

# Europe's niche defence players

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## Samuel Rines

Macro Strategist, Model Portfolios

## Aneeka Gupta

Director, Macroeconomic Research, WisdomTree Europe

## Key Takeaways

- European defence spending jumped 17% in 2024, boosting demand for modern capabilities like electronic warfare and tactical IT.
- Firms like Chemring, INVISIO, and MilDef are well-positioned to benefit from Europe's military modernisation push.
- WDEF offers targeted exposure to Europe's defence upcycle, with 70% of current holdings generating more than 50% of their revenue from the defence sector.
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Russia's invasion of Ukraine sparked the beginning of a defence rethink for Europe, and the Trump Administration's threat to shift away resources lead to further urgency. After decades of restrained budgets, European military expenditure surged by 17% in 2024, reaching levels not seen since the Cold War<sup>1</sup>. While some of the spending is going to traditional armaments, Governments across the continent are ramping up investment in modern capabilities. In particular, niche firms aligned with Europe's modernisation priorities such as electronic warfare, soldier systems, and tactical IT, are seeing strong tailwinds. This means many small-to-mid cap players are positioned to benefit significantly from the modernisation and rearmament push.

## Building the digital backbone of modern armies

One example is Chemring. The company has a specialisation in advanced plastic explosives, a segment with only one other supplier (France's state-owned Euroco) competing in Europe. Simply, Chemring benefits from a near-duopoly in certain munitions, a "captive" market advantage as countries prefer local suppliers for sensitive ordnance. Chemring has also carved out a space in electronic warfare, signals intelligence, and cybersecurity offerings. The war in Ukraine has only served to underscore the outsized role of technology on the battlefield, elevating demand for capabilities like Chemring's electronic warfare solutions. It recently secured orders from Sweden, Lithuania, Latvia, the UAE<sup>2</sup>, and even its first East Asian customer (Japan). In short, Chemring is leveraging Europe's defence resurgence on multiple fronts:

from the resupply of traditional ordnance (for example, countermeasures) to the roll-out of cutting-edge electronic warfare systems.

**Figure 1: Chemring product pipeline—investor presentation**

## Organisation

BU/capabilities	Sensors & Information			Countermeasures & Energetics						
	Roke	Roke USA	US Sensors	Countermeasures UK	Countermeasures USA	Countermeasures Australia	Energetic Devices	Energetics UK	Chemring Nobel	Technology Solutions
Operational mission support services	●									
Active cyber defence & OSINT	●									
Land EW	●	●								
Sensors	●		●							
Air & naval countermeasures				●	●	●				
Energetics material & products								●	●	●
Precision engineered devices							●	●		●

28 Chemring Group PLC Results for the year ended 31<sup>st</sup> October 2024



Source: Chemring Investor Presentation, 17 December 2024.

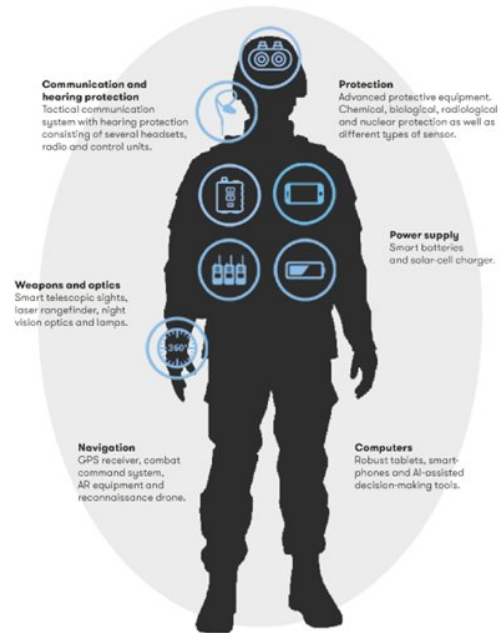
INVISIO is a leader in the field of soldier communication and hearing protection systems, a key modernisation area as European militaries invest in better “soldier systems”. INVISIO’s core products include advanced headset and communication kits that allow troops to communicate clearly in high-noise environments while protecting their hearing. These technologies, often incorporating artificial intelligence (AI)-enabled noise filtering and digital signal processing, enhance situational awareness and survivability for soldiers on modern battlefields. In the post-Ukraine budget environment, demand for such gear is on the rise as armies update their kit for the realities of loud, electronic-heavy warfare. With European NATO3 members and partners racing to equip soldiers with more advanced communications gear (after witnessing coordination and noise challenges in Ukraine), INVISIO is well positioned as a specialised beneficiary of the soldier-modernisation wave.

**Figure 2: INVISIO soldier systems—investor presentation**

## Our vision

# A flexible and future-proof platform for the modern soldier system

The modern soldier system is a complex network of radios, weapon sights, navigation tools and sensors from various suppliers with unique standards. These devices must seamlessly be able to share data, audio and power.



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INVISIO®

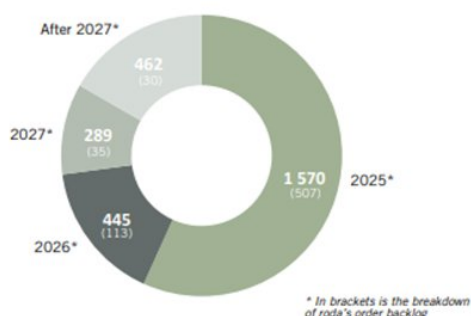
Source: INVISIO Investor Presentation 6 May 2025

MilDef Group, another Swedish-based mid-cap, provides the digital backbone for defence—rugged IT hardware, software, and networking solutions for military and security customers. In practice, MilDef's products range from hardened laptops, servers and switches to tactical communication systems that can be deployed in tanks, armoured vehicles, command posts, and naval vessels. As European forces embark on a broad modernisation (new armoured vehicles, upgraded command-and-control systems, improved cyber defence), the demand for MilDef's IT gear has been climbing. The war in Ukraine has underscored how critical robust communications and computing are to military effectiveness, and Europe's rearmament programs increasingly include significant "digitalisation" components—an area where MilDef is a seasoned expert.

MilDef's is plugging into European modernisation efforts. For example, the firm landed a SEK 200 million deal with BAE Systems to supply rugged electronics for new CV90 infantry fighting vehicles being delivered to a Central European country. It also signed hardware contracts with the Swedish Armed Forces for tactical communications equipment. To broaden its reach, MilDef has been expanding in key markets, notably acquiring a German military IT supplier in 2024 to strengthen its foothold. With NATO members like Germany committing hundreds of billions to modernise their forces, MilDef's blend of domain expertise and local presence positions it as a critical enabler of the digital transformation of Europe's militaries. Not to mention, the company's order backlog gives a sense of the longevity of the current defence spending upswing.

## Figure 3: MilDef order backlog

Order backlog by planned deliveries (SEK m)



The pie chart above shows future planned deliveries by year in SEK m and is based on MilDef's order backlog at the end of the period. The actual outcome may differ significantly from the above planned deliveries, above all due to delays.

Change in order backlog January–March 2025 (SEK m)

Order backlog as of January 1, 2025	2,055
Order intake January–March 2025	404
Sales January–March 2025	-340
Sales January–March 2025 not impacting order backlog	10
Order backlog acquired in the period	693
Currency effect in order backlog during the period	-56
<b>Order backlog as of March 31, 2025</b>	<b>2,766</b>

The table above presents the development of MilDef's order backlog in SEK m during the first three months, and the size of the components included, to arrive at the difference in the order backlog as of March 31, 2025 in comparison with January 1, 2025.

## Investing in Europe's defence renaissance

As Chemring, INVISIO, and MilDef show how Europe's defence renaissance is lifting a cadre of smaller, agile firms that specialise in modern warfare needs. Each of these companies are aligned with a key theme—be it electronic warfare countermeasures, crucial soldier-worn tech, or secure tactical IT—that European militaries are prioritising as they spend more. Their recent growth trajectories (from Chemring's bulging order book to INVISIO's sales spike and MilDef's record orders) reflect the early stages of a sustained upcycle in European defence procurement.

For those looking beyond the giant primes, these niche players offer a focused play on Europe's defence tailwinds. As Europe rearms and modernises its forces over the coming years—supported by higher budgets, urgent operational lessons from Ukraine, and multilateral programs—companies like Chemring, INVISIO, and MilDef stand to be on the front lines of Europe's Defence supercycle.

## Tapping into the European defence opportunity with WisdomTree

Europe's re-armament story is powerful. The [WisdomTree Europe Defence UCITS ETF \(WDEF\)](#), the world's first exchange-traded fund (ETF) dedicated to listed European defence companies, was designed to capture the evolving nature of the European defence rearmament story. Individual stocks, such as Chemring, INVISIO or MilDef, each offer a narrow slice of the opportunity, while the large primes

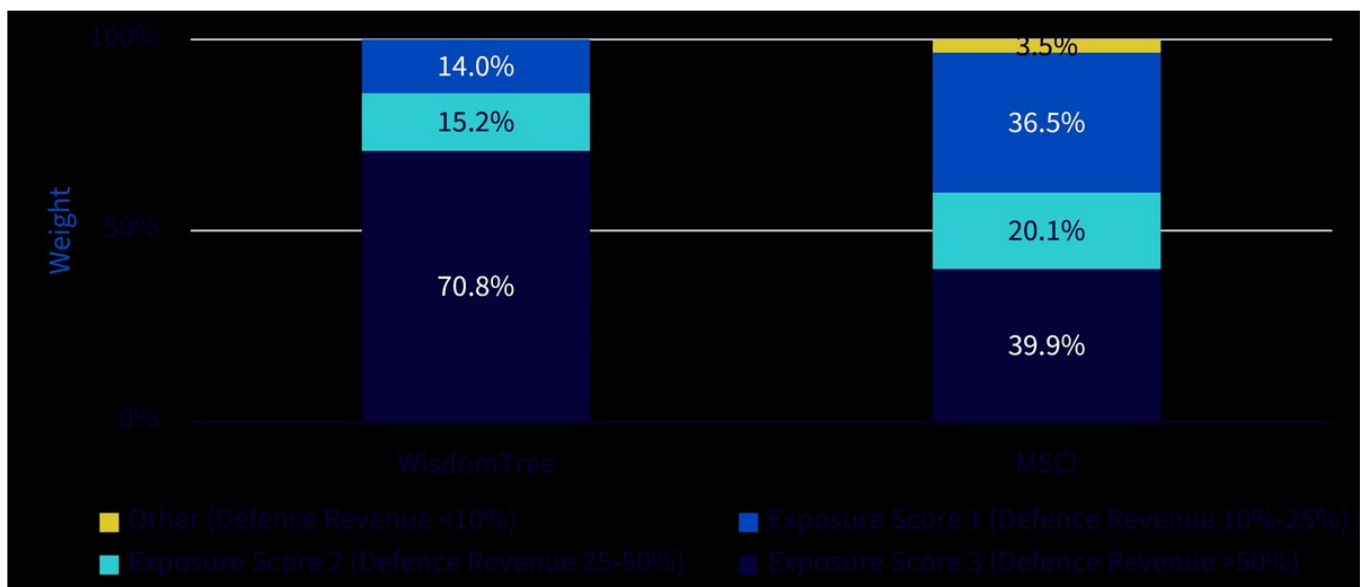
dominate single-name risk. WDEF tracks the WisdomTree Europe Defence UCITS Index (WTEUDEFN), a proprietary index built to capture only companies that derive a meaningful share of revenue from defence or dual-use technologies inside Europe.

The methodology targets companies with revenue exposure to defence, giving investors undiluted access to pure-play names driving both hardware innovation and digital resilience. WDEF prioritises companies with a higher exposure to the defence industry by assigning an exposure score:

- **Exposure Score 3:** companies with > 50% exposure to defence activities
- **Exposure Score 2:** companies with 25% to 50% exposure to defence activities
- **Exposure Score 1:** companies with 10% to 25% exposure to defence activities

Companies will then be weighted by free-float market capitalisation adjusted by the Exposure Score. The result is a concentrated portfolio of twenty-four stocks—balanced by capping rules that prevent any single stock from dominating while still allowing conviction in the leaders. Currently, 70.8% of the WisdomTree Europe Defence UCITS Index is allocated to companies with >50% defence revenue, compared to only 40% in the MSCI Europe Aerospace and Defence Index<sup>4</sup>.

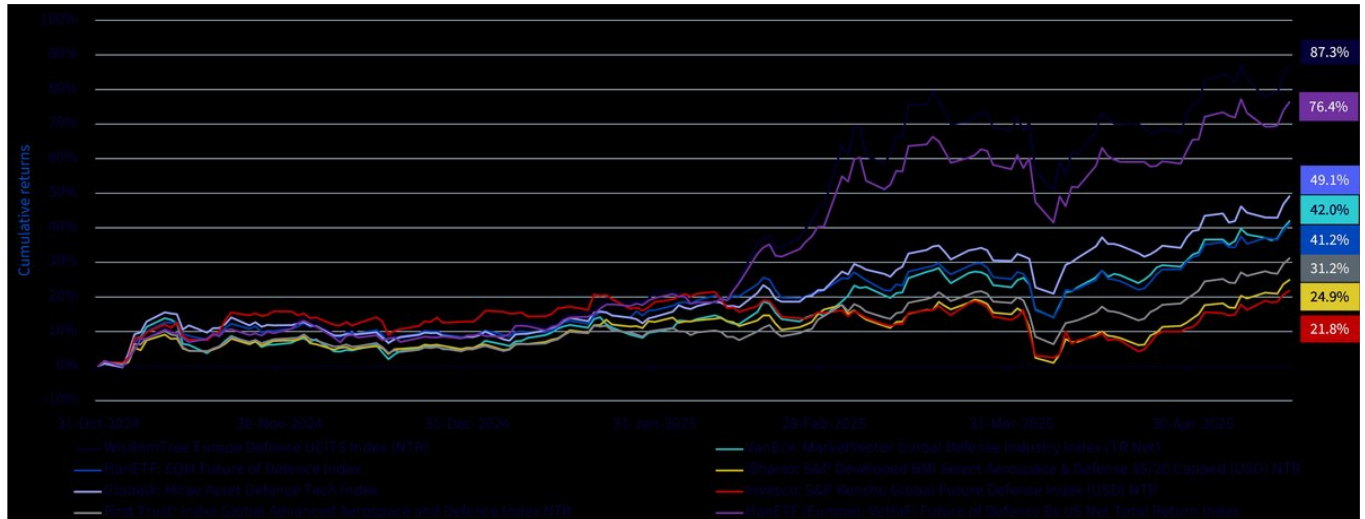
#### Figure 4: WisdomTree’s strategy tilts towards companies with a higher revenue exposure to defence



Source: WisdomTree, Bloomberg, FactSet. Holdings as of 31 April 2025. Defence revenue exposure is sourced from multiple in-house and external sources. WisdomTree / WTEUDEFN denotes WisdomTree Europe Defence UCITS Index (NTR). MSCI/ MXEU0AD denotes MSCI Europe Aerospace & Defence Index. **You cannot invest directly in an index. Historical performance is not an indication of future performance and any investments may go down in value.**

Since going live on 31 October 2024, the WisdomTree Europe Defence UCITS Index has outperformed the competitive landscape by a wide margin, illustrated in Figure 5.

## Figure 5: Performance comparison since live calculation



Source: WisdomTree, Bloomberg, from 31 October 2024 to 16 May 2025. WisdomTree Europe Defence UCITS Index (WTEUDEFN) calculations include back tested data and are computed in the EUR. Historical returns of other indices are also calculated in EUR. **You cannot invest directly in an index. Historical performance is not an indication of future performance and any investments may go down in value.**

## Conclusion

Europe's defence budgets are locked in for years, Europe's defence budgets are locked in for years, and the winners will be on the front lines of Europe's defence supercycle. **WDEF** rolls that mosaic into a single, liquid ETF, letting investors tap into the continent's multi-decade rearmament cycle with a diversified, ESG-filtered portfolio.

1 [sipri.org](https://www.sipri.org)

2 UAE = United Arab Emirates.

3 The North Atlantic Treaty Organization is an intergovernmental transnational military alliance of 32 member states.

4 WisdomTree, Bloomberg, FactSet as of 31 April 2025.

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