

State of Play in Defense Acquisition

May 13, 2026

Agenda

- The Global Landscape
- Industrial Base
- Appropriations
- Peering Ahead

The Broad National Security Landscape

The Global Stage

- China
 - No longer *the* pacing threat
 - Gaining economic relationships
 - Rare earths powerhouse
 - Chips problem
- Europe
 - Ukraine
 - New look at China
 - Buy-Europe?
 - Behind in cyber security
- The Middle East
 - Iran
 - Lebanon/Syria
 - Forces unleashed

The Battlefield

- Drones/Autonomy
 - Counter drone/missile
 - Swarms
- Mass
- AI (data)
- Intel
- Cyber
- Space

Don't listen to this garbage about them being a near peer. They're a peer because they rival us in nearly every single measure of national influence.

Lt. Gen. Stephen Sklenka

Drones

- Whole new concept of warfare
- “The real genius is how they're pulling it all together" to an "overall command and control ecosystem"

PBR – \$75 billion for drones and counter-drone technologies

Public Opinion

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Economic backdrop

- We have budget issues
 - The federal budget deficit will be \$1.9-\$2.1T in 2026, increasing to \$3 trillion by 2036
 - *Future Projections*
 - Deficits are projected to exceed 5% every year from 2026 to 2036
 - Debt is forecast to rise from roughly 101% of U.S. GDP this year to 120% in 2036
- China had a \$1.2 trillion trade surplus in 2024
- Global defense spending is increasing
 - Over the past four years, global defense spending increased 24% to \$2.45 trillion in 2025

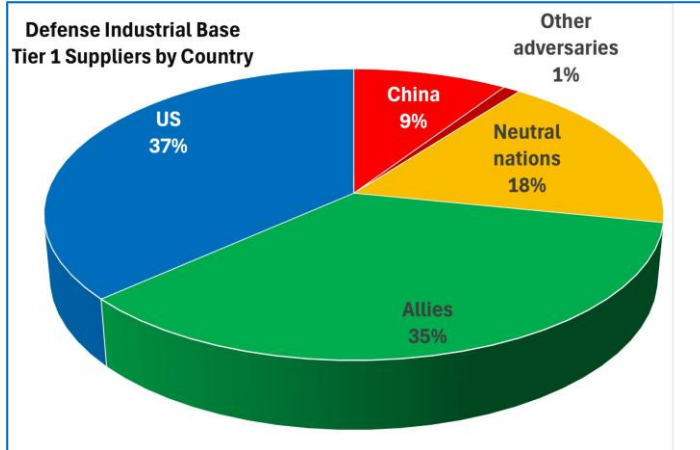
Industrial Base



Defense Industrial Base

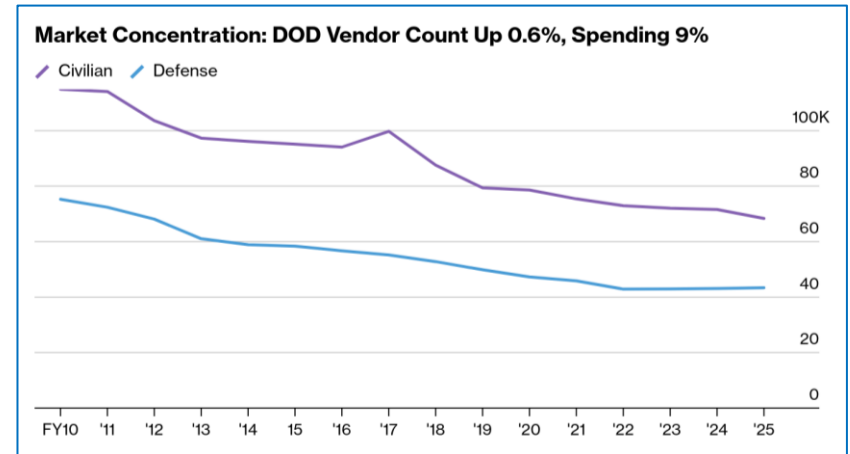
China

- China has added rare earths to its export control list
- 9% of 'Tier 1' subcontractors to defense primes are Chinese ([Govini 2025 National Security Scorecard](#))



Stabilizing Defense Industrial Base

- 248 more prime contractors (43,373) in FY25 vs. FY24
- Over last three years, contractors increased by 505 (1.2%), from 42,868 in FY22



Source: Bloomberg Government analysis

Innovation is not interoperable with legacy systems, with old processes, with technology that's no longer even supported.

Pentagon CIO Davies

The combined market cap of the top 3 defense 'disruptors' exceeds that of the top 5 traditional primes - yet they receive less than 1% of Pentagon contract dollars*

* SpaceX, Palantir, Anduril

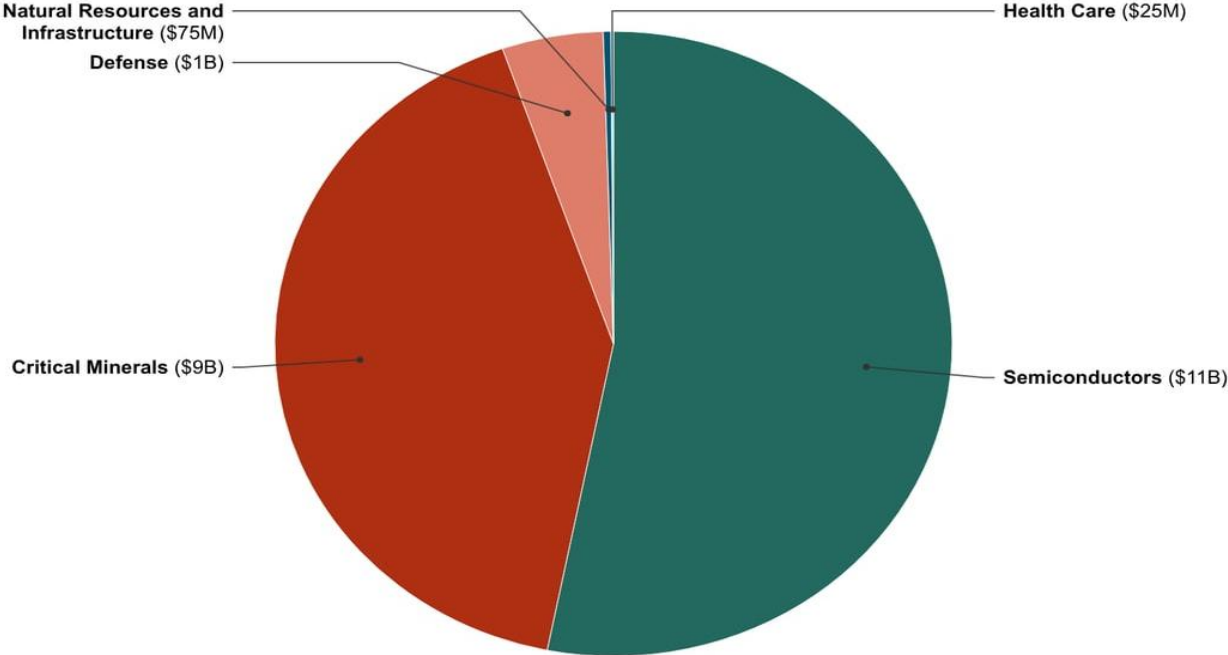
Venture capitalists, defense tech raised \$869 million globally in 2020.... and \$11.2 billion in 2025 (+13x)

Source: Dealroom

Role of Government in Markets

- Are mergers bad?
 - Spirit Airlines
 - Aerojet Rocketdyne
 - Shipbuilding
- Right-to-Repair vs. protecting IP for innovation
- Picking winners and losers vs. supporting industry?
 - The Economic Defense Unit is recruiting investment bankers to "invest \$200 billion over three years in defense deals"
- Carrots vs. sticks
 - Incentives
 - EO on stocks and executive compensation

Government Investments in Private Companies



Source: Council on Foreign Relations

Government Approach to Critical Minerals

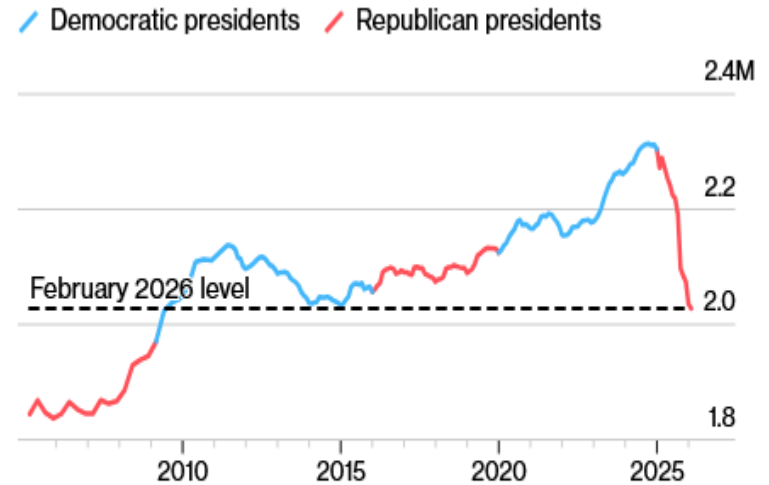
- Invest in domestic (and allied) sourcing
- Federal stockpile
- Project Vault
 - \$12 billion, privately-managed stockpile
 - \$10 billion in EXIM Bank financing
 - \$2 billion in private sector capital
 - To hedge against shortages of materials needed for defense, EVs, and tech

Government Approach to Framework Agreements

- MYP (guaranteed buys)
- Increased quantities
- Direct to subcontractors
- Industry investment and acceleration

Government Approach to Workforce

- **Down** 300,000+ employees
- Techforce - hire 1,000 technologists for 2-year stints
- Empower people (PAEs)
- Reduce requirements (FAR/DFARS)



Note: Excludes postal workers, intelligence agencies, foreign service, Federal Reserve, non-appropriated agencies and some White House employees

Source: Office of Personnel Management

The Good

- Better demand signal
- Incentives
- Contract flexibility
- Investing in the DIB
- Leverage technology

The Concerning

- Give me your IP
- EO on stocks and compensation
- Anthropic
- Delay in spending and contracting

Time Will Tell

- Workforce
- Market intervention
- FAR rewrite
- DOGE
- Fixed Price Contracting

Questions

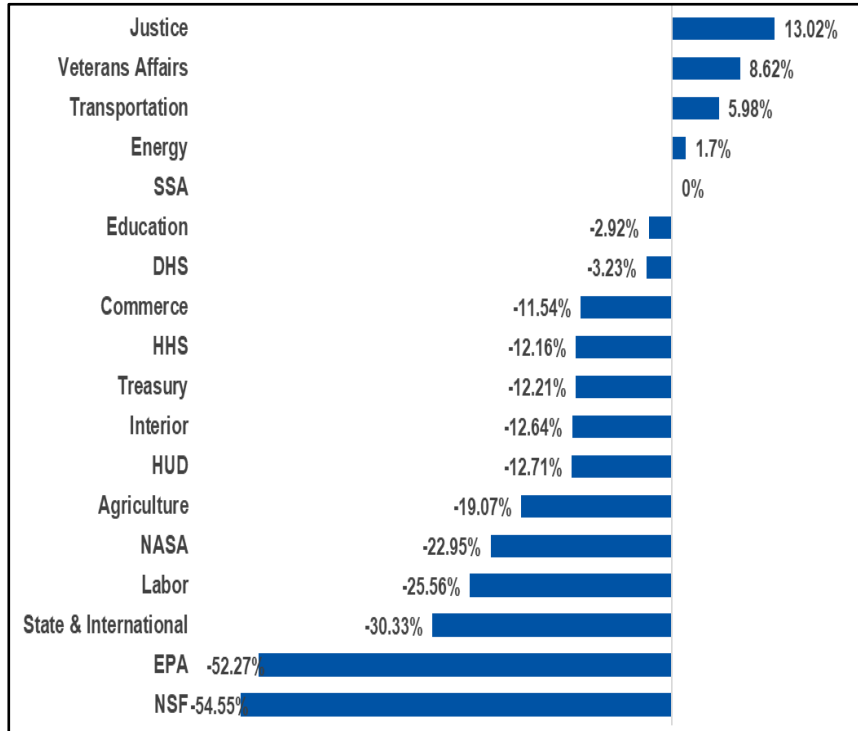
- Can we out-China China?
- Does state capitalism work?
 - [The Trouble With State Capitalism: America Is Adopting a Risky Model](#)
 - "Government stakes in companies can sometimes be warranted. In the rare-earths sector.... there are no competitive forces at work. But overusing this tool, especially in competitive markets, can be inefficient and sap innovation as state champions crowd out other contenders."

Appropriations

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Civilian Funding - \$660B Request

(FY27 PBR vs FY26 Actual)



Where Are We Going?

- DHS reconciliation
 - Senate – May 18th? reconciliation
- Continuing resolution
- Elections

DoD Funding

Where Are We?

- Global defense spending increasing
- FY27 - three-pronged approach
 - \$1.15 trillion base
 - \$350 billion reconciliation
 - \$50-100 billion supplemental?

 45% vs. FY26

Where Are We Going?

- The base budget is recurring
- Reconciliation is not a given
- Priorities:
 - Munitions
 - Drones
 - DIB production capacity
 - IT gets lots of lip service, less love

I don't think they get the financial crisis we're in. They think it's just going to be another year. No, pal. We're broke.

Rep. Glenn Grothman (R)

Peering Ahead

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FY27 NDAA

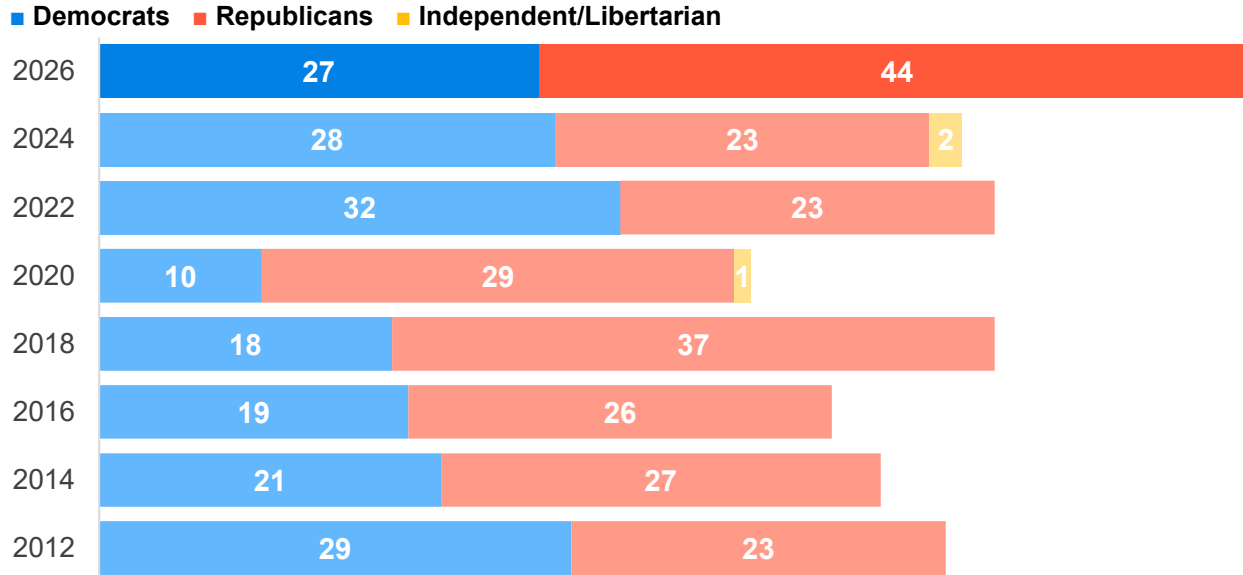
IP – Freedom to Fix?

Stocks, Dividends, Executive Comp

Nontraditional Defense Contractors

Midterm Elections

RETIREMENTS FROM CONGRESS BY ELECTION CYCLE



Representatives

- Pelosi
- Hoyer
- Golden
- Arrington
- Stefanik
- Issa

Senators

- Peters
- Shaheen
- Durbin
- McConnell
- Tillis

Don't forget redistricting!

Congressional Change

- HASC
 - Rob Wittman? Trent Kelly? Ronny Jackson?
- HAC-D
 - Ken Calvert?
- House Oversight

Political Donations

- Andreessen and Horowitz – \$25 million
- OpenAI co-founder Greg Brockman – \$12.5 million
- Meta – \$65 million into two super PACs for California state candidates

Questions?