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2026

Defense Industry Analysis

"The secret of change is to focus all your energy not on fighting the old, but on building the new."

- Socrates

EXECUTIVE SUMMARY

Defense spending remained exceptionally strong in 2025, fueled by active conflicts, rising geopolitical risk, and long-term strategic competition among major powers. Global military expenditure is expected to exceed $2.7 trillion, with sustained investment in modernization, advanced weapons systems, supply chain resilience, and force readiness.

The United States continues to lead global defense spending at nearly $1 trillion annually, representing roughly one-third of total global outlays. China remains the second-largest spender at more than $300 billion, while Russia continues to dedicate a significant share of national output to defense as the war in Ukraine persists.

NATO members collectively account for more than half of global military spending, with European countries accelerating rearmament, stockpile replenishment, and the expansion of domestic production capacity. Outside NATO, defense budgets across the Middle East remain elevated relative to GDP amid regional instability and strategic competition.

For suppliers, this environment is creating sustained growth opportunities across platforms, munitions, electronics, autonomous systems, and enabling technologies. Companies that can deliver innovation, production speed, and global scalability are likely to be best positioned to win share in an increasingly urgent and competitive defense market.

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MAJOR CONFLICTS AROUND THE WORLD

South/Central American Conflicts

U.S. Confrontation with Venezuela

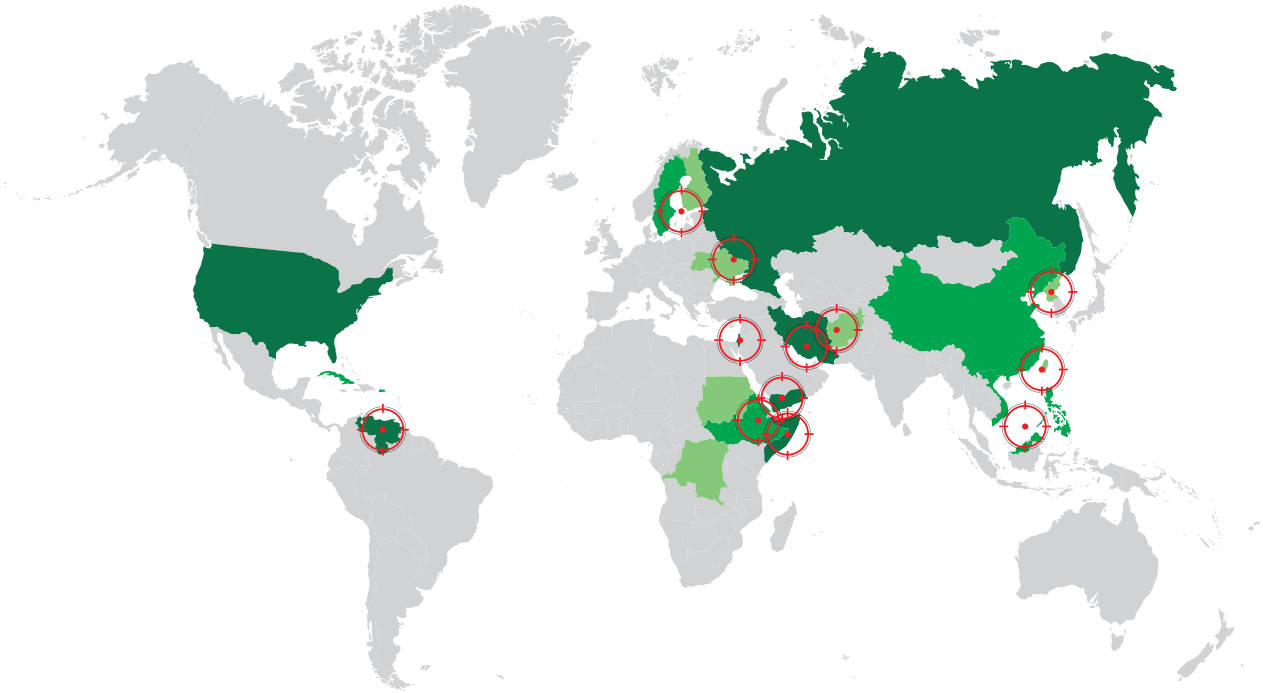
In August 2025, President Donald Trump signed a secret directive authorizing the Pentagon to use military force against select Latin American drug cartels. Shortly afterward, the United States deployed a fleet of naval warships carrying more than 4,500 sailors and Marines toward Venezuelan waters.

Tensions continue to rise in this region. Venezuelan S-300 and Buk M2 air defense systems were reportedly not activated or properly deployed when U.S. helicopters and aircraft entered Venezuelan airspace, meaning they were not connected to the necessary radar networks and did not engage incoming aircraft. This left Venezuela's airspace effectively undefended despite possessing these Russian systems. Venezuela's S-300 failures show the risks of exporting complex defense systems without proper support. Real-world evidence that proper technology deployment can and will have a significant impact on future conflicts.

Criminal Violence in Haiti

During 2024, United Nations-backed troops led by Kenya arrived in Haiti to help ease tension and assist local Haitian officials in retaking critical gang-controlled sites.

Although the United States has not sent any troops, it has pledged more than $300 million for the mission and another $60 million in equipment during both 2024 and 2025. Although this conflict does not drive headlines, it continues to be the closest conflict to U.S. shores.



European Conflicts

The Ukraine-Russia Conflict

An ongoing conflict that rekindled in February 2014, when Russia annexed Crimea and supported separatists in eastern Ukraine. In 2022, Russia launched a full-scale invasion of Ukraine. The conflict has resulted in significant casualties, Russian occupation of nearly 20% of Ukraine's territory, and a major international response, including aid to Ukraine from countries like the United States and other NATO nations. The 2025 Ukraine budget (after amendments) sets defense spending at 31.1% of GDP. For 2026, draft budget proposals prioritize defense: the planned defense budget amounts to about 27.2% of GDP.

War in Ukraine continues to serve as a full scale "testbed" for war-fighting technologies and innovation, providing both seasoned and new suppliers opportunity to showcase product viability and the iteration cycle.

The Nordic/Baltic Area

Previously considered relatively stable and peripheral, this part of the world has become a central theater of deterrence and defense against possible Russian aggression. Finland and Sweden's NATO membership significantly reshaped the regional balance of armaments.

As of 2025, Finland spent approximately 2.4% of GDP on defense (around €6.5 billion). The government has signaled a goal to raise its commitment to 3% of GDP by 2029, with projected annual spending reaching ~€11 billion by 2032. Finland has signed a contract to acquire 64 F-35A fighters, under its HX Fighter Program, to replace its aging Hornet fleet. The U.S. Navy also has ships stationed in the Baltic Sea for BALTOPS (Baltic Operations) exercises to train and deter adversaries.

African Conflicts and Civil Wars

African Conflicts

Today, there are many conflicts and not a single "war," but dozens of overlapping civil wars, insurgencies, ethnic and communal clashes, Islamist militant campaigns, and rebel offensives. They span from the Horn of Africa to the Sahel to Central Africa, entangling local grievances, political power struggles, resource competition, and external interventions with devastating consequences for millions.

Conflicts include those in Libya, the Central African Republic, Sudan, South Sudan, Ethiopia, Somalia, and the Democratic Republic of Congo. Although no official defense spending figures are available to aggregate the costs of all conflicts, the continent continues to be the source of many arms deals.

Somalia

Somalia faces multiple internal conflicts, including a persistent insurgency by the Islamist militant group Al-Shabaab, clan-based rivalries, and tensions between the federal government and semi-autonomous regional states. These challenges are compounded by extreme poverty, recurring droughts, and a weak national defense department, leaving the country heavily reliant on international and African Union support. Somali pirates historically exploited the Gulf of Aden and Bab el-Mandeb, threatening key global shipping lanes, but international naval operations and private security have reduced large-scale hijackings. Sporadic attacks continue, and the strait remains a high-risk corridor due to regional instability, making it a focus of maritime security operations.

Middle East Conflicts

Israeli and Palestinian Conflict

The Israeli–Palestinian conflict is deeply rooted in competing territorial claims and longstanding political and religious tensions. The current phase of the conflict escalated dramatically after Hamas, an armed Palestinian group and political movement in the Gaza Strip, launched a large-scale attack on Israel on October 7, 2023. The attack triggered a major Israeli military campaign in Gaza and led to one of the most intense periods of fighting in the region in decades.

In the fourth quarter of 2025, Israel and Hamas began implementing the first phase of U.S. President Donald Trump's twenty-point peace plan, which was designed to halt large-scale hostilities and initiate a gradual transition toward stabilization and reconstruction in Gaza. Under the agreement's terms, Hamas released the remaining

living hostages and committed to returning the remains of others, while Israel released roughly 2,000 Palestinian prisoners and withdrew forces to predetermined positions. Israeli forces currently maintain control of approximately 53% of the Gaza Strip, with the remainder administered by Palestinian authorities under evolving governance arrangements.

By early 2026, negotiations moved into a second phase focused on demilitarization of Hamas, humanitarian stabilization, and the establishment of a technocratic Palestinian administration to oversee Gaza during a transitional period. Discussions mediated by the United States, Egypt, and Qatar have centered on reconstruction, security arrangements, and the reopening of key crossings such as Rafah to allow humanitarian aid and medical evacuations.

Despite the ceasefire framework, violence has not fully subsided. Israeli airstrikes and clashes with militants have continued intermittently, and both sides accuse the other of violating ceasefire terms. Analysts describe the situation as a "frozen conflict," where large-scale operations have declined but sporadic attacks and military activity persist across Gaza.

In the two years since the October 7, 2023, Hamas attack, the U.S. government has spent approximately $21.7 billion on military aid to Israel. The United States has also spent an additional $9.7 billion to $12.1 billion on military operations in Yemen and the broader region, bringing total U.S. war-related expenditures tied to the conflict to roughly $31.4 billion to $33.8 billion. The United Nations and other humanitarian organizations have significantly expanded aid operations in Gaza, though reconstruction, governance, and the long-term disarmament of Hamas remain unresolved and continue to shape the region's security outlook.

Yemen and the Red Sea Conflict

The conflict in Yemen is a prolonged civil war that began in 2014 when the Houthi movement, a Zaydi Shia-aligned group from northern Yemen, seized the capital Sana'a and later much of the country. This prompted a military intervention by a Saudi-led coalition in 2015 to restore the internationally recognized government.

The conflict has yet to be resolved. Because of its central role in global maritime trade, oil and energy markets, and international security, what happens in Yemen and the Red Sea often touches many governments' economic interests, trade stability, and strategic priorities.

Iran

In June 2025, a significant military confrontation erupted between Israel and Iran, often referred to as the 12-Day War, following escalating tensions over Iran's nuclear program and regional influence. Israel launched extensive airstrikes on Iranian military, nuclear, and missile infrastructure, claiming to disrupt Tehran's strategic capabilities. Iran responded with large-scale missile and drone strikes targeting Israeli territory, though many were intercepted by Israeli defenses. Recent independent analysis by Iran Open Data estimates Iran's military budget for 2025 soared to about $23 billion, a ~35% increase compared with the previous year, driven largely by off-budget oil revenue allocations and opaque funding mechanisms.

By early 2026, tensions remained elevated as intermittent strikes, cyber operations, and proxy activity continued across the region. Iranian-aligned groups in Lebanon, Syria, Iraq, and Yemen increased pressure on Israeli and U.S. interests, while Israel maintained targeted operations against Iranian military infrastructure and affiliated militias. The United States expanded its regional military posture, deploying additional naval and air assets to deter further escalation and safeguard shipping routes in the Persian Gulf and Red Sea. Energy markets responded with periodic volatility amid concerns over potential disruptions to shipping through the Strait of Hormuz, a critical artery for global oil supply. Despite ongoing diplomatic engagement through regional and international intermediaries, the conflict escalated. On February 28, 2026, U.S. and Israeli forces jointly launched Operation Epic Fury, with the U.S. initially focusing on disabling Iranian defenses and Israel addressing various targets throughout the region.

Afghanistan

In 2025, Afghanistan remained highly unstable under Taliban rule, with persistent insurgent attacks from ISIS-K and anti-Taliban resistance groups targeting civilians and security forces. The most significant external conflict was the October border clashes with Pakistan, involving airstrikes and ground fighting, followed by a temporary ceasefire.

Ongoing low-intensity conflict, terrorist attacks, and border skirmishes with Tajikistan kept the security situation volatile. Meanwhile, humanitarian crises, internet blackouts, and Taliban repression compounded instability and civilian suffering across the country.

Asia and Oceania Conflicts

North Korea Tensions

As of 2025, North Korea is in one of its strongest strategic positions in decades, with an expanding missile and nuclear arsenal capable of reaching the U.S. mainland. Missile tests continue regularly, with each launch estimated to cost $2 to 10 million, and heavy testing days potentially reaching $70 million. Despite sanctions and diplomatic pressure, North Korea funds its weapons programs through state resources, cyber operations, and clandestine networks, keeping tensions with the U.S. high and the risk of escalation significant.

Conflict Over Taiwan

The conflict between the U.S. and China over Taiwan is a major geopolitical flashpoint, though a full-scale invasion is considered extremely difficult and risky for China. China claims Taiwan as its territory and has not ruled out force, while the U.S. maintains a policy of "strategic ambiguity" regarding direct military intervention, although it provides Taiwan with defense capabilities. China has deployed short- and medium-range missiles along its coast facing Taiwan. Taiwan continues to invest in asymmetric defenses, including mobile missile systems, air defense, and drones.

Recent developments include China's military buildup and heightened activity around Taiwan, alongside U.S. efforts to bolster Taiwan's self-defense, leading to increased military confrontation in the Taiwan Strait. A recent summary from 2015 to 2025 shows that the U.S. notified Congress of more than $28 billion in Foreign Military Sales (FMS) to Taiwan in that period alone. Taiwan's official defense budget for 2025 is approximately $20 billion, roughly 2.5% of GDP. This includes core military funding and special expenditures for key acquisitions like submarines and aircraft.

Territorial Disputes in the South China Sea

The South China Sea disputes are primarily maritime and territorial in nature, centered on control over islands, valuable natural resources, and strategically important shipping lanes. While multiple countries, including China, Vietnam, the Philippines, Malaysia, Brunei, and Taiwan, claim overlapping areas, the United States does not assert territorial claims but enforces international law through naval patrols and joint exercises with regional allies. These operations, often involving destroyers, aircraft carriers, and amphibious vessels, aim to maintain freedom of navigation and deter aggressive maneuvers.

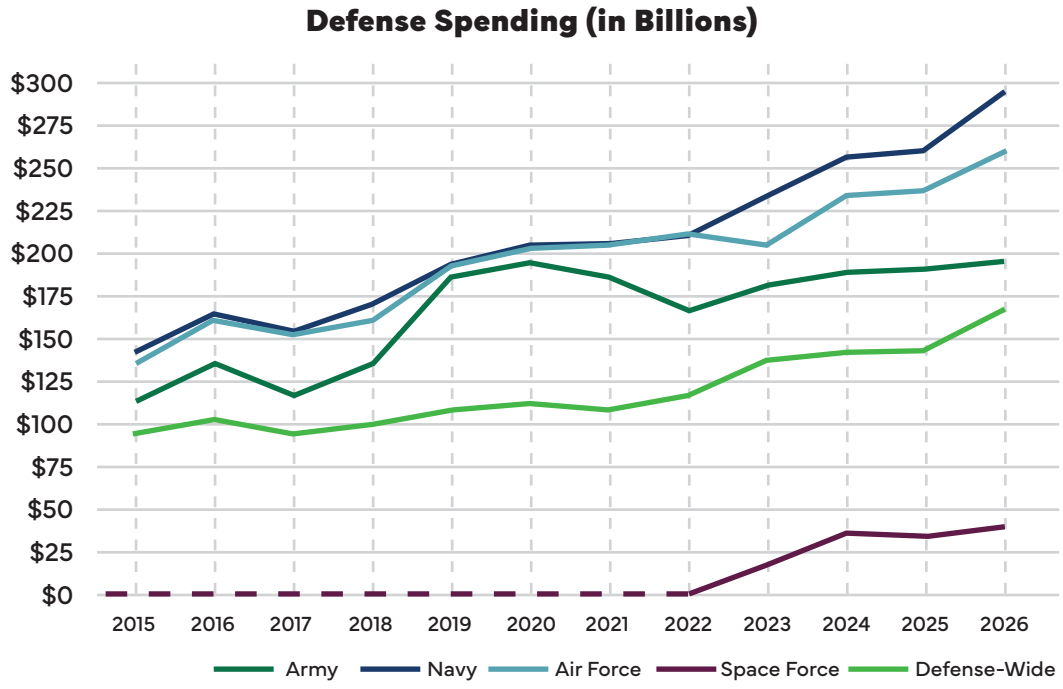
The region remains a potential area of escalation due to ongoing militarization, artificial island construction, and the strategic interests of both China and U.S. allies, making diplomatic tensions and the risk of confrontation persistent concerns.

MILITARY SPENDING AROUND THE WORLD

United States Spending

On July 4, 2025, President Donald Trump signed the One Big Beautiful Bill Act (OBBBA) into law, which authorized approximately $150 billion in defense and national security appropriations. The investment in defense and national security will be allocated toward "Golden Dome" missile defense, shipbuilding, and nuclear initiatives.

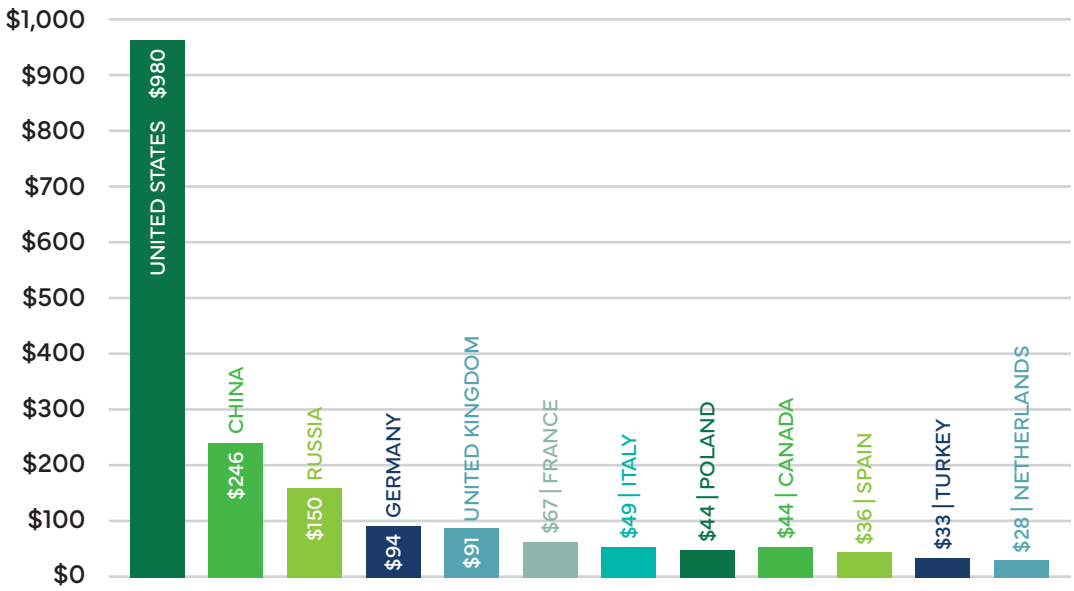
Nearly $150 billion in additional defense spending has been reserved for unmanned platforms, including kamikaze drones, uncrewed aircraft systems (UAS), drone boats, and underwater drones. About $13.5 billion is specifically set aside for small UAS and autonomous platforms, driving investment in both defense and dual-use drone technologies that could serve military and industrial/commercial applications.



Missile defense will receive $24.4 billion for the development of the "Golden Dome" layered missile defense system. In addition to the development, procurement, and integration of military missile defense, the appropriations will be used for space-based sensors, boost-phase intercept capabilities, hypersonic defense systems, air-moving target indicators, military satellites, and ground-based missile defense radars.

Shipbuilding will receive $29.2 billion for a U.S. Navy shipbuilding program and other efforts to increase U.S. shipbuilding capacity. Nuclear initiatives will receive $10.8 billion for recapitalization of the U.S. nuclear arsenal as well as $3.1 billion to support the National Nuclear Security Administration (NNSA).

Largest Defense Spending Budgets (Billions)



One of the larger projects the DOD (Department of Defense) has put under the 2026 budget request is the "Golden Dome for America," which is a missile defense shield. Other major 2026 funding proposals include:

- $24.4 billion for the planned Golden Dome for America missile defense shield;
- $62 billion to modernize and sustain the military's nuclear forces;
- $3.5 billion for the Air Force's F-47 sixth-generation air superiority fighter jet platform; and
- $47 billion total toward ship building

In January 2026, Trump called for the U.S. military budget for fiscal year 2027 to be set at $1.5 trillion, saying it would help build what he called a "dream military" amid "troubled and dangerous times."

"Trump Battleships"

President Trump unveiled plans in December 2025 for a new class of large surface combatants, called Trump-class battleships, as part of a broader naval expansion dubbed the "Golden Fleet."

The ship's design will take many years. At the "30,000 to 40,000" tons cited by the President, the ship is much larger than anything the United States has built in the last 80 years, other than aircraft carriers. The truncated DDG-1000 class (only three built) displaced 15,000 tons but still took 11 years from program initiation (2005) to commissioning of the first ship (2016). The battleship will be more than twice as large and more complicated, nuclear-capable with directed-energy weapons. The first ship, USS Defiant (BBG-1), is likely to be commissioned in the early- to mid-2030s, assuming it is built at all.

The cost will be extremely high. The DDG-51 class flight III (the current version of this destroyer class) displaces 9,000 tons and costs $2.8 billion each. A ship four times as large would not cost four times as much but would still be much more expensive. The Congressional Budget Office estimated that a future destroyer of 14,500 tons would cost $4.4 billion or $300,000 per ton. That would imply a battleship cost of about $9.1 billion, allowing for some economies of scale. Lead ships are typically 50% more expensive than the average, so BBG 1 would likely cost $13.5 billion, about as much as an aircraft carrier.

U.S. and Taiwan Spending

The Trump administration announced $11.1 billion in arms sales to Taiwan, the largest ever U.S. weapons package for the island, which is under increasing military pressure from China. This announcement came on December 18, 2025. The package was subsequently approved by U.S. Congress, but continued to be stuck in the U.S.-China talks. Additionally, Taiwan President Lai Ching-te announced a $40 billion supplementary defense budget, to run from 2026 to 2033, saying there was "no room for compromise on national security".

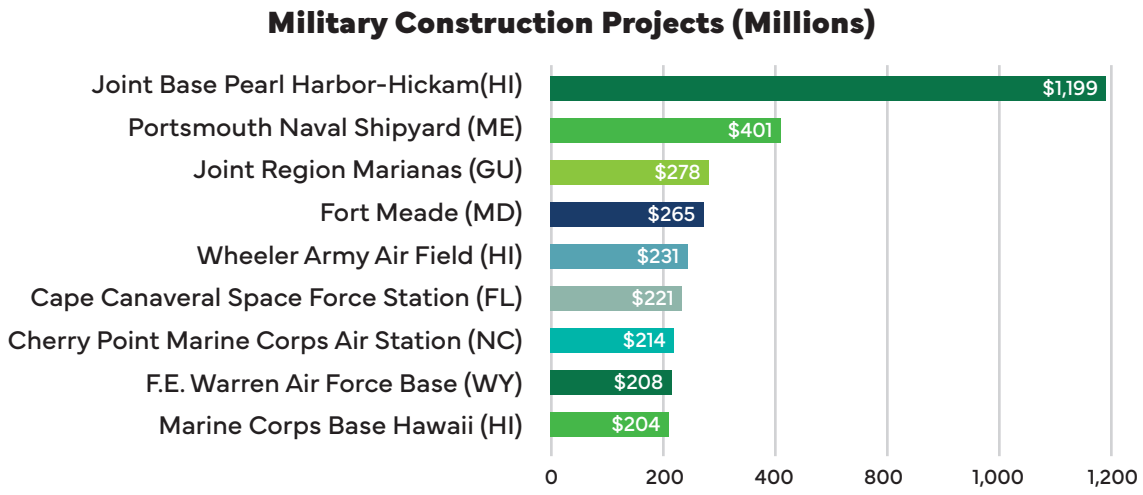
Tawain arms deal included in the $11.1 billion:

System	Main Role	Effectiveness
HIMARS (82)	Long-range precision fires	Strikes deep, complicates invasion
ATACMS (~420)	Extended-range missiles	Deep counterforce capability
M109A7 Howitzers (60)	Artillery support	Sustains conventional fires
Javelin & TOW Missiles	Anti-armor	Anti-tank defense
Altius UAS	Unmanned strike/surveillance	Flexible ISR/attack options
TMN Software/Networking	Force coordination	Improves battlefield awareness
AH1W Parts & Harpoon Kits	Sustainment	Maintains existing platforms

Base Investments by Branch

DOD military construction and family housing programs fund infrastructure to support military operations and servicemembers worldwide. The Biden Administration's fiscal year 2025 (FY2025) budget submission to Congress requested $17.5 billion for DOD's military construction (MILCON) and family housing programs.

In May 2024, the House Appropriations Committee reported a Military Construction, Veterans Affairs, and Related Agencies Appropriation Act (MILCON-VA), 2025, H.R. 8580 (H.Rept. 118-528).



Later in 2024, the House passed H.R. 8580, which would have provided $18 billion for DOD MILCON accounts, 2.3% more than the requested amount. Subsequently, the Senate Appropriations Committee reported a version of the bill, S. 4677 (S.Rept. 118-191), which would have provided $19.3 billion for DOD MILCON and family housing accounts, 10% more than the requested amount.

On March 15, 2025, President Trump signed H.R. 1968, the Full-Year Continuing Appropriations and Extensions Act, 2025 into law as P.L. 119-4. The law generally authorized DOD appropriations provided for FY2024 to continue at the same levels for FY2025, but Division A, Title XI, contained exceptions that provided new FY2025 appropriations for some MILCON and family housing accounts. The law provided a total of $17.5 billion for these accounts.

Space Force

The United States Space Force (USSF) is a formal branch of the U.S. Armed Forces focused on space operations and defense. The name "Space Defense" is often used informally or in context with specific units or missions within this broader structure. The U.S. Space Force was funded at around $28.7 billion under a continuing resolution slightly below the original request of $29.4 billion. Research, Development, Test, and Evaluation is the largest portion of the budget at $18.7 billion.

Michigan-Specific Programs/Initiatives

Selfridge Air National Guard Base in Michigan is undergoing a major modernization under the "Mission Next" initiative to maintain and expand its operational relevance. The base will host a new fighter mission with approximately 21 F-15EX Eagle II jets, replacing the aging A-10 fleet, and a tanker mission with KC-46A Pegasus aircraft. The modernization includes a new 41,900-square-foot hangar costing $28 million for fighter maintenance and operations, as well as offices and classrooms. Runway repairs and a $124 million runway realignment project are underway to safely accommodate larger, faster aircraft and comply with safety regulations. Infrastructure upgrades also include taxiways, utilities, refueling and weapons storage facilities, and instrument upgrades, effectively amounting to a full-base overhaul. Federal and state funding has been allocated across multiple years.

The total projected cost for full modernization through 2031 is nearly $1 billion, covering construction, aircraft beddown, and support facilities. The new missions will preserve thousands of jobs and maintain the base's $850 million annual contribution to Michigan's economy. Aircraft transitions are scheduled with the A-10 retirement beginning around 2026, KC-135 divestment in 2027, the first F-15EX arrival in 2028, and KC-46A arrivals in 2029–2030. Challenges remain, including completing infrastructure on time, obtaining environmental approvals, and retraining personnel, but Mission Next is expected to transform Selfridge into a fully modern dual-mission base.

Cut Programs

Defense Secretary Pete Hegseth signed a memorandum on April 10, 2025, announcing the cutting of $5.1 billion in wasteful Defense Department contracts. Additionally, Hegseth said the department is cutting 11 contracts related to diversity, equity, and inclusion, climate change, the department's response to the COVID-19 pandemic, and related nonessential activities across DOD.

In March 2025, Pete Hegseth signed a memo canceling more than $580 million in programs, grants, and contracts considered "wasteful" or misaligned with DOD priorities.

The U.S. Navy recently cut the Constellation-class frigate program in November of 2025. The program already had two-and-a-half built boats worth $5.5 billion. The money had already been invested for design, early work, construction on the first two ships, and infrastructure at the shipyard. With the cancellation, the Navy will not proceed with the four additional hulls, meaning the billions that would have been spent on those four ships are now avoided. According to one report, the Navy could save "as much as $20 billion over the next 10–15 years."

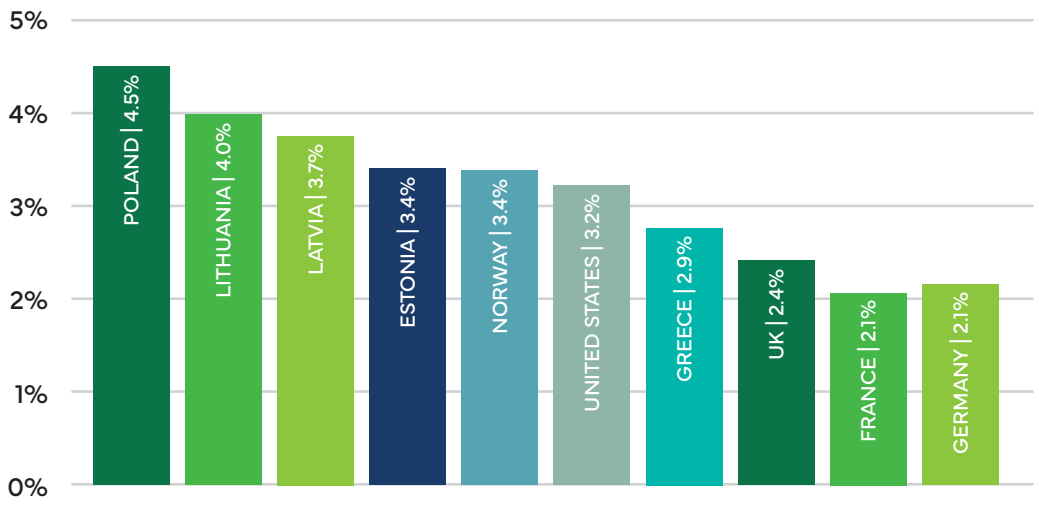
The U.S. has already planned to significantly reduce its permanent troop levels in Germany (from ~36,000 to ~24,000), relocating some troops within Europe and sending others home. The drawdown is part of a broader U.S. strategy shift: less reliance on forward basing, more focus on flexibility, and greater burden-sharing with allies. This retracement of troops has led the U.S. to move troops and resources into surrounding countries like Poland.

In recent events, there have been major defense agreements, primarily Poland acquiring U.S. Stryker armored vehicles for a symbolic $1, alongside significant funding/deals for Patriot missile support and F-16 upgrades, strengthening NATO's flank, with recent news in late 2025 focusing on the Stryker deal logistics. With the missile support, F-16 upgrades, and Stryker vehicles, the agreements total nearly $7 billion.

International Spending

NATO historically set a 2% of GDP guideline (since 2014). However, at the 2025 Hague Summit, Allies agreed on a new ambition to spend up to 5% of GDP on defense and security-related investments by 2035.

Percentage of GDP on Defense - 2025



Germany Spending

There have been many security concerns as the Russian invasion of Ukraine continues. Germany has increased its defense budget to record highs of ~€86.4 billion (~$99 billion). The increase in defense spending has pushed Germany's defense spending to ~2% of GDP.

In 2025, there was discussion and planning within the U.S. government to reduce the number of American troops stationed in Germany and elsewhere in Europe, but no complete withdrawal took place, and no large force was withdrawn. Reports indicated that the U.S. planned to reduce permanent troops in Germany to around 25,000 by moving some units back to the U.S. or to other NATO countries, and that some rotational brigade deployments in Eastern Europe (e.g., Romania) were ended as part of broader force posture adjustments. However, senior U.S. military leaders publicly recommended maintaining current troop levels, and U.S. and NATO officials repeatedly stated there were no immediate plans to withdraw forces entirely from Europe; Congress also acted to limit cuts below a certain threshold without consultation.

Russia Spending

Russia's military spending remained elevated in 2025 as the war in Ukraine continued to drive procurement, mobilization, and defense-industrial output. Estimates commonly place Russia's 2025 defense spending at roughly $150 billion, reinforcing

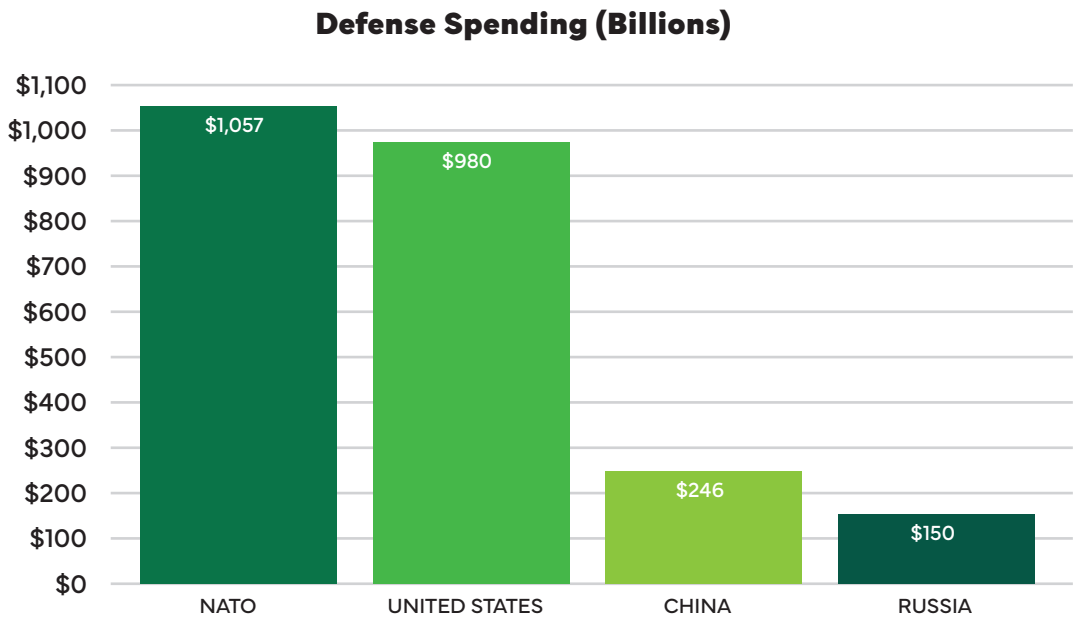
its position as one of the world's largest defense spenders. Despite budgetary and inflationary pressure, Russia continues to prioritize military production, munitions replenishment, and modernization programs. This sustained spending level is expected to continue shaping NATO planning, particularly across Europe's eastern flank, as allied governments respond with higher defense budgets and expanded industrial capacity.

China Spending

China remained a top military spender in 2025, with estimated defense spending of roughly $246 billion. Its military investment continues to focus on naval expansion, missile forces, air and space capabilities, cyber operations, and technological self-sufficiency. China's sustained spending reflects its broader strategic priorities in the Indo-Pacific, including Taiwan, the South China Sea, and long-term competition with the United States. This level of investment is expected to continue influencing U.S. and allied defense planning across Asia and Oceania, particularly around deterrence, force posture, and advanced weapons development.

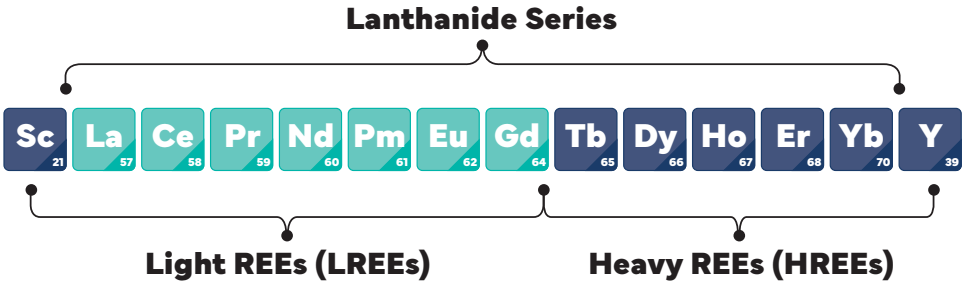
Japan Shipbuilding

The Shipbuilders Association of Japan (SAJ) is promoting a $2.3 billion strategy to focus on eco-friendly, high-tech shipbuilding, including automation, larger cranes, and digital systems to modernize facilities. Historically, Article 9 of the Japanese Constitution states that all vessels built should be for defensive purposes only. Article 9 constraints mean Japan cannot directly use these shipyards to mass-produce offensive warships, though dual-use capabilities and JSDF auxiliary ships are legally allowed.



RARE EARTH ELEMENTS

The rare earth elements (REE) are a set of 17 metallic elements. These include the 15 lanthanides on the periodic table plus scandium and yttrium. Rare earth elements are an essential part of many high-tech devices. REE are essential components of more than 200 products across a wide range of applications, especially high-tech consumer products such as cell phones, computer hard drives, electric and hybrid vehicles, and flat-screen monitors and televisions. Significant defense applications include electronic displays, guidance systems, lasers, and radar and sonar systems. Although the amount of REE used in a product may not be a significant part of that product by weight, value, or volume, the REE can be necessary for the device to function.



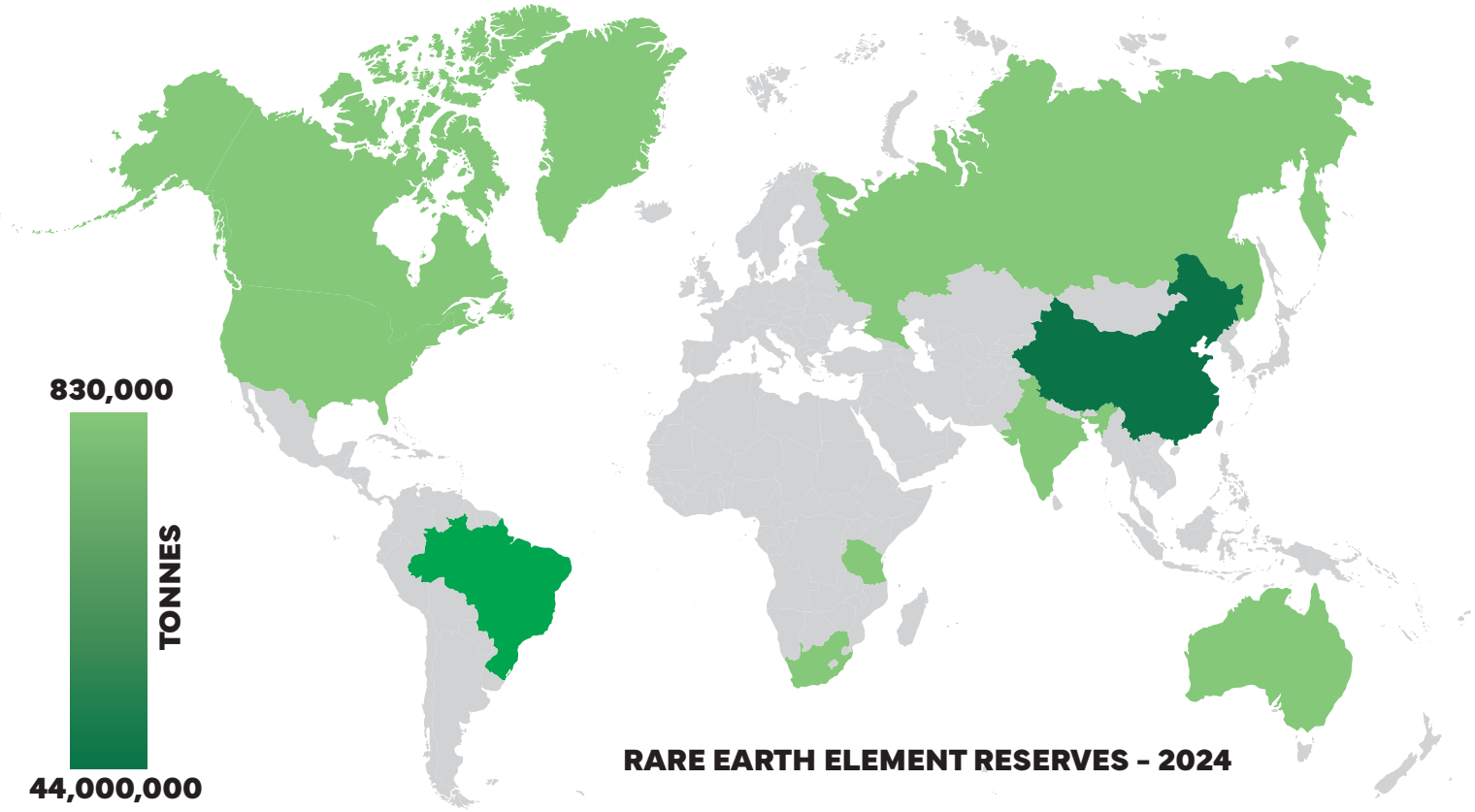
Ramaco's Brook mine covers about 6,394 hectares (ha), of which 1,821 ha are currently permitted. The company plans to seek approval to expand mining to the remaining area and has acquired additional land nearby to support future development and storage. The mine is believed to be one of the world's only primary sources of scandium, gallium, and germanium, and also hosts heavy rare earths such as dysprosium and terbium, as well as light rare earths neodymium and praseodymium.

Ramaco's board has approved a plan to increase projected oxide production to 3,400 tons per year (T/Y), a 174% increase over the 1,240 t/y estimated in a preliminary economic analysis by Fluor. The higher output target aligns with the company's plan to lift coal production from 2 million to 5 million tons per year.

A technical report summary by Weir estimates 1.4 million tons of total rare earth oxide resources within the permitted area, including gallium, scandium, and germanium. Ramaco expects the figure to rise as further exploration work continues.

Ramaco said the stockpile is part of its commitment to strengthening the U.S. critical minerals supply chain, supporting national security, and advancing domestic rare-earth production.

MP Materials Corp. (NYSE: MP), America's fully integrated rare earth materials and magnetics producer, today announced it has partnered with the U.S. Department of War (DoW) to establish a strategic joint venture with the Saudi Arabian Mining Company



(Maaden), Saudi Arabia's flagship mining company, to develop a rare-earth refinery in the Kingdom of Saudi Arabia. This binding agreement between the three parties follows the strategic framework for cooperation to secure critical supply chains reached by the United States and the Kingdom of Saudi Arabia, which was signed in November 2025 in Washington, D.C.

The formation of a joint venture to build a rare-earth refinery in Saudi Arabia is a pivotal step toward rebalancing the global rare-earth supply chain and aligns with U.S. economic and national security interests. The joint venture will leverage Saudi Arabia's competitive energy base, world-class infrastructure, strategic location, and significant untapped rare-earth resource potential to advance a stable and secure supply chain for rare-earth materials. The facility will be designed to process rare-earth feedstock sourced from Saudi Arabia and other global regions, and to produce significant quantities of separated light and heavy rare-earth oxides. These refined products will support U.S. and Saudi manufacturing and defense sectors and be marketed to allied nations.

"We are honored that the U.S. government asked MP to partner on a project of this magnitude and importance for America and its allies," said James Litinsky, Founder, Chairman & CEO of MP Materials. "By combining MP's technical expertise with the strategic vision of the U.S. Department of War and Maaden's capabilities and scale, the pieces are in place to fundamentally strengthen and diversify the supply chain."

U.S. Public-Private Partnership

The Public-Private Partnership initiative builds on MP Materials' (MP) multibillion-dollar public-private partnership with the DoW announced in July 2025. To execute on the previously announced partnership and significantly expand domestic refining and magnet manufacturing capacity in the coming years, MP is investing over $1 billion and hiring more than 1,000 manufacturing workers in the United States. These investments include expanding heavy rare-earth separation capabilities at Mountain Pass, California, and developing the Company's second magnet manufacturing facility in the United States.

Tomahawk missiles are coveted by militaries around the world because they can hit a target 1,000 miles away. That accuracy is possible because their fins use powerful magnets made of samarium, a rare-earth metal that can tolerate high heat.

When China put restrictions on some rare-earth exports in 2025, it cut off the supply of samarium to American defense contractors that sell to Raytheon, the maker of Tomahawk missiles. Samarium is processed almost exclusively in China, where more than 85% of the world's rare-earth magnets are made.

A carefully orchestrated deal involving two European companies gave U.S. defense contractors access to a new source of samarium, allowing production to continue for now. But that supply, made from material that had been sitting in a factory in France since the 1970s, is limited. Now the Trump administration is racing to develop a new source before the European stockpile runs out.

RARE EARTH PRODUCTION

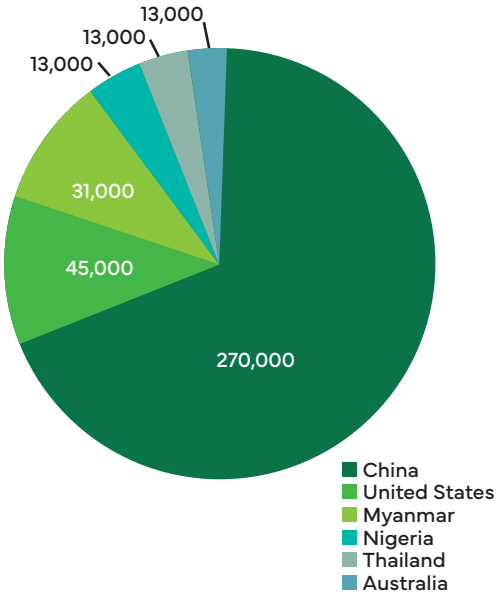
Flag Code	Country	2024	2023	2022	2021
CN	China	270,000	255,000	210,000	168,000
US	United States	45,000	41,600	42,000	42,000
MM	Myanmar	31,000	43,000	12,000	35,000
NG	Nigeria	13,000	7,200	-	-
TH	Thailand	13,000	3,600	7,100	8,000
AU	Australia	13,000	16,000	18,000	24,000
IN	India	2,900	2,900	-	2,900
RU	Russia	2,500	2,500	2,600	2,600
MG	Madagascar	2,000	2,100	960	3,200
VN	Vietnam	300	300	1,200	400
MY	Malaysia	130	310	80	-
BR	Brazil	20	140		500
BI	Burundi	-	-	-	200
	Total	**392,850**	**374,650**	**293,940**	**286,800**

China began requiring export licenses for samarium and six other rare-earth metals in April after President Trump rolled out tariffs against China and several other nations. A spokesman at the Chinese Embassy in Washington said in an email that the export controls had been instituted to "defend world peace." Foreign companies that use samarium for military purposes are no longer allowed to buy it.

Meeting The Global REE Supply Chain Challenge

Global demand for rare earths is rising rapidly. According to the International Energy Agency (IEA), the production of rare earths will need to increase sevenfold by 2040 to meet the needs of the clean energy sector alone. However, supply chains remain highly centralized, with China accounting for more than 60% of global rare-earth mining and nearly 90% of refining. This concentration heightens supply chain risks, especially as geopolitical tensions increase. This creates a unique challenge: how to secure a reliable and sustainable supply of rare earths in a highly competitive global economy where supply chains are becoming increasingly strained.

2024 RARE EARTH ELEMENTS PRODUCTION



The need to expand the global rare-earth supply chain has become increasingly urgent. To address these risks, many countries are actively diversifying their rare-earth supply chains. Western nations like the United States are investing in domestic mining and refining operations to secure reliable REE access and reduce reliance on a single supplier. This shift is not just about securing REEs for the clean energy transition; it's also about ensuring supply chain resilience, stability, and strategic independence.

Driving Diversification and Sustainability in Rare Earth Supply Chains

In the race to diversify the global supply chain for rare-earth elements, many companies are exploring new deposits. Australia, the United States, and Brazil are home to some of the largest deposits of rare-earth elements outside of Asia, and mining companies operating in these nations are beginning to tap into this potential.

Collaborative efforts between governments and private companies are crucial for advancing innovative extraction and refining methods, allowing these regions to reduce global dependence on a single supplier while advancing environmental, social and governance (ESG) goals.

Rare-Earth Elements Crucial to Defense

The U.S. has identified 35 metals or minerals crucial for its industrial base. Among them are:

Name	Properties	Aerospace Users
Gallium	Superconductivity	Computer chips, light-emitting diodes
Neodymium	Extremely powerful, durable magnets	Missile guidance systems
Samarium	High-temperature magnetism, absorbs neutrons	Nuclear reactor control rods, lasers
Praseodymium	Makes stronger, more heat-tolerant alloys, permanent magnets	Aircraft engines, satellite components
Yttrium	Alloy strengthener, glass clarifier	Microwave emitters, optical coatings, LEDs
Promethium	Low radioactivity	Long-lived batteries for missiles
Lanthanum	Glass clarifier, reacts with hydrogen	Optics and lenses, night-vision goggles, fuel cells
Europium	Phosphorescence	LEDs, plasma displays

However, driving diversification and sustainability in rare earth supply chains is not without challenges. One of the key obstacles is the higher upfront cost associated with environmentally friendly practices. While these methods may initially seem costlier, they are often more competitive in the long term when considering the broader global economic and environmental benefits.

MAJOR MILITARY SUPPLIERS

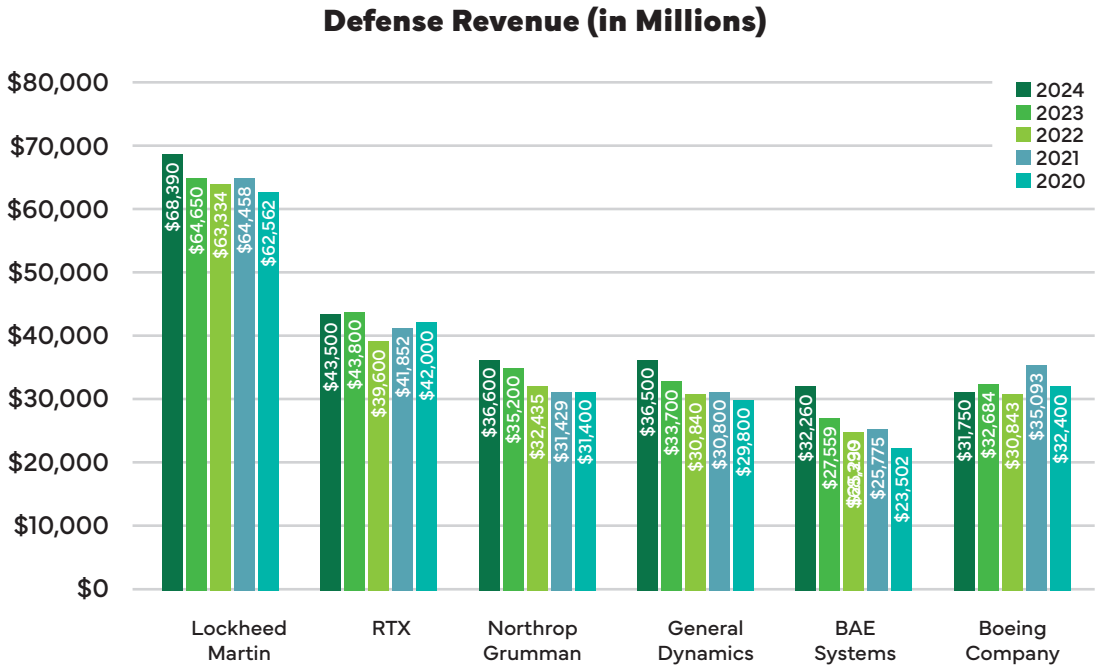
Lockheed Martin

The company delivered solid top-line growth in 2025. Sales for the quarter ended September 30, 2025, reached $18.6 billion, representing a 9% increase compared to $17.1 billion in the prior-year quarter. Year-to-date performance remained strong, with sales for the nine months ended September 30, 2025, totaling $54.7 billion, up 4% from $52.4 billion in the same period of 2024.

An interview with Jim Taiclet, Chairman, President, and CEO of Lockheed Martin noted the following. "Our record $179 billion backlog, more than two and a half years of sales, underscores the trust our customers place in us and underpins our company's long-term growth prospects. Major contract awards for the CH-53K and PAC-3 MSE programs are the largest ever for our Rotary and Mission Systems and Missiles and Fire Control businesses, respectively. Additionally, in close collaboration with our customers, we finalized the contracts covering Lots 18 and 19 of the F-35 early in the fourth quarter." Lockheed Martin has delivered a record 143 F-35 Lightning II jets through the end of the third quarter.

Some key increases in the company's operations are as follows:

- **PAC-3 Missile Segment Enhancement (PAC-3 MSE):** Lockheed Martin plans to produce more than 600 PAC-3 MSE interceptors in 2025, its highest annual output yet. The goal is to ramp up to 650 per year, with potential for further growth.
- **Guided Multiple Launch Rocket System (GMLRS):** Production is expanding rapidly; the company has delivered over 75,000 rockets to date and is nearing a capacity of 14,000 rockets per year.
- **HIMARS (Launcher for GMLRS/PrSM etc.):** Launcher production has increased from 48 to 96 units per year, doubling capacity to meet demand.
- **Precision Strike Missile (PrSM):** Under an Indefinite Delivery/Indefinite Quantity contract awarded in March 2025, Lockheed is scaling up to deliver 400 PrSM missiles per year, producing "Early Operational Capability" missiles already.
- **Javelin (Anti-tank missile):** The production line is being modernized: current output is ~2,400 missiles per year, with plans to ramp up to 3,960 per year by late 2026.



RTX (Raytheon Technologies)

The company delivered strong top-line growth in 2025. Sales for the quarter ended September 2025, increased to $22.5 billion, up 12% from $20.1 billion in the prior-year quarter. For the nine months ended September 30, 2025, sales totaled $64.4 billion, representing a 9% increase compared to $59.1 billion in the same period of 2024. During the third quarter of 2025, the company secured approximately $37 billion in new contract awards, driving total backlog to $251 billion, including $103 billion attributable to defense programs.

In late Q3 2025, the Company was awarded a $1.7 billion contract from the U.S. Army to deliver nine Lower Tier Air and Missile Defense Sensor (LTAMDS) radars for the U.S. and Poland. Poland became the first international customer to receive an LTAMDS, signaling a potential for other countries to increase their missile defense. The contract includes not only the radars but also engineering services, spares, support, development, and testing, reflecting a full lifecycle of commitment from deployment to sustainment.

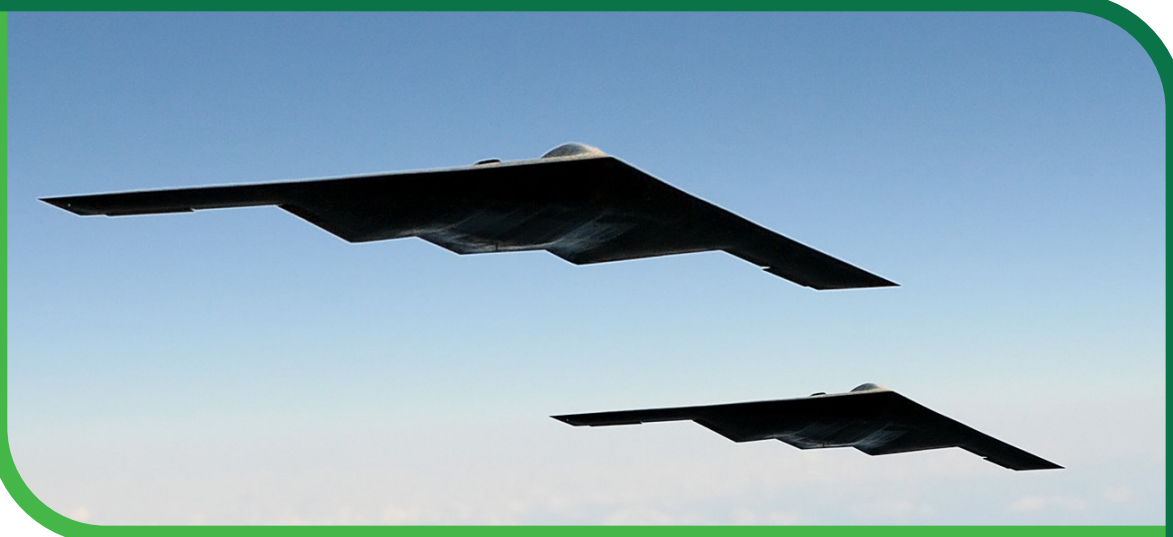
Northrop Grumman Corp.

Sales for the quarter ended September 30, 2025, totaled $10.4 billion, reflecting a 4% increase compared to $10.0 billion in the prior-year quarter. For the nine months ended September 30, 2025, sales were $30.2 billion, essentially flat compared with $30.3 billion in the same period of 2024. During the third quarter of 2025, the company secured $12.2 billion in new contract awards, increasing total backlog to $91.4 billion, reinforcing long-term revenue visibility.

In early 2025, the company secured two significant contracts totaling $1.4 billion to advance air and missile defense capabilities for the U.S. Army and Poland. The U.S. Army's Aviation Missile Technology Consortium awarded Northrop Grumman a $481 million, five-year contract to expand software development for the Integrated Battle Command System (IBCS). This includes $347.6 million dedicated to Poland's defense initiatives and $133.7 million for the U.S. military and the Guam Defense System.

Under this award, Northrop Grumman will lead collaborative efforts with specialists in artificial intelligence (AI) and model-based systems engineering to boost the software development capacity of IBCS, and will integrate Polish sensors and the United Kingdom's Common Anti-Air Modular Missile system (CAMM).

Under a second contract, valued at $899.6 million, Northrop Grumman will deliver IBCS as the single command and control system for Poland's WISŁA medium-range and NAREW short-range air defense programs.



BAE Systems

BAE Systems is a top contractor and supplier in the defense sector. During the six months ended June 30, 2025, sales increased approximately 11% compared to the six months ended June 30, 2024. During the first half of 2025, the Company met various milestones for its customers, including launching Edgewing, a joint venture with international industry partners in Italy and Japan on GCAP, which will be accountable for the design and development of the next-generation combat aircraft under the program. The company reached its 500th Armored Multi-Purpose Vehicle (AMPV) milestone and is on track to meet the U.S. Army's plan to field nearly 3,000 AMPVs within Armored Brigade Combat Team formations.

The company opened a new ship lift and land-level repair complex in Jacksonville, Florida. BAE also invested $250 million to significantly enhance the complex's capabilities and increase site capacity to maintain and repair U.S. Navy vessels and commercial ships. The U.K.-based supplier continues to invest and progress in recruiting young talent and apprentices to develop and grow the business.

BAE Systems has been awarded a $36 million production contract from Lockheed Martin to deliver Multifunction Modular Mast (MMM) systems for integration onto U.S. Navy submarines.

The MMM system is a radio frequency receiving antenna that provides U.S. Navy submarines the ability to detect, identify, and direction-find adversary communications signals before rising to the surface. The antennas will mount on new Virginia-class submarines and feed into Lockheed Martin's AN/BLQ-10 electronic warfare (EW) system.

General Dynamics

The company reported robust growth in 2025, with sales for the quarter ended September 30, 2025, reaching $12.9 billion, a 10.6% increase from $11.7 billion in the prior-year quarter. For the nine months ended September 30, 2025, sales totaled $38.2 billion, up 11% from $34.4 billion in the same period of 2024. During the third quarter of 2025, the company secured $12.2 billion in new contract awards, increasing total backlog to $109.9 billion, further strengthening long-term revenue visibility.

General Dynamics Information Technology has received a $1.3 billion task order to continue modernizing and securing IT systems for U.S. Army posts in Europe and Africa. The Enterprise Mission Information Technology Services 2 award, announced in September, includes a five-month transition period followed by seven option years.

During this year's International Defense Industry Exhibition (MSPO) in Kielce, Poland, General Dynamics Land Systems (GDLS) signed 52 contracts with eight Polish companies for the supply of spare parts for Abrams tanks. The agreements cover 52 components used in Abrams tanks and represent another step in the development of long-term cooperation with the Polish defense industry.

"Today's agreements are further confirmation of our commitment to Poland," said Christopher Brown, Vice President of Global Strategy and International Business Development at General Dynamics Land Systems. "Together with our partners, we are building real production and service capabilities that will enable the further integration of Polish industry into the global Abrams supply chain into the future."

The Polish government has ordered a total of 366 Abrams tanks. To date, all 116 Abrams tanks ordered in the M1A1FEP variant have been delivered and put into service with the Polish Land Forces. Eighty-five of the 250 SEPv3 Abrams have also been delivered. The first delivery arrived in Poland in January 2025, and the final delivery is scheduled for Fall 2026.

BAE Systems Hägglunds and GDLS-Canada have teamed up to compete in Ottawa's Domestic Arctic Mobility Enhancement (DAME) project.

The partnership combines BAE's expertise in all-terrain vehicle designs with GDLS' long-term in-service support capabilities across Canada, and it is offering the BvS10 Beowulf all-terrain platform in a bid to replace the Canadian army's current BV206 fleet.

With a funding range of 250 to 499 million Canadian dollars ($178 to $355 million), the DAME program supports Ottawa's broader policy focus on strengthening its presence in the Arctic and northern region. Initial deliveries are anticipated by 2029 to 2030, with the final deliveries expected by 2031 to 2032.

Boeing

Boeing has been awarded a combination of multiyear contracts valued at approximately $2.7 billion to produce additional Patriot Advanced Capability3 (PAC-3) seekers. Under the agreements, Boeing will deliver more than 3,000 seekers at rates of up to 750 units per year through 2030.

Boeing is working closely with prime contractor Lockheed Martin and the U.S. Army to further increase production rates and meet new targets for the PAC-3 interceptor. Scaling seeker output is critical to ensuring the Patriot system can continue to defend service members, civilians, and critical infrastructure worldwide as threats proliferate.

In 2025, the company set new monthly and 12-month rolling average production records and is targeting delivery of a record 650 to 700 seekers by year's end. Years of internal investment, modernization of production lines, strengthened supplier partnerships, and the completion of a new 35,000-square-foot factory expansion have increased Boeing's production capacity.

Boeing was awarded a $4.7 billion U.S. Army contract to build new Apache helicopters. The agreement includes new Apache AH-64E model helicopters, the Longbow flight simulators pilots use as part of their training regimen, and a suite of accessories.

The other contract was with the Air Force for an additional 15 KC-46A Pegasus tankers, valued at $2.5 billion. Pegasus tankers are used for aerial refueling of other planes. The addendum was part of a long-term Lot 12 contract.

NEW TECHNOLOGY AND EMERGING SUPPLIERS

The defense technology and innovation landscape is undergoing rapid transformation as new entrants challenge the traditional contractor model. Startups are accelerating innovation by integrating artificial intelligence, autonomy, and advanced software into next-generation defense systems. These technologies are enabling faster decision-making, greater operational awareness, and increasingly autonomous platforms across land, sea, and air domains. The following emerging suppliers highlight how a new generation of defense technology firms is translating AI-driven innovation into operational capabilities and active defense contracts.

Anduril

Anduril's existence can be largely attributed to Trae Stephens, its current chairman. In 2014, Stephens joined the Founders Fund, and while at the firm, he developed a thesis on the government's broken approach to defense contracting. He then made it his mission to back the next defense tech startup. Stephens met Palmer Luckey shortly after Luckey sold Oculus VR to Meta in 2014, bonding over their shared interests in national security. After Luckey left the social media giant, Stephens pitched him an idea for a modern defense contractor, and Luckey was immediately interested. In 2017, the two co-founded Anduril Industries.

Anduril's product offerings are comprised of defense capabilities that leverage both advanced software and hardware. Its family of autonomous systems, powered by Lattice-OS, is built to provide situational awareness and security across land, sea, and air.

Anduril to provide propulsion for Boeing offering in U.S. Army's advanced midrange interceptor competition

Boeing has partnered with Anduril Rocket Motor Systems in the U.S. Army's Integrated Fires Protection Capability (IFPC) Increment 2 Second Interceptor competition. Anduril will provide the solid rocket motor for the team's medium-range interceptor offering.

Boeing was awarded an Other Transaction Authority (OTA) Project Agreement to develop the new midrange interceptor on Dec. 5 as part of the Army's efforts to enhance defenses against emerging aerial threats.

The Boeing-Anduril team aims to complement existing short- and long-range air defense systems with an affordable, capable solution to counter growing low-flying, mid-range threats such as cruise missiles and militarized drones.

The Army tentatively plans to select companies to move forward to the competition's prototype stage in 2026.

Shield AI

Shield AI is a defense technology company that builds AI systems, starting with fully autonomous quadcopters that collect data in dangerous environments and protect military personnel and civilians. Shield AI's Hivemind software is an AI pilot for military and commercial aircraft that enables them to perform missions ranging from room-clearance to penetrating air defense systems and dogfighting F-16s. Hivemind utilizes algorithms for planning, mapping, and state estimation to enable aircraft to execute dynamic flight maneuvers, and uses reinforcement learning to discover, learn, and execute winning strategies. The company has contracts with the Department of Defense and the Department of Homeland Security.

Shield AI has revealed a new artificial intelligence-driven uncrewed fighter capable of vertical takeoffs and landings that it says could represent the next generation of military combat aircraft and an advancement in the drone wingmen concept.

The drone, dubbed X-BAT, was designed for expeditionary and maritime operations in contested environments. It uses Shield AI's Hivemind software as its autonomous core, the company said in a Wednesday release.

Shield AI said X-BAT's ability to deliver combat capability while taking off and landing vertically, independent of any need for runways, could transform the way U.S. and allied air forces wage air warfare.

"Airpower without runways is the holy grail of deterrence," Shield AI co-founder and president Brandon Tseng said in the statement. "It gives our forces persistence, reach, and survivability, and it buys diplomacy another day."

Saronic Technologies

Saronic Technologies is a technology company that designs and manufactures Autonomous Surface Vessels (ASVs) at scale to meet the evolving needs of modern maritime operations. In an increasingly complex and competitive global security environment, Saronic is on a mission to protect our way of life by redefining maritime superiority for the U.S. and its allies, building autonomous systems that extend reach, enhance survivability, and increase operational effectiveness, enabling both defense and commercial customers to go farther, achieve more, and operate with greater safety and efficiency. Saronic is developing a growing family of ASVs ranging in size and capability from Corsair (24') to Marauder (180'). With world-class hardware, software, and manufacturing teams working side by side, Saronic delivers vertically integrated platforms that are highly interoperable, modular, easily adaptable to evolving mission requirements, and engineered for rapid production at scale.

The U.S. Navy has awarded Saronic (Austin, Texas) a $392 million production contract for its Corsair autonomous maritime vessels, with nearly $200 million obligated at the time of award. The announcement was made at the Reagan National Defense Forum, where Secretary of the Navy John Phelan said the deal reflects a new benchmark for rapid defense procurement.

According to Phelan, the Navy moved from prototype development to production in less than 12 months, a timeline far shorter than typical shipbuilding and acquisition programs. "The Navy isn't admiring problems from the sidelines, we're moving at war-footing speed. With Saronic, we went from prototype to production in under a year. That's rapid innovation, real competition, and combat power in sailors' and marines' hands, not on PowerPoints," Phelan said in a statement on social media.

The contract focuses on Saronic's Corsair platform, a 24' modular autonomous surface vessel capable of carrying roughly 1,000 lbs. over 1,000 nautical miles and achieving speeds greater than 35 knots. Saronic describes Corsair as suitable for blue-water missions ranging from maritime domain awareness to kinetic and non-kinetic strike roles.

MERGERS AND ACQUISITIONS
ANALYSIS & OUTLOOK

Inorganic growth is back on the agenda for both commercial aerospace and defense organizations. Deal volumes started to pick up toward the end of 2024 on the heels of falling interest rates and stronger macroeconomic conditions. More activity came in the first quarter of 2025 as sector leaders started to grapple with the seismic changes now influencing the world order; as evidenced by Boeing's $4.7 billion takeover of key supplier Spirit AeroSystems in early 2025.

Activity in the defense sector has been growing for some time, driven by clear signs of long-term demand as governments react to geopolitical tensions and increase their defense budgets.

Transaction Value	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025
Not Disclosed	15	15	14	28	28
Under $10 MM	0	2	2	1	2
$10 - $25 MM	0	2	4	1	1
$25 - $50 MM	0	1	0	1	0
$50 - $100 MM	0	0	0	2	1
$100 - $500 MM	2	0	0	5	4
$500 MM+	0	0	0	2	2
Total Transactions	**17**	**20**	**20**	**40**	**38**

Source: FactSet; target industry limited to aerospace and airlines in Q3 2025

Other notable 2025 transactions:

- **In October 2025,** Firefly Aerospace announced the acquisition of SciTec, a leading U.S.-based provider of advanced data analytics, mission systems, and sensor technologies for defense and intelligence applications, in a deal valued at $855 million.
- **In September 2025,** SpaceX entered into a definitive agreement to acquire AWS-4 and H-block spectrum licenses from EchoStar for approximately $17 billion, split evenly between cash and SpaceX stock.
- **In August 2025,** Amphenol Corporation announced its agreement to acquire Trexon, a Boston-based specialist in custom interconnection solutions, from Audax Private Equity for $1 billion.
- **In July 2025,** Iveco Group reached a definitive agreement to sell its Defense Business, comprising IDV and ASTRA brands, to Leonardo S.p.A. for €1.7 billion enterprise value.

The industry landscape is characterized by strategic mergers and acquisitions aimed at expanding technological capabilities and market reach. Major players are actively pursuing vertical integration strategies to strengthen their supply chain

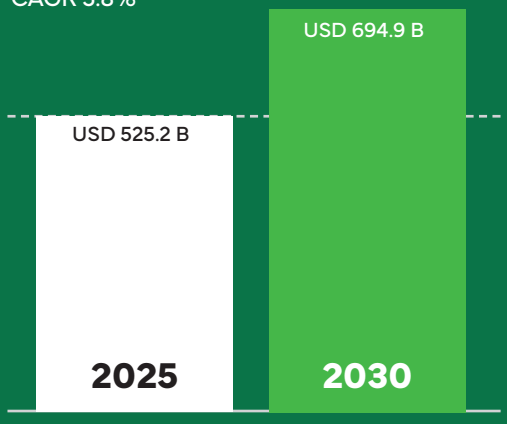
resilience and enhance their ability to deliver complete solutions. The market also features specialized aerospace and defense companies focusing on niche segments such as unmanned systems, space technologies, and cybersecurity, though these often become acquisition targets for larger conglomerates seeking to expand their technological portfolios.

The United States Aerospace and Defense Market size is estimated at $525.2 billion in 2025, and is expected to reach $694.9 billion by 2030, at a CAGR of 5.8% during the forecast period (2025-2030).

United States Aerospace and Defense Market

Market Size in USD Billion

CAGR 5.8%



Source: Mordor Intelligence

Market Overview

Study Period	2019-2030
Base Year For Estimation	2024
Forecast Data Period	2025-2030
Market Size (2025)	USD 525.2 Billion
Market Size (2030)	USD 694.9 Billion
Growth Rate (2025 - 2030)	5.8% CAGR
Market Concentration	High

Major Players

GENERAL DYNAMICS

LOCKHEED MARTIN

RTX AIRBUS BOEING

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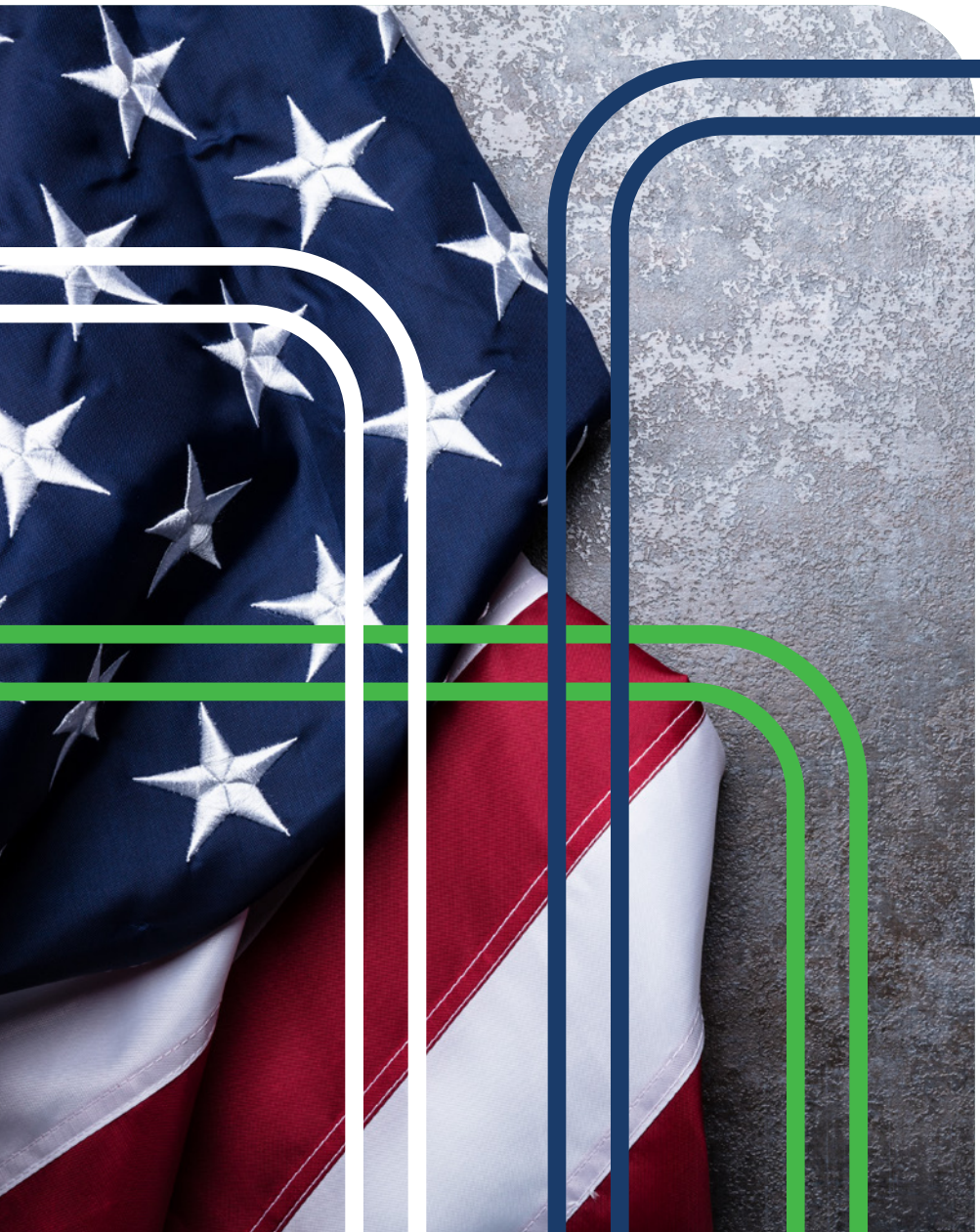

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