

SECURING THE FUTURE

VENTURE CAPITAL AND THE RISE OF
DEFENSE TECH

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The intrinsic nature of venture capital causes this industry to always be in search of the latest high-risk, high-reward opportunities. Nowadays, such a combination is offered by a long-forgotten, currently lucrative and growing market: defense tech startups. Astonishing data supports the increasing interest in this field: financial data company PitchBook reports that between 2021 and 2024 investors poured nearly \$155 billion globally into defense tech startups, compared to a much lower figure of \$58 billion over the previous four years. Europe is one of the protagonists of this surge, hitting a record high of \$5.2 billion in VC funding for European defense and security in 2024. This soaring trend is fueled by the current geopolitical situation.

VC Sees Opportunity in Crisis

Major ongoing conflicts around the world, such as the Russian-Ukrainian conflict, which began in February 2022 with the Russian invasion of the Donbas region, and the conflict between Israel and Hamas, started on October 7th, 2023, by the invasion of Israeli territory pose serious concerns to many countries around the globe. Moreover, existing alliances and balance of power have not looked this fragile in years. One example of this is Trump's return to the White House, which appears to be another distressing element that could spur investment in defense due to the President's threats to withdraw the US from NATO, unless allies commit to increasing their defense spending. This of course might be explained by the desperate need the US has for its own military, justified by Trump's grand projects, such as Greenland's invasion.

On a more serious note, one fact that clearly indicates the extent to which concerns have risen regarding these issues is the creation of the NATO Innovation Fund in 2022, which takes great pride in being "a stand-alone venture capital fund backed by 24 NATO allies, deploying over €1 billion in deep tech" as it seeks to provide access to both commercial and government markets for new defense tech start-ups. It is worth mentioning the statement made by Kelly Chen, a partner at NIF, as reported by the Financial Times:

"The VC market is cyclical and over the past year or two, it declined 45 per cent. But if you look at what [sectors] still increased, defense, security and resilience had by far the strongest growth."

Chen's words highlight the exceptional growth of the defense sector in the VC space, at a time when the typically extraordinary returns for technology startups for the commercial sector are beginning to dry up.

This article aims to provide an in-depth analysis of the major trends in the VC-backed defense tech startup world. We will start with a worldwide overview of the industry, which has been growing overall, especially given the above-mentioned uncertain geopolitical situation. We will analyze this trend in several geographical areas, comparing VC investment in the defense industry in the United States, Europe and Asia, with a particular focus on China, India and Israel. We will then move on to an interesting and explanatory case study, delving into Helsing, a European startup founded in 2021 and one of the few defense tech unicorns, with an astonishing valuation of €4.95 billion. We will focus particularly on its funding journey and its evolution through the years.

A New Surge in Defense Spending

Venture capital spending in the defense sector has increased dramatically since the beginning of the Russia – Ukraine war and more recently since the inauguration of Donald Trump in the USA. This increase in spending has been global. The two aforementioned causes have led

nations to realize the increasing threat of war not only in Europe but worldwide, exacerbated by the minimizing help of the US military. To put this in a numerical perspective the UK is committed to spend 2.5% of GDP on defense by 2027, Germany increasing their defense budget by 23.2% in 2024 and Israel having a 24% increase in 2024. Furthermore, these nations are calling for improvements in defense projects, innovation and technology which creates opportunities for VC funds to capitalize.

US and Global Competitors

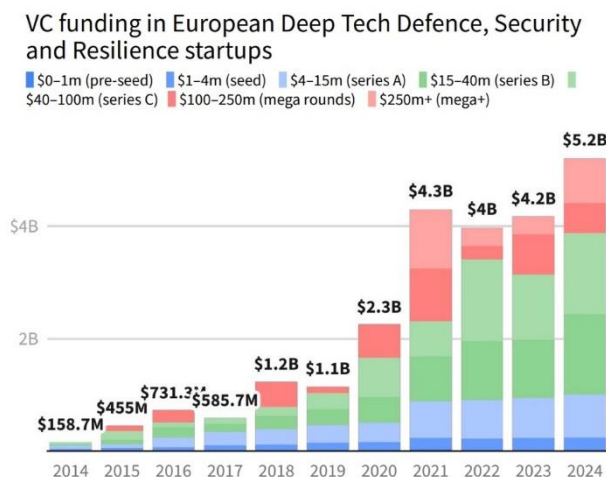
The US is unsurprisingly the leader in VC investment in the defense industry spending an accumulated \$137 billion from 2021 – Q1 2025 presenting a 20% rise YoY. This includes Anduril, Shield AI and Saronic leading in current funding rounds. The large appetite for technology that can be used in both civilian and military scenarios has brought multiple sources of investment to the fore. A few of the most noteworthy and highest spending VC funds in this space currently: Lux Capital, Founders Fund, Shield Capital and 8VC. While their focus ranges from national security and defense to biotech, infrastructure and AI, a couple of their recent notable deals include:

- Founders Fund led a funding round of \$2.5 billion for Anduril in Feb 2025, following a \$1.5 billion round in August 2024.
- Epirus secured \$250 million in a Series D funding round led by 8VC in March 2025 to scale production on their Leonidas anti-drone system.

Venture capital spending in the US is blossoming due to the profitability of dual-use tech, the immense defense budget of the US government (\$850 billion) and the counter-cyclical investment opportunity of investing in defense. This is because government defense contracts continue to flow regardless of economic or market conditions and under current uncertain macroeconomic conditions the defense sector provides a stable and strategic hedge for venture capital funds. However, one slight worry with VC investment in the defense sector would be the current steel and aluminium tariffs imposed upon China by the USA, this will cause increased production costs and supply chain disruptions which will eat into profit margins. Specifically, RTX Corporation predicting an \$850 million hit to its operating profit if these tariffs persist. These tariffs will most likely temper enthusiasm for VC investment in the defense sector and increase scrutiny on the financial models of defense firms due to these high costs.

The EU, by contrast, is not at the same level of VC investment as the US is, this can be seen with Helsing being the only European-based defense tech start-up with a funding round that raised more than \$80million. However, as mentioned above this is changing, EU nations and NATO are gearing up for the possibility of a future without as much aid from the US and a prioritization of defense capabilities, meaning an enhanced defense budget from all major European governments and increased openness to defense innovation. In 2024, there was \$5.2 billion of VC investment in European defense tech, marking a 24% increase on the previous year. This surge occurred despite an overall decrease in VC funding in the year. The UK, Germany and France remain the three leaders in VC defense tech within Europe, with firms such as Helsing, Faculty AI and Preligens all securing millions in funding rounds. However, there are other significant moves being made by other nations, particularly in eastern Europe. Estonia, sparked by Russia has taken a proactive role in defense tech investments with a 100-million-euro defense industry fund, as well as a start-up called SensusQ receiving 3.8 million euros in funding for their military and intelligence operations. This is just one of many smaller European nations bolstering their defense investment and spending in recent years with venture capital funding playing a huge role. One future consideration for EU as well as global VC funding for defense is given US tariffs

and current political tensions/grievances, where will they source weapons. As of current, many EU nations and firms are sourcing weapons from the US. However, with the EU’s “Readiness 2030” strategy, in order to secure defense loans, EU nations and firms must source 65% of their weapons from within the EU, Norway or Ukraine. This could also be a gateway to looking further afield and see countries such as China as a like for like replacement with the US.



Defense funding in Asia has followed the trend in other parts of the world, in spite of an overall VC downturn of 28% in 2024 Q4, however not in the same way. Venture capital firms tend to struggle in Asian markets as the high-level of state activity and intervention, most easily seen in China, this type of governmental integration can deter private venture capital firms – especially international ones. This comes mostly through limited exit options and constant regulatory uncertainty. To illustrate this, in 2024 total VC funding in Asia was only \$13.2billion, the lowest since 2015. Despite this, countries like India have shown resilience, announcing plans for a specialized VC fund dedicated to defense which will look to help several start-ups such as: KaleidEO, EthernalX and ShyamVNL. The size of this fund is estimated to be in the hundreds of millions range. A portion of the increased VC funding in defense in Asia can be attributed to the China-Taiwan conflict and the escalating tensions between the two. The heightened risk of conflict in the Taiwan strait has prompted a lot of the funding in defense as funds follow the strategic realignment of governments and see this as a hedge against traditional VC avenues given the current geopolitical uncertainties in the area.

Finally, Israel has also ramped up VC funding on defense, with Israeli defense tech start-ups: Kela and Xtend each raising \$40million for drone systems and command systems, while Israel itself has seen an 11% increase in VC defense funding over the last year.

VC Defense Funding by Region (2021 – 2024):

Year	USA (USD Billion)	Europe (USD Billion)	Asia (USD Billion)
2021	20	1	1
2022	25	2	1.5
2023	30	3.5	2
2024	35	5.2	2.5

Helsing: A Case Study

Geopolitical instability and substantial recent investments have heightened demand for advanced military tech. Many of these innovations are *dual-use*, blending civilian and military applications in areas like AI and robotics, which broadens their appeal. One notable entrant riding this momentum is Helsing, a European defense tech startup founded in 2021 seen by many investors as the future of defense.

The startup's venture funding journey began with a substantial Series A round in late 2021 and has accelerated dramatically through 2025. In November 2021, Helsing raised €102.5 million in Series A financing led by Prima Materia, the investment firm of Spotify co-founder Daniel Ek. Ek's firm contributed €100 million to that round and he joined Helsing's board, in a deal that valued the young company at roughly €400 million post-money. This infusion provided the fledgling team with capital to develop its AI driven defense software platform, which aggregates sensor data in real time to aid military decision making. Less than two years later, Helsing's momentum attracted a much larger follow-on round.

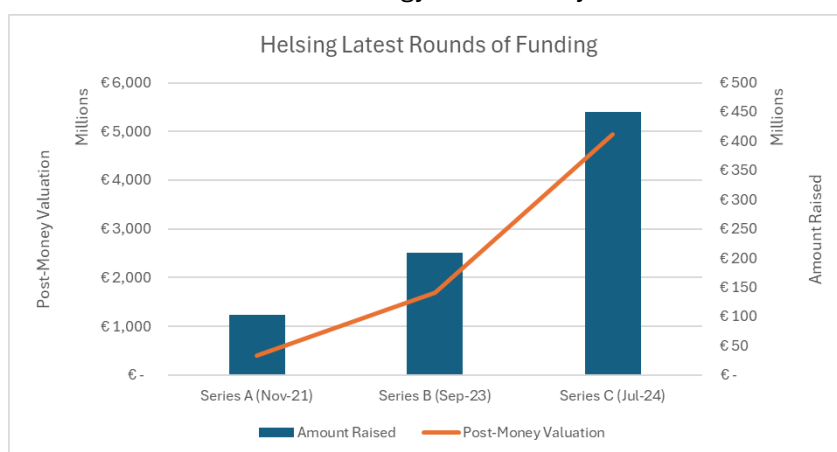
In September 2023, the company secured a €209 million Series B led by U.S. based General Catalyst, with Swedish defense group Saab joining as a strategic investor. This round reportedly came at a valuation of about €1.7 billion, marking Helsing's arrival as one of Europe's few defense tech "unicorns." By this time, Helsing had begun deploying its solutions in active settings; the company was involved in supporting Ukraine's defense efforts and had secured contracts like providing the AI backbone for Europe's Future Combat Air System program in partnership with Saab.

The biggest milestone arrived in mid-2024, where Helsing announced a landmark Series C round, raising €450 million. General Catalyst returned to lead this round, doubling down on its bet, and was joined by a cadre of prominent co-investors. The Series C syndicate featured top tier venture firms Accel, Lightspeed Venture Partners, Plural and Greenoaks Capital, as well as influential angel investor Elad Gil. This influx valued Helsing at around €4.95 billion post-money, a remarkable leap in valuation for a three year old startup. Including the Series C, Helsing's total funding to date climbed to roughly €769 million across all rounds, cementing its status as Europe's best funded defense AI venture.

As Russia's war in Ukraine continues the company has outlined ambitious plans for the newly raised capital. In practice, this implies integrating Helsing's AI capabilities even further into defense systems and scaling its deployments in frontline states. The firm has created a new subsidiary in Estonia and earmarked €70 million of the fresh funds for defense projects in Baltic NATO member countries over the next three years. The timing of the round was symbolic: it was announced as NATO held its annual summit, underscoring Helsing's alignment with the alliance's push for a technological edge in defense.

"European security is at a crossroads... speed is of the essence. This new funding round allows us to further up the tempo and invest in large scale R&D and capabilities across all domains," - Helsing's founders, joint statement

The company’s blend of dual-use AI capability and real-world combat applications aligns closely with NATO allies’ modernization goals, further boosting its appeal. Notably, Donald Trump’s 2025 re-election has amplified interest in defense tech; the prospect of a more unpredictable U.S. security stance has driven European governments and VCs to pour more capital into defense AI, drones, and autonomy initiatives. This geopolitical tailwind, from heightened NATO investment to new public-private partnerships, is reinforcing investor confidence in Helsing. In an era where wars are “won with code”, Helsing’s fusion of cutting-edge AI and defense know how positions it as a star player at the intersection of technology and security.



Conclusion

The VC world is becoming more and more interested in defense tech startups. Even if the US remains the undisputed leader in the sector at the moment, other countries are rapidly catching up, both in Europe and Asia. The EU is ramping up its VC funding in European defense technology, reaching a record high in 2024. One of the most staggering success stories in this field is Helsing. Its story and future ambitious plans, involving a defense project for Baltic NATO members, are emblematic of the industry: VC-backed defense tech start-ups aim to make the most out of the tense and unsure international climate. One interesting reflection to consider regards the ethical concerns that arise from investing in defense tech firms. As we can see from the rising numbers, investors seem to have shifted their perspective and abandoned the caution and reticence to invest that had characterized this sector until a few years ago. The current international landscape seems to justify defense tech as necessary to safeguard democratic societies. Moreover, the effect of venture capital dynamics in the military area is raising concerns for many. In fact, the venture capital funding model comes with huge expectations of rapid growth. This may lead companies to scale up fast to reach high valuations, leading to oversold and flawed products, according to Elke Schwartz, professor of political theory at Queen Mary University of London. The professor is fearful of the implications of such a surge in defense investment for the VC world overall, as some climate startups are already pivoting towards defense tech as well, marking a possible shift that could result in a hyper-focus on military spending at the expense of many other sectors, such as clean energy or biomedicine.

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