

— DEFENSE & DUAL-USE VENTURE REPORT

THE STATE OF DEFENSE

Defense and dual-use venture funding in H1 2026: record capital, concentrated bets, and Israel's breakout half

GLOBAL **\$40.8B** H1 2026
DEAL VALUE

\$69.5B TRAILING
12 MONTHS

ISRAEL **11.6%** OF DOMESTIC
TECH CAPITAL, H1

Inside the briefing

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The New Reality of Global Defense Investments

Defense tech has crossed from thesis into industrial fact. Companies in the sector raised **\$40.8 billion in the first half of 2026**, led by a record Q1 of **\$24.4 billion**. Trailing 12-month investment reached **\$69.5 billion**, against \$49.9 billion for all of 2025 and \$27.3 billion in 2024. Capital keeps concentrating in later rounds: venture-growth and late-stage deals took roughly **87%** of the capital deployed in 2025.

Q2 cooled without breaking. Investors deployed **\$16.4 billion across 249 deals**, down 32.8% from Q1 but still the fourth-largest quarter on record. Autonomous systems captured **42.1%** of Q2 funding, led by Anduril's \$5 billion Series H at a \$61 billion post-money valuation, and eleven public listings signaled a reopening exit market. Q3 added further megarounds, including Helsing's \$1.8 billion Series E and Quantum Systems' \$1.2 billion raise in Europe.

Israel is one national market inside that global total, and a disproportionately active one for its size. Defense, Space & Quantum reached **11.6% of all Israeli tech capital raised** in H1 2026, a domestic record, before slowing to about \$170 million in Q3. Startups contracting with **Israel's Ministry of Defense (IMoD)** raised close to \$3 billion in H1. The cycle's validating exit closed in August: Motorola Solutions' **\$1.5 billion** acquisition of counter-drone specialist D-Fend Solutions. Sections 04-06 treat Israel as a single grouped case study.

\$40.8B

DEFENSE-TECH VC DEPLOYED IN H1 2026 (Q1 \$24.4B, Q2 \$16.4B)

\$69.5B

TRAILING 12-MONTH DEFENSE-TECH VC THROUGH Q2 2026

42.1%

OF Q2 2026 FUNDING CAPTURED BY AUTONOMOUS SYSTEMS

~800

ISRAELI STARTUPS FILLING DIRECT ORDERS FROM ISRAEL'S MOD

A niche category becomes an institutional asset class

Two real-world signals drove the record Q1: Operation Epic Fury exposed the cost-exchange problem between expensive interceptors and low-cost drones, and the **U.S. 2026 National Defense Strategy** reinforced demand for reindustrialization, homeland defense and a high-low force mix. The U.S. Congress approved an **\$839 billion** federal defense spending bill for 2026, a 15% increase over 2022; the FY2027 request seeks \$1.5 trillion.

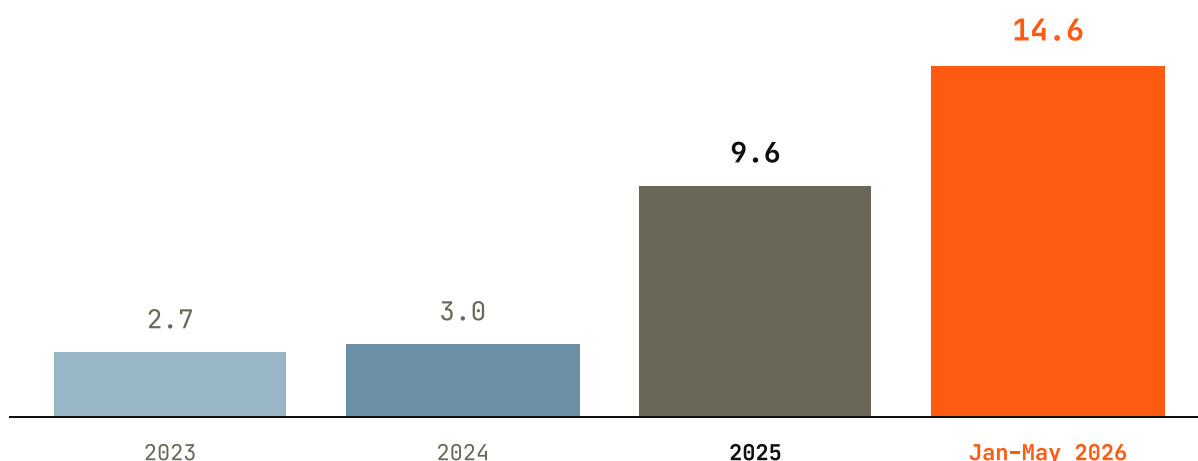
The **U.S. Department of Defense (DoD)** and its “Golden Dome” missile defense program show both the scale of the demand signal and its uncertainty. Announced at \$175 billion, the official estimate now stands at **\$185 billion** through 2035. A U.S. Congressional Budget Office analysis puts a system meeting the full executive order at **\$1.2 trillion over 20 years**, a figure CBO restated to the Senate on 29 September 2026.

Definitions matter when sizing this market. On PitchBook’s broad defense-and-dual-use basis, 2025 saw **\$49.9 billion across 966 deals**, up from \$27.3 billion in 2024; on Crunchbase’s narrower military and national-security screen, the same year totaled **\$9.6 billion**. Both series set records, and both accelerated into 2026.

FIG. 1: ANNUAL DEFENSE-TECH VC DEAL VALUE, 2023–2026

USD BILLIONS

Annual deal value • Crunchbase narrow basis (military, national security & law enforcement)



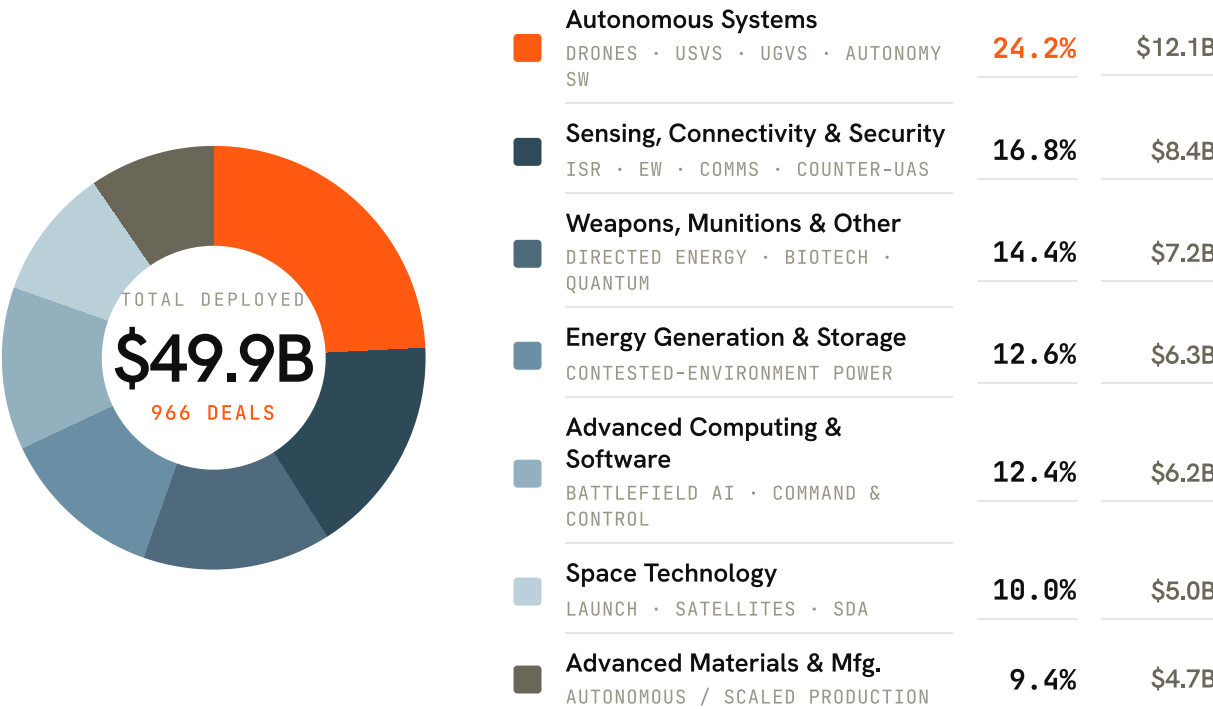
Flat near \$3B across 2023 and 2024, then a breakout: \$9.6B in 2025 and \$14.6B in the first five months of 2026 alone, already past the full-year record.

Where defense venture capital landed

Global defense-tech venture funding by field for the 2025 cycle: \$49.9 billion across 966 deals on PitchBook’s broad basis. Drones sit inside Autonomous Systems; command and control inside Advanced Computing & Software.

FIG. 2: FUNDING BY FIELD • FY2025

SHARE • \$ RAISED



Each company is assigned to a single primary field, so shares are mutually exclusive and sum to 100% (99.8% here, from rounding). Fields span defense-specific and dual-use companies alike, per PitchBook’s broad basis. Autonomy stayed dominant into 2026, taking 42.1% of Q2 2026 funding.

From experimental software to autonomous hardware

DEFINITION: DUAL-USE

A **dual-use** company sells substantially the same core technology into both commercial and defense markets, such as an autonomy stack used by carmakers and armed forces alike, or a chip designed for data centers and for radar. It is distinct from a **defense-specific** company, whose product has no meaningful civilian buyer. The distinction drives the numbers in this report: PitchBook's broad basis counts both categories, Crunchbase's narrow screen counts only the second.

AUTONOMY

The dominant funded theme globally: autonomous systems took 42.1% of Q2 2026 funding. Saronic's \$1.75B Series D was the largest financing of Q1.

PROCUREMENT SCALE

Anduril's **U.S. Army** contract vehicle, ceiling up to \$20B, shows how far venture-backed firms have moved into large-scale procurement.

BREADTH OF DEMAND

Q2 investment accelerated across hypersonics, missiles and munitions, maritime autonomy, critical materials and energy infrastructure.

VALUATION PREMIUMS

Median venture-growth pre-money hit **\$1.4B** in Q1 2026, nearly tripling the 2025 median of \$500M. Early-stage rounds fetch 17-50× revenue.

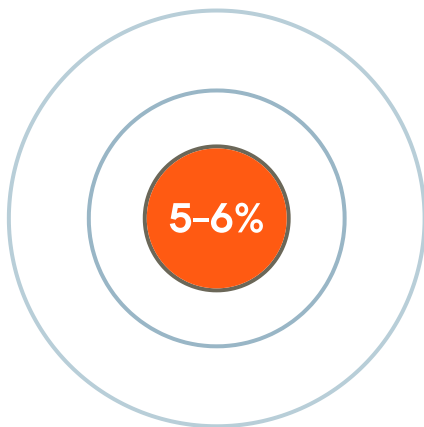


FIG. 3: THE DUAL-USE CONVERSION FUNNEL

- **15,000+ scaleups**
Classified dual-use across NATO & allies
- **~750-1,000**
Bridged to active procurement
- **The procurement moat**
Only 5-6% hold government contracts

Concentration is the story of Q2: **\$16.4 billion** across 249 deals, an average of roughly **\$66 million** per round, with Anduril's single \$5 billion round accounting for nearly a third of the total. The market is not pulling back so much as narrowing onto companies with proven scale and dual-market relevance.

Funding the arsenal at industrial scale

The funnel has structured itself top-heavy, favoring mature platforms capable of immediate industrial manufacturing. The largest disclosed rounds of 2026 so far:

\$5.0B	Anduril Industries Series H, May 2026. Nearly a third of Q2's \$16.4B on its own; U.S. Army contract ceiling up to \$20B.	POST-MONEY \$61B
\$2.0B	Shield AI \$1.5B Series G plus \$500M of preferred equity, for its Hivemind autonomy stack.	VALUATION \$12.7B
\$1.8B	Helsing Series E, Q3 2026. European defense AI; one of two European defense rounds above \$1B that quarter.	ROUND Series E
\$1.75B	Saronic Series D. Autonomous maritime vessels; the largest financing of Q1 2026.	VALUATION \$9.25B

MOST VALUABLE VENTURE-BACKED DEFENSE PLATFORMS • 2026

\$61B	\$15B	\$12.7B	\$9.25B
Anduril	Applied Intuition	Shield AI	Saronic

VCs are funding physical production scale, through mega-factories such as Anduril's **Arsenal-1** in Ohio, to produce autonomous hardware at a software-like cadence. The market now depends heavily on a small group of scaled companies.

The most expensive Israeli defense-tech exit on record

\$1.5B

Motorola Solutions' acquisition of Israeli counter-drone specialist **D-Fend Solutions**, announced 1 June 2026, and completed in August 2026. D-Fend had raised only \$67 million and was valued at roughly \$250 million in its last round. Co-founder Zohar Halachmi stays on as CEO and now leads Motorola's counter-drone platform.

\$185M

D-FEND'S EXPECTED FULL-YEAR
2026 REVENUE

>50%

ANNUAL REVENUE GROWTH, EACH
OF THE LAST THREE YEARS

30+

COUNTRIES WITH ENFORCEAIR
DEPLOYMENTS

D-Fend's EnforceAir uses radio-frequency cyber-takeover to seize control of a rogue drone mid-flight and land it safely, rather than jamming or destroying it. The approach suits airports, critical infrastructure and dense urban sites. U.S. federal customers include the Departments of Homeland Security, Defense and Justice.

The deal completes a pattern. Motorola acquired drone-detection platform DEDRONE in late 2024 and mesh-networking firm SILVUS TECHNOLOGIES for \$4.4 billion in 2025; D-Fend adds the mitigation layer, giving Motorola an end-to-end counter-UAS stack. The **Safer Skies Act of 2025**, which authorizes trained state and local law enforcement to mitigate, not merely detect, unauthorized drones, opened the U.S. market this technology needed.

Market context: Mordor Intelligence estimates the counter-drone industry generated \$2.47 billion in 2026 and forecasts \$8.42 billion within five years. Israeli precedent includes Ondas Holdings' \$225 million acquisition of SENTRYCS in 2025, and drone maker XTEND listed on the NYSE in September 2026.

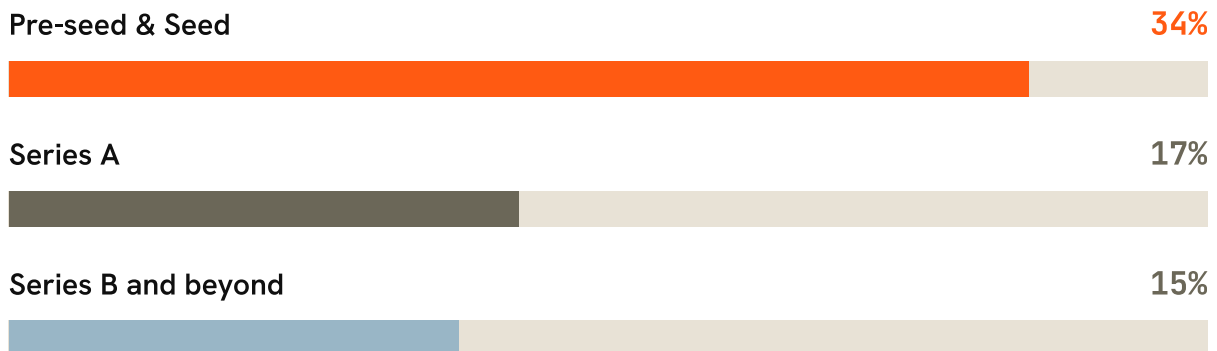
MAFAT: the non-dilutive wartime lifeline

Israel's ecosystem has adapted to operational deployment, compressing development cycles from months to days. At its center is **MAFAT**, the Directorate of Defense R&D inside **Israel's Ministry of Defense (IMoD)**. MAFAT placed **NIS 1.08 billion** in orders with defense startups during 2025, about 25% of it from foreign customers. Notably, that was not a peak: 2024 orders were higher at NIS 1.22 billion, and MAFAT's cumulative startup dealmaking since inception stands at NIS 4.6 billion.

Order composition reveals the role small companies play: roughly 35% went to R&D and 41% to equipment, with AI-driven autonomous platforms taking 32.5% of total deal value and cyber defense 17.7%. MAFAT works directly with **221 companies** out of some 302 in the industry.

FIG. 4: MAFAT ORDER SHARE OF FUNDING VOLUME

Orders as % of total funding volume, by stage • 2025



For the earliest startups, non-dilutive MAFAT purchase orders are the vital financial anchor, arriving before institutional VCs step in. Companies receiving a direct MAFAT order in 2025 raised \$1.2 billion in private capital.

295

SUPPLIERS ON THE FAST-TRACK
"GREEN TRACK" REGISTRY, 77 ADDED
IN 2025

10%

MINIMUM SHARE OF THE ISRAELI
MOD'S 2026 R&D BUDGET RING-
FENCED FOR STARTUPS

NIS 200M

STATE GUARANTEES FOR TWO DEFENSE-
TECH FUNDS, ADIR CAPITAL & SLING
CAPITAL, SELECTED SEPT 2026

Defense climbs to Israel's third-largest tech sector

Defense, Space & Quantum has overtaken Life Sciences and FinTech to become Israel's third-largest tech vertical. In H1 2026 the sector captured **11.6% of all capital raised** by Israeli tech companies, its highest share ever (against 1.9% in 2021 and 3% in 2024), trailing only Cyber and Enterprise Software. IVC-LeumiTech puts the vertical's H1 2026 haul at roughly **\$846 million**, already close to the \$953 million raised across the whole of 2025.

FIG. 5: TOP ISRAELI TECH SECTORS BY CAPITAL RAISED

Share of total capital raised, H1 2026 • IVC-LeumiTech



Cyber and Enterprise Software together command over two-thirds of all deployed capital, but Defense, Space & Quantum has separated from the rest of the field as Life Sciences fell to a near-record low.

\$846M

CAPITAL RAISED BY DEFENSE, SPACE & QUANTUM COMPANIES, H1 2026

11.6%

SHARE OF ALL ISRAELI TECH CAPITAL IN H1, HIGHEST ON RECORD

~350

ACTIVE ISRAELI DEFENSE-TECH COMPANIES, UP FROM ~150 EIGHTEEN MONTHS EARLIER

~\$170M

RAISED BY THE VERTICAL IN Q3 2026, A SHARP SLOWDOWN FROM H1

Startups working directly with the **Israeli MoD** raised close to **\$3 billion** in H1 2026, per the Haifa DefenseTech Startups and Investors Forum; that wider figure counts any startup holding an Israeli MoD contract. Through Q3, Defense, Space & Quantum held nearly 10% of the more than \$11 billion raised by Israeli tech in 2026, and IVC expects the vertical's full-year total to exceed 2025's.

The reservist founder wave

Israel's defense-tech cohort was largely built after October 2023, by operators who encountered the capability gaps themselves. Roughly 20% of Israeli reservists work in the high-tech sector, an unusually direct channel from battlefield to product.

FOUNDED SINCE OCTOBER 2023

1 / 3

Of all defense-tech startups registered with Startup Nation Central were created after the October 2023 attack.

ECOSYSTEM SIZE

~350

Active Israeli defense-tech companies, up from around 150 identified eighteen months earlier.

RESERVIST ENTREPRENEURSHIP: 18X ELITE IMPACT, FIRST YEAR

150

Startups founded by IDF reservists through the program

1,000+

Reservists who have participated so far

400+

Volunteer mentors from Israeli tech and business

OPERATIONAL ADOPTION

100+

Startups whose technology was adopted directly into IDF operations

300+

Companies in MAFAT for Startups, double the count of two years earlier

Where the next dollar goes

01 Manufacturing the Arsenal

The primary risk vector shifts from technology risk to **scale risk**. Capital favors startups building physical production capacity over software-only plays, in line with the U.S. 2026 National Defense Strategy's reindustrialization emphasis.

02 Autonomous Maritime Dominance

Saronic's \$1.75B Series D at a \$9.25B valuation set the marker. Expect continued deployment into unmanned surface and subsurface vessels to secure naval supply chains and project littoral deterrence.

03 The Interceptor Cost-Exchange Problem

Operation Epic Fury exposed the arithmetic of firing multi-million-dollar interceptors at low-cost drones. Low-cost reusable interceptors and RF cyber-takeover systems, the D-Fend model, capture near-term orders.

04 Concentration Risk, Not Retreat

With one company accounting for nearly a third of Q2 deal value and autonomous systems alone taking 42.1%, headline totals rest on a narrow base. Q2 deal value fell 32.8% from Q1 even as trailing 12-month investment climbed to \$69.5B.

05 The Valuation Question

Early-stage defense startups are fetching 17-50× revenue. Startups that fail to convert prototypes into recurring programs of record will struggle to justify entry prices set in this cycle.

Sources

All figures verified against primary or named-publication reporting. Data current through 7 October 2026; latest PitchBook revisions used.

GLOBAL MARKET & VENTURE DATA

01	PitchBook , “Q2 2026 Defense Tech Report: Go Big or Go Early in the Sector’s Barbell Market” (14 Aug 2026) · Q1 \$24.4B (revised); Q2 \$16.4B / 249 deals; TTM \$69.5B; autonomy 42.1%; 11 listings; Anduril \$61B	02	PitchBook , “Q4 2025 Defense Tech VC Trends” · 2025 \$49.9B / 966 deals; 2024 \$27.3B; ~87% late-stage; Fig. 2 field values
03	PitchBook , “Q1 2026 Defense Tech VC Trends” · Operation Epic Fury; Saronic as largest Q1 financing	04	PitchBook , “Meet the top 10 most active defense tech VCs” · \$1.4B median venture-growth pre-money, Q1 2026
05	Crunchbase News , “Sector Snapshot: Defense Startup Funding Hits An All-Time Record” (Jun 2026) & 2024 year-in-review · Fig. 1: 2023 \$2.7B, 2024 \$3.0B, 2025 \$9.6B, Jan-May 2026 \$14.6B	06	Crunchbase News , weekly megarounds & Q3 2026 Europe report (May to Oct 2026) · Shield AI \$2B at \$12.7B; Saronic \$1.75B; Helsing \$1.8B; Quantum Systems \$1.2B; via Tectonic, Saronic \$9.25B valuation
07	Fortune , “The defense tech boom has become a bubble, or it will be soon” (2 Jul 2026) · 17–50× early-stage revenue multiples	08	Forbes , “Battlefield To Boardroom” (3 Aug 2026) · \$839B FY2026 defense spending bill
09	Congressional Budget Office , via The Hill & SpaceNews (May 2026); Senate testimony (29 Sep 2026) · Golden Dome \$1.2T over 20 years; FY2027 \$1.5T request	10	Defense One & The Hill (Mar 2026) · Golden Dome \$175B at launch; \$185B official through 2035. Also Value Add VC: Applied Intuition \$15B

M&A & COMPANY DATA

11	Motorola Solutions , press releases (1 Jun & Aug 2026) & SEC Form 424B2 · \$1.5B; completed Aug 2026; \$185M FY26 revenue; Safer Skies Act	12	Calcalist CTech , D-Fend coverage (Jun 2026) · \$67M raised; ~\$250M prior valuation
13	Reuters , via Yahoo Finance (Jun 2026) · Silvus \$4.4B; Mordor counter-drone market \$2.47B to \$8.42B	14	Globes (Dec 2025) · Ondas to Sentrycs \$225M; 10% of MoD R&D to startups. TechCrunch (29 Sep 2026): XTEND NYSE listing

ISRAELI ECOSYSTEM

15	IVC-LeumiTech , “Israeli Tech Review Q2 & H1 2026” (Jul 2026) · \$846M / 11.6%; Cyber 33.7%; Enterprise 33.6%	16	The Jerusalem Post , IVC-LeumiTech Q3 2026 preliminary (Sep 2026) · Q3 \$3.6B / 91 rounds; >\$11B YTD; vertical ~\$170M in Q3, nearly 10% YTD
17	IVC Research Center , via Xinhua (21 Jul 2026) · Share series: 1.9% (2021), 3% (2024), 11.6% (H1 2026)	18	Israel Defense & The Jerusalem Post , Haifa DefenseTech Forum (Jul 2026) · ~\$3B Israeli MoD-linked H1; ~800 startups on direct orders
19	MAFAT / DDR&D year-end report, via Globes & The Jerusalem Post (21 Jan 2026) · NIS 1.08B 2025; NIS 1.22B 2024; NIS 4.6B cumulative; 221 of 302; Fig. 4; Green Track 295	20	Calcalist CTech & The Defense Post (Sep 2026) · Adir Capital & SLING Capital selected; NIS 200M state guarantees
21	Startup Nation Central , via Reuters / Times of Israel & The Jerusalem Post · >1/3 founded since Oct 2023; ~350 companies; ~20% of reservists in high-tech	22	JNS & Jewish News , 18X Elite Impact summit (May 2026) · 150 reservist startups; 1,000+ participants; 400+ mentors
23	Israel Tech Insider (Mar 2026) · MAFAT for Startups >300 companies; 100+ IDF adoptions		