

Wings of Change

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Key Takeaways

- **Europe Accelerates Drone Development:** In response to the Ukraine war and changing global alliances, the EU and NATO are investing heavily in sovereign drone capabilities for ISR and strike missions, aiming to reduce reliance on U.S. and Israeli systems.
- **Saab Leads in Drone Autonomy:** Sweden's Saab is advancing drone swarm tech and "loyal wingman" combat drones, supported by powerful C2 software—placing it among the global leaders in autonomous UAVs.
- **Leonardo's Strategic Partnership:** Italy's Leonardo and Turkey's Baykar have formed a joint venture blending Baykar's TB2 drones with Leonardo's EU presence, creating a major transcontinental drone force in Europe.
- **Anduril-Rheinmetall Alliance:** U.S.-based Anduril and Germany's Rheinmetall are co-developing NATO-ready, modular drones. The partnership reflects a shift toward rapid, locally controlled production—giving U.S. investors strategic exposure to Europe's defense buildout.

Drones and Deterrence

Drones have proven their worth from **Ukraine to the Middle East**, where coordinated UAV swarms have emerged. Small, intelligent flying machines can spot targets, overwhelm defenses and link seamlessly with ground and air units—capabilities once confined to superpower arsenals. For Europe, which watched improvised drone tactics halt armor advances in Ukraine, investing in indigenous UAV technology is not optional; it's *imperative and comparatively cheap*. Against this backdrop, two companies—**Saab and Leonardo**—stand out as champions of Europe's drone evolution, each in its own way

Saab Swarming Ahead

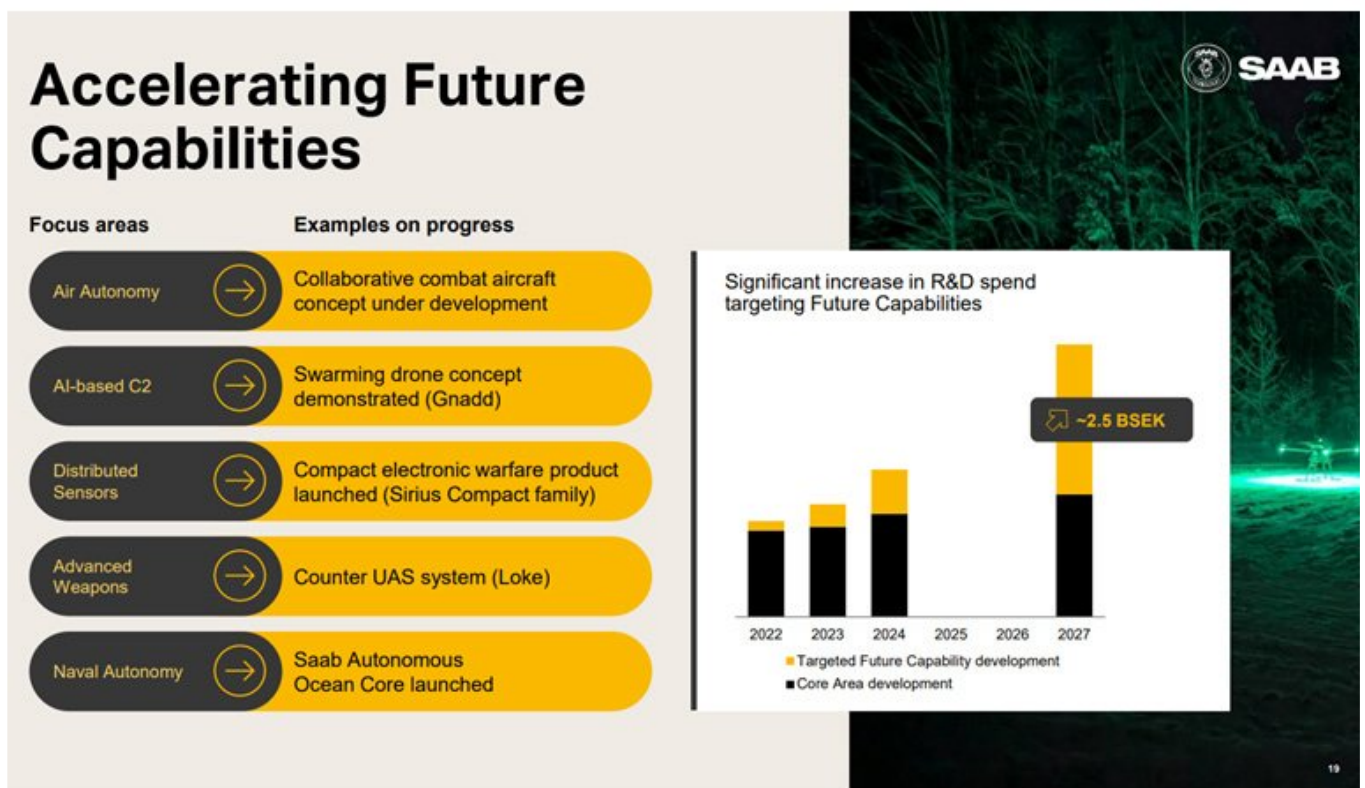
From turbocharged sedans to AI-powered drone swarms—Sweden's defense takes giant steps into the autonomous era.

When most U.S. investors hear "Saab," they think of a discontinued line of turbocharged sedans, not cutting-edge military swarms. But the Saab that made cars is long gone—divested in the early 2000s. What

remains, and has quietly flourished, is a high-performance defense company deeply embedded in Europe's military-industrial backbone. Saab AB today is not just about Gripen fighter jets and coastal defense radars; it's now positioning itself at the frontier of autonomous warfare, investing heavily in AI-enabled systems and multi-domain integration.¹

Rather than churning out large numbers of small drones, Saab's approach is to make drones smarter, more autonomous and better integrated. A recent milestone underscores this: In early 2025, the Swedish Armed Forces unveiled a Saab-developed drone swarm program enabling one operator to control up to 100 UAVs simultaneously.² In trials scheduled during Arctic exercises, these swarms are expected to autonomously adapt to missions ranging from reconnaissance to payload delivery in complex environments.

Figure 1: Saab's Multi-Domain Push into Next-Gen Defense



Source: Saab Capital Markets presentation, as of 5/28/25. "C2" stands for command and control. "UAS" stands for unmanned aircraft system. "2.5 BSEK" stands for 2.5 billion Swedish kronor.

Saab's leadership openly emphasizes this autonomy-first ethos. "It's a lot about the autonomy," CEO Micael Johansson noted at Saab's Capital Markets Day, explaining that Saab is platform-agnostic about drone airframes—the real value is in the AI-driven command and control.³ Indeed, Saab is already working on a "collaborative combat aircraft"—effectively a loyal wingman drone to fly alongside piloted fighters. And for the smaller UAVs, Saab's focus is on the brains: In demonstrations, young conscripts with a tablet can simply draw a patrol route, and a drone swarm will execute it, self-organizing and rerouting if some

drones are lost. This high level of autonomy means minimal training and manpower are needed to deploy advanced drones—a key advantage for European militaries facing personnel constraints.

Leonardo: Forging the Future with Partnerships and Firepower


In the sunny Italian skies, Leonardo S.p.A. is taking a more expansive route to drone dominance—one that leverages its broad product portfolio and pan-European ties. As one of Europe's largest aerospace and defense firms, Leonardo has its hands in everything from helicopters to cybersecurity. When it comes to UAVs, that means both developing drones in-house and teaming up with partners to fill capability gaps quickly. This twin-track strategy is evident in two major moves: the launch of Leonardo's new Falco Astore armed drone and a landmark joint venture with Turkey's famed drone maker Baykar.⁴

First, the homegrown effort. The Astore (Italian for "goshawk"⁵) is Leonardo's latest medium-altitude long-endurance (MALE) UAV—essentially a beefed-up, weaponized iteration of its earlier Falco EVO.⁶ With a 650-kilogram maximum takeoff weight, 16-hour endurance and newly added underwing pylons, the Astore can carry around 70 kilograms of cargo.⁷ The Astore gives Italy a measure of self-reliance in unmanned strike capability, showing how European states are looking to their domestic industry to increase readiness now, rather than waiting years for pan-European projects. It's a gentle reminder that Europe's quest for strategic autonomy extends to having homegrown "eyes in the sky." Leonardo's Falco line, which started as unarmed surveillance drones, has now evolved into a combat UAS—a narrative of adaptation that mirrors Europe's own shift from peacekeeping posture to defense.

Figure 2: Building Europe's Drone Sovereignty—One Baykar–Leonardo System at a Time

PAVE THE WAY
Space Division
UAV
MBT/AICS
GCAP
LHyC LoB


3.2 JV with Baykar for advanced UAV solutions



Baykar is a world leader
in UAV segment


~ \$ 2 B Rev. '24
700+ UAVs delivered


1. Crewed-UnCrewed Teaming




- Cutting-edge electronics systems
- Integration of payloads and effectors
- Swarming / CUC-T¹ capability
- Strong capabilities in EU approval and certification

MoU signed on March 6th





- Design and development of advanced UAV platforms
- Extensive portfolio covering all relevant UAV segments
- Advanced and efficient manufacturing processes and capabilities



Joint solutions combining the best of
both companies' capabilities

Source: Leonardo SpA Industrial Plan Update. "JV" stands for joint venture. "UAV" stands for unmanned autonomous vehicle. "\$2 B" stands for \$2 billion. "CUC-T" stands for Crewed-UnCrewed Teaming. "MoU" stands for memorandum of understanding.

Leonardo's unprecedented 50:50 joint venture for unmanned systems, named LBA Systems and based in Italy, aims to be a *"key player in unmanned technologies"* by combining forces: Baykar brings its world-class drone platforms (like the battle-proven TB2 and the jet-powered K1z1lelra) while Leonardo contributes its expertise in sensors, electronics and system integration. The logic is compelling. Europe's militaries have an insatiable demand for capable drones—a market valued at more than \$100 billion in the next decade⁹—and Baykar's combat-tested UAVs are among the best. By partnering, Leonardo essentially shortcuts the R&D cycle, gaining access to a portfolio covering "all relevant UAS segments" from tactical mini-drones to high-end combat drones. In return, Baykar gets a production foothold in the EU and the benefit of Leonardo's integration and certification know-how (crucial for selling to Western militaries).

From California to the Frontlines of Europe: Anduril's Drones Go NATO

Anduril Industries—arguably the most recognizable U.S. defense tech startup in 2025—is now embedding its high-speed innovation model inside Europe's defense industrial base. In June, Anduril announced a strategic partnership with Germany's Rheinmetall to co-develop and manufacture European variants of its Barracuda and Fury autonomous drones, along with a push into solid rocket motor production.¹⁰ While early in execution, the venture signals a critical shift: American-born software-defined weapons systems are now being localized for NATO's European theaters, with sovereign production, modular design and rapid deployment at the core of the collaboration.

This isn't just another export deal—it's a transatlantic fusion of industrial scale and AI-first defense architecture. Anduril's systems, once known primarily for border surveillance and counter-UAS roles, are now evolving into interoperable platforms tailored to the operational demands and regulatory constraints of Europe. Rheinmetall brings manufacturing scale and deep NATO alignment; Anduril brings autonomy, modularity and digital adaptability. If you're watching how autonomous warfare is industrializing globally, this partnership is not just worth noting—it's worth tracking.

Conclusion: A New Era of European Defense—Narrative and Numbers Alike

It is often said that *necessity breeds innovation*. Europe's present necessity—to bolster its defense amid war on its doorstep—is breeding a new wave of innovation in drones, with Saab and Leonardo at the vanguard. These two firms offer a fascinating contrast in approach that also happens to be complementary. Saab, hailing from a non-aligned-now NATO nation of modest size, plays to its strengths by making systems smarter rather than larger. Its narrative is one of qualitative edge: a swarm that can reroute itself, a drone that can think like a pilot's teammate, a network of sensors that can confound a much bigger foe. Leonardo, by contrast, comes from one of Europe's big defense spenders and embraces a scale and scope strategy: covering every market segment through a mix of indigenous development and strategic partnerships, ensuring that Europe has ready access to the full spectrum of unmanned tech.

From a geopolitical perspective, these advancements feed into Europe's broader strategic autonomy. Drones are *eyes and ears*, but also increasingly *shields and spears*. A Europe equipped with its own high-end drones can better monitor its borders, deter aggression and operate independently when needed.

A few years ago, European defense firms were often seen as stodgy value plays, reliant on slow procurement cycles. That is no longer the narrative. Now it is one of urgency, growth and technological leapfrogging. And drones are a critical part of the story of European defense. In a world of growing complexity, Europe's defense industry is not just responding to change—it's helping drive it, one drone at a time.

For U.S. investors seeking to capitalize on the modernization of Europe's defense architecture, the [WisdomTree Europe Defense Fund \(WDEF\)](#) offers focused exposure to the companies shaping this transformation from the ground up. Names like Saab, Leonardo and Rheinmetall aren't just regional champions; they're critical suppliers in NATO's evolving force posture, beneficiaries of sharply rising defense budgets and innovators in next-generation military technologies. [WDEF](#) provides a systematic, transparent gateway into these developments, aligning portfolio exposure with the geopolitical realities of a more contested

world. In essence, it turns a transatlantic challenge into a transatlantic opportunity—bridging narrative and capital across borders.

Figure 3: Exposure in WDEF to the Companies Discussed in This Piece

Company Name	Weight in WDEF
Rheinmetall AG	12.90%
Leonardo Spa	7.77%
Saab Ab-B	4.56%

Source: WisdomTree, with data as of the market's open on 7/17/25, the first day of trading for WDEF.

Subject to change.

1 Source: "Saab CEO Micael Johansson on the future of warfare and why Europe needs its own 'Golden Dome,'" Time, 7/6/25.

2 Source: J. Osborne, "Saab unveils secret drone swarming capability for Swedish military," Aviation Week Network, 1/14/25.

3 Source: "Saab's Capital Markets Day 2025: Wellpositioned for future growth" [press release], Saab AB, 5/27/25.

4 Sources: "Italy to acquire Leonardo Astore armed drones" [news release], Defence Industry Europe, 1/14/24; "Leonardo and Baykar sign a partnership for unmanned technologies" [press release], Leonardo S.p.A, 3/6/25.

5 A goshawk is a bird of prey.

6 EVO is short for "evolution" and typically references a particular platform iteration for a piece of hardware, such as a drone.

7 Source: "Italy to acquire Leonardo Astore armed drones," Defence Industry Europe, 1/14/24.

8 K1z1l1elma is Baykar's jet-powered, carrier-capable unmanned combat aerial vehicle (UCAV)—Turkey's first of its kind.

9 Source: B. Finch, "Leonardo chief says Trump has given Europe 'unprecedented' urgency on defence," Financial Times, 3/6/25.

10 Source: "Anduril, Rheinmetall partner to build military drones for Europe," Reuters, 6/18/25.

Important Risks Related to this Article

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