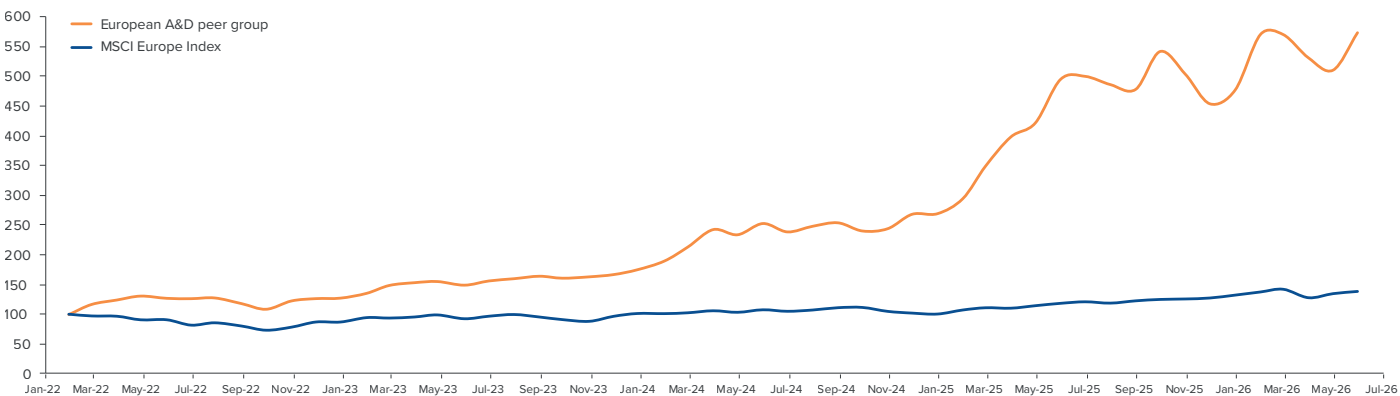
Note 1: The companies are ranked by market capitalization. Note 2: The data reflect valuation multiples as of 1 May 2026 Source: CapitalIQ and Oaklins analysis

Selection of US Aerospace & Defense companies | EV/EBITDA current multiples^{1,2}



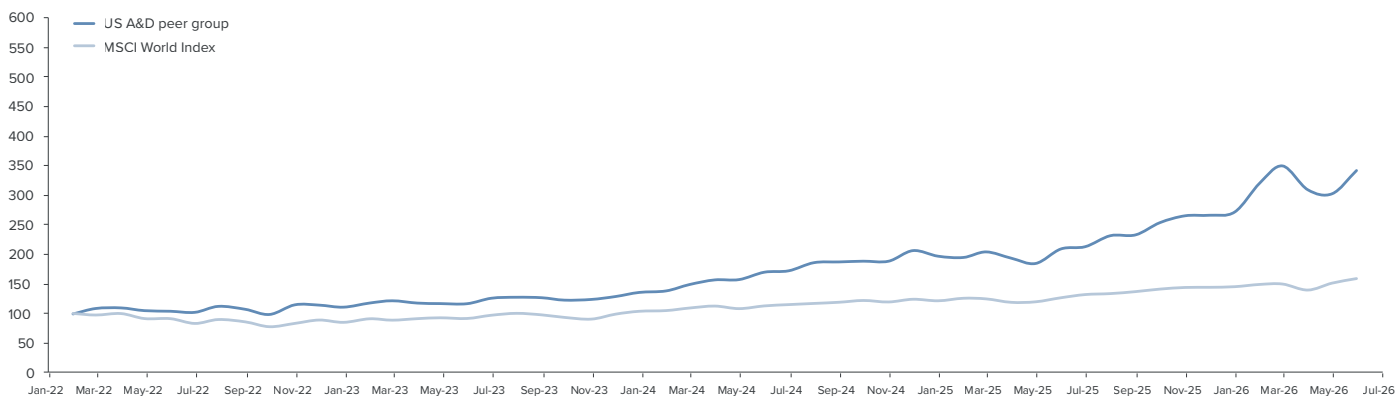
Note 1: The companies are ranked by market capitalization. Note 2: The data reflect valuation multiples as of 1 May 2026 Source: CapitalIQ and Oaklins analysis

Historical share price performance of European Aerospace & Defense companies versus benchmark index, indexed to February 2022



Note 1: 2026 YTD as of 1 May 2026. Source: CapitalIQ and Oaklins analysis

Historical share price performance of US Aerospace & Defense companies versus benchmark index, indexed to February 2022



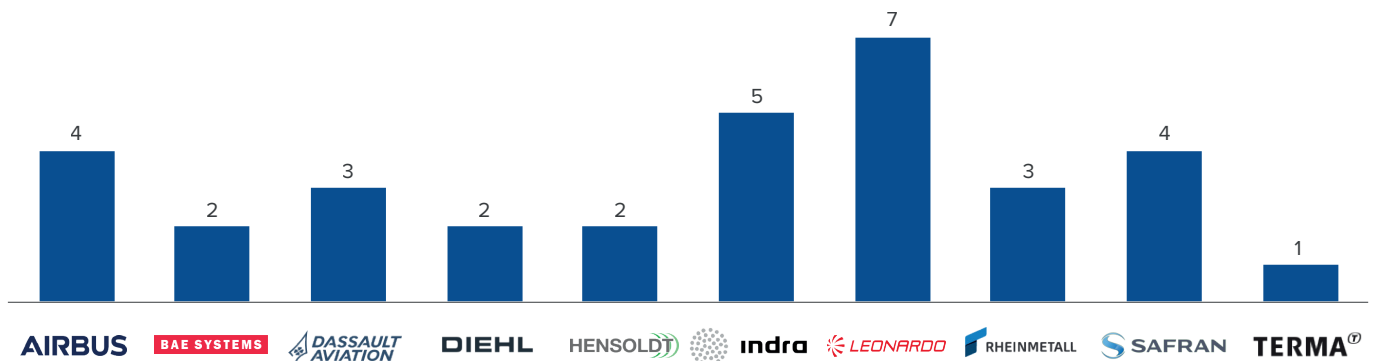
Note 1: 2026 YTD as of 1 May 2026. Source: CapitalIQ and Oaklins analysis

Consolidators spotlight

A REVIEW OF RECENT DEAL ACTIVITY AMONG EUROPE'S LEADING A&D CONSOLIDATORS HIGHLIGHTS A CLEAR M&A FOCUS ON SCARCE, MISSION-CRITICAL CAPABILITIES NEEDED TO STRENGTHEN SOVEREIGNTY, RESILIENCE AND NEXT-GENERATION DEFENSE PLATFORMS

European consolidators are not only increasing deal activity, but are also targeting a similar set of strategically critical capabilities. Recent acquisitions are concentrated around technologies that strengthen sovereignty, resilience and operational superiority, including autonomous systems, space technologies, cybersecurity, sensors and radar, secure communications, ammunition and propulsion. In our view, this reflects a clear strategic trend: leading A&D players are using M&A to secure scarce capabilities, fill portfolio gaps and position themselves for increasingly complex, technology-driven Defense procurement.

European consolidators (# of deals since May 2025)



Source: annual reports of the respective companies

Summary of deal activity of top-10 consolidators – LTM up until June 2026

Airbus, a France-based aerospace and defense group, operates in commercial aircraft, helicopters, defense, space and secure systems. The company has completed 4 acquisitions in the last 12 months

AIRBUS

Airbus' acquisition strategy is focused on strengthening its position across defense-adjacent technologies and improving control over critical parts of the aerospace supply chain. Recent activity highlights a dual focus: adding capabilities in cyber and unmanned systems for Airbus defense and Space, while internalizing key aerostructures capabilities to reduce supply-chain and program execution risk

BAE Systems, a UK-based defense, aerospace and security group, operates across air, maritime, land, electronic systems, cyber, intelligence and space-related defense markets. The company has completed 2 acquisitions in the last 12 months

Geographically, BAE Systems' M&A strategy is concentrated in the UK and US, consistent with its core defense markets and classified program access. The strategy is mainly focused on acquiring companies that add specific defense technologies and capabilities. This includes strengthening BAE Systems' position in space systems, electronic warfare, counter-drone solutions and autonomous or uncrewed aircraft



Summary of deal activity of top-10 consolidators – LTM up until June 2026

Dassault Aviation, a France-based aerospace manufacturer, designs and produces military aircraft, business jets and space-related systems. The company has completed 3 acquisitions in the last 12 months



Dassault's acquisition strategy is focused on strengthening next-generation combat-air capabilities while preserving French and European defense sovereignty. Recent activity points to a selective approach, using partnerships and minority investments to deepen capabilities in controlled autonomy, embedded AI and unmanned systems rather than pursuing broad consolidation

Diehl, a Germany-based industrial and defense group, is active through defense, aviation, metering, controls and metal businesses, with Diehl defense focused on ground-based air defense, guided missiles, ammunition, training and protection systems. The company has completed 2 acquisitions in the last 12 months

DIEHL

Diehl's acquisition and partnership strategy is focused on strengthening its core position in mission-critical defense technologies, particularly across ground-based air defense, guided missiles, ammunition, training and protection systems. Recent activity points to a selective, capability-led approach, combining targeted acquisitions with industrial partnerships to deepen technological expertise, expand production capacity and reinforce security of supply. This supports Diehl's role as a key European defense supplier in areas where air and missile defense, ammunition availability and technological sovereignty are becoming increasingly strategic

Hensoldt, a Germany-based defense electronics company, is active in sensors, radar, optronics, electronic warfare, avionics and security systems. The company has completed 2 acquisitions in the last 12 months



Hensoldt's acquisition strategy is focused on expanding from specialist defense electronics toward broader integrated sensor and security solutions. Recent activity supports this direction by strengthening optronics capabilities, securing critical production capacity and expanding its European industrial footprint, particularly in markets linked to sensors, radar, electronic warfare and security systems

Indra, a Spain-based defense, air-traffic, space and digital-technology group, is active in defense systems, air traffic management, space, IT and mission-critical digital platforms. The company has completed 5 acquisitions in the last 12 months



Geographically, Indra's consolidation strategy is centered on Spain and Europe, with space and defense sovereignty as the main themes. The M&A pattern shows that Indra is trying to take more control over key defense capabilities and move closer to full platform ownership. Aertec DAS is a clear example of this, as it strengthens Indra's position in unmanned aerial systems and adds drone know-how and production capacity. El Tallerón also fits the strategy, as it supports Indra's ambitions in land defense by adding industrial capacity for military vehicles

Summary of deal activity of top-10 consolidators – LTM up until June 2026

Leonardo is an Italy-based aerospace, defense and security group active in helicopters, aircraft, defense electronics, cyber, space and aerostructures. The company has completed 7 acquisitions in the last 12 months



Leonardo's acquisition strategy is focused on expanding its position as an integrated European defense and security platform. Recent activity combines expansion into adjacent defense markets, such as land platforms, with targeted additions in cyber, secure communications and digital-defense capabilities

TERMA[®]

Terma, a Denmark-based defense and aerospace technology group, provides mission-critical solutions across radar, surveillance, self-protection, space and command-and-control systems for defense, government and commercial customers. The company has completed 1 acquisition in the last 12 months

Terma's acquisition strategy is focused on strengthening its position in high-priority defense technology segments, including airspace security, surveillance and counter-drone capabilities. Its acquisition of OSL Technology, a UK-based specialist in intelligent airspace security and counter-drone systems, enhances Terma's C-UAS offering and supports its broader ambition to deliver integrated solutions for defense, critical infrastructure and civil security markets

Rheinmetall, a German-based defense and technology group, active in land vehicles, weapons and ammunition, air defense, digital systems, naval systems and power systems. The company has completed 3 acquisitions in the last 12 months



Rheinmetall's acquisition strategy is focused on expanding defense production capacity, strengthening local industrial footprints and securing control over critical supply chains. Recent activity supports this through additions in ammunition, propellants, aerospace engineering and unmanned-aircraft capabilities

SAFRAN

Safran, a France-based aerospace and defense technology group, operates in aviation propulsion, aircraft equipment, interiors, defense electronics and space-related markets. It completed 4 acquisitions in the last 12 months

Safran's acquisition strategy is focused on strengthening its aerospace and defense technology platform through targeted capability expansion. Recent activity combines vertical integration in flight controls and actuation with selective additions in AI-enabled defense, space intelligence, navigation and resilient PNT technologies

Selection of recent noteworthy transactions

	Date	Target	Buyer	Country	Target description
Oaklins	Jun-26	 WILLIAM COOK	HEICO		Developer and manufacturer of tracked mobility systems for armored military vehicles
	May-26	MARSS			Provider of counter-drone C2 and sensor-fusion software for defense and security applications
	May-26				Provider of gyrostabilized gimbal and turret systems for aerial, ground and maritime platforms
	May-26				Provider of aerospace precision machining, surface treatment and assembly services
	May-26				Provider of surface treatment and finishing services for high-performance engineered components
	Apr-26	ALL.SPACE	YORK SPACE SYSTEMS		Provider of satellite communications terminals for resilient multi-domain connectivity
	Apr-26	STARION	sopra  steria		Provider of space and defense engineering services for mission-critical programs
	Apr-26	Nexova 	sopra  steria		Provider of cybersecurity and cyber-range solutions for critical infrastructure
	Mar-26	TEKNE	NUBURU		Provider of defense vehicles, electronics and security systems for military applications
	Feb-26	 AimValley	T Technolution		Provider of telecom, networking and embedded engineering services
	Jan-26	 U - T a c s			Manufacturer of Unmanned Air Systems (UAS)
	Dec-25	TEXELIS	KNDS		Provider of mobility systems and vehicle components for military platforms
Oaklins	Dec-25	 LAUAK			Provider of aircraft parts and aerostructures specializing in sheet metal work, machining, welding, tubing and assembly
	Dec-25	FERNRI 	QUANTUM SYSTEMS		Developer of human-assisted autonomous driving systems
	Nov-25	AIM DEFENCE	DIEHL		Manufacturer of infrared detectors and thermal imaging systems for defense and space

Selection of recent noteworthy transactions

	Date	Target	Buyer	Country	Target description
Oaklins	Nov-25				Provider of lightweight and durable protection solutions for vehicles, vessels, aircraft, buildings and personnel
Oaklins	Nov-25				Integrator of counter-drone and related drone and security technologies
	Oct-25				Developer of AI perception software focused on enhancing safety and functionality for autonomous vehicles, including drones and cars
	Oct-25				Developer of autonomous ground systems primarily for military battle uses
	Sep-25				Developer of advanced signal processing systems and AI software for the defense, industry, and law enforcement sectors
Oaklins	Sep-25				Manufacturer of naval defense vessels and military shipbuilding platforms
	Sep-25				Provider of unmanned aircraft systems (UAS) and drone-as-a-service operations
	Aug-25				Developer of AI and robotics systems for defense and autonomous applications
Oaklins	Aug-25				Transformer of satellite data into mission-critical solutions across space and science, defense and security, environment and sustainability and high-tech consulting
	Jul-25				Manufacturer of protected military vehicles and land mobility platforms
	Jul-25				Developer of lightweight structures, certified aircraft design and the development of high-altitude platform systems (HAPS) and unmanned aerial systems (UAS)
	Jul-25				Provider of high-performance drivetrains for the automotive, industrial, energy, transport, naval and defense industries
	Jul-25				Developer of battery-powered counter-drone technologies for both civilian and military applications
	Jun-25				Provider of specialist tracking devices and ISTAR hardware solutions for defense and national security applications



Navigating the future of Aerospace & Defense: An interview with Kirsten Drost



KIRSTEN DROST

CCO of S[&]T



In this edition, we speak with Kirsten, CCO of S[&]T, a leading aerospace and defense technology company with deep roots in the space sector and strong expertise across mission-critical defense applications. Oaklins advised S[&]T last year on its sale to Active Capital Company.

With an ambitious business plan and a strong position at the intersection of space, defense and advanced technology, S[&]T is well placed to comment on the developments shaping the market. We asked Kirsten about the evolving defense and space landscape, the key opportunities and challenges for the industry, and how she expects the sector to develop in the coming years.

How do you see the European aerospace and defense landscape evolving, particularly in light of recent geopolitical developments?

Strategic autonomy is now a necessity rather than a choice for Europe. Russia's war in Ukraine and uncertainty around long-term US engagement have significantly reshaped Europe's

security outlook, reinforcing the need to strengthen its own defense capabilities and industrial base.

At the same time, technology has become a key geopolitical battleground, as it directly shapes military effectiveness. This is driving a stronger focus on control over critical technologies, resilient supply chains, access to raw materials, sufficient industrial capacity, and the ability to rapidly adapt and upgrade systems. Reducing external dependencies has therefore become a clear priority, particularly given Europe's continued dependence on non-EU suppliers for critical areas of the aerospace and defense value chain such as key electronics and certain space-grade materials.

A growing challenge is that supply chains are becoming increasingly geopolitically regulated, through export controls, sanctions regimes, and strategic trade restrictions. In practice, this means that supply chains may become more expensive, less predictable, and more constrained over time. It also complicates industrial scaling, as growth is increasingly dependent on government-to-government (G2G) arrangements, export approvals, and defense procurement frameworks rather than purely commercial expansion. As a result, international partnerships between governments, primes, and technology providers are becoming essential to enable scale, secure access to constrained technologies, and maintain interoperability across allied defense ecosystems.

Governments are responding by prioritizing scalability, readiness, and security of supply over lowest-cost procurement. To support this, we are also seeing growing efforts toward coordinated European procurement, joint capability development, alongside stronger emphasis on interoperability.

However, this requires not only higher procurement spending but also sustained investment in European manufacturing scale-up, strategic supply chains, skilled labour and innovation.

At the same time, sovereignty operates on both European and national levels. These should not be seen as competing forces, but as complementary layers of resilience. Every country has different operational requirements, strategic priorities and industrial strengths. In practice, capabilities are often developed in parallel: national sovereign capabilities alongside European-level systems. While sometimes viewed as duplication or inefficiency, this often results in a balanced model combining European-scale alignment with national ownership and responsibility.

Overall, while the European aerospace and defense base remains fragmented today, we expect stronger cross-border partnerships, selective consolidation, and deeper integration in the years ahead to strengthen Europe's industrial and technological base.

How have priorities within the defense sector shifted over the past few years, both in the Netherlands and internationally?

The focus has shifted to readiness and security of supply. In practice, this means that delivery speed, origin, and long-term availability play a much greater role in procurement decisions than before. This also changes how innovation is approached: there is now a stronger push to move technologies faster from research and prototyping into production and operational use.

In the Netherlands, the defense industry is increasingly shaped by national and European procurement demand rather

than export markets alone. This is strengthening industrial capacity in areas that align with Dutch and allied capability needs.

Where do you currently see the main areas of focus for governments and industry within Aerospace & Defense?

Faster production systems, software-driven upgrades, and scalable, adaptable technologies are among the key priorities across aerospace and defense.

In practice, this means governments and industry are focusing on delivering capability more quickly, rather than relying on long, rigid development cycles. At the same time, systems are increasingly designed to be upgraded through software, allowing continuous improvement and reconfiguration without replacing entire hardware platforms as operational needs evolve. Important to note is that defense architectures are increasingly evolving from reliance on a limited number of highly specialised standalone assets toward more distributed and interconnected “system-of-systems” approaches. This includes networks of sensors, autonomous platforms, satellites, communications infrastructure, and software layers operating together in near-real time. As a result, interoperability, data integration, and scalable digital infrastructure are becoming as strategically important as the individual platforms themselves.

To what extent do you see increased collaboration between space and defense, and how is this changing the way capabilities are developed and deployed?

The close relationship between space and defense is not new, but it has clearly returned with renewed strategic importance.

Space is not only a support function; it is an operational domain in its own right, while still being essential for terrestrial operations. Satellites are essential for communication, navigation, intelligence, missile warning, and targeting capabilities.

At the same time, the growing development of counter-space capabilities, technologies that can disrupt or interfere with satellites in orbit, is increasing the need for resilience and awareness within the space domain itself.

We are seeing increasing investments in space situational awareness (SSA), both from governments and through M&A activity, such as Anduril’s investment in ExoAnalytic Solutions. How do you see the role of SSA evolving within the broader defense and space ecosystem?

This directly builds on space as an operational domain. Understanding what is happening in space is essential, and Space Situational Awareness (SSA) provides that foundation.

Ground- and space-based sensors detect, track, and characterize objects in orbit, enabling understanding of the space environment, ranging from satellites and debris to potential hostile activity.

From a security perspective, SSA supports the detection of threats and unusual behavior in space, providing early warning and decision support. From a safety and sustainability perspective, increasingly crowded orbits increase collision risks, making tracking and coordination essential to protect critical space assets. As a result, SSA is becoming a core enabling layer for both space operations and defense decision-making.

Looking ahead, which capabilities or technologies do you believe will become

most critical for players in the Aerospace & Defense sector?

Among the most critical capabilities will be software-defined systems, artificial intelligence, autonomous systems, advanced sensors, cyber security, and resilient space infrastructure.

Increasingly, the focus is not only on platforms such as drones or satellites, but on the underlying digital and data infrastructure that enables them. This includes edge and cloud computing, onboard processing, secure communications, and the ability to process and fuse large volumes of sensor data in near real time to support faster and more informed decision-making. This moves value creation from hardware alone toward the digital backbone of defense systems.

Equally important is integration. Future competitiveness will depend on building systems that are interoperable and continuously upgradable through software.

How do you expect the Aerospace & Defense industry to evolve over the next five years?

The European aerospace and defense industry will likely continue moving toward selective consolidation, stronger cross-border industrial partnerships, and deeper interoperability across systems and platforms. This reflects the broader effort to reduce fragmentation while maintaining national sovereignty within a coordinated European framework.

At the same time, increased defense investment will generate significant spillover into adjacent sectors. We do expect companies to make a strong growth in defense while gradually evolving into more diversified and resilient businesses operating across both defense and civilian applications.

“Software-defined systems, artificial intelligence, autonomous systems, advanced sensors, cyber security, and resilient space infrastructure will be among the most critical capabilities.”

KIRSTEN DROST, CCO OF S[&]T

Space situational awareness: From niche capability to strategic infrastructure

Space Situational Awareness is emerging as one of the most attractive acquisition themes at the intersection of Space, Defense and Technology

Amid rising geopolitical tensions, space is increasingly being viewed as a strategic defense and resilience domain. Satellites have become critical infrastructure for communication, navigation, intelligence, surveillance, reconnaissance and military operations. At the same time, the space environment is becoming more congested and contested, driven by the rapid growth of satellite constellations, increasing space debris, rising satellite signal interference and the development of counter-space capabilities by state actors.

In our view, this is fundamentally changing the role of space monitoring. What was once primarily a safety function, focused on tracking satellites and debris to avoid collisions, is evolving into a broader defense and resilience requirement. Governments, defense agencies and commercial operators increasingly need better visibility over what is happening in orbit: which objects are where, how they are moving, whether they are behaving unusually and whether critical satellite infrastructure could be at risk.

Importantly, this need for visibility is no longer limited to governments and defense agencies. As critical sectors increasingly rely on satellites for connectivity, navigation, earth observation, energy infrastructure, logistics, financial services and emergency response, risks in orbit can directly affect operations on Earth. We therefore expect demand for space traffic coordination, collision avoidance and real-time orbital intelligence to grow across both public and private-sector customers.

Governments are becoming an important driver of this growing market. In the United States, the Space Force is increasingly looking to commercial providers for space surveillance and space domain awareness capabilities. Space surveillance and tracking in Europe are positioned as part of the broader EU Space Programme. Our observation is that public-sector customers are increasingly looking beyond fully in-house development and are instead procuring data, sensors, analytics and software from specialized providers. This is supporting the emergence of a commercial market around space situational awareness (“SSA”) and space domain awareness (“SDA”).

As this market develops, companies with proprietary sensor networks, object catalogues, AI-enabled analytics, astrodynamics software and command-and-control integrations are becoming increasingly strategically relevant. These capabilities are difficult to build organically, often require deep technical expertise and are closely linked to government and defense customers. This scarcity

makes SSA and SDA companies particularly attractive acquisition targets for both defense primes and defense-tech platforms.

This is already prompting major European defense and space players to accelerate their positioning in the emerging SSA and SDA market, either by developing capabilities internally or by partnering to gain faster access to the required technology, infrastructure and expertise. Thales has unveiled AURORE, a ground-based space surveillance radar designed to monitor and track objects in low Earth orbit, strengthening French and European SSA capabilities. Leonardo is active through European defense initiatives such as EMISSARY, focused on military space domain surveillance through advanced sensors and command-and-control systems. Rheinmetall’s expansion into military space through its joint venture with ICEYE is less directly focused on SSA, but illustrates the same broader shift: traditional defense companies are moving into space-based intelligence, surveillance and reconnaissance as space becomes increasingly central to defense strategy.

M&A represents another logical route to accelerate this positioning

From an M&A perspective, acquisitions represent a logical route to accelerate this positioning. For strategic buyers, acquisitions can provide immediate access to scarce capabilities, proprietary data, sensor infrastructure, technical talent and established government relationships. We believe this makes SSA and SDA a compelling segment where three major investment themes converge: space, advanced technology and defense.

Recent deal activity already points in this direction. Anduril’s announced acquisition of ExoAnalytic Solutions is explicitly aimed at strengthening its capabilities in space domain awareness and missile defense. ExoAnalytic brings a global commercial telescope network and tracking software, which Anduril can combine with its broader defense technology and autonomy platforms. Earlier, Slingshot Aerospace acquired Numerica’s Space Domain Awareness division and Seradata, combining sensor, tracking and satellite data capabilities into a broader space intelligence platform.

Looking ahead, we expect interest from defense primes, space infrastructure players and defense-tech platforms to increase as governments continue to invest in space security, missile defense and sovereign space capabilities. In our view, SSA and SDA are moving from a niche space-safety function toward a strategic infrastructure layer within Aerospace & Defense. As a result, we believe the segment is likely to become increasingly relevant from both an investment and consolidation perspective.

Our track record

A selection of Oaklins' experience in the European Aerospace & Defense industry

<p>Cook Defence Systems Ltd</p> <p>majority stake acquisition by</p>  <p>M&A SELL-SIDE</p> <p>Aerospace, Defense & Security</p>	 <p>has sold a majority stake to</p>  <p>M&A SELL-SIDE</p> <p>Aerospace, Defense & Security/Industrial Machinery & Components</p>	 <p>has been acquired by</p>  <p>M&A SELL-SIDE</p> <p>Aerospace, Defense & Security</p>	 <p>has been acquired by</p>  <p>M&A SELL-SIDE</p> <p>Aerospace, Defense & Security/TMT</p>
 <p>has acquired the</p> <p>UK interceptor business of MARSS</p> <p>M&A BUY-SIDE</p> <p>Aerospace, Defense & Security</p>	 <p>has received an investment from</p>  <p>M&A SELL-SIDE</p> <p>Aerospace, Defense & Security/Private Equity/TMT</p>	 <p>have been acquired by</p>  <p>M&A SELL-SIDE</p> <p>Aerospace, Defense & Security</p>	 <p>have been acquired by</p>  <p>M&A SELL-SIDE</p> <p>Business Support Services</p>
<p>Private shareholder</p> <p>has sold a majority stake in</p>  <p>to</p>  <p>M&A SELL-SIDE</p> <p>Aerospace, Defense & Security/Automotive</p>	 <p>has sold a majority stake to</p>  <p>M&A SELL-SIDE</p> <p>Aerospace, Defense & Security/Business Support Services/Private Equity/TMT</p>	 <p>has been acquired by</p>  <p>M&A SELL-SIDE</p> <p>Aerospace, Defense & Security/Business Support Services/TMT</p>	 <p>has been acquired by</p>  <p>M&A SELL-SIDE</p> <p>Aerospace, Defense & Security</p>
 <p>has secured equity funding from</p>  <p>M&A SELL-SIDE</p> <p>Aerospace, Defense & Security/Private Equity</p>	 <p>has completed a book-building process</p> <p>FUNDING, DEBT ADVISORY & ECM</p> <p>Aerospace, Defense & Security/Consumer & Retail</p>	 <p>has acquired</p>  <p>M&A BUY-SIDE</p> <p>Aerospace, Defense & Security</p>	 <p>has been acquired by</p>  <p>M&A SELL-SIDE</p> <p>Aerospace, Defense & Security</p>

Oaklins Netherlands A&D team

Our dedicated sector team combines deep A&D expertise, global buyer access and hands-on M&A execution

Proven transaction experience	Oaklins' specialists globally advised on over 125 A&D transactions
Aerospace & Defense is one of our focus areas	Our sector knowledge and insights help owners understand buyer appetite, valuation drivers and the right timing for a transaction
Global buyer and investor access	Direct access to strategic buyers, defense primes, financial sponsors and specialist investors across Europe, the US and beyond
One-stop-shop M&A support	End-to-end support across M&A, growth equity and debt advisory, from preparation and positioning to investor approach, process management, negotiations and closing

Tomorrow's industry leaders are shaping their strategy today. Are you?

Let's talk!

JAN-PIETER VAN DOORN,
HEAD OF AEROSPACE AND
DEFENSE AND TECHNOLOGY
SECTOR SPECIALIST AT OAKLINS
NETHERLANDS



United by a strong belief that we can achieve the extraordinary.

Oaklins is a global team of over 900 financial advisory professionals in 40 countries providing M&A, growth equity, ECM, debt advisory and corporate finance services to support entrepreneurs, corporates and investors in reaching their goals.

TALK TO OUR LOCAL M&A ADVISORS



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