strategy&
Part of the PwC network

Mobilizing the Dutch defense industry

An analysis of Dutch defense spending and the potential opportunity for the domestic manufacturing industry

PwC

This publication has been developed in collaboration between Strategy&, PwC's global strategy consulting business, alongside PwC industry and function experts. Together, we transform organizations by developing actionable strategies that deliver results.

At PwC, we help clients build trust and reinvent so they can turn complexity into competitive advantage. We're a tech-forward, people-empowered network with more than 370,000 people in 149 countries. Across audit and assurance, tax and legal, deals and consulting we help clients build, accelerate and sustain momentum. Find out more at www.pwc.com.

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

www.pwc.com

Contacts

Netherlands

Bastiaan Oomens
Partner,
Strategy& Netherlands
+31-(0)6-223-79-042
bastiaan.oomens@pwc.com

Rik Wijnands
Senior manager,
Strategy& Netherlands
+31-(0)6-209-194-79
rik.wijnands@pwc.com

Pascal Reinkingh
Associate,
Strategy& Netherlands
+31-(0)6-413-267-31
pascal.reinkingh@pwc.com

About the authors

Bastiaan Oomens is a partner with Strategy& and leads the Strategy& Deals practice in Amsterdam. He advises clients, both from industry and investors, in the high-tech industry on growth strategies, mergers and acquisitions, and financing topics.

Rik Wijnands is a senior manager with Strategy& and specializes in the high-tech manufacturing industry. He advises clients on growth strategies, investment decisions, mergers and acquisitions, and portfolio management.

Pascal Reinkingh is an associate with Strategy& and specializes in the Defense manufacturing industry, both military focused and dual-use. He advises on mergers and acquisitions and growth strategies, including deals in the Defense (related) space.

Rogier Wijffels is an associate with Strategy& and specializes in Technology. He advises on commercial strategy development and mergers and acquisitions.

Thimo van Kessel is an associate with Strategy& and specializes in the high-tech manufacturing industry. He advises clients on growth strategies, investment decisions and mergers and acquisitions.

Bob Gielen is an senior associate with PwC and specializes in the technology industry. He has extensive experience in financial advisory to clients, especially in the high-tech Brainport region. Bob also serves as reservist in the Royal Netherlands Army.

The authors wish to thank all the interviewees (who for reasons of confidentiality are not listed here), the international PwC defense team, the Creating Insights team, and the Data Analytics team for their valuable contributions to this study—in particular: Daniel de Jager (partner and Defense sector leader PwC NL), Astrid van der Werf (senior manager Creating Insights), Pim van Houts (associate Deals), and Wouter Smidt (associate Analytics)

About PwC

PwC's Defense practice combines PwC's service offering to support the Defense ecosystem, including governments, contractors, and other relevant parties. The team employs numerous veterans and military reservists and also serves as trusted advisor to the Dutch Ministry of Defense.

The Defense team jointly develops and leverages knowledge from PwC's official partnership with the Clingendael Institute around topics in the rapidly changing world of geopolitics.

PREFACE

This report targets Dutch manufacturing companies looking to establish or grow their footprint in the defense sector

This publication presents a data-driven approach to the future of the Dutch defense industry. The report is primarily tailored to private manufacturing companies, particularly those with advanced technical capabilities who are not yet active in the defense sector or are looking to expand their footprint. It is also highly relevant for established defense suppliers looking to grow further, as well as innovative start-ups and scale-ups developing high-tech solutions with potential defense applications. This report is designed to help you understand how your business can participate and help in the upcoming surge of the Dutch and wider European military forces.

The study provides insights into governmental defense spending and required capabilities and technologies for equipment manufacturing

This report focuses on the expected spend on defense in general and equipment specifically. It also presents an overall view on which capabilities and technologies are required to manufacture this equipment, which capabilities are currently present in the country, and how large the total potential opportunity for the domestic manufacturing industry is.

This report combines in-depth quantitative analyses of government spending projections delete with a granular breakdown of the defense equipment value chain. By mapping out not only the scale of the opportunity—nearly €41 billion in addressable spend for Dutch manufacturers—but also the specific product categories, sub-systems, and required capabilities and technologies, the report provides actionable insights that are directly relevant to industry players. The research is further enriched with insights from interviews with circa twenty executives of leading Dutch manufacturing companies, established defense OEMs and suppliers, and start- and scale ups with a focus on defense.

INTRODUCTION

A historic paradigm shift is unfolding following the recently increased NATO norm

Today, the world is in a state of ever high geopolitical tension and uncertainty, with conflicts around the globe and the first conventional, interstate war on European soil since World War II. Especially in Europe, historically many countries have underinvested in their defense organizations and have been relying on US protection. A large-scale paradigm shift started in 2025, spurred by uncertainty around the unconditional lifeline that the USA have been providing Europe with since the end of World War II. As a reaction, the NATO members have committed to increasing their defense spend norm from 2% to 5% of GDP during their latest summit, of which 3.5%pt committed to actual defense spending and 1.5%pt to so-called resilience measures.

This raises questions for the Dutch manufacturing industry on the what and how
With the Dutch government's commitment to raising core defense spending to 3.5% of GDP, a fundamental set of questions arises for the national manufacturing sector:

- How and where will the funds be deployed and what is the potential opportunity that can realistically be addressed, both in terms of direct contracts with MoD and through participation in the broader supply chain?
- Which specific capabilities and technologies are required to capture the opportunity and which Dutch companies are well positioned to play a role in the rapid expansion and modernization of the national military?
- What steps should companies take in becoming a mature player in the defense ecosystem?
- And, crucially, what conditions—such as policy support, industry collaboration, and targeted investments—must be in place for these companies to successfully scale up and deliver on the needs of the Ministry of Defense?

This report seeks to answer these questions with an extensive analysis of expected fund flows, the typical technical build-up of military systems, and bottom-up analyses of manufacturing companies and their capabilities.

MAIN FINDINGS

Annual NL Core Defense spend is set to almost double by 2030, with equipment being the largest outsourced spend category at an accumulated c.€62bn between 2025–2030

In meeting the NATO norm, core defense spend for the Netherlands will sharply increase from €22bn in 2025 to c.€38bn in 2030, which compared to 2025 figures would surpass the hospitality, water and waste management, and raw materials industries. The increasing budget amounts to an accumulated spend on defense of c.€178bn between 2025–2030. Out of this spend, we forecast[1] equipment (excl. maintenance) will be the largest outsourced category, amounting to c.€62bn between 2025–2030.

Only personnel spend is forecasted to be slightly higher, yet relates mainly to internal salaries and benefits (>90%) and is therefore less relevant to the private sector.

Out of the c.€62bn equipment spend, a maximum of €41bn will be addressable for the Dutch manufacturing industry

The Netherlands has a limited number of Original Equipment Manufacturers (OEMs, also known as 'primes') that supply directly to the Ministry of Defense. The existing OEMs are primarily active in maritime vessels, small land vehicles, drones (UAVs[2]), and high-tech C4ISR[3] systems that provide commanders with real-time operational awareness. The majority of defense products—such as tanks, fighter jets, and missiles—are thus procured from foreign OEMs. Part of equipment spend is therefore foregone to these foreign companies. We will argue that the OEM landscape dynamics are not likely to significantly change in the short run.

Irregardless of whether the Dutch MoD ultimately procures its equipment from domestic or foreign OEMs, Tier-1 and Tier-2 suppliers play an important role. We consider these suppliers, that provide the building blocks (sub-systems and components) to the OEM, crucial in maximizing the value for the Dutch manufacturing landscape and the wider Dutch economy, and in reinforcing the country's strategic autonomy.

To help the domestic manufacturing industry in taking such a role, we provide a detailed breakdown of equipment spend into 15 product groups and each product group into 7 common sub-systems. We denote which sub-systems are addressable for Dutch suppliers and list the key capabilities and technologies needed to supply them.

We show that of the c.€62bn equipment spend, c.€41bn is potentially addressable for the Dutch manufacturing industry. Most of this relates to products manufactured by foreign OEMs (c.€25bn), the remainder to products manufactured by domestic OEMs (c.€16bn).

In terms of sub-systems, we find the largest opportunity comes from sensory systems, followed closely by components and sub-systems related to engines, control and communication systems.

1 Source: Rijksbegroting 2023–2029, Rijksbegroting Defensie Materieel Fonds 2023–2039, NATO, IMF
2 Note: Unmanned Aerial Vehicle
3 Note: Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance

Finally, we have identified twelve key enabling capabilities and technologies that are relevant to manufacturing and supplying these sub-systems.

We have identified c.3,400 Dutch manufacturing companies with relevant capabilities that could play a role in tripling the output of the Dutch defense industry

In 2023, the Dutch defense manufacturing sector comprised c. 400 OEMs, Tier-1 and Tier-2 suppliers. These companies collectively generated €3.6bn in revenues from defense related equipment[4,5]. To address the abovementioned opportunity, by 2030, this base must scale its output 3–4 times.

Firstly, this will require an upscaling of Dutch OEMs, who are especially well-positioned to expand in maritime vessels (with shipbuilders like Damen Naval), light armored vehicles (with companies such as DAF and Defenture), and small UAVs, where the market is less established and offers growth potential for both existing and new Dutch players.

Secondly, and more crucially, it requires a much larger base of Tier-1 and Tier-2 suppliers with the relevant capabilities to supply both domestic and foreign OEMs. Through an extensive, bottom-up analysis we have identified c.3,400 companies that possess relevant manufacturing capabilities—mainly small and medium-sized enterprises concentrated in regions like Noord-Brabant, Zuid-Holland, and Gelderland. These companies, most of which not yet active in the defense supply chain, could help scale up defense production. In order to do so, these companies, supported by the government, should act now and start positioning themselves in Defense markets.

While the Netherlands is particularly strong in areas such as metal manufacturing, advanced materials, and imaging technologies, we highlight underweight in critical fields like engine (related) production, radar and sonar (related) systems, and microelectronics. Without targeted investments and strategic collaboration to develop these advanced capabilities, the Dutch industry may struggle to capture some of these valuable segments of the defense supply chain.

Strategic and organizational pre-positioning and partnerships are critical first steps to succeed in the expanding defense sector

Depending on their maturity in the industry, companies are facing different challenges in catering to the defense value chain. We distinguish four maturity stages: explore, entrench, expand, and evolve—with the majority of identified companies still being in the explore phase. By strategically mapping their capabilities to defense market needs, proactively addressing compliance requirements, and seeking collaboration through regional and national consortia, these players can position themselves as valuable partners to both OEMs and the Ministry of Defense. Embracing these steps enables companies to capture significant new business opportunities. It also drives strategic autonomy as crucial parts of the supply chain and know-how remain under domestic control, stimulates innovation and strengthens the broader Dutch industrial base. Ultimately, early and coordinated engagement—supported by investments and alignment with government initiatives—will be essential for the private sector to fully realize the benefits of increased defense spending and to secure a lasting role in the future of national and European defense manufacturing.

4 Source: Rapport Nederlandse defensie- en veiligheid gerelateerde technologische industriële basis 2024
5 This number excludes OEM exports (e.g. vessels sold to other countries) as these do not relate to the opportunity derived from Dutch MoD spend

EXHIBIT 1
Overview of key figures

5%	of GDP defense spend target for 2035, as agreed in The Hague NATO top. Currently The Netherlands stands at c.1.9% of GDP
3.5%	of GDP allocated to core defense spend, remaining 1.5% of GDP for defense-related causes such as infrastructure, cyber security, etc.
€178bn	Cumulative spend on core defense between 2025–2030 in The Netherlands
€62bn	Cumulative spend on equipment between 2025–2030 in The Netherlands
€41bn	Opportunity for Dutch manufacturing companies based on mapping of European OEM landscape and subcontracting dynamics • €16bn for Dutch OEMs and domestic suppliers to these OEMs • €25bn as supplier to foreign OEMs
3,400	Dutch manufacturing companies (OEM, Tier-1, Tier-2) identified that could play a role in the equipment supply chain based on their manufacturing capabilities

Source: Strategy& analysis

SECTION 1

Dutch defense spend is set to almost double by 2030 with equipment as largest outsourced category

Background: extended defense spending in an unstable world

Historically, attention for defense has been reactive to war and peace. An extended peace period in Europe following the dissolution of the Soviet Union, and the historical unconditional support of the United States, has led to long-term stagnation of defense expenditures in Europe *(see Exhibit 2, next page)*.

Currently, the world is in a state of instability, with conflicts around the globe and the first conventional, interstate war on European soil since World War II. In many European countries, including The Netherlands, this has led to public concern and the belief that war readiness is poor.

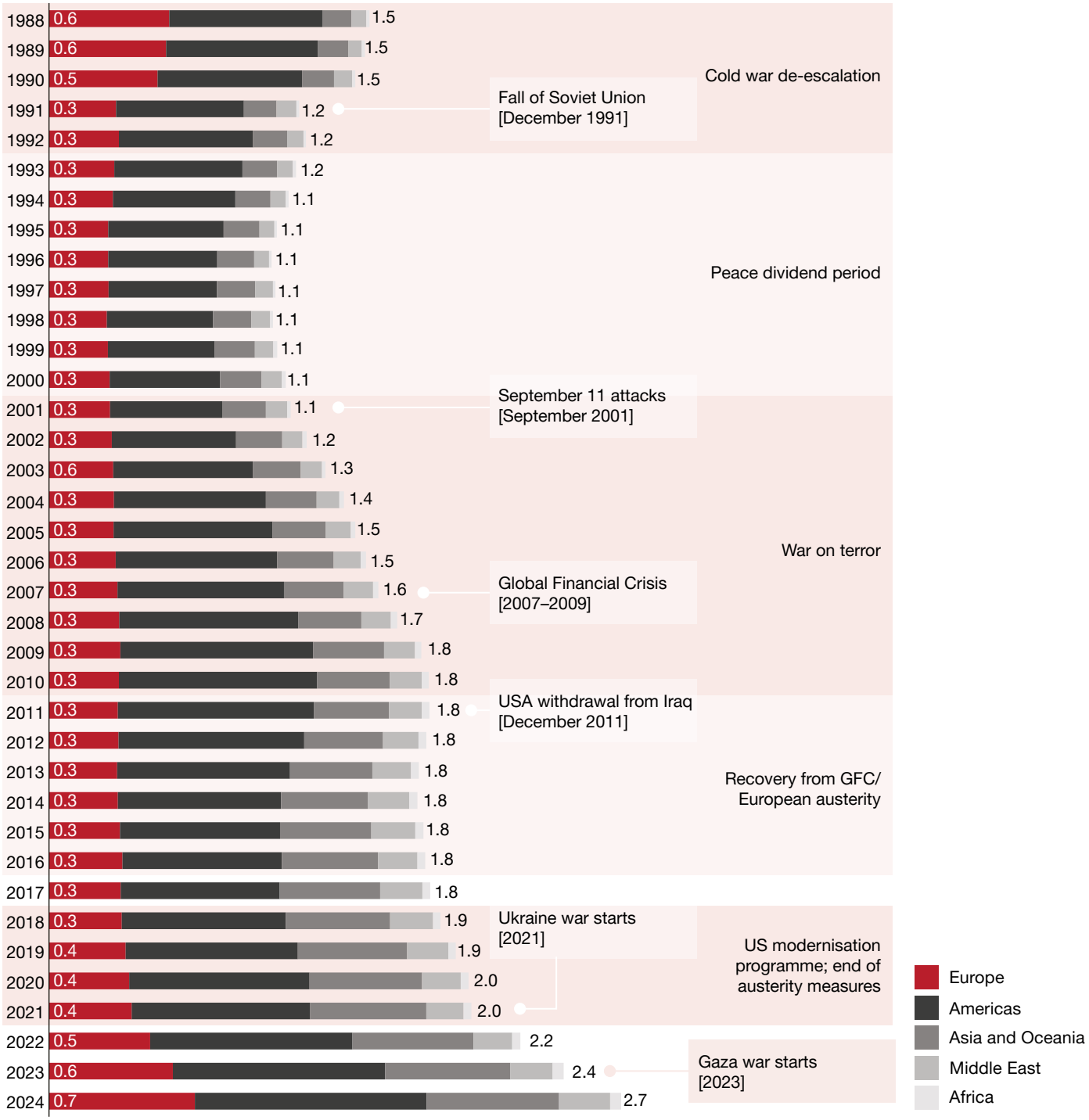
As a first step in improving Europe's Defense capabilities, NATO members—mostly European countries—committed in June 2025 to increasing their Defense spend target from 2% to 5% of GDP. To reach consensus, it was agreed that of this 5% spend target, 3.5%pt will be used for actual 'core' military spending and 1.5%pt can be used for broader, defense-related causes such as (defense-capable) infrastructure, cybersecurity, etc.

With several NATO members having not met their 2% target historically, this increased budget target implies a significant growth in overall expected NATO defense related expenditures from c. €1,400bn in 2024 to c. €3,300bn if the 5% target is met. For the Netherlands to meet these NATO standards, core defense spend is expected to rise from c. €22bn in 2025 to c. €38bn in 2030 (2.7% of GDP, based on a linear pathway to reaching 3.5% by 2035), amounting to a cumulative spend of c. €178bn across that period[6]. The Netherlands ranks in the top ten of NATO members in terms of spending.

6 Source: Linear extrapolation across the period 2025–2035 using MoD budgets from NL government (Rijksbegroting 2025) and NATO (Defense Expenditure of NATO countries 2024) and GDP estimates from IMF (World Economic Outlook 2025)

EXHIBIT 2

Global defense expenditure by region – $tr (Real), 1988–2024



Source: SIPRI (Global developments in military expenditure), Strategy& analysis

Categorizing the budget forecast

We distinguish five main spend categories that the Defense budgets are used for, being: personnel, logistics, infrastructure, combat equipment and IT & Tech equipment *(see Exhibit 3)*.

Based on the current governmental budgets and historical expenditure, we forecast[7] that personnel will be the largest category at €64bn and equipment (excl. maintenance) will the second largest category at €62bn cumulatively between 2025 and 2030. The amount of outsourcing however is expected to be much larger for equipment as personnel expenditure mainly relates to internal salaries and benefits (>90%). This makes equipment the largest outsourced category, and therefore more relevant to the private sector.

Focus on equipment

The focus of this study lies specifically with equipment and opportunities for the manufacturing industry. We do recognize that similar opportunities and challenges will likely also arise in other categories, e.g. HR and recruitment companies in personnel, transport providers in logistics, construction companies in infrastructure and MRO in maintenance. This falls however outside the scope of this report.

7 Source: Rijksbegroting 2025–2030 and DMF Rijksbegroting 2025–2030, extrapolated for increased total Defense budgets to meet NATO norm by 2035

EXHIBIT 3

Investments in equipment are most relevant for manufacturing businesses

	Personnel	Logistics	Maintenance	New infrastructure	New equipment: Combat	New equipment: IT and Tech	Other spend
	Recruiting, training and maintaining personnel	Transport, logistics, support personnel and supply chains	Maintenance of Infrastructure and equipment	Military bases, barracks and other infrastructure	Military equipment (e.g. weapons systems and vehicles)	Soft- and hardware (e.g. C4ISR, IT, simulators)	E.g. Damages, subsidies, and classified spend
Industry potential (e.g.)	• Training and simulation • HR and detachment	• Supply chain management • Transport and logistics	• Service maintenance • MRO	• Construction, renovation • Security systems	• Metal manufacturing • Power electronics	• Precision manufacturing • Semiconductor	• n/a
Cum. spend (€bn, *25-30)	64	14	21	7	62		11
% of total	36%	7%	12%	4%	35%		6%

Source: Rijksbegroting 2025, Rijksbegroting DMF 2025, IMF, NATO, Strategy& analysis

SECTION 2

A cumulative spend of €62bn in equipment until 2030 means an opportunity of €41bn for the Dutch manufacturing industry

An expected cumulative spend of €62bn on equipment up to 2030 provides a significant opportunity for the manufacturing industry. Furthermore, there are significant benefits if this governmental expenditure is deployed in a manner that strengthens the domestic capabilities, strategic autonomy, and benefits the country in a broader sense than merely the procurement of equipment.

In this chapter we explore the potential opportunity for the domestic manufacturing industry. We initiate our exploration by deconstructing the €62bn in projected spend into specific product categories. Building on this analysis, we identify the capabilities and technologies required to produce these equipment types, and the types of industrial players in the Netherlands that currently poses these capabilities.

Understanding the Defense equipment value chain

To understand the actual opportunity for the existing industry, it is important to have a better understanding of the Defense equipment value chain. The graphic below shows the 7-step value chain *(see Exhibit 4)*.

EXHIBIT 4

Value chain – Case studies

	Pre-production		Production			Sales and after-sales	
	R&D and engineering	Material supply (Tier-3)	Components (Tier-2)	Sub-systems (Tier-1)	OEM/ Integrator	Distribution	Additional services
Description	Research, concept development and engineering	Supply of specialised resources and elements	Manufacturing of components for sub-systems and end-products (e.g. metal parts, frames)	Manufacturing of sub-systems (e.g. engine, chassis, sensory system)	Integration of components and sub-systems into end-products (e.g. Battle tank, Air-to-air missile)	Delivery and installation of end-products to customers (e.g. Ministry of Defense)	Service, maintenance and improve-ment, to enhance operational effectiveness

Source: Industry interviews, Strategy& analysis

Our analysis shows that the predominant part of the opportunity for the domestic manufacturing industry sits in the production phase:

- R&D and engineering, and distribution are typically performed by production players themselves, sometimes together with the Ministry of Defense or specialized partners (e.g. engineering consultants and knowledge institutes like TNO).
- Additional services such as maintenance are largely captured in a separate spend bucket and thus fall outside the €62bn opportunity *(see section 1, Exhibit 3)*.
- While a portion of the opportunity will inevitably still be realized by domestic players outside the production phase (e.g. raw material suppliers, engineering consultants and external training providers), these elements are excluded from our analysis for the sake of clarity and focus.

Breaking down the opportunity within the production phase

To assess what part of the €62bn of equipment spend is addressable for the Dutch manufacturing industry, we use a 4-step process as illustrated in the diagram below. In the coming paragraphs, we will elaborate and present our findings for each step *(see Exhibit 5)*.

EXHIBIT 5
Approach to opportunity sizing

	01 Product demand definition	02 OEM identification	03 Sub-system breakdown	04 Key capabilities and technologies
Analysis	• Breaking down €62bn of equipment spend into 15 distinct product groups	• For each product group, forecasting whether a domestic or foreign OEM will be selected for manufacturing	• For each product group, making a breakdown into 7 common sub-systems, based on cost-price • Determining addressable opportunity by sub-system	• For each sub-system and product group combination, assessing which key capabilities and technologies are required for production
Outcome	• Total opportunity for each product group	• Addressable opportunity for NL manufacturing industry for each product group	• Total and addressable opportunity for each sub-system and product group combination	• List of capabilities needed to capture the addressable opportunity for each sub-system and product group combination

Source: Strategy& analysis

1. Product demand definition

Using the most recent project list[8] of the Dutch defense ministry, combined with our own product mapping structure, we have built a proxy to break down expected spend into product groups[9]. We have analyzed five product categories and twelve distinct product groups for combat equipment. We have excluded small equipment[10] from our analysis for simplicity and because of its relatively small contribution to the total opportunity.

We also consider IT & Tech equipment as the corresponding product categories have similar value chains and manufacturing processes as combat equipment. Within IT & Tech equipment we distinguish three distinct product groups. The total opportunity, excluding small equipment, then amounts to €57bn *(see Exhibit 6)*.

8 Source: Defensie Projecten Overzicht 2025, showing all ongoing and projected projects related to procurement and maintenance of Equipment (Combat and IT & Tech) and Infrastructure
9 Note: Future allocation is subject to change, e.g. changing battlefield requirements are expected to drive more small UAV demand. We use most recent data for our analysis
10 Note: Comprising product groups Ammunition and explosives, infantry weapon systems and Tools and wearables

EXHIBIT 6
NL forecast equipment spend and OEMs

Type	Product group	Spend (€bn)	NL manufacturing opportunity
Electronic warfare	Electronic warfare	1	Tier-2 Tier-1 OEM
Simulators	Simulators	2	Tier-2 Tier-1 OEM
C4ISR	C4ISR	5	Tier-2 Tier-1 OEM
Small equipment[1]		4	Out-of-scope
Unmanned Aerial Vehicles (UAV)	MALE	1	Tier-2 Tier-1 OEM
	Small UAV	1	Tier-2 Tier-1 OEM
Aircraft	Fighter jets	3	Tier-2 Tier-1 OEM
	Support plane	2	Tier-2 Tier-1 OEM
	Helicopter	5	Tier-2 Tier-1 OEM
Maritime vessels	Frigate	5	Tier-2 Tier-1 OEM
	Support vessel	6	Tier-2 Tier-1 OEM
	Amphibian	0.4	Tier-2 Tier-1 OEM
Land vehicles	Light armour	3	Tier-2 Tier-1 OEM
	Heavy armour	8	Tier-2 Tier-1 OEM
Firing systems and missiles	Firing system	9	Tier-2 Tier-1 OEM
	Missiles	7	Tier-2 Tier-1 OEM
Total		**€62bn**	Equipment type: Combat IT and tech Out-of-scope
Total in scope		**€57bn**	

Notes: 1) Ammunition and explosives, Infantry weapons, Tools and wearables
Source: DPO (Defensie Projecten Overzicht) 2025, NATO, MoD (Rijksbegroting 2025, DMF Rijksbegroting 2025), Strategy& analysis

2. OEM identification: domestic or foreign

We argue two types of opportunities may arise for Dutch players, for which the approach and addressability is significantly different:

1. Within the value chain of domestic OEMs, providing opportunities for Dutch OEMs, Tier-1 and Tier-2 suppliers.

2. Within the value chain of foreign OEMs, providing opportunities for Dutch Tier-1 and Tier-2 suppliers.

The current landscape of OEMs is fixed

In this step, for each product group we forecast whether a domestic or foreign OEM is likely to be contracted by the Ministry of Defense. To apply this dichotomy going forward, we argue the current landscape of large OEMs is relatively fixed and no new, large (Dutch) OEMs are likely to enter the market in the short-term. This is illustrated in the box below.

OEM landscape: significant barriers for new entrants

At the forefront of the military equipment ecosystem are approximately fifteen major European OEMs. Alongside circa ten US counterparts[11], they dominate the market for most Defense products.

Their scale, technological leadership, proven track record, and strategic partnerships create significant barriers for new entrants. Their products are often the preferred standard for NATO allies, exemplified by the F-35 fighter jets by Lockheed Martin, NH90 helicopters by Airbus and Leonardo, and Patriot missiles by RTX.

This strong incumbency, together with regulatory barriers makes it extremely difficult for new companies to begin supplying directly to the Ministry of Defense, particularly in the short term and at large scale.

A review of current procurement plans[12] by the Dutch Ministry of Defense underscores the dominance of established OEMs as most major platforms, such as the Bushmaster vehicle (Thales), Leopard tanks (KNDS), Chinook helicopters (Boeing), and PAC-3 missiles (RTX), are sourced from these leading manufacturers, reflecting their entrenched position *(see Exhibit 7, next page)*.

11 Note: Including notable companies such as Lockheed Martin, Boeing, RTX, Northrop Grumman, General Dynamics, L3Harris, Honeywell, and General Atomics
12 Source: Defensie Projecten Overzicht 2025

EXHIBIT 7
Currently contracted OEMs for equipment projects

Product group	MoD equipment contracts (# of active contracts)	Contracted value (€bn)	Product type focus
Other OEMs[1]	4	2	• Support planes • Firing systems
US top-tier OEMs	18	15	• Firing systems • Missiles
EU top-tier OEMs	24	18	• Armoured land vehicles • Helicopters
NL OEMs	12	13	• Frigates • Support vessels

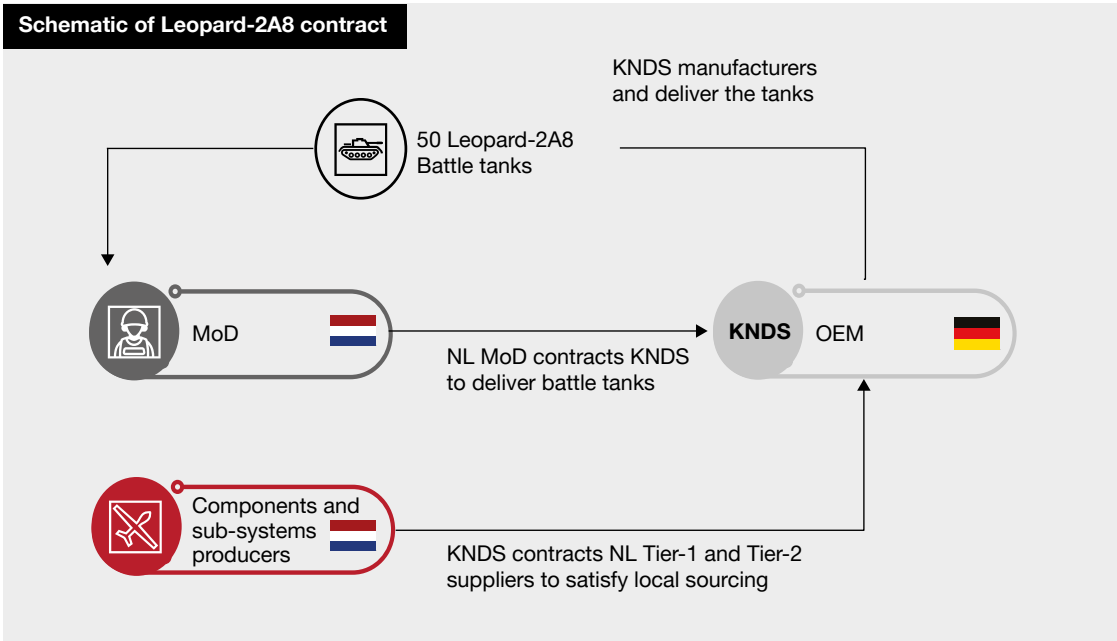
Notes: 1 Either non-EU/US or smaller in size
Source: MoD (Defensie projectenoverzicht 2025), Strategy& analysis

Foreign OEMs will be contracted for the majority of product groups

The distinction between the two types of opportunities is crucial due to differences in address-ability. For product groups manufactured by Dutch OEMs, we consider the entire spend to be addressable for Dutch manufacturing players, as OEMs, Tier-1, and Tier-2 suppliers can all be domestic[13]. However, only for a limited amount of product groups there currently exist established Dutch OEMs, so foreign OEMs are likely to be contracted for the majority of product groups. In these cases, only the subcontracted portion of the opportunity is accessible to Dutch Tier-1 and Tier-2 suppliers.

13 Note: In reality, Dutch OEMs may choose foreign Tier-1 suppliers. However, if the Dutch manufacturing landscape possesses all required capabilities, it could theoretically capture the entire opportunity

EXHIBIT 8
Example of local sourcing requirements in Defence contracts



Source: European Commission, NOS, Strategy& analysis

Provisions for local sourcing in contracts with foreign OEMs

The recent Leopard battle tank order from the Dutch Ministry of Defense provides a clear example of how local content requirements are implemented to involve national suppliers in the purchase.

As the Netherlands does not have a domestic tank manufacturing industry, the ministry sources new tanks from the France-German OEM KNDS. To ensure procurement still benefits the Dutch economy, the contract includes provisions for local sourcing. This means that a certain percentage of the contract's value must be fulfilled through goods and services provided by Dutch companies. In practical terms, this is achieved by involving Dutch firms in the supply of sub-systems and components. For example, a Dutch electrical company providing electrical systems and wiring for the tanks.

Even though the final assembly of the tanks takes place outside the Netherlands, the participation of local industry in the supply chain ensures that Dutch companies gain from the procurement *(see Exhibit 8)*.

Having established two opportunity types—products manufactured by domestic OEMs and those by foreign OEMs—we assign each product group accordingly. Based on the current Dutch OEM landscape and the strategic focus areas identified by the Dutch government[14], we assume that maritime vessels, Small UAVs, and C4ISR are likely to be procured from domestic OEMs[15]. This aligns with both government priorities and existing contracts. All other product groups are expected to be manufactured by foreign OEMs and part of this spend is thus foregone to these foreign companies.

3. Sub-system breakdown

Having established the OEM for each product group, the next step is to move further backward into the value chain. This involves breaking down each product group into its constituent sub-systems, assessing the relative cost contribution of these sub-systems, and determining the extent to which they can be sourced from Dutch Tier-1 and Tier-2 suppliers.

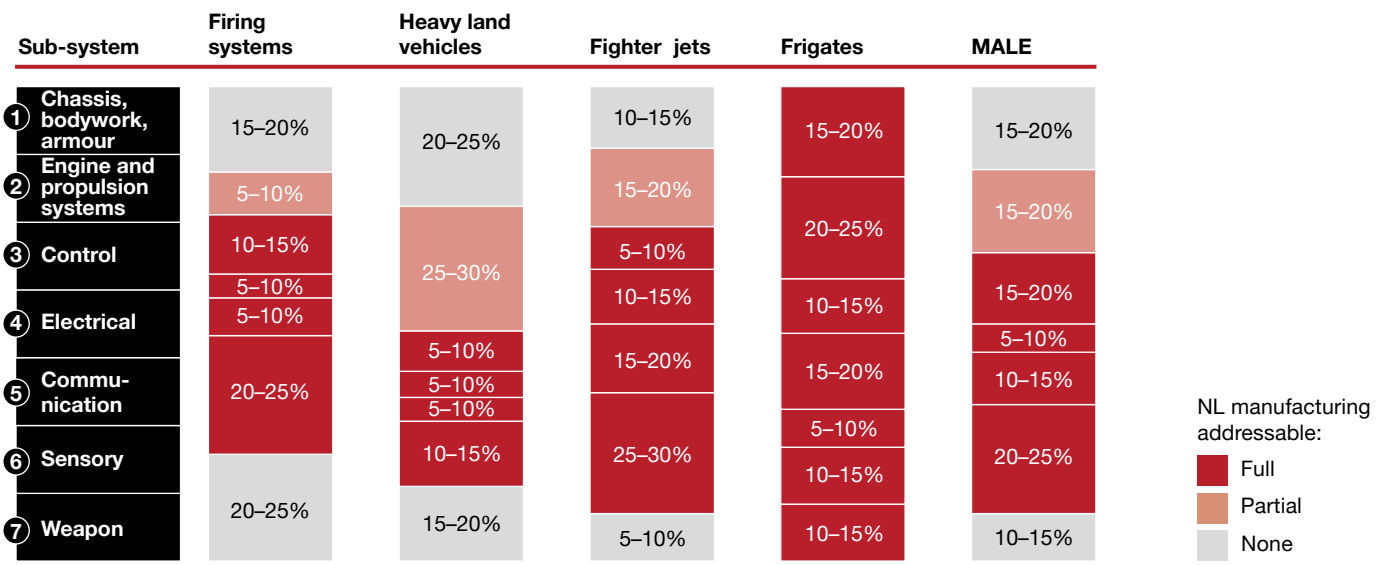
Seven main building blocks/sub-systems and their value

We identified seven main building blocks, or sub-systems, that the various equipment types are typically built up from: 1) chassis, bodywork and armor, 2) engine and propulsion, 3) control, 4) electrical, 5) communication, 6) sensory, and 7) weapon. Through interviews with various European OEMs and desktop research, we have made a percentage-based cost breakdown that is allocated across these seven sub-systems. This allows for a detailed understanding of how the total value of each product group is distributed among its sub-systems. Five examples are shown in the graphs below[16] *(see Exhibit 9, next page)*.

A multiplication of the total spend on a product group with the cost-price contribution of the sub-systems then yields the total expected defense spend by sub-system.

14 Source: Defensie Innovatie Strategie (DIS) and the Defensie Strategie voor Industrie en Innovatie 2025–2029 (DSII)
15 Note: OEMs DAF, Defenture and Dutch Military Vehicles can produce some of the light armored vehicles category. As large EU OEMs also play in this category, this is left out of scope for simplification
16 Note: Breakdowns were made for each product group, often using an average of multiple specific case studies per product group (e.g. Patriot and HIMARS system for firing systems, F-35 and F-16 for fighter jets)

EXHIBIT 9
Selected examples of sub-system cost breakdowns



Source: Industry interviews, Strategy& analysis

The (value of) sub-systems that Dutch companies potentially can supply to foreign OEMs

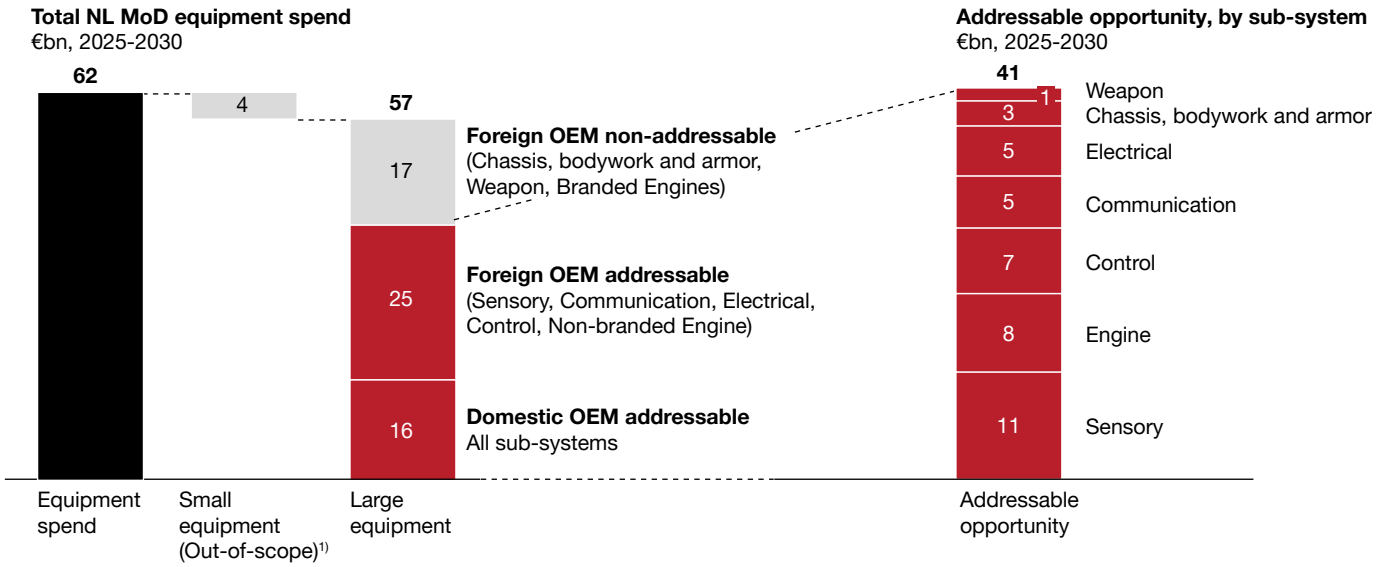
Having established the value, we now address sub-system addressability and the value Dutch suppliers can realistically capture. For this, we must understand sourcing dynamics of OEMs. OEMs typically at least retain in-house production of chassis, bodywork and armor and weapon sub-systems as these are considered core intellectual property. Additionally, certain engine sub-systems are pre-specified from specific manufacturers (e.g., Pratt & Whitney engines in the F-35) and are therefore non-substitutable.

The sub-systems that remain as potentially addressable—sensory, communication, electrical, control, and partially engine—represent a value of €25bn, or approximately 60% of the €41bn that is expected to be sourced from foreign OEMs.

The value of domestic production

This dynamic is similar for domestically produced products, yet here, as the OEM is Dutch, there are no local sourcing requirements and potentially no value lost to foreign entities. In other words, for these products (e.g. maritime vessels), the entire production phase can potentially be covered by the Dutch manufacturing landscape (OEM, Tier-1 and Tier-2), making this this portion of spend (€16bn) 100% addressable.The graph below illustrates how the €62bn in MoD Equipment spend is divided between Domestic and Foreign OEM opportunities, and highlights the potentially addressable segments for Dutch manufacturers *(see Exhibit 10, next page)*.

EXHIBIT 10
Addressable opportunity by sub-system



Source: Strategy& analysis

> We have a limited number of Original Equipment Manufacturers (OEMs) in the Netherlands that produce, among other things, maritime vessels, small land vehicles, and drones. Most defense equipment is purchased abroad. However, there is significant scope for the Dutch manufacturing industry in the production of various high-end components and subsystems."
>
> **Daniel de Jager, partner and defense sector lead**
> **PwC The Netherlands**

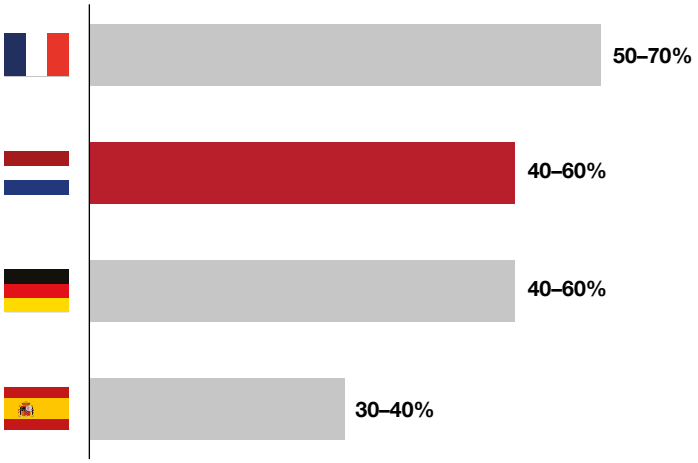
The largest opportunity lies in the supply of sensory systems

The total addressable value with domestic and foreign OEMs combined then amounts to €41bn. Most of this relates to products manufactured by foreign OEM (c.€25bn), the remainder to products manufactured by domestic OEM (c.€16bn).

Our analysis shows that the largest opportunity for the Dutch manufacturing industry lies in the supply of sensory systems. Furthermore there is significant potential in supplying engines, as well as control and communication sub-systems, which are critical components across a range of defense products.

EXHIBIT 11

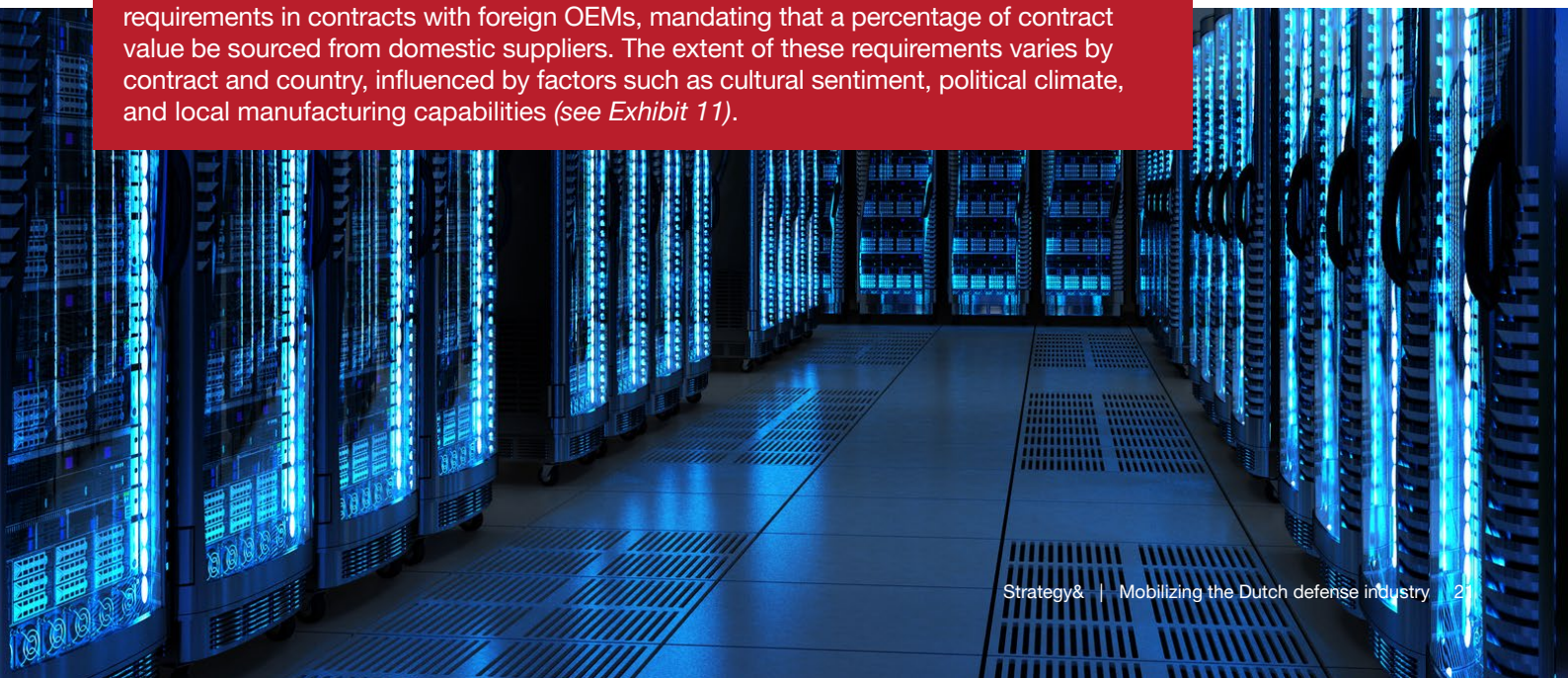
Local sourcing requirements – by country, % of contract value



Source: Industry interviews, News Articles

Local sourcing triangulation

To maximize local participation, Ministries of Defense often include local sourcing requirements in contracts with foreign OEMs, mandating that a percentage of contract value be sourced from domestic suppliers. The extent of these requirements varies by contract and country, influenced by factors such as cultural sentiment, political climate, and local manufacturing capabilities *(see Exhibit 11)*.



4. Key capabilities and technologies

The final step involves identifying the required capabilities to manufacture the analyzed sub-systems. For each product group, case studies have been carried out to examine the primary components of each sub-system and to determine the key capabilities and technologies needed for their production.

A list of fourteen generic capabilities and technologies and technologies was distilled from the case studies in *Exhibit 12* (the list and example case studies are provided below).

Key capabilities	Description	Applications (e.g.)
Conventional metal manufacturing	Production of base metals and processing metals and alloys into large components using methods like casting, forging, bending, rolling, sawing, cutting, large-scale turning. Examples include sheet metal, tubular and structural frames, etc.	Airframe structures, landing gear, engine mounts, and armored vehicles
Advanced material manufacturing	Production and processing of high-performance materials such as composites, polymers, etc. for lightweight, high pressure resistance, corrosion resistance, fatigue resistance, flame retardant, etc.	Lightweight composite fuselages, stealth coatings, thermal protection
Advanced metalworking	High-precision machining (e.g. through micro-tolerance CNC milling), 3D printing/ additive manufacturing to fabricate highly complex or miniaturized parts. Also includes mechatronic assembly	Satellite components, missile parts, and UAV structures
Turbofan engine	Jet engine that uses a large fan to generate thrust, with air bypassing core for efficiency, including relevant components such as afterburners, thrust vectoring systems, etc.	Military fighter jets, transport aircraft, surveillance planes, rockets
Diesel engine	Internal combustion engine using diesel fuel for power generation and propulsion, including components such as valves, combustion control units, etc.	Military ground vehicles, naval vessels, and backup generators for bases
Microelectronics/ semiconductor	Designs and fabricates microchips and electronic circuits on semiconductor materials	Avionics, guidance systems, secure communications, and EW
Battery/energy storage	Develops devices for storing electrical energy, such as batteries and capacitors	Drones, satellites, portable soldier systems, and missile firing systems
Power electronics	Manages and converts electrical power using devices like inverters and converters	Power distribution in aircraft, ships, radar systems, and energy weapons
Radio technology	Handles the transmission and reception of signals in the radio spectrum (or adjacent technologies)	Secure communications, electronic countermeasures, and radar systems
Radar, sonar, other sensing/ detection	Uses radio or sound waves to detect, track, and image objects	Surveillance, target tracking, navigation, and submarine detection
Vision and imaging	Infrared, electro-optical, and thermal imaging technologies	Night vision, missile guidance, reconnaissance, and target acquisition
Laser technology	Generates focused beams of light for various applications	Rangefinders, energy weapons, target designation, and communication

EXHIBIT 12
Selected product case studies

Case study: Patriot missile firing system (non-exhaustive)

Weapon
- Rails, launcher and reloader

Components/materials
- Steel, hydraulic system

Key capabilities/technologies
- Conventional metal manufacturing
- Advanced metalworking

Communication
- Antenna mast group (UHF radio)

Components/materials
- Antennas, microphones and amplifiers

Key capabilities/technologies
- Advanced metalworking
- Radio technology

Control (externally in engagement control station)
- Fire control, launch and reload sequencer

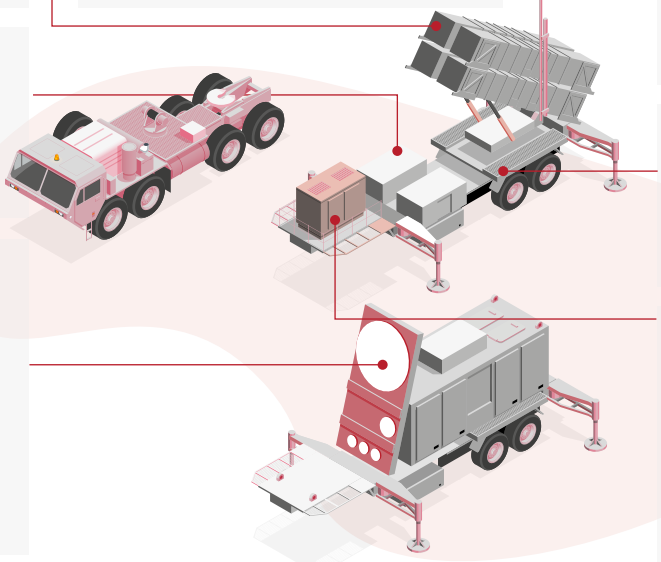
Components/materials
- Embedded control and actuators
- Optional interface

Key capabilities/technologies
- Advanced metalworking
- Microelectronics/semiconductor

Outer-shell:
- Launcher platform

Components/materials:
- Magnesium alloys, steel

Key capabilities/technologies:
- Conventional metal manufacturing



Engine
- Auxiliary diesel generator

Components/materials
- Diesel generator

Key capabilities/technologies
- Diesel engine assembly

Sensory
- AN/MPQ-65 phased array radar

Components/materials
- Antennas and phase shifters
- Transmitter and receiver
- Signal processing unit

Key capabilities/technologies
- Radar and detection
- Microelectronics/semiconductor
- Advanced metalworking
- Software engineering

Electrical
- Electrical power plant with lithium battery

Components/materials
- Battery and distribution unit
- Connectors and terminals

Key capabilities/technologies
- Battery/energy storage
- Power electronics

Case study: Leopard-2A8 Battle Tank (non-exhaustive)

Weapon (Turret assembly, Armament)
- 120mm smoothbore gun
- Machine guns

Components/materials
- Steel barrel, breech, recoil systems

Key capabilities/technologies
- Conventional metal manufacturing
- Advanced metalworking

Sensory (Navigation and remote piloting systems)
- Array of sensors (thermal, radar, laser, IR/EO)

Components/materials
- Radar, Camera

Key capabilities/technologies
- Advanced metalworking
- Microelectronics/Semiconductor
- Radar technology
- Vision and imaging
- Laser technology

Control (Suspension, Steering)
- Battlefield management system
- Physical and fire control

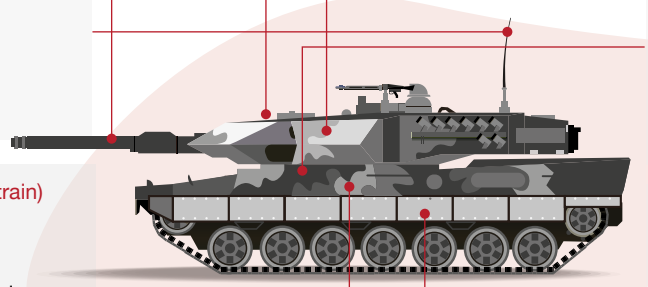
Components/materials
- Embedded controls, displays and actuators, assisting software

Key capabilities/technologies
- Advanced metalworking
- Microelectronics/semiconductor

Communication (communications)
- Intercom and VHF radio

Components/materials
- Antennas, microphones and amplifiers

Key capabilities/technologies
- Advanced metalworking
- Radio technology



Electrical (auxiliary automotive)
- Diesel/battery powered system

Components/materials
- Battery and SSPDBS power management, connectors and terminals

Key capabilities/technologies
- Battery/energy storage
- Power electronics

Engine (power package, drive train)
- Diesel engine
- Powering tracks

Components/materials
- Motor components, powertrain and transmission

Key capabilities/technologies
- Advanced material manufacturing
- Diesel engine assembly

Chassis, bodywork and armour (hull, frame)
- Layered composite armour

Components/materials
- Metals and composites

Key capabilities/technologies
- Advanced material manufacturing

Case study: F-35 Fighter Jet (non-exhaustive)

Electrical (electrical and auxiliary power)
- Engine driven generators

Components/materials
- Generators
- Wire harness

Key capabilities/technologies
- Battery/energy storage
- Power electronics

Chassis, bodywork and armour (air frame)
- Titanium airframe

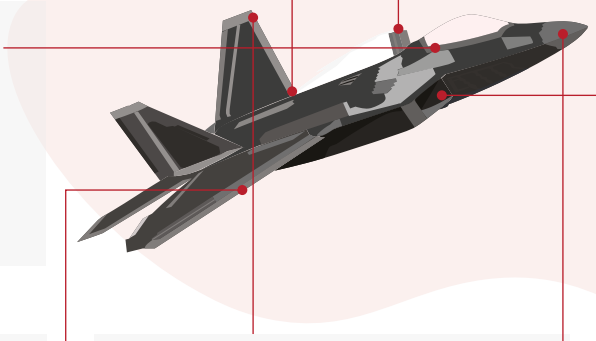
Components/materials
- Aluminium and titanium alloys
- Carbon fibre composites
- Radar absorbent coating

Key capabilities/technologies
- Advanced material manufacturing

Control (flight control)
- Fly-by-wire control

Components/materials
- Embedded controls, helmet displays and actuators
- Assisting software

Key capabilities/technologies
- Advanced metalworking
- Microelectronics/semiconductor



Engine (propulsion)
- Pratt and Whitney F135 turbofan

Components/materials
- High temperature nickel-based turbine blades
- Titanium alloy casings

Key capabilities/technologies
- Turbofan engine

Weapon (payload/mission system)
- 25mm canon

Components/materials
- Rocket engine, frame and payload
- Laser tracking and control sensors

Key capabilities/technologies
- Advanced material manufacturing
- Advanced metalworking

Communication (avionics)
- Multi advanced data link

Components/materials
- Phased array radar with x-band frequency

Key capabilities/technologies
- Advanced metalworking
- Microelectronics/semiconductor
- Radar technology

Sensory (Avionics)
- Array of sensors (Radar, EO, EW)

Components/materials
- Electronically scanned array radar
- Distributed aperture system

Key capabilities/technologies
- Advanced metalworking
- Microelectronics/semiconductor
- Radar technology
- Vision and imaging
- Laser technology

Case study: M-Frigate (non-exhaustive)

Control
- Combat management system
- Integrated platform management system

Components/materials
- Embedded controls, displays and actuators, Assisting software

Key capabilities/technologies
- Advanced metalworking
- Microelectronics/semiconductor

Communication
- Intercom
- SATCOM system

Components/materials
- Satellite communications Antenna, Radio transceiver system

Key capabilities/technologies
- Advanced metalworking
- Microelectronics/semiconductor
- Radar technology
- Radio technology

Sensory
- Array of sensors (radar, sonar, EWS, IRST, GPS)

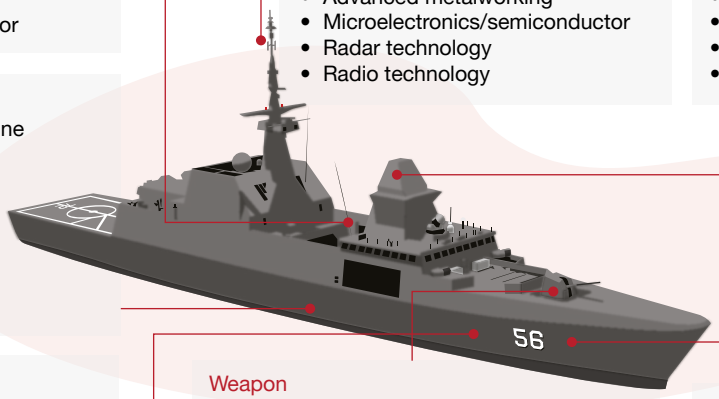
Components/materials
- Infrared, optical sensors, sonar

Key capabilities/technologies
- Advanced metalworking
- Microelectronics/semiconductor
- Radar and detection
- Vision and imaging
- Laser technology

Engine
- Combined diesel and gas engine for both consistent power and rapid acceleration

Components/materials
- Diesel and gas engine blocks, Propellers

Key capabilities/technologies
- Diesel engine assembly



Electrical
- Diesel powered advanced electrical system

Components/materials
- Generators, Power grid

Key capabilities/technologies
- Battery/energy storage
- Power electronics

Weapon
- Wide range of weapons including ESSM, harpoons and medium-calibre navel guns

Components/materials
- Aluminium and steel alloys barrels

Key capabilities/technologies
- Conventional metal manufacturing
- Advanced metalworking

Chassis, bodywork and armour
- Maritime stealth framework

Components/materials
- Metals and composites

Key capabilities/technologies
- Conventional metal manufacturing
- Advanced material manufacturing

Case study: MQ-9 Reaper MALE drone (non-exhaustive)

Chassis, bodywork and armour
- Composite airframe

Components/materials
- Carbon fibre, Kevlar and fiberglass

Key capabilities/technologies
- Advanced material manufacturing

Engine
- Honeywell turboprop

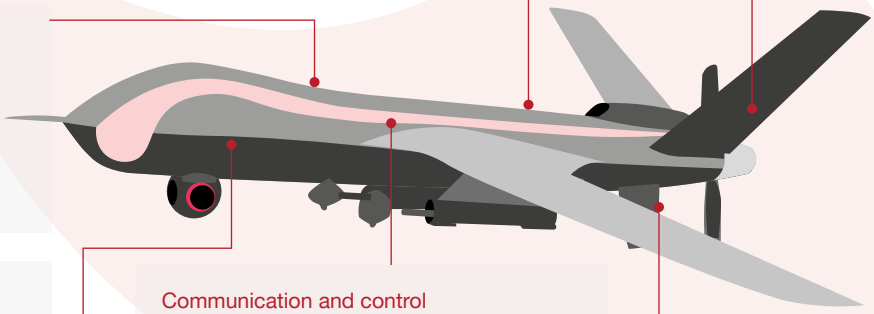
Components/materials
- Titanium and nickel allows

Key capabilities/technologies
- Turbofan engine

Electrical
- Batteries for auxiliary systems

Components/materials
- Lithium-ion battery

Key capabilities and technologies
- Battery/energy storage
- Power electronics



Sensory
- Array of sensors (Radar, IR/EO, EW, laser, camera)

Components/materials
- Multimode radar
- Camera and sensor suite

Key capabilities/technologies
- Advanced metalworking
- Microelectronics/Semiconductor
- Radar and detection
- Vision and imaging
- Laser technology

Communication and control
- Ground control
- Autonomous triple redundant flight control
- Multi-faceted communication system

Components/materials
- VHF/UHF radio
- Radar
- SATCOM

Key capabilities/technologies
- Advanced metalworking
- Microelectronics/semiconductor
- Radar technology

Weapon
- Missiles launcher

Components/materials
- Rocket engine, frame and payload
- Laser tracking and control sensors

Key capabilities/technologies
- Advanced material manufacturing
- Advanced metalworking

Sources: Industry interviews, Strategy& analysis

c.3,400 companies with relevant manufacturing capabilities already present in the Netherlands

The Dutch defense ecosystem has to scale up threefold

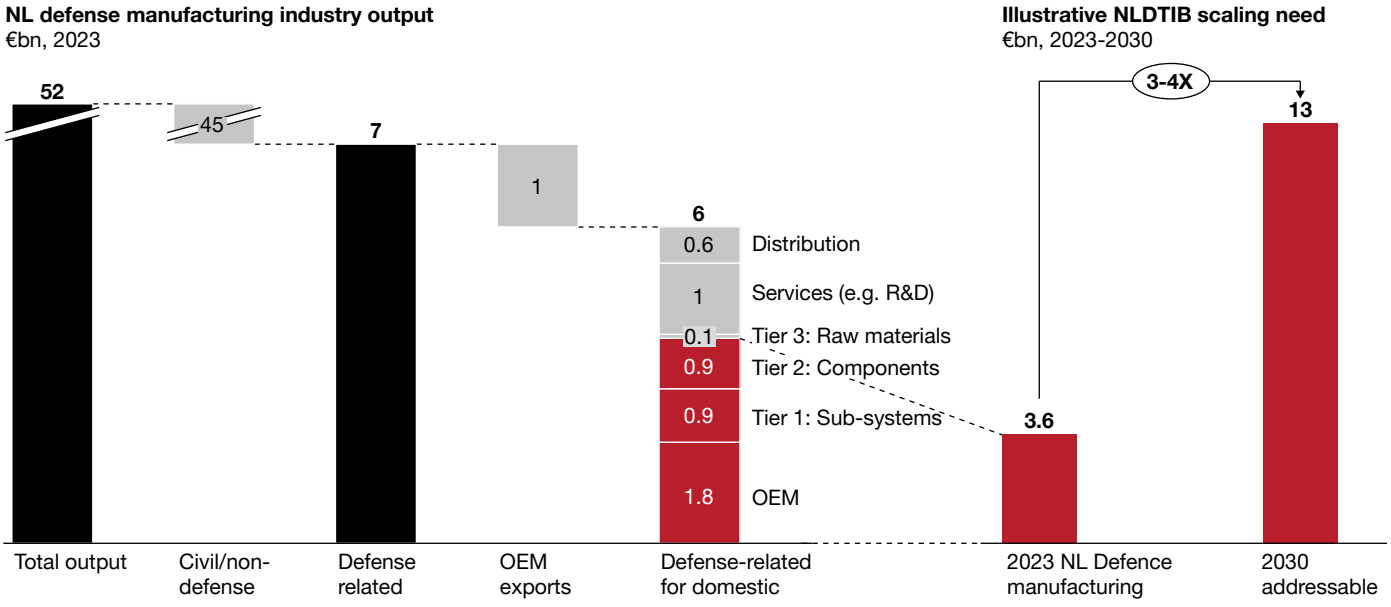
To assess to how well the Dutch manufacturing industry is positioned to address the identified opportunity, we examined the existing landscape in detail.

In 2023, the Dutch Defense and security related technological and industrial base (NLDTIB) comprised approximately 1,000 companies, of which 850 were active in the Defense sector[17] and 400 were manufacturing related OEMs, Tier-1, and Tier-2 suppliers[18,19]. If exports from Dutch OEMs are disregarded (e.g. frigates manufactured for Singapore), these players generated c. €3.6bn in revenues from defense related products.

In comparison, this would imply that the existing Dutch Defense manufacturing base has to scale 3–4 times to address the opportunity by 2030. For Tier-1/2 suppliers, scaling need will be even higher to accomodate for both domestic and foreign OEMs *(see Exhibit 13)*.

17 Note: Remainder is active in the security industry (e.g. Police forces, Private security)
18 Note: Remainder is active in R&D and Engineering, Additional services, Distribution and Tier-3 supply
19 Source: NL Government – NLDTIB, Nederlandse defensie- en veiligheid gerelateerde technologische industriële basis

EXHIBIT 13
NL Defense related Technological and Industrial Base (NLDTIB)



Source: NL Government – NLDTIB (Nederlandse defensie- en veiligheid gerelateerde technologische industriële basis), Strategy& analysis

OEMs and suppliers need to scale up, new entrants are needed

A three- to fourfold increase in output in a short timeframe is hard to realize for existing supply chains. To make this happen, two types of upscaling are crucial. First, Dutch OEMs need to upscale to accommodate end-product demand. This includes leading shipbuilders—Damen Naval, De Haas, and IHC Merwede—automotive companies—DAF, Defenture and DMF—, and UAV manufacturers—such as Acecore, Deltaquad, and Delft Dynamics. Second, Tier-1 and Tier-2 suppliers need to scale and new suppliers need to enter and upscale.

There lies a massive opportunity—and task—for the wider manufacturing industry to deploy their capabilities and help scale the production of defense equipment.

3,400 companies identified as potential defense suppliers, most which are small and medium-sized

Through an extensive bottom-up analysis, we have identified approximately 3,400 companies within the Dutch manufacturing landscape that possess relevant manufacturing capabilities and technologies. These identified companies, that have the potential to play a role in the manufacturing of defense equipment, span a wide range of key enabling capabilities and technologies, including conventional metal manufacturing, advanced metalworking, and advanced material manufacturing. There are also notable clusters in areas such as vision and imaging, battery energy storage, laser technology, and power electronics, although these are smaller in number. It is important to note that for c.800 companies, multiple capabilities were recorded, and the most prevalent primary mapping was used in the graph below. Presence of these capabilities is captured in the heatmap below.

The majority of these firms are small and medium-sized enterprises, with a smaller number of large or very large players[20]. Geographically, the industrial base is concentrated in regions like Noord-Brabant, Zuid-Holland, and Gelderland, providing a strong foundation for regional collaboration and supply chain development *(see Exhibit 14, next page)*.

20 Note: Mapping based on reported total asset value in latest available year; Small (€500k–€1m), Medium (€1m–€5m), Large (€5m–€20m), Very large (>€20m)

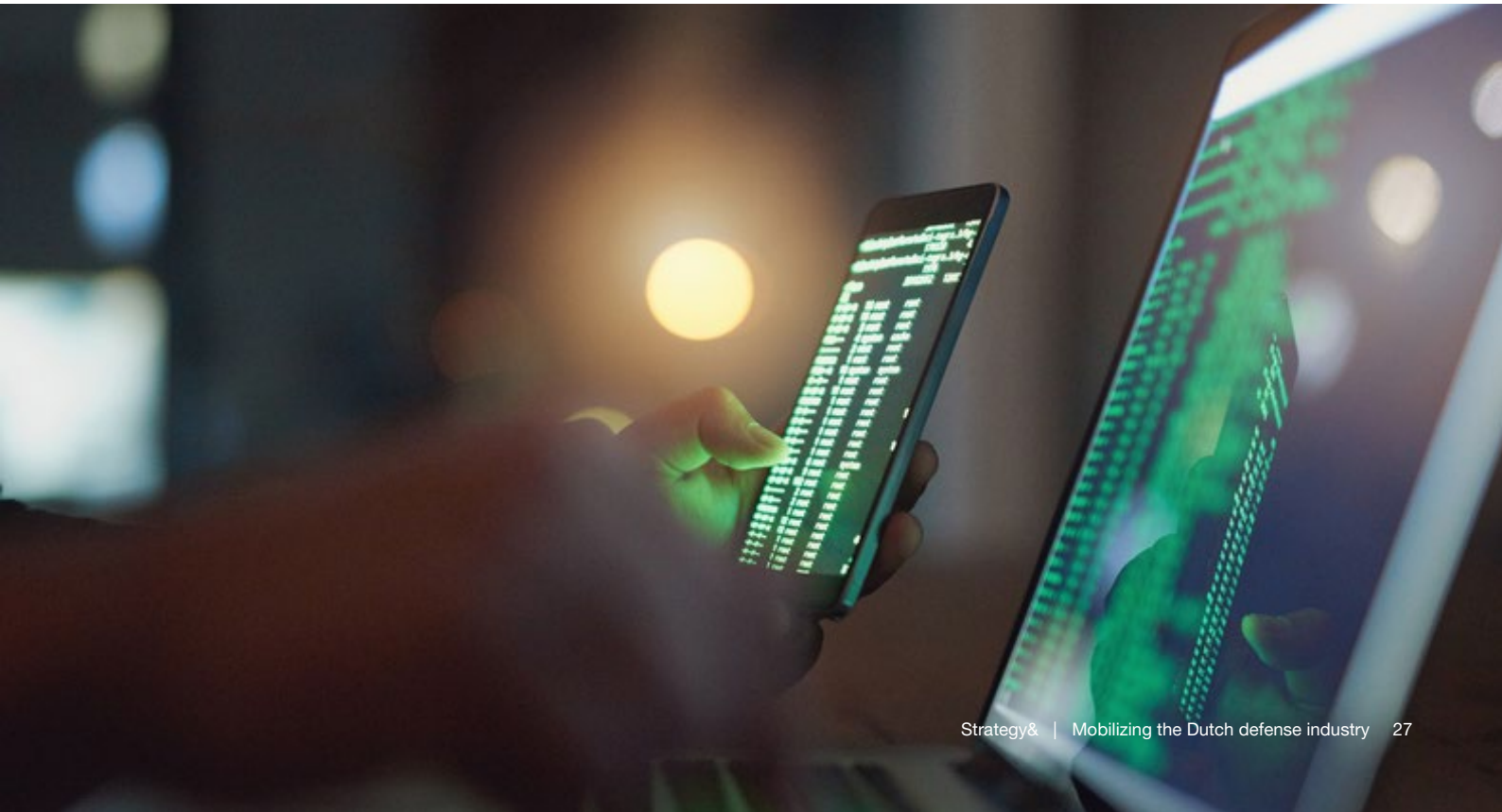
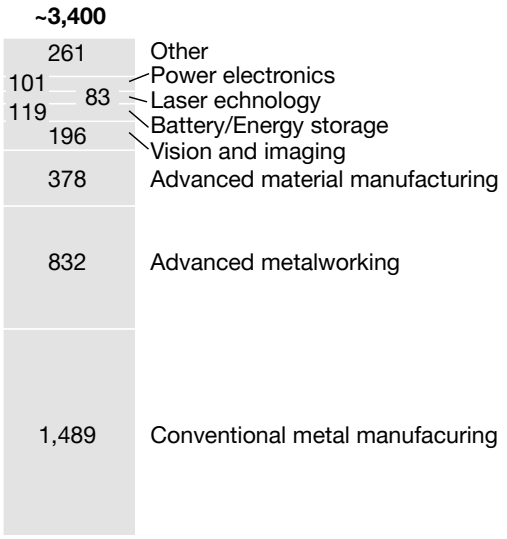
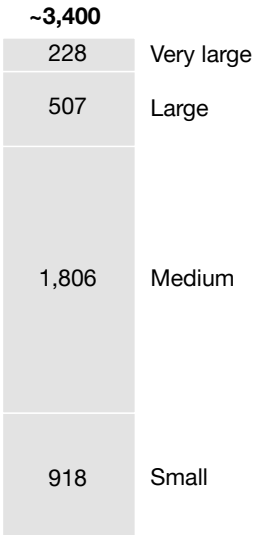


EXHIBIT 14
Identified relevant manufacturing companies

By primary capability
# of companies, 2025



By size
# of companies, 2025



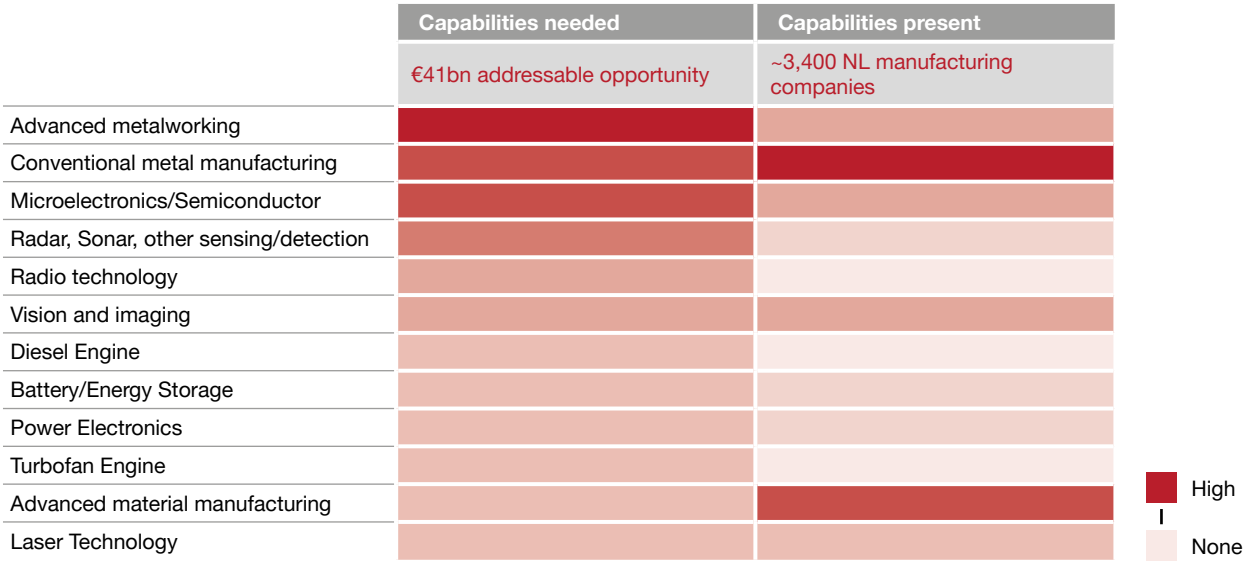
By region
# of companies, 2025

Source: Orbis, Company Website Crawler Analysis, Strategy& analysis

Not all capabilities are fully developed for the defense industry so investments are needed
When we compare the weighted distribution of capabilities required to fully capture the defense sector opportunity with the identified companies, there are some clear under- and overweighted areas that emerge. In particular, capacity and expertise in the production of engines—both turbofan and diesel—may not be sufficient to meet the needs of a wide range of defense platforms, from aircraft to naval vessels and armored vehicles. Similarly, the number of firms specializing in radar, sonar, and other advanced detection technologies appears relatively limited, even though sensory sub-systems represent a substantial opportunity within the market. The sector may also face challenges in microelectronics and semiconductors, where the scale and specialization needed for modern defense systems, especially for control, communication, and sensory sub-systems, are not yet fully developed.

As a result, the Dutch manufacturing industry may not be fully positioned to capture the most valuable and technologically advanced segments of the defense supply chain unless these areas are further developed through targeted investment and strategic collaboration.

EXHIBIT 15
NL Manufacturing landscape gap analysis



Source: Strategy& analysis

> This calls for professionalization, expansion, and optimization among the companies that already supply the defense sector. But they cannot meet the demand on their own. Much broader engagement is needed from Dutch manufacturing companies in the civil sector to apply their existing high-end solutions in the defense sector as well (so-called "dual use," ed.). In addition, suppliers with a specialized defense solution will then be able to supply both domestic and foreign OEMs. All in all, this offers major opportunities for the high-end Dutch manufacturing industry and for the Netherlands' long-term earning and innovation capacity."
>
> **Bastiaan Oomens, partner Strategy& The Netherlands**

SECTION 4

A framework for private sector success in the defense sector

During our interviews with industrial players, it became clear that although all players recognize the alluring opportunity, actually tapping into it is a complex process. This goes especially for companies with limited or no prior experience in the defense ecosystem, but also for established players looking to scale. We have categorized the key actions to take and distinguished four maturity stages for companies supplying into the defense ecosystem in our framework *(see Exhibit 16)*.

EXHIBIT 16
The 'Four Es' scaling framework

	Explore	Entrench	Expand	Evolve
Description	Assessing entry potential and product relevance in defense applications	Has established foothold in the sector, responding to RFPs	Recognized as reliable delivery partner, scaling capabilities and capacity	Leader in the industry driving innovation, shaping standards, and orchestrating the ecosystem
R&D and Innovation	Assess product fit for defense and adapt	Develop defense product prototypes and obtain certifications	Invest in advanced R&D and co-development with OEM/ MoD	Drive next-generation product development
Sales	Map customer landscape and initiate OEM contact	Formalize defense sales team and build relationships with key clients	Pursue international contracts and participate in industry events	Lead major bids and alliances
Supply chain and ops	Assess quality readiness and evaluate supply chain resilience	Establish product quality controls and enhance cyber security	Scale up facilities, automate and optimize processes	Implement smart manufacturing and globalize operations
Risk and Regulatory	Assess compliance gaps in regulation (e.g. export controls) and risk	Implement compliance protocols and enforce regulatory requirements	Manage international compliance, and conduct regular audits	Engage with regulators to set regulatory and risk management procedures
People and Capabilities	Identify skill gaps and plan for security clearance	Recruit for defense roles, implement training and clearance processes	Attract international talent and manage clearances at scale	Retain top talent and skills
Partnerships	Explore public-private and local industry partnerships	Formalize strategic alliances, joint ventures, and OEM partnerships	Develop international collaborations and initiate co-development programs	Lead industry consortia and research partnerships, driving knowledge sharing and innovation

Source: Strategy& analysis

As currently only c. 400 out of the c. 3,400 identified companies are already active as suppliers for Defense equipment, a large part of the industrial base is in the 'explore' phase. This has also been confirmed during our interviews. Therefore, we deep-dive into three considerations for companies in this exploration phase:

Deep-dive 1 – Explore the opportunity: connecting capabilities to demand

Focus area: R&D and innovation, sales

Companies should develop a robust business case grounded in a clear understanding of both the market opportunity and their own unique strengths and capabilities. Our analysis may provide a valuable starting point for navigating this opportunity: map existing products, technologies, and manufacturing capabilities against sub-systems—such as sensory systems, engines, control units, or communication modules—and products that are accessible to Dutch industry. This way, companies can pinpoint where they are best positioned to add value within the defense value chain.

The next step is to map out which end-products and sub-systems companies wish to address and, crucially, to identify the OEMs and prime contractors most likely to be seeking local suppliers for these areas—both domestic and across Europe. By aligning internal capabilities with external demand, companies can focus their efforts on the most promising product categories and customer relationships. This targeted approach ensures that entry into the defense sector is both strategic and sustainable, and will serve as the foundation for investment decisions, partnership strategies, and the development of a compelling value proposition for OEMs and the Ministry of Defense.

Deep-dive 2 – Explore compliance: early moves to become a trusted player

Focus area: supply chain and operations, risk and regulatory

For companies aiming to enter or expand in the defense sector, it is essential to begin laying the groundwork now—even if a fully operational defense division is not immediately feasible. OEMs and the Ministry of Defense are looking for partners who demonstrate initiative and a clear trajectory toward compliance and readiness. By proactively addressing key compliance dimensions, companies can signal their commitment and build credibility over time. We present a couple of practical first steps that new entrants can take in each area:

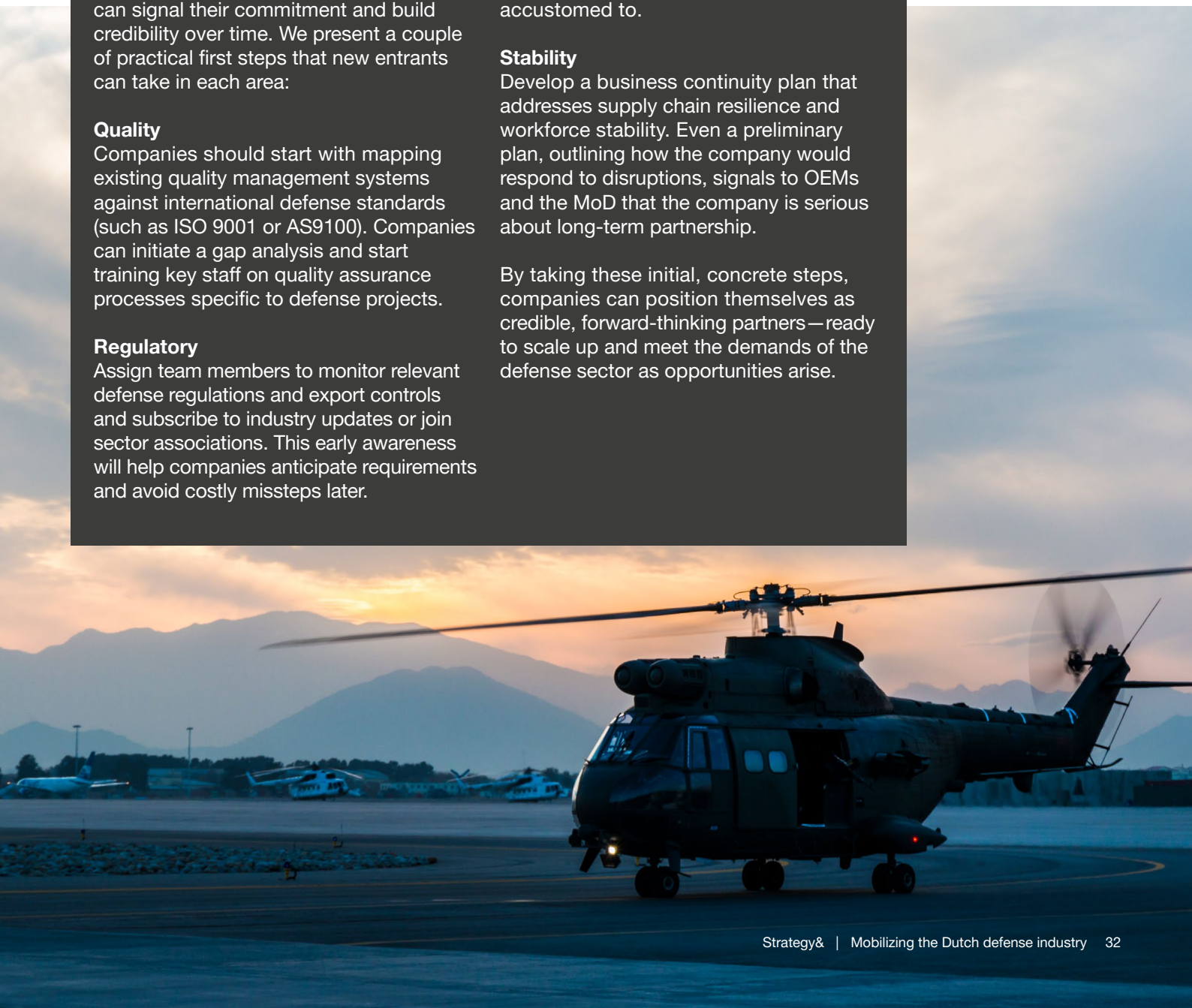
Quality
Companies should start with mapping existing quality management systems against international defense standards (such as ISO 9001 or AS9100). Companies can initiate a gap analysis and start training key staff on quality assurance processes specific to defense projects.

Regulatory
Assign team members to monitor relevant defense regulations and export controls and subscribe to industry updates or join sector associations. This early awareness will help companies anticipate requirements and avoid costly missteps later.

Security
Conduct a basic security audit of IT systems and physical facilities, focusing on areas most relevant to defense work (e.g. data protection, access controls). Implementing simple measures—such as secure document handling protocols—shows a commitment to safeguarding sensitive information. Although this may seem evident at first glance, supplying to defense typically comes with different requirements around security than most manufacturing companies are accustomed to.

Stability
Develop a business continuity plan that addresses supply chain resilience and workforce stability. Even a preliminary plan, outlining how the company would respond to disruptions, signals to OEMs and the MoD that the company is serious about long-term partnership.

By taking these initial, concrete steps, companies can position themselves as credible, forward-thinking partners—ready to scale up and meet the demands of the defense sector as opportunities arise.



Deep-dive 3 – Explore integrated offerings: forming consortia to deliver turnkey solutions

Focus area: Partnerships

As OEMs and the Ministry of Defense face the urgent need to scale up production and meet ambitious local content requirements, they are confronted with the challenge of expanding and managing their supplier network. To help OEMs and the MoD navigate this evolving landscape, Dutch manufacturing companies can take a proactive role by forming consortia or platforms with other Tier-1 and Tier-2 suppliers.

By collaborating to jointly develop and deliver complete sub-systems—such as engines, sensor suites, or communication modules—these partnerships offer OEMs integrated, ready-to-install solutions that are sizeable rather than a collection of parts. This not only streamlines the procurement process for OEMs, reducing the need to coordinate and contract with numerous individual suppliers, but also ensures that local content requirements are met in a more efficient and reliable manner. It pre-positions Dutch suppliers as partners to OEMs and the MoD.

Furthermore, working together in such partnerships enables companies to pool expertise, share best practices, and jointly tackle the abovementioned compliance requirements around quality, security, and regulatory standards. This collective approach can accelerate the learning curve for new entrants, help all partners achieve the necessary certifications more quickly, and can enable risk-sharing around practical matters such as financing, contractual requirements, and required investments.

SECTION 5

5. Benefits and risks to ramping up a domestic defense industry

Next to creating a significant opportunity for the manufacturing industry, ramping up the national defense industry comes with additional benefits and risks—both to the industry as well as the nation. To provide a rounded view, we list some of the most pressing ones:

Benefit: positioning the industry for international markets

With industrial manufacturing companies scaling to supply for domestic expenditure, there is further potential for Dutch companies to become high-value suppliers in international defense supply chains. The Dutch government has specifically identified a set of products and capabilities—such as sensory and communication sub-systems, maritime platforms, and small UAVs—where the Netherlands aims to establish itself as a leading supplier to allied nations and major OEMs. This ambition is an extension of the broader opportunity outlined in the main chapters, but it is particularly relevant for a select group of national champions with the scale, expertise, and innovation capacity to compete internationally.

For these companies, the potential rewards are substantial. Initial, high-level sizing of the German, French and Belgian market suggest an opportunity of €31bn for NL-manufactured end-products and €62bn for sub-systems, particularly in sensory and communication. However, to seize this opportunity, Dutch firms must first leverage domestic defense spending to build experience, demonstrate reliability, and position themselves as trusted partners. By excelling in the delivery of advanced sub-systems and platforms for the Dutch Ministry of Defense, these companies can develop the track record and capabilities needed to compete with established European providers on the global stage.

> “There are strict security requirements, certifications, restrictions on procurement and sales, and all kinds of other compliance issues. Financing can be complicated, and you need to find your way as a supplier within the defense ecosystem.”
>
> **Daniel de Jager, partner and defense sector leader PwC The Netherlands**

Benefit: strengthened industrial base to drive innovations for long-term relevance

Defense spending, when channeled through domestic suppliers, acts as a catalyst for technological innovation. The participation of Dutch companies in high-tech manufacturing, such as drones, radar systems, and advanced materials, drives the development of cutting-edge solutions that can be leveraged for both military and civilian applications.

Historically, Defense R&D investments have given rise to transformative technologies like the internet, nuclear energy, radar, and GPS, now widely used in civilian contexts and boosting the broader economy. Studies even estimate €8 economic output for every euro spent on defense R&D.[21] However, Dutch R&D spend is currently severely lagging other European countries and the US. For example, Dutch R&D spend has been fluctuating between c. 1.5% and 2.3% of GDP since 2000, whereas R&D spend in Germany and Belgium has shown an increasing trend amounted to c. 3.1% and 3.5% of GDP in 2021 respectively.[22]

If defense spend is captured by the Dutch manufacturing industry, this may provide additional means and knowhow to stimulate higher R&D investments. This would drive more innovative dual use applications and solidify the industry's and country's longer term relevance.[23]

To develop a long-term sustainable and successful defense industry, governmental support and coordination at national and European level appears essential. Prioritizing and assigning focus areas and equipment types for ongoing development per country, is seen by many of our interviewees as the most promising route to European strategic autonomy, interoperable systems, and high-value industries.

Risk: funding uncertainties and complex procurement

A significant risk facing private sector engagement in the Dutch defense industry is the uncertainty surrounding return on investment, driven by the high upfront capital required and the lack of financial assurances. Companies are expected to make substantial investments in new facilities, equipment, and workforce to meet defense standards. However, current procurement models typically rely on framework contracts without purchase guarantees and offer little to no pre-financing. This means that companies shoulder the financial risk, without certainty that their investments will result in actual orders.

The situation is further complicated by lengthy and complex tender procedures, which include highly specific and evolving requirements. These factors can deter companies from committing resources, leading to a 'wait and see' attitude that ultimately slows the scaling of domestic defense capabilities.

21 Source: https://www.rabobank.nl/kennis/d011483812-met-een-goede-strategie-zijn-defensie-uitgaven-potentieel-een-economische-motor-voor-europa
22 Source: TNO (2024). Nederland spendeert te weining aan R&D en loopt steeds verder achter op buurlanden.
23 Source: Rathenau Instituut (2020). European science and innovation in a new geopolitical arena. The Hague (authors: Hessels, L., S. Y. Tjong Tjin Tai, J. Jansen & J. Deuten)

To mitigate these challenges, several solutions can be considered. Introducing pre-financing mechanisms or milestone-based payments can help to de-risk investments for private companies, making it more attractive for them to scale up quickly. Additionally, governments could deregulate procurement procedures for certain industries or critical capabilities, reducing administrative burdens and shortening lead times.

Establishing public-private partnerships can further accelerate procurement cycles and foster closer alignment between demand and supply, ensuring industry investments are matched with clear government priorities and timely contract awards.

Example – Promising public-private initiatives

Several promising initiatives to bridge the public-private gap in the Dutch defense sector have recently emerged. Notably, the Ministry of Defense and VDL have partnered to make 27,500 square meters of production facilities available for defense manufacturing, with an additional 120,000 square meters expected by year-end to support projects such as drone production[24].

Quick procurement cycles between the ministry and companies in the defense ecosystem are showing early signs of being a successful measure, even as more permanent solutions are still in development. Platforms like Defport are accelerating innovation and production by fostering collaboration among government, industry, financial institutions, and knowledge institutes[25]. Finally, the government is enhancing industry alignment by sharing classified defense needs and supporting start-ups and scale-ups through trade fairs and initiatives like SecFund[26], a government investment fund specifically for innovative defense start-ups and scale-ups.

24 Source: https://www.defensie.nl/actueel/nieuws/2025/03/21/impuls-voor-defensie-industrie-door-campus-bij-vdl-groep
25 Source: https://www.defensie.nl/actueel/nieuws/2025/03/25/op-weg-naar-snellere-productie-van-militair-materieel-in-nederland
26 Source: https://www.defensie.nl/actueel/nieuws/2025/04/02/staatssecretaris-opent-fonds-voor-innovatieve-bedrijven

Risk: over-investing in conventional systems

Another risk is potential misallocation of resources by investing too heavily in conventional weapon systems at the expense of innovation. The rapidly evolving nature of modern warfare means that today's state-of-the-art platforms can become obsolete if disruptive technologies are not adequately anticipated. For example, China's development of the LY-1 laser weapon system signals a shift away from traditional ammunition-based defense, potentially rendering large stockpiles of conventional munitions less relevant in future conflicts[27]. Similarly, recent incidents such as Russian Shahed drones being intercepted over Poland by F-35 fighter jets—requiring the use of costly air-to-air missiles to neutralize inexpensive unmanned threats[28]—highlight the inefficiency and unsustainability of relying solely on legacy systems to address emerging challenges.

While it is important for manufacturers to concentrate on developing and maintaining the right capabilities and products for currently known equipment types, it is equally vital to remain lean and flexible to respond effectively to changing market demands and technological innovations. Focusing too narrowly on existing strengths can lead to missed opportunities and reduced competitiveness as the industry evolves.

By fostering a culture of adaptability—through close collaboration with research institutions, start-ups, and international partners—manufacturers can identify and integrate new solutions as they emerge. Implementing agile production and procurement strategies allows companies to pivot in response to shifting customer needs and technological advancements.

27 Source: https://nextgendefense.com/china-naval-laser-weapon/
28 Source: https://english.defensie.nl/latest/news/2025/09/10/dutch-f-35s-shoot-down-russian-drones-over-poland

“By fostering a culture of adaptability—through close collaboration with research institutions, start-ups, and international partners—manufacturers can identify and integrate new solutions as they emerge. Implementing agile production and procurement strategies allows companies to pivot in response to shifting customer needs and technological advancements.”

GLOSSARY OF ABBREVIATIONS

AI	Artificial Intelligence
C4ISR	Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance
DIS	Defensie Innovatie Strategie (Defense Innovation Strategy)
DMF	Defensie Materieel Begrotings Fonds (Defense Materiel Budget Fund)
DPO	Defensie Projecten Overzicht (Defense Projects Overview)
DSII	Defensie Strategie voor Industrie en Innovatie (Defense Strategy for Industry and Innovation)
EU	European Union
EW	Electronic Warfare
GDP	Gross Domestic Product
IT	Information Technology
MRO	Maintenance, Repair, and Overhaul
NATO	North Atlantic Treaty Organization
NL	Netherlands
NLDTIB	Nederlandse defensie- en veiligheid gerelateerde technologische industriële basis (Dutch Defense and Security-related Technological Industrial Base)
MoD	Ministry of Defense
OEM	Original Equipment Manufacturer (also referred to as “primes”)
R&D	Research & Development
SME	Small and Medium-sized Enterprise
UAV	Unmanned Aerial Vehicle
USA	United States of America
VC	Venture Capital

strategy&

Part of the PwC network

Strategy&

Strategy& is a global strategy consulting business uniquely positioned to help deliver your best future: one that is built on differentiation from the inside out and tailored exactly to you. As part of PwC, every day we're building the winning systems that are at the heart of growth. We combine our powerful foresight with this tangible know-how, technology, and scale to help you create a better, more transformative strategy from day one.

As the only at-scale strategy business that's part of a global professional services network, we embed our strategy capabilities with frontline teams across PwC to show you where you need to go, the choices you'll need to make to get there, and how to get it right.

The result is an authentic strategy process powerful enough to capture possibility, while pragmatic enough to ensure effective delivery. It's the strategy that gets an organization through the changes of today and drives results that redefine tomorrow. It's the strategy that turns vision into reality. It's strategy, made real.

www.strategyand.pwc.com

Stay up to date –
Sign up here to receive the latest Strategy& thought leadership and industry trends