‘Time is of the essence’: Rheinmetall’s message on the Next Big Thing

Published 9 July 2025

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Key Takeaways

- Rheinmetall is rapidly expanding production to meet record defence demand across Europe.
- Partnerships with firms like Anduril and Nokia highlight the growing role of tech in defence.
- Time is critical – Rheinmetall warns Europe must be ready for potential conflict by decade’s end.

“Time is of the essence. We need to build capacity now to be ready by the end of the decade – because if what the intelligence services are saying is true, an attack might happen by the end of the decade.”

Chris Gannatti, WisdomTree’s Global Head of Research, and I recently had the pleasure of speaking with Dirk Winkels, Head of Investor Relations at Rheinmetall – the European defence giant that the world has become quickly familiar with in recent years. As geopolitical tensions rise and military budgets grow across the continent, Rheinmetall has found itself at the centre of Europe’s rearmament story.

In this blog, we outline some of the key messages Dirk shared during our podcast. To hear the full episode, click here to listen.

Why WisdomTree spoke with Rheinmetall

In addition to being a company in the spotlight these days, given its prominent position in the European defence industry, Rheinmetall is also currently the top holding in WisdomTree Europe Defence UCITS ETF (WDEF). The exchange-traded fund was launched in March this year and received a very warm response from investors, surpassing $3.2 billion in assets as of 02 July 2025.

WDEF is the world’s first pure-play ETF for the European defence sector. But, in keeping with its approach to offer smart thematic exposures aligned with the underlying megatrend, WisdomTree weights its components based on their revenue exposure to the defence theme, an approach that has been endorsed by our investors.

What we learned from the conversation

What defines Rheinmetall’s core focus?

Rheinmetall's business is now almost entirely focused on defence. Around 85% of sales are directed toward army-related needs – from ammunition and vehicles to artillery systems and tanks. Crucially, Rheinmetall isn't just a supplier of hardware – it also provides digital systems to help modernise battlefield operations and improve the sensor-to-shooter chain.

What does Zeitenwende mean for European defence?

Dirk highlighted the scale of underinvestment in European defence over the past 30 years. Germany, for example, went from 12 army divisions in the 1980s to just three today. Zeitenwende – the turning point triggered by Russia's invasion of Ukraine – marked a moment of awakening. As military equipment was sent to Ukraine, gaps emerged in domestic stockpiles. Rheinmetall responded quickly with ready-made proposals, and demand has since accelerated across the continent.

Repurposing car plants for military production?

One of the most symbolic moves has been Rheinmetall's effort to repurpose former civil plants – including those from the automotive sector. Dirk noted that Rheinmetall has already begun transforming sites in Berlin and Neuss. Rather than relying on highly automated lines like those used for cars, building tanks and technical vehicles is far more manual – and that's where skilled labour is the real asset. For workers with strong foundational training, the transition is very achievable.

What is "tanknology"?

Rheinmetall's concept of "tanknology" reflects how traditional military platforms like tanks are evolving. It's not just about armour and firepower anymore – it's about digitisation, connectivity, and integrated sensors. Dirk explained how modern tanks like the KF-51 Panther offer enhanced mobility, protection, and lethality – all while embedding digital intelligence, night vision, radar, and more to support modern combat environments.

What's driving Rheinmetall's work on autonomy?

From unmanned ground vehicles to autonomous logistics convoys, Rheinmetall is investing heavily in autonomy. Its Mission Master platforms are designed for harsh, unmapped terrain – the kind of environments no Google car has seen. These systems are already being tested by armies around the world for tasks ranging from soldier evacuation to automated supply chains. Demographics, Dirk said, are forcing militaries to think more efficiently about how personnel are deployed.

How is AI being applied to defence manufacturing?

Rheinmetall already inspects its ammunition using dozens of data points. As volumes scale up, Dirk expects greater use of AI and automation to support quality control and defect detection. Beyond manufacturing, AI is also used in products – for object recognition, threat detection, and more. The idea is to bring greater efficiency not only in combat, but across production workflows too.

Why partner with Anduril?

The partnership with Anduril stands out. Dirk described the US startup as a disruptive force – not just in product development but also in how it approaches production. Given Europe's goal to retain 65% of defence spending within the continent, partnerships like this enable non-European firms to access the market through local platforms. In Rheinmetall's view, it's a win-win for speed, industrialisation, and access to cutting-edge solutions.

Why partner with Nokia?

Connectivity is becoming just as important as firepower. Rheinmetall's partnership with Nokia – and others like Iceye and Blackned – supports its drive to dominate the digital battlefield. With Western armies often working with limited troop numbers, efficiency becomes essential. Dirk made it clear that integrating external technologies is crucial to Rheinmetall's future product roadmap.

What does the Leonardo joint venture represent?

The JV with Leonardo reflects a broader trend: European defence firms working together to accelerate delivery and avoid duplication. It's also a strategic tool in Rheinmetall's broader M&A and partnership toolkit. Dirk pointed out that while some expansions are done via acquisition – such as the purchase of Expal and US-based L3Harris businesses – joint ventures are often faster and more flexible for industrial collaboration.

How is Rheinmetall scaling to meet rising demand?

With over €60 billion in backlog and expectations to surpass €100 billion by year-end, Rheinmetall is expanding fast. Dirk shared that a major artillery plant in Unterlüß went from groundbreaking to production in just 15 months – an impressive pace. By 2027, the plant aims to produce 1.5 million rounds annually. The goal, he said, is not to win market share, but to honour contracts backed by prepayments and long-term demand.

How are European investors thinking about ESG and defence?

Investor sentiment has shifted. Previously excluded from ESG portfolios, defence firms like Rheinmetall are now seeing policy changes across Europe – allowing Article 8 funds to invest. As Dirk noted, conversations with ESG investors are now about ethics, portfolios, and values – not exclusions.

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