The IPO wave reshaping the European defence sector

Publié le 30 juin 2026

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Points clés

- European defence is undergoing a structural shift from private to public ownership, broadening the investable universe across geographies, supply chain layers and technology segments for the first time.
- 2026 is a watershed year not by volume of transactions but by their significance; the world's largest-ever pure-play defence IPO, the pending listing of Europe's pre-eminent land systems manufacturer, and the first Warsaw defence listing all in one calendar year.
- The European defence equity market is bifurcating between heavy industrial primes and high-growth technology businesses; two distinct investment propositions requiring different valuation frameworks and investor mandates.
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European defence companies are going public at a pace not seen in decades. The rearmament cycle has not only deepened demand for existing listed companies; it has created the conditions for a new generation of pure-play businesses to access public capital markets. The result is a rapidly broadening investment universe that is reshaping the European defence equity landscape.

The drivers are structural. Defence companies need capital, not just to meet current orders, but to expand production capacity, invest in technology, and position for a decade of procurement growth. Public listings provide that capital, but they also do something else: they give companies a listed equity currency for mergers and acquisitions (M&A), improve their profile with institutional customers and sovereign procurement agencies, and create the governance frameworks that large long-term contracts increasingly require.

Why 2026 is different: the making of a watershed year

European defence initial public offerings (IPOs) are not new. Hensoldt (Ticker: HAG) listed on the Frankfurt Stock Exchange in September 2020, emerging from the Airbus sensors division as a pure-play German defence electronics business at a valuation of €3bn. At the time, the listing attracted modest investor attention as the COVID-19 pandemic dominated market sentiment, defence spending remained broadly stable across the North Atlantic Treaty Organisation (NATO), and the structural rearmament case had not yet crystallised. Hensoldt's slow initial trajectory reflected those conditions: the stock barely moved on debut. What followed over the next four years, as defence budgets expanded and order books surged, was a transformation into one of Europe's most discussed defence equity stories.

The next wave came in 2024. RENK Group (Ticker: RENK), the German tank-transmission maker, listed in Frankfurt in February 2024 at €15 per share1, the first major European defence IPO of the post-Ukraine era. RENK's order book told the story with demand for tank transmissions and armoured vehicle propulsion systems accelerating faster than production could respond. By October 2025 the stock had reached €89, a gain of nearly 500% from IPO price2. Exosens (Ticker: EXENS), the French night-vision and detection technology specialist, followed in June 2024 at a €1bn valuation and delivered a similar trajectory, with shares more than doubling within months as the rearmament thesis deepened.

TKMS (Ticker: TKMS), Germany's naval shipbuilder, spun out of Thyssenkrupp, began trading in Frankfurt in October 2025. Opening at €60, shares surged to an intraday high of €107 before closing at €81 on day one, implying a market capitalisation of approximately €5.5bn3. An €18.6bn order backlog, covering contracts stretching to the 2040s, gave investors an exceptionally clear view of long-duration revenue.

Yet despite these precedents, 2026 represents a step change in several respects. The scale is larger: CSG's €25bn valuation and €3.8bn raise represent the world's largest pure-play defence IPO ever recorded4, dwarfing every prior defence listing globally. The geographic breadth is wider: Amsterdam, Frankfurt, Paris and Warsaw are all hosting or preparing to host significant defence transactions in the same twelve-month window.

Figure 1: European defence IPO pipeline since 2020

Source: Bloomberg Finance L.P., Company prospectuses, Euronext, Frankfurt Stock Exchange, WisdomTree as of 2 June 2026. Historical performance is not an indication of future performance and any investments may go down in value.

The supply chain depth is greater: 2026 listings span ammunition, power electronics, land systems and drones, marking the full spectrum of European military procurement priorities. The investor scrutiny is more intense. The short-seller attack on CSG in May 2026 and the governance questions surrounding KNDS's dual-government ownership structure represent a maturation of the market's analytical rigour that was absent in the early days of RENK and Exosens.

In previous years, the theme attracted investors willing to buy the macroeconomic story without fully stress-testing the individual names. In 2026, the market is bifurcating: those who understand the structural case and are buying on fundamentals, and those who bought the hype and are now confronting the discipline of post-IPO earnings scrutiny. That bifurcation reflects a more mature market environment, and it provides the conditions for more durable long-term capital formation in the sector.

Two companies to watch in 2026: KNDS and WB Electronics

KNDS is the strategic heavyweight. The Franco-German producer of the Leopard 2, Caesar howitzer and Boxer IFV is targeting a dual Paris-Frankfurt listing at €15–20bn with a €33.1bn order backlog representing more than seven years of revenue. The structural complexity is real. Germany and France will each retain 40% at IPO, leaving only 20% as public float, but for investors who prioritise programme depth and sovereign demand visibility over liquidity, the entry valuation represents a discount to listed peers.

WB Electronics, expected to list in Warsaw in late 2026 or early 2027, combines two powerful investment themes: defence technology and eastern European security. As Poland's leading producer of drones and loitering munitions, it is positioned in one of the fastest-growing areas of European defence spending. The company also benefits from its home market, with Poland allocating the highest share of GDP to defence among NATO members5.

Together, these two names illustrate the breadth that the European defence equity universe is acquiring: supply chain depth, sovereign land systems, and next-generation unmanned technology, across four capital markets and three distinct investment propositions.

What the IPO wave means for the European defence sector

The wave of new listings has implications that extend well beyond the individual companies involved. Each listing expands the investable universe for dedicated European defence investors, provides pricing benchmarks for private companies and merger and acquisitions (M&A) transactions, and signals the depth of investor confidence in the structural rearmament thesis.

- **Deepening the investment universe**: The listings of CSG, Vincorion, KNDS and WB Electronics collectively span four countries, four supply chain layers and four capital markets. The European defence equity universe is no longer a handful of large-cap primes; it is becoming a diversified asset class.
- **Shifting the consolidation dynamic**: Public listings give defence companies listed equity as a currency for M&A. CSG's chairman was explicit about this before Amsterdam. KNDS's listing will, for the first time, give the Franco-German group the public market access needed to drive the next phase of European land defence consolidation.
- **Maturing investor scrutiny**: The diverging post-IPO trajectories of CSG (down ~28%) and Vincorion (flat to IPO price) show that governance, free-float and operational transparency are now priced into deal design. The market is more disciplined than in 2024. This maturation is healthy.
- **A bifurcating market**: European defence capital is splitting along a clear fault line: heavy industrial primes on one side, high-growth technology businesses in drones, autonomous systems and space on the other. These two constituencies carry different investor bases, different valuation frameworks, and different risk profiles and that bifurcation may define how the sector develops from here.

Conclusion

2026 represents the scaling of European defence equity markets into a mainstream institutional asset class, in terms of transaction size, geographic breadth, and supply chain depth, building on the foundation laid by RENK and Exosens in 2024 and TKMS in 2025. The systematic transition of European defence companies from private ownership to public capital markets is being driven by the same structural rearmament cycle that underpins the long-term investment case for the sector.

The post-IPO experience of CSG reminds us that the path from IPO to long-term value creation is rarely linear, particularly in a sector where sentiment can move faster than order books. The post-IPO experience of Vincorion reminds us that businesses with deep programme integration, recurring service revenues, and growing backlogs tend to find their level regardless of early trading noise. For investors with a medium to long-term horizon, the broadening of the European defence equity universe increases the range of companies available for consideration. More companies, more supply chain depth, more geographic breadth and more capital being directed toward Europe's most consequential structural investment theme.

Investments in defence-related companies may be affected by changes in government spending priorities, procurement delays, programme cancellations, export restrictions, political developments, regulatory changes and broader equity market volatility. Newly listed companies may experience significant share price fluctuations following IPOs, particularly where public free float is limited or investor expectations are high. The value of equity investments may rise or fall and investors may not recover the amount originally invested.

1 Bloomberg Finance L.P. as of 7 February 2024.
2 Bloomberg Finance L.P. as of 3 October 2025.
3 Reuters as of 20 October 2025.
4 Euronext as of 23 January 2026.
5 Source: NATO Secretary General's Annual Report, March 2026.

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