

Cavendish

MAY 2026



Defence & Security
Technology Insights

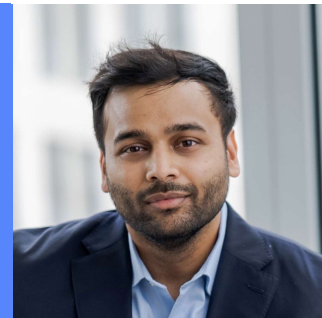
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We are witnessing a generational shift in Defence and Security M&A. The momentum behind these deals reflects something deeper than cyclical spending: defence and security is undergoing its most significant transformation in a generation, and Britain must build and retain sovereign capability to meet it.”

LORD LEIGH OF HURLEY
CAVENDISH SENIOR PARTNER



“

There has never been a better time for a UK Defence and security-focused SME to explore its strategic options. Defence sector tailwinds are at their strongest in a generation, Europe is undergoing a transformational uplift in defence spending, and sovereign capability is increasingly attractive. At Cavendish, we have been at the heart of this wave, advising on landmark SME transactions.”

SOBEN DURAI
DEFENCE TECHNOLOGY LEAD

Defence & Security market update

Cavendish thoughts

We are witnessing a generational shift in Defence spending and technology investment. Record NATO budgets, the UK's commitment to 2.5% of GDP by 2027 (rising to 3.5% by 2035), and an accelerating European rearmament programme are creating unprecedented demand for innovative Defence SMEs. For owners of high-quality Defence technology businesses, the M&A environment is now in a window of opportunity that has rarely been more favourable.

Ongoing conflicts in Ukraine and the Middle East, combined with sustained pressure from the Trump administration, have fundamentally shifted the political focus around Defence spending. Most NATO members pledged in June 2025 to raise Defence-related spending to 5% of GDP by 2035. These dynamics are reshaping the threat landscape with accelerating investment coming into areas such as drone warfare and counter-UAS, sub-sea infrastructure protection, and space.

The UK sits at an advantageous intersection of several of these trends. British Defence technology businesses benefit from a set of structural advantages that are genuinely difficult to replicate: strong domestic procurement tailwinds, a selection of prestigious innovation hubs, UK-based security-cleared facilities and teams, and a growing alliance among the European NATO countries, all of which make them uniquely attractive to international acquirers.

That appetite is reflected in market conditions. Defence valuations have risen materially across the sector, with European public market multiples now trading meaningfully ahead of US comparables as investors price in the structural shift in continental spending. Private equity has taken notice too, with financial sponsors playing an increasingly active role alongside strategic buyers. Global deal activity in the sector has accelerated sharply, and the UK's own exit landscape is maturing, with a number of well-positioned businesses having recently demonstrated that premium outcomes are achievable. The strategic buyer landscape remains fragmented but is exceptionally active. Most of the world's major primes have already made acquisitions in the UK and are actively looking to do more. For founders of UK Defence-focused SMEs, the confluence of political tailwinds, a favourable valuation environment, and deep strategic buyer and private equity interest means the conditions for a successful exit have never been stronger.

Key trends in UK Defence & Security



Strong tailwinds for UK Defence & Security SMEs considering a sale

The combination of structural regulatory advantages, government-backed procurement reform, and growing European sovereign alliance makes UK Defence SMEs uniquely compelling acquisition targets in the current market.

01 UK Political & Procurement Tailwind

The UK government's commitment to raise Defence spending to 2.5% – 3.5% of GDP, combined with an explicit policy drive to route a greater share of MOD procurement through SMEs via mechanisms like UK Defence and Innovation and ringfenced SME spending targets, creates a rare alignment of growing budget and directed access. This is reinforced by the January 2026 launch of the Defence Office for Small Business Growth, established to accelerate SME participation and support the MOD's ambition to increase SME spend to £2.5bn by 2028. Together, these measures enhance access and funding visibility, allowing SMEs to compete with larger incumbents and making them increasingly attractive to international Defence primes seeking a UK footprint.

02 A New Era of Defence Contracting & UK Innovation

Defence contracting is shifting away from hardware-centric, CAPEX-heavy programmes towards flexible, OPEX-based models built around hardware-agnostic AI, data, and C2 software. This places significant strategic and commercial value in the backend software layers that enable interoperability and autonomous capability across platforms. The UK is well positioned to capitalise. The establishment of UK Defence Innovation in July 2025, supported by a dedicated annual allocation of no less than £400m, has unified the government's innovation infrastructure to create a more direct procurement route for smaller firms, while innovation clusters around Cambridge, Oxford, and Bristol continue to generate a healthy pipeline of early-stage Defence technology companies.

03 UK-Based Talent, Facilities & Clearances

Security clearances and cleared facilities can be one of the most significant barriers to entry in the Defence sector. UK SMEs holding facilities clearance and employing DV or SC-cleared personnel offer acquirers pre-approved access to classified programmes, restricted sites, and sensitive customer relationships that would take years to establish organically. Many UK Defence businesses also sit outside the US ITAR export control regime, providing commercial flexibility to serve EMEA and APAC customers with fewer geopolitical constraints. As governments accelerate classified procurement and prioritise sovereign capabilities, these combined attributes can be a material valuation driver.

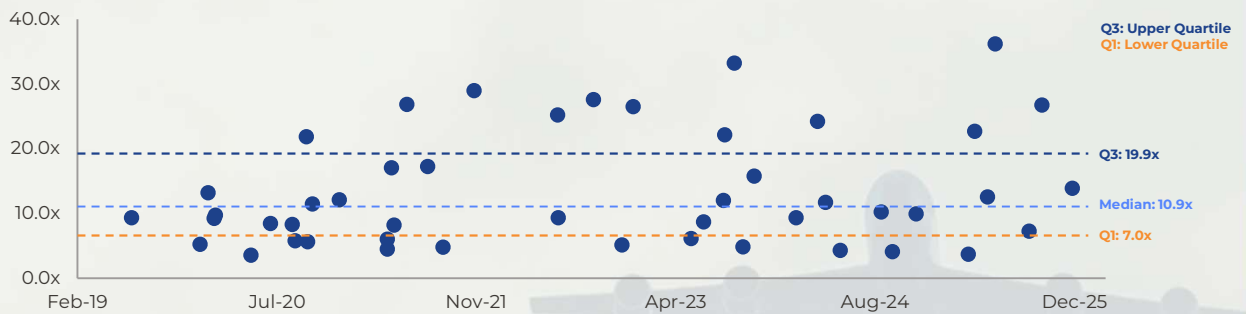
04 European Sovereign Alliance

UK entities operate within the Five Eyes framework and AUKUS, placing them within one of the world's most trusted Defence ecosystems. As Europe consolidates its Defence industrial base and NATO prioritises sovereign allied capacity over US dependency, the UK's bridging role between the transatlantic alliance and an increasingly independent European Defence architecture grows ever more valuable. For European acquirers, a UK SME provides immediate access to recognised security accreditation aligned with the UK MOD and NATO, enhancing credibility with classified customers and positioning within procurement frameworks that increasingly favour trusted suppliers.

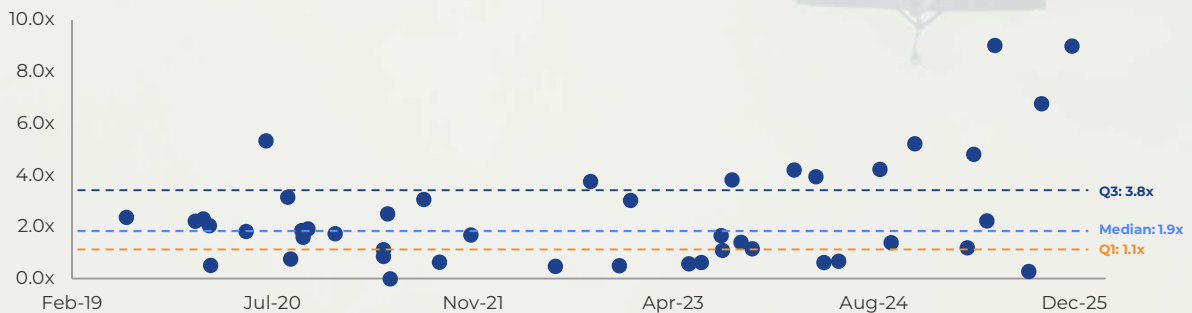
Defence M&A valuations

Defence sector valuations have risen materially in recent years, driven by sustained increases in global Defence budgets and macroeconomic tailwinds. More recently, the most pronounced trend has been the significant outperformance of European Defence stocks relative to their US counterparts, as increased NATO spending commitments and a broader drive to reduce dependency on the United States have fuelled the continent's renewed focus on sovereign capability, attracting fresh investor interest.

Select European Defence Transactions (EV / EBITDA Multiples)



Select European Defence Transactions (EV / Revenue Multiples)



Europe vs. US HQ'd Defence Public Comps (EV / EBITDA Multiples)



Europe vs. US HQ'd Defence Public Comps (EV / Revenue Multiples)

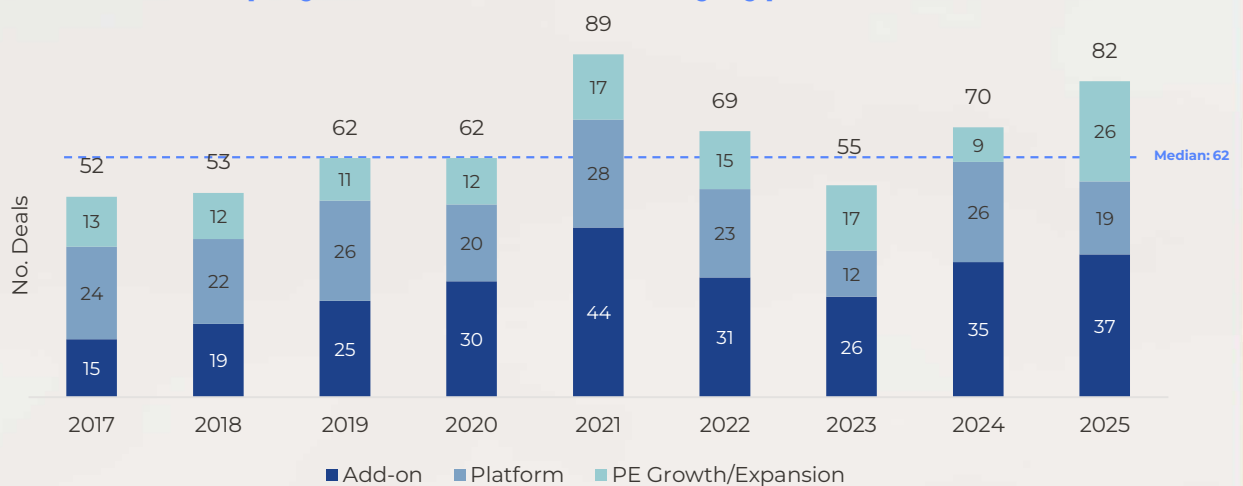


Growing private equity interest in Defence

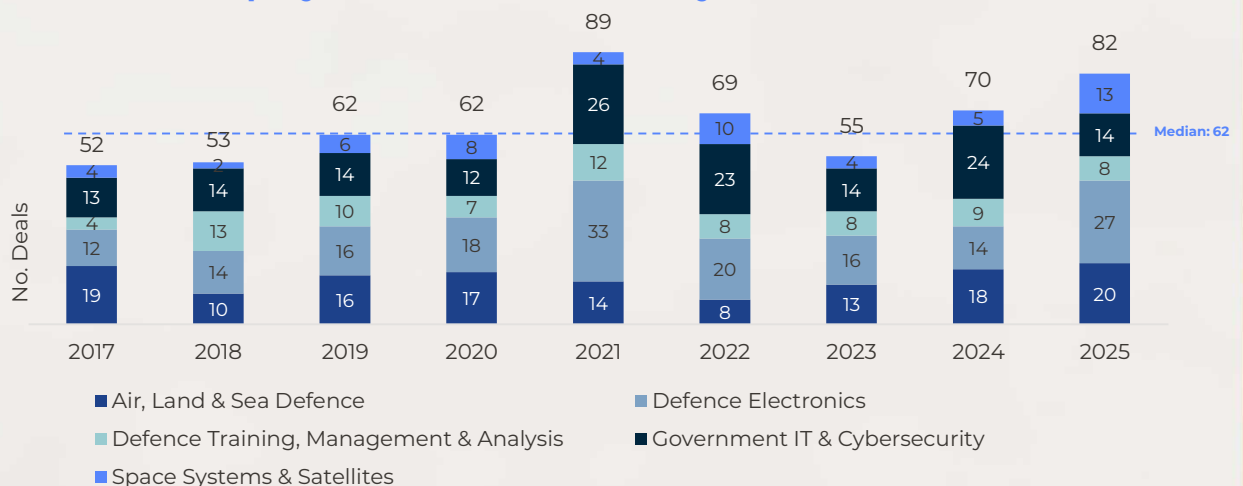
Private equity deal activity in the Defence sector has grown steadily from 52 transactions in 2017 to 82 in 2025, approaching the 2021 peak of 89 driven by the broader tech M&A surge.

Defence electronics was the standout sub-sector in 2025 with 27 transactions, 14 of which were add-ons, reflecting sponsors doubling down on existing platforms through bolt-on consolidation. Space systems and satellites is rapidly emerging as the next frontier, recording 9 PE growth and expansion deals in 2025 alone, best illustrated by the Oaklins Cavendish co-advised sale of ExoAnalytic Solutions to Anduril as dual-use technology tailwinds and rising sovereign investment make it an increasingly attractive asset class for institutional capital.

Global Private Equity Defence Deal Count by Type



Global Private Equity Defence Deal Count by Subsector



Defence-Focused VC firms

Venture capital deployment into defence technology has accelerated materially, with a growing number of specialist funds backing dual-use and sovereign capability businesses. A selection of notable defence focused VC firms is outlined below:



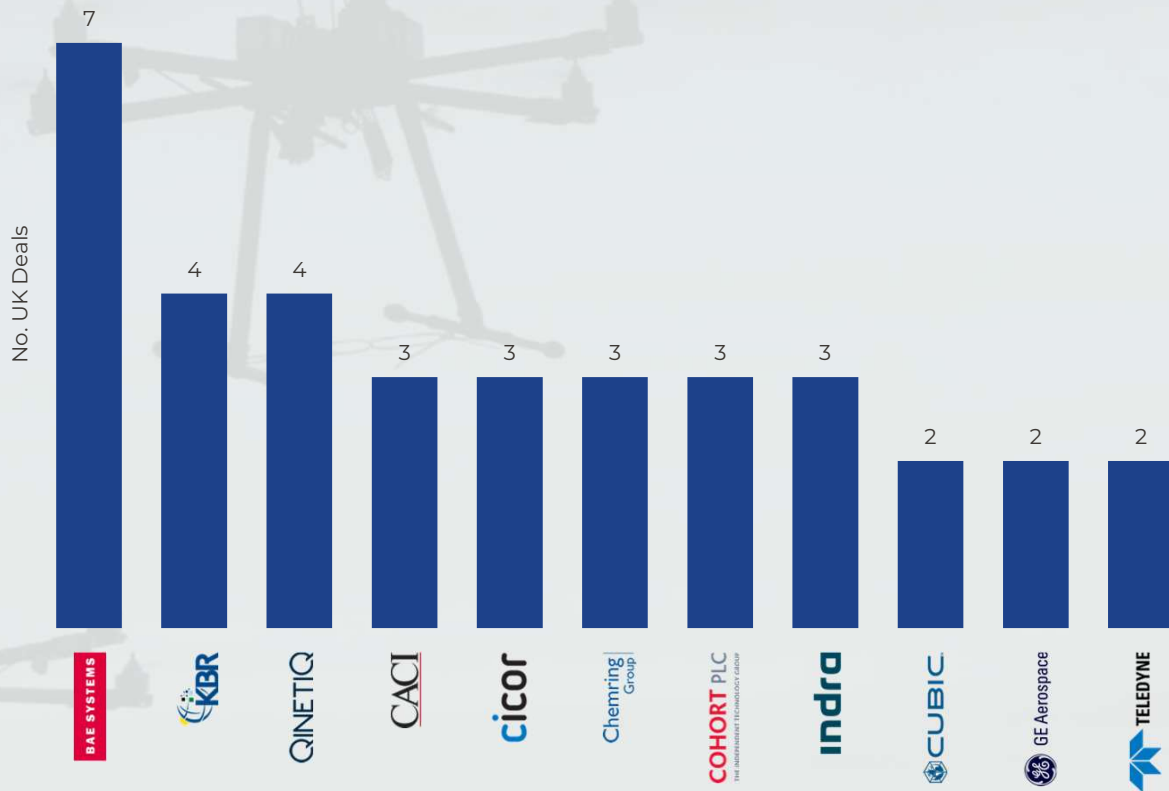
A fragmented but active buyer market

The UK Defence acquisition landscape is both highly fragmented and exceptionally active. A broad range of primes and industry leaders have completed UK acquisitions over the last decade, reflecting the sector's structural preference for M&A as a growth lever. Whilst the buyer pool is extensive, a number of acquirers have been particularly active in the UK market and are outlined below.

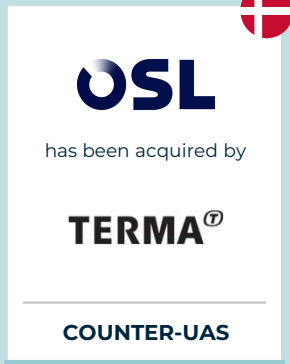
Building technically differentiated Defence capabilities from scratch carries an exceptionally long lead time, requiring years to develop proprietary IP, cultivate trusted MOD relationships, and secure access to European contracting markets. Against a backdrop of accelerating NATO Defence budgets and a decisive shift in government procurement priorities, this can make M&A the only credible path to capturing the sector's most compelling growth tailwinds at pace.

With multiple well-capitalised acquirers competing for a limited pool of strategic assets, valuations are being pushed materially higher as buyers fight to secure the platforms, programme positions, and regulatory relationships that best fit the current Defence environment. Agile SMEs, capable of responding rapidly to an evolving threat landscape, are increasingly prized targets in this dynamic.

Outlined below are just a selection of the global Defence companies who have acquired assets in the UK in the last 10 years



Deal highlights



Closed Date: November 2025

Deal Value: Undisclosed

Founded: 2010

HQ: 

Deal Team: Anthony Platt,
Soben Durai, Liam Hanley,
Stephen Perry

OSL (UK-based) provides counter-UAS and intelligent security solutions, protecting major airports, critical national infrastructure, and Defence sites globally.

One of few credible independent providers in a consolidating market, with over 5 years of live operations at global airports and 15 years providing air Defence services to military customers.

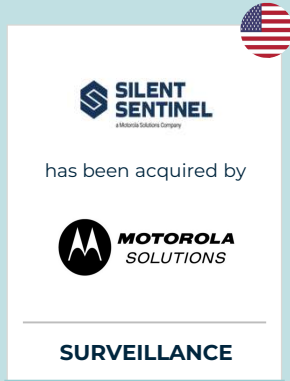


This partnership with Terma represents a pivotal moment for OSL and those we serve. By combining Terma's proven Defence systems with our hands-on expertise, we're delivering unprecedented capability across the entire operational chain. The result is enhanced threat identification, superior intelligence analysis, and seamless execution – all compressed into moments rather than minutes. We're grateful to Cavendish for their invaluable guidance throughout the sale process."

MARK LEIGH-SMITH
FOUNDER & CEO, OSL

OSL was acquired at a premium valuation at the highest end of the Defence multiples we are currently seeing in the market, underpinned by strong market tailwinds and an in-demand strategic capability proven at scale.

[DEAL INSIGHTS](#)



Closed Date: February 2024

Deal Value: Undisclosed

Founded: 2002

HQ: 

Deal Team: Anthony Platt,
Soben Durai, Stephen Perry

Founded in 2002, Silent Sentinel is an award-winning, globally recognised provider of high-specification surveillance and intelligent detection systems for the homeland security market. It offers customers a unique value proposition by designing and supplying tailor-made, high-end technology solutions (all built around its proprietary and market defining NexOS operating software).



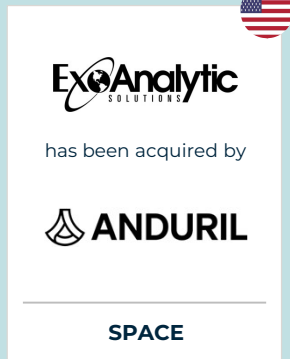
We are thrilled to join Motorola Solutions and build upon their industry-leading portfolio and continue to support our customers in the most challenging of environments. I would like to express our gratitude to Anthony and the team at Cavendish who provided invaluable counsel and a streamlined process throughout."

PAUL ELSEY
CEO, SILENT SENTINEL

Ran a competitive "tight-knit" auction process with strong interest from several international strategic trade and PE buyers to instil competitive tension with Motorola Solutions.

[DEAL INSIGHTS](#)

Deal highlights



Closed Date: March 2026

Deal Value: Undisclosed

Founded: 2008

HQ: 

Deal Team: Stephen Perry, Ken Fukumoto, Anthony Platt, Soben Durai

ExoAnalytic Solutions (US-Based) is a provider of space-domain awareness solutions for private sector and U.S. federal government Defence, and missile Defence markets.

The Company delivers advanced data analytics, object characterization, and predictive modelling capabilities, supporting space traffic management, anomaly detection, threat identification, and satellite mission assurance.

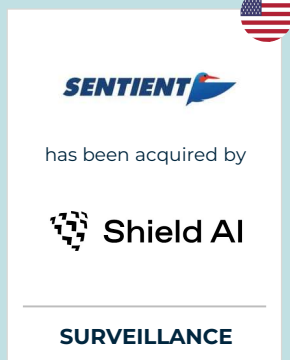


The acquisition will significantly enhance Anduril's ability to develop and deploy solutions across space sensing, tracking, and countermeasures, building on existing collaborations between Anduril and Exo to significantly scale the impact that we will be able to provide for national security missions.”

[ANDURIL PRESS RELEASE](#)

Cavendish working alongside our US colleagues at Janes Capital Partners, helped identify Anduril as a critical buyer and facilitated the initial introduction.

[DEAL INSIGHTS](#)



Closed Date: April 2024

Deal Value: Undisclosed

Founded: 1999

HQ: 

Deal Team: Scott McInnes, Stephen Perry, Raphaël Petit

Sentient Vision Systems specialises in passive, optical detection using wide area motion imagery. Sentient's Artificial Intelligence (AI)-enabled sensor edge solutions better detect and identify small objects on land, in the air and at sea. With more than 20 years of development in moving target indication, AI computer vision and machine learning, Sentient has deployed thousands of systems worldwide in the field of intelligence, surveillance, search and rescue, enhancing situational awareness decisions in real-time and helping to save lives.



The innovation breakthrough combining our computer vision AI-enabled ViDAR and Shield AI's Hivemind will increase situational awareness, enabling quicker more effective decision making and help to save lives.”

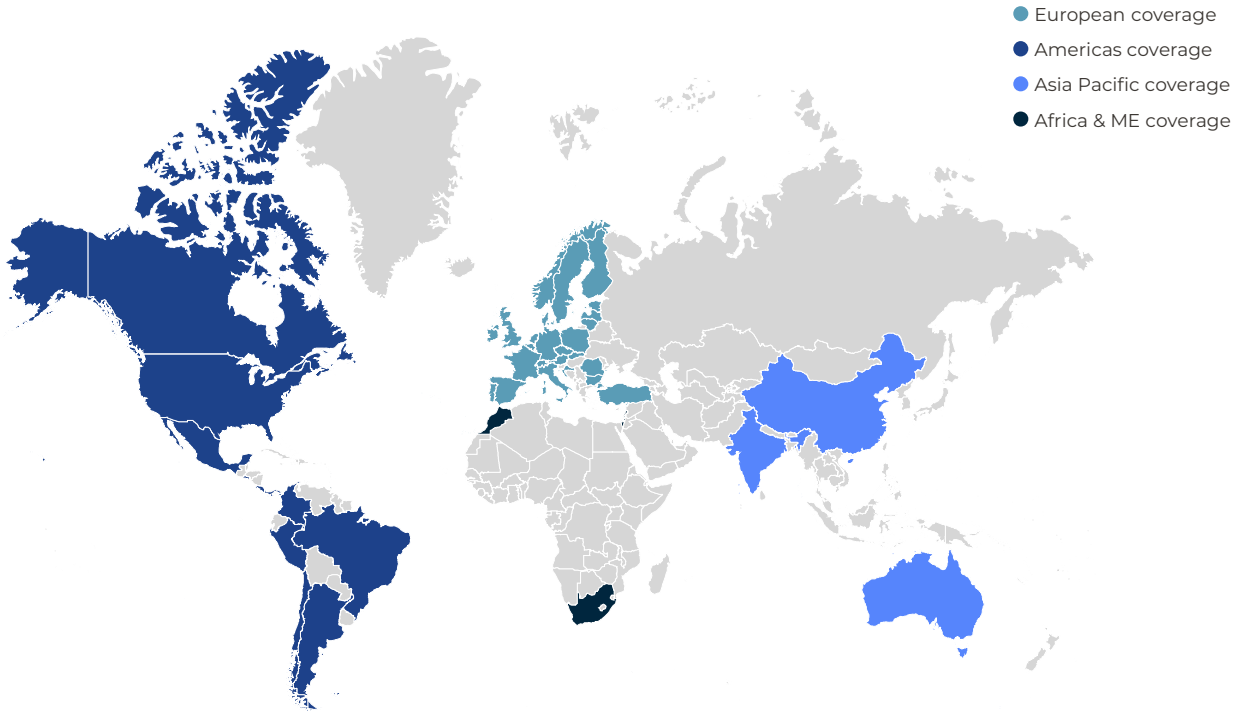
[MARK PALMER CEO, SENTIENT](#)

The sale was led by our French colleagues at Oaklins France and Australian colleagues at Henslow and provided the opportunity for the company to continue its global growth and innovation under the leadership of Sentient CEO, Mark Palmer.

[DEAL INSIGHTS](#)

A global Defence advisory firm

Cavendish is a member of Oaklins, an international M&A network comprising over 900 professionals across 43 countries. Within this network, we work alongside a dedicated group of Defence specialist advisors covering the world's most strategically significant regions.



JANES CAPITAL PARTNERS
Aerospace & Defense Investment Banking

STEPHEN PERRY
Managing Director,
US Head Of Defence

30+ years of M&A
experience

50+ A&D deals completed

Global Perspectives on Defence & Security: US Insights

“

US Defence spending is on a trajectory that has significant implications for the sector and the broader deal landscape. The Department of War budget is projected to reach \$1.5 trillion in 2027, following a \$1.0 trillion allocation in 2026 that already represented a 13% year on year increase.

The immediate driver is replenishment. The US has drawn down substantial stocks of ground artillery munitions through its support of Ukraine and has reportedly expended over 10,000 bombs in connection with the Iran conflict. Rebuilding these inventories at pace will require primes and their supply chains to scale rapidly, which inevitably creates consolidation opportunities.

The strategic spending priorities point to where activity will concentrate hypersonic missiles and missile Defence, space situational awareness, shipbuilding, submarines, counter UAS, low-cost UAVs, and offensive and defensive cyber. Each of these verticals contains mid-market businesses with proprietary technology that larger platforms may look to acquire rather than build organically.

Demand across the broader aerospace and Defence sector remains strong, but supply chain constraints, capacity limitations, and certification delays continue to dictate the pace of production. Businesses with proven positions in constrained supply chains are well positioned, and that dynamic shows no sign of easing.”

A global Defence advisory firm (cont'd)

Our Defence network partners include **Janes Capital Partners (USA)**, **Oaklins France (France)**, and **Henslow (Australia)**. Together, these relationships provide us with unrivalled global reach, credentials, and deal-making capability in the international Defence M&A market.



Oaklins | FRANCE

RAPHAEL PETIT
Managing Partner,
EU Head Of Defence

20+ years of M&A
experience

40+ A&D deals completed

Global Perspectives on Defence & Security: EU Insights

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European Defence spending is entering a structurally higher cycle with significant implications for the sector and deal activity. Aggregate NATO European Defence spending is expected to exceed €500bn annually, driven by the push to reach or surpass the 2% of GDP target.

The immediate priority is replenishment. Significant inventory has been depleted through transfers to Ukraine, particularly in munitions, air Defence, and land equipment. Rebuilding at pace against a backdrop of historically underinvested industrial capacity will require supply chains to scale rapidly, creating consolidation opportunities across fragmented mid-market ecosystems.

Strategic priorities point to where activity will concentrate: air and missile Defence, ammunition production, ISR, space-based assets, cybersecurity, and counter-UAS. Pan-European programmes and sovereignty considerations are accelerating investment in domestic capabilities and dual-use technologies, with larger groups seeking to acquire rather than build organically.

Demand remains strong, but structural bottlenecks including labour shortages, certification cycles, and limited capacity in energetics, electronics, and propulsion continue to dictate the pace of execution. Businesses with proven positions in constrained supply chains are well placed, and that imbalance shows no sign of easing.”



henslow

RYAN WHITELEGG
Managing Director,
Head of Australian Defence

25+ years of M&A
experience

30+ A&D deals completed

Global Perspectives on Defence & Security: AUS Insights

“

Australia's Defence sector has undergone a structural shift with no precedent in the post-Cold War period. A deteriorating Indo-Pacific security environment, AUKUS treaty obligations, and successive National Defence Strategy iterations since 2024 have moved the Government from managed capability investment to deliberate sovereign industrial buildout.
























The 2026 National Defence Strategy commits approximately A\$425 billion in capability investment over the decade to FY2036. Behind the headline number is something more consequential for dealmakers: a sovereign industrial mandate with the Government co-investing in domestic manufacturing, a \$25 billion naval shipbuilding precinct at Henderson, and a guided weapons enterprise with government off-take built in from the outset. Policy settings are designed to reward businesses already inside that ecosystem.

The priority verticals - naval shipbuilding and sustainment, guided weapons and long-range strike, autonomous and uncrewed systems, counter-UAS, electronic warfare, directed energy, and space - each contain mid-market businesses with sovereign qualification and proprietary technology developed against live government requirements. Sovereign designation narrows the competitive field, incumbents are favoured, and the spend profile is only becoming clearer. The window to move at sensible valuations is tightening.”

Our global Defence transactions

Alongside the recently completed transactions below, we have several global live defence and security-focused mandates, giving us current insight into key buyers' strategic priorities

Latest Defence transactions advised on by Cavendish & global colleagues

  has been acquired by  SPACE	  has been acquired by  COUNTER-UAS	  has been acquired by  SURVEILLANCE	  £17.5 million equity fundraising for SRT Marine Systems MARITIME AWARENESS
  has been acquired by  SURVEILLANCE	  has been acquired by  COUNTER-UAS	  has been acquired by  SPACE	  has been acquired by  VIDEO OPTIMISATION

Cavendish is a champion for ambitious UK companies.

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