SECURE STRATEGY GROUP

Defense Industry Deal Tracker & Small-Cap Defense Stock Index

A Deep Dive Into First Quarter 2026 Defense Deals

Capital Raises • M&A • Debt & Equity • Public & Private • By Industry Sector

TABLE OF CONTENTS

Important Notice

The SSG Small-Cap Defense Index and SSG Deal Tracker are market intelligence tools, based on public information and produced for informational purposes only and not intended as investment advice or a basis for investment decisions. Past performance is not indicative of future results. This information should not be construed as Secure Strategy Group recommending investment in defense companies or as a solicitation to buy or sell any security or engage in a particular investment strategy.

The Defense Small-Cap Index is an SSG-created market monitor, not an investable product. Small-cap defense companies may experience greater volatility, limited liquidity, funding risk, and customer concentration than larger defense contractors. Before acting on any information, you should consider whether it is suitable for your particular circumstances and consult all available material, and, if necessary, seek professional advice.

Secure Strategy Group and its affiliates, as well as their respective partners, directors, shareholders, and employees, may have a position in the securities mentioned herein or may make purchases and/or sales from time to time. SSG may currently provide, has provided in the last 12 months, or seeks to provide advisory or capital markets services to companies referenced in this report, including through broker-dealer services provided by Bradley Woods & Co. Ltd., (Member FINRA/SIPC).

The SSG Small-Cap Defense Index is an SSG-created, equal-weighted, price-return monitor that excludes dividends and is not comparable to a total-return investable benchmark.
It tracks the price performance (excluding dividends) of a curated universe of micro- to small-cap companies operating across the defense sector, including unmanned systems, munitions, defense electronics, rare-earth resources, simulation & training, space and adjacent technology verticals.

The Index is calculated as the equal-weighted average price return of its constituents and is updated on a monthly basis. Rather than applying complex weighting schemes or frequent rebalancing mechanics, we deliberately keep the methodology transparent and intuitive: each company carries equal influence, and the index moves with the collective price performance of the group.

Important note: Dividends are not included in the index calculation. This is a pure price-return index reflecting only share price appreciation or depreciation.

EXECUTIVE SUMMARY

SECURE STRATEGY GROUP

The first quarter of 2026 was a notable period for the micro- and small-cap defense sector amid continued spending growth in the industry. Transaction activity accelerated across all categories, underscored by what we believe to be growing investor conviction in the defense industrial base and a macro environment that continues to favor sector participants. We track companies across seven subsectors: Aerospace Components, Defense Electronics & Sensors, Autonomy/Unmanned Systems, Rare Earth & Critical Resources, Space & ISR, Weapons & Munitions, and Simulation & Training. Our universe of companies includes the 76 firms on our *SSG Defense Small-Cap Index*, along with lower-middle-market private companies in the sector.

The SSG Deal Tracker captured **27 M&A transactions**, **16 equity capital raises**, and **2 debt financings** during Q1, representing a broad-based increase over the inaugural January report. Total disclosed M&A transaction value exceeded **$3.5 billion**, anchored by Leonardo's **$1.97 billion** acquisition of Iveco's defense business and the **$800 million** Merlin Labs de-SPAC. Equity capital raised totaled approximately **$565 million**, highlighted by Harmattan AI's **$200 million** Series B and several significant private placements across the autonomy and defense electronics subsectors. Debt activity remained modest at **$20.5 million** in face value.

On the index front, the *SSG Small-Cap Defense Index** of 76 companies posted an average **YTD return of +14.1%**, outperforming the performance of the Big Five prime contractors (Lockheed Martin, RTX Corporation, Northrop Grumman, General Dynamics and The Boeing Company), with an average YTD gain of **+11.8%**. Over the last twelve months, the gap was even more pronounced, with small-cap defense names returning **+108.0%** on average versus **+49.9%** for the primes. SSG believes this relative performance may reflect capital flows, M&A premium expectations, and innovation-driven growth dynamics in parts of the small-cap defense market.

(The Index is an SSG-created, equal-weighted, price-return monitor that excludes dividends and is not comparable to a total-return investable benchmark. Constituents are screened by market cap, defense revenue exposure, exchange listing, trading liquidity, and public-data availability; additions/removals are reviewed monthly)

Q1 2026 AT A GLANCE

Secure Strategy Group

27	16	2	+14.1%
M&A Transactions	**Equity Raises**	**Debt Financings**	**Defense Index YTD**
$3.6B+ disclosed value	~$565M capital raised	$20.5M face value	vs. +11.8% Big Five

The quarter saw substantial PE-backed consolidation in defense electronics and aerospace components, a de-SPAC transaction bringing a defense technology company to public markets and continued European rearmament-driven deal flow. Geographic concentration remained heavily U.S.-centric, though cross-border activity picked up notably in Q1, with Israeli, European, and Finnish companies featuring across the deal landscape.

Macro Backdrop

Q1 2026

MACRO BACKDROP: Q1 2026

SECURE STRATEGY GROUP

The Budget Backdrop

The most consequential macro development of Q1 was the completion of the FY2026 defense appropriations process, which pushed U.S. nominal defense spending to around $1 trillion, the highest level in U.S. history (including reconciliation/mandatory funds and broader national activities such as DOE budgets for defense applications.),

For the companies and investors that SSG tracks, the details inside the bill are as important as the topline. Appropriators delivered substantial increases across munitions production **($5.2B** additional), air and missile defense (**$4.6B**), and shipbuilding. The bill continues prioritizing innovation through **$1.3 billion** combined for the Defense Innovation Unit, APFIT, and Office of Strategic Capital, programs that create direct procurement pathways for nontraditional defense suppliers.

The Strategic Environment

European defense spending commitments continued to accelerate in Q1, with NATO allies advancing programs under the EU's ReArm Europe and the broader push toward higher GDP allocations. The ongoing conflict in Ukraine remains a forcing function for drone, electronic warfare, and autonomous systems procurement.

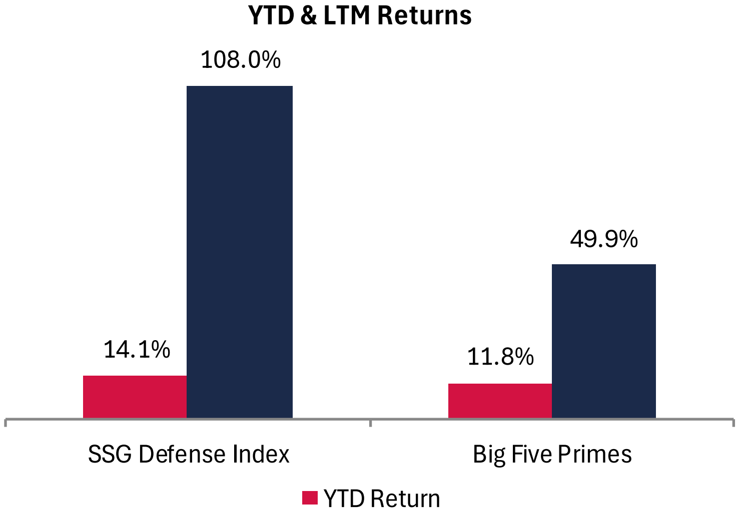
In the United States, the Pentagon's pivot toward outcome-based contracting, smaller acquisition pathways, and integration of nontraditional suppliers continued to create openings for emerging defense technology firms. We believe Administration's emphasis on procurement efficiency, while creating near-term uncertainty around certain legacy programs, is broadly favorable for agile, cost-effective small-cap providers.

Tariff activity in early April introduced new volatility into supply chains, particularly for companies with exposure to imported components.

SSG Small-Cap Defense Index

Performance Overview

SSG SMALL-CAP DEFENSE INDEX



Index Snapshot (as of March 27, 2026)

Companies in Index	**76**
Average YTD Return	**+14.1%**
Median YTD Return	**+6.6%**
Average LTM Return	**+108.0%**
Median LTM Return	**+71.2%**
Total Market Cap	**$25.2B**
Median Market Cap	**$120M**
Subsectors Covered	**7**

The SSG Small-Cap Defense Index outperformed the Big Five prime contractors (Lockheed Martin, RTX, Northrop Grumman, General Dynamics, Boeing) on both a YTD and LTM basis. Small-cap defense names delivered +14.1% average YTD returns versus +11.8% for the primes. Over the trailing twelve months, the spread was dramatic: +108.0% versus +49.9%. The median gap tells a similar story, with small-cap defense median YTD at +6.6% versus +7.9% for the Big Five. (The Index is an SSG-created, equal-weighted, price-return monitor that excludes dividends and is not comparable to a total-return investable benchmark.)

Source: SSG proprietary index, FactSet. Returns are price-based.
Not an investable product. For informational purposes only.

DEFENSE INDEX: SECTOR PERFORMANCE

Secure Strategy Group

Rare Earth / Resources posted +33.0% average YTD returns, benefiting from critical minerals policy attention and supply chain reshoring narratives. The smaller Space / ISR subsector (four companies) posted the strongest single-subsector performance at +67.4%.. Aerospace Components and Defense Electronics, which together comprise nearly 60% of the index by company count, both posted positive YTD returns. Simulation & Training was the only subsector in negative territory. (The Index is an SSG-created, equal-weighted, price-return monitor that excludes dividends and is not comparable to a total-return investable benchmark.)

Subsector	Number of Companies	Average YTD	Average LTM	Total Market Cap ($M)
Aerospace Components	24	+20.8%	+106.5%	$7,416
Defense Electronics & Sensors	21	+2.9%	+110.4%	$6,446
Autonomy / Unmanned	13	+5.4%	+83.8%	$4,297
Rare Earth / Resources	8	+33.0%	+231.7%	$4,619
Space / ISR	4	+67.4%	+18.3%	$260
Weapons & Munitions	4	+1.3%	+58.5%	$1,969
Simulation & Training	2	-48.7%	-48.2%	$161
Full Index	**76**	**+14.1%**	**+108.0%**	**$25,169**

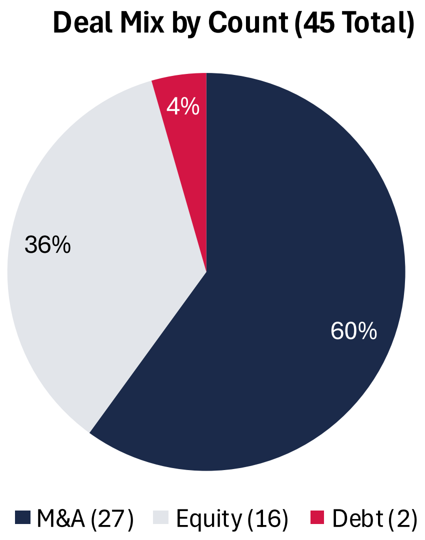
Deal Tracker Overview

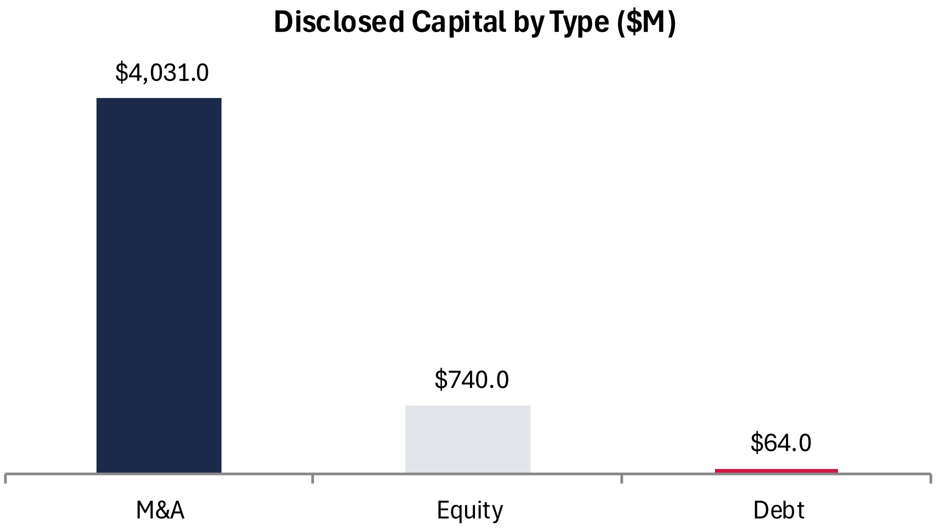
Q1 2026 Transaction Activity

Q1 2026 DEAL TRACKER OVERVIEW

SECURE STRATEGY GROUP

The SSG Deal Tracker identified 45 defense sector transactions across M&A, equity, and debt during Q1 2026, with total disclosed capital exceeding $4.1 billion. M&A accounted for the majority of both deal volume and value, consistent with what we believe to be a broader consolidation trend in the defense industrial base. Equity activity was robust, with 16 raises spanning private placements, registered directs, PIPEs, IPOs, and a seed round. Debt issuance was light, reflecting what appear to be equity-heavy financing preferences at early-stage defense companies.





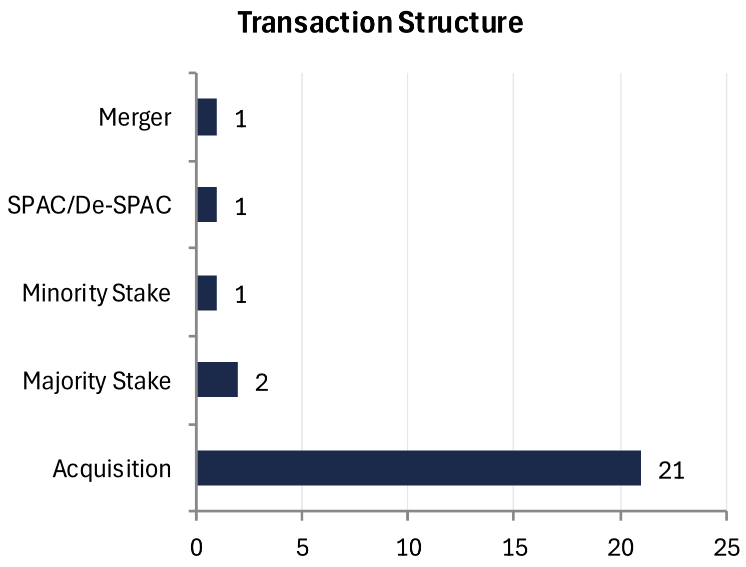
M&A Activity

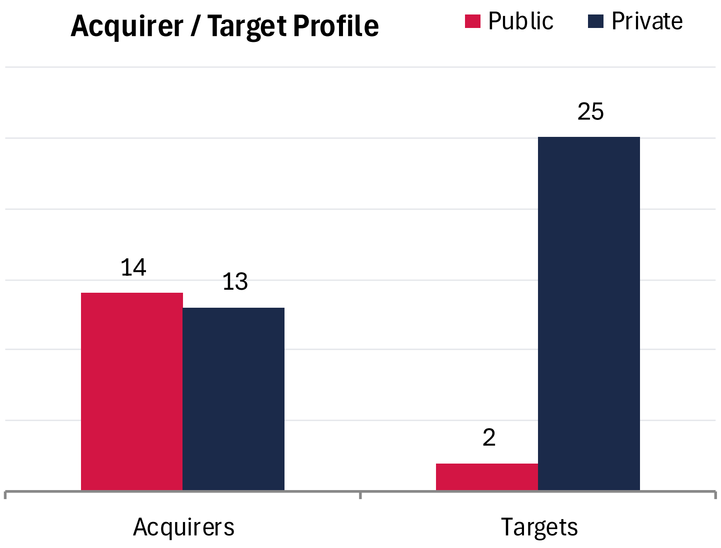
27 Transactions Tracked in Q1 2026

M&A ACTIVITY: Q1 2026 OVERVIEW

Secure Strategy Group

The SSG Deal Tracker captured 27 M&A transactions in the defense sector during Q1, all of which reached closed status by quarter-end. Total disclosed transaction value exceeded $3.5 billion across 7 deals with publicly reported valuations. The acquirer base spanned publicly traded defense companies, PE-backed platform builders, and private strategic buyers. Private companies accounted for the vast majority of targets (25 of 27), underscoring what we see as the continued depth of private-to-public and private-to-private consolidation activity in the sector.





M&A: SELECT TRANSACTIONS

SECURE STRATEGY GROUP

Acquirer	Target	Type	Value ($M)	Subsector Focus
Leonardo S.p.A.	Iveco Defence (IDV & ASTRA)	Acquisition	$1,972	Aerospace Components
Inflection Point IV / Merlin Labs	Merlin Labs, Inc.	De-SPAC	$800	Autonomy / Unmanned
Kratos Defense	Orbit Technologies Ltd.	Acquisition	$353	Defense Electronics
Karman Space & Defense	Seemann + MSC	Acquisition	$220	Aerospace Components
Nukkleus Inc.	Star 26 Capital	Acquisition	$27	Other
Cemtrex, Inc.	Invocon Inc.	Acquisition	$7.1	Defense Electronics
T3 Defense Inc.	I.T.S. (Israel)	Majority Stake	$3.2	Defense Electronics
Ventus Industrial	General Tool + Magna Machine	Platform Build	N/D	Aerospace Components
Auria (Enlightenment Cap.)	BCubed Engineering	Tuck-in	N/D	Space / ISR
Qualis	InTrack + Tektonux	Three-Way Merger	N/D	Defense Electronics
DCS Corporation	ARCTOS Technology	Acquisition	N/D	Aerospace / Defense
Godspeed Capital	GALT Aerospace	Acquisition	N/D	Defense Electronics

Source: SSG Deal Tracker. "N/D" = terms not publicly disclosed. Select transactions shown; see full tracker for complete list.

M&A: DEAL SPOTLIGHTS

SECURE STRATEGY GROUP

Leonardo / Iveco Defence | $1.97B

Leonardo completed its acquisition of Iveco Group's defence vehicle business (IDV and ASTRA brands) for an enterprise value of approximately EUR 1.7 billion. The deal, announced in July 2025 and closed in March, gives Leonardo a vertically integrated military land vehicle capability. While Leonardo itself exceeds SSG's typical market-cap coverage range, the transaction reflects the scale of capital flowing into defense industrials and the competitive dynamics shaping the broader landscape.

Merlin Labs De-SPAC | $800M Pre-Money

The SPAC merger between Inflection Point Acquisition Corp. IV and Merlin Labs closed on March 16, bringing the autonomous aviation company to NASDAQ under ticker MRLN. The combined entity raised approximately $200 million in gross proceeds through a PIPE and trust, with anchor investments from Inflection Point and Baillie Gifford. Merlin's autonomous flight software platform is positioned across both defense and commercial applications.

Kratos / Orbit Technologies | $352.7M

Kratos Defense & Security Solutions completed its all-cash acquisition of Israel-based Orbit Technologies at $13.725 per share. Orbit, a provider of satellite tracking and telemetry systems, becomes a wholly owned subsidiary. The deal deepens Kratos' satellite ground station and space electronics capabilities, fitting its broader strategy of assembling differentiated, hard-to-replicate defense technology assets at scale.

Ventus / Aeron Defense Platform | N/D

Ventus Industrial Partners simultaneously acquired General Tool Company (founded 1947) and Magna Machine Company, combining them into a new platform called Aeron Defense. The combined entity provides mission-critical machined components for Columbia- and Virginia-class submarines, Ford-class carriers, and F-35 aircraft, with 550,000 square feet of manufacturing capacity, the companies report. This appears to be a textbook PE-backed defense industrial base consolidation play.

M&A: KEY THEMES

PE-Backed Platform Consolidation

Private equity firms continued to drive consolidation among small and mid-sized defense technology firms. Illustrative examples of consolidation include Ventus Industrial Partners (Aeron Defense), Godspeed Capital (GALI Aerospace), AFM Capital (Incodema3D), DC Capital (Knexus), and Enlightenment Capital (Auria/BCubed) all executed acquisitions during Q1. The playbook often seems consistent: Acquire niche, capability-differentiated companies and consolidate them under single platforms with government contract access and operational scale.

Defense Services and Engineering Roll-Ups

Several deals targeted defense services firms that provide engineering, consulting, and technical support to the DoD and intelligence community. DCS Corporation acquired ARCTOS Technology Solutions, B/CORE acquired Fuel Consulting, and Redhawk Federal Solutions acquired Twenty8 Technology. These transactions add headcount, clearances, and contract vehicles, building scale in the government services segment where incumbency and past performance are competitive moats.

Public Market Access via SPACs and Reverse Mergers

The Merlin Labs de-SPAC ($800M pre-money) was the quarter's most notable public market transaction. Meanwhile, Swarmer and Rank One Computing completed IPOs, and Nukkleus continued its rapid acquisition-driven transformation from fintech to defense. The small-cap defense ecosystem continues to see new public company formation, even as SPAC activity has slowed from its 2021 peak.

Cross-Border Activity

International transactions featured prominently in Q1, including Kratos' acquisition of Israel-based Orbit Technologies, Leonardo's acquisition of Iveco Defence, T3 Defense's acquisition of Israel-based ITS, and Sensofusion's acquisition of Finnish manufacturer Atol Aviation. European rearmament and allied interoperability themes are driving cross-border M&A in ways that directly benefit SSG's coverage universe, we believe.

Equity Capital Raises

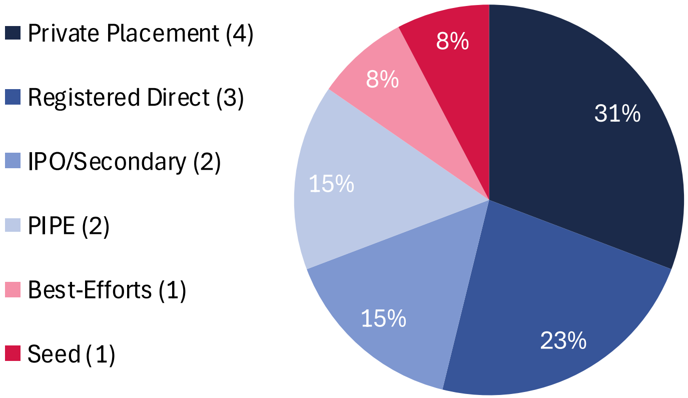
16 Transactions, ~$565M Raised

EQUITY CAPITAL RAISES: Q1 2026

SECURE STRATEGY GROUP

The SSG Deal Tracker identified 16 equity transactions in the defense sector during Q1 2026, totaling approximately $565 million in capital raised. Private placements accounted for the largest share of capital, led by Harmattan AI's $200 million Series B and PDW Holdings' $110 million raise. Registered directs, PIPEs, IPOs, and a seed round rounded out the quarter's equity activity.

Equity Deals by Structure



Company	Deal Type	Amount ($M)	Exchange
Harmattan AI	Series B (Private)	$200	Private
PDW Holdings (Perf. Drone Works)	Private Placement	$110	Private
NioCorp Developments	Best-Efforts Public	$100	NASDAQ
Draganfly Inc.	Registered Direct	$50	NASDAQ
T3 Defense (fka Nukkleus)	PIPE	$20	NASDAQ
Constelli	Private Placement	$20	Private
Seasats	Private Placement	$20	Private
Swarmer	IPO / Secondary	$14.7	NASDAQ
Lux Aeterna	Seed Round	$10	Private
Aureus Greenway Holdings	PIPE	$9.0	NASDAQ

From a subsector perspective, autonomy/unmanned and defense electronics names led both deal count and capital raised. The quarter also saw continued investor interest in critical minerals, with NioCorp Developments completing a $100 million best-efforts public offering.

EQUITY: SPOTLIGHTS AND THEMES

Harmattan AI | $200M Series B

French defense AI company Harmattan AI raised $200 million in a Series B round, making it one of the largest reported private defense tech raises in European history. The raise underscores the transatlantic capital flows into European defense technology that have accelerated since 2022, driven by NATO rearmament commitments and an increasingly receptive European investor base.

Draganfly | $50M Registered Direct

Canadian drone manufacturer Draganfly completed a $50 million registered direct offering, the largest public equity raise for a small-cap UAS company in Q1. The capital infusion should position Draganfly to scale production and pursue defense contracts as demand for commercial and military drone systems continues to grow across NATO allies.

Key Themes in Q1 Equity Activity

Private placements dominated the quarter, reflecting the continued willingness of institutional and strategic investors to deploy capital into pre-IPO and private defense technology companies. PDW Holdings (Performance Drone Works) raised $110 million, one of the largest private raises for a U.S.-based drone company this cycle, signaling conviction in the tactical UAS segment. Registered directs remained a popular public equity structure for small-cap defense names, consistent with the trend observed in January. ParaZero Technologies completed multiple registered directs during Q1, highlighting the Israeli company's active capital markets strategy.

NioCorp Developments, a rare earth and critical minerals company, raised $100 million through a best-efforts public offering, reflecting sustained investor interest in the critical minerals supply chain thesis. The two IPO/secondary transactions (Swarmer and Merlin Labs) demonstrate continued, if selective, appetite for defense tech listings on U.S. exchanges.

Debt Financings

2 Transactions, $20.5M Face Value

DEBT FINANCINGS: Q1 2026

Secure Strategy Group

Debt issuance across the SSG defense coverage universe was light in Q1, with two transactions totaling approximately $20.5 million in disclosed face value. This is consistent with our observations on micro- and small-cap defense companies, which tend to favor equity financing over traditional debt structures given their growth profiles and, in many cases, pre-profitability status.

The quarter's debt activity consisted of a $20 million senior secured note with an original issue discount structure (VisionWave Holdings) and a $0.5 million unsecured convertible promissory note (Momentus). The limited debt issuance in Q1 underscores the preference among early-stage defense companies for equity capital, particularly in an environment where public and private equity investors remain actively deployed in the sector (Note: These figures do not include certain trade debt transactions, such as PO financing.)

Company	Structure	Face ($M)	Key Terms
VisionWave Holdings	Senior Secured Note	$20.0	15% OID; monthly amortization; 18% default rate
Momentus Inc.	Convertible Note	$0.5	Unsecured convertible promissory note

VisionWave's senior secured note, with its 15% original issue discount and 18% default rate, illustrates the elevated cost of debt capital for companies at the early-to-growth stage within our coverage universe. Momentus, a space infrastructure company, issued a small convertible note as it continues to navigate a capital-constrained operating environment.

Looking Ahead

Q2 2026 and Beyond

LOOKING AHEAD: Q2 2026 AND BEYOND

As we move into Q2 2026, several factors may shape transaction activity and market performance across the defense sector:

FY2027 Budget Cycle. The Administration released its FY2027 budget request in early April. The contours of the request, particularly around munitions, unmanned systems, space, and the Pentagon's stated modernization priorities, signal which subsectors are positioned for sustained demand growth from the government and which may face headwinds from shifting programmatic priorities. Companies aligned with stated priorities may continue to attract M&A interest, although program timing, trade policy, and market conditions could alter outcomes materially.

Tariff and Trade Policy Uncertainty. The early April tariff announcements introduced significant volatility into global markets. For the defense industrial base, the impact will likely be uneven: companies with domestic-only supply chains may benefit from reshoring tailwinds, while those reliant on imported components, including rare earths and specialty metals, may face margin pressure. We expect this dynamic to influence both deal valuations and the pace of cross-border transactions.

European Rearmament Pipeline. NATO allies continue to accelerate defense spending commitments. The pipeline of European defense M&A and capital raising activity has grown substantially, and we're monitoring potential cross-border transactions in Q2 involving European targets and U.S. acquirers or investors, including in the autonomous systems, SATCOM, and electronic warfare domains.

PE Dry Powder. Defense-focused private equity sponsors, including Godspeed Capital, Enlightenment Capital, Arlington Capital, and several newer entrants, continue to hold substantial dry powder earmarked for the sector. The pace of PE-backed platform acquisitions observed in Q1, we expect, will likely continue or accelerate, particularly for companies with active contract vehicles and growing revenue in high-growth sectors.

The SSG Deal Tracker will continue to provide comprehensive, source-verified transaction coverage on a monthly basis, including deal updates.

METHODOLOGY AND DISCLAIMER

SECURE STRATEGY GROUP

Deal Tracker Methodology

The SSG Deal Tracker is compiled through systematic, multi-source research conducted on an ongoing basis. Primary sources include SEC EDGAR filings (8-K, S-1, Form D), press releases distributed via GlobeNewswire, BusinessWire, and PRNewswire, as well as trade publications such as GovConWire, Breaking Defense, Defense News, and SpaceNews. Company investor relations pages and regulatory filings from international exchanges supplement U.S.-focused research.

Our coverage universe targets micro-cap through small-cap defense companies (generally under $1 billion market capitalization) with primary geographic focus on the United States, Canada, Israel, Australia, and developed Europe. Transaction types tracked include M&A (acquisitions, mergers, SPAC combinations, majority and minority stakes), equity capital raises (private placements, registered directs, PIPEs, IPOs, and other public offerings), and debt financings (convertible notes, term loans, credit facilities, and other debt structures).

All deal values reflect disclosed terms only. Where transaction values are not publicly available, deals are included with an "N/D" (not disclosed) designation. SSG does not estimate undisclosed deal values.

Defense Index Methodology

The SSG Small-Cap Defense Index is an equal-weighted average return index comprising 76 publicly traded defense companies across seven subsectors. Returns are price-based. YTD returns are measured from January 1, 2026. LTM returns are measured from the trailing twelve-month date. Market data is sourced from FactSet.

Constituents are screened by market cap, defense revenue exposure, exchange listing, trading liquidity, and public-data availability; additions/removals are reviewed monthly. The Index is an SSG-created market monitor for informational purposes only. It is not an investable product. Its methodology and constituent list are available at www.securesg.com.

Important Notice and Disclaimer

This report is for informational purposes only and does not constitute an offer, solicitation, or recommendation to buy or sell any security or to make any investment decision. All information is derived from publicly available sources believed to be reliable, but SSG makes no representation or warranty as to accuracy, completeness, or timeliness. Past performance is not indicative of future results. Small-cap defense companies may experience greater volatility, limited liquidity, funding risk, and customer concentration than larger defense contractors. Investors should conduct their own due diligence and consult professional advisors before acting on any information contained herein. Coverage of private placements, non-English-language transactions, and certain non-U.S. small-cap deals may be incomplete.

ABOUT SECURE STRATEGY GROUP

Founded in 2008, the Secure Strategy Group (SSG) is a boutique advisory firm that helps emerging defense companies achieve their growth and strategic objectives through capital raising, M&A advisory, business development, and market intelligence.

SSG's focus is exclusively on the defense and security sectors. We work with companies across the full spectrum of defense technology, from defense electronics and autonomous systems to aerospace components, space systems, and critical materials. Our clients include both public and private companies at the micro- and small-cap level, as well as the investors, acquirers, and strategic partners seeking access to this segment of the market.

The SSG Defense Small-Cap Index and Defense Deal Tracker are proprietary market intelligence tools designed to provide greater visibility and awareness of emerging defense companies for investors, lenders, acquirers, strategic partners, and the media, and a deeper understanding of how investors and acquirers are transacting in the defense sector. Access is provided at no cost upon registration at www.securesg.com.

CONTACT

Scott Greiper
CEO
New York / Aspen, CO
sgreiper@securesg.com
646-330-0704

Mark Sauter
Managing Director
Washington, DC
msauter@securesg.com
202-701-9515

www.securesg.com