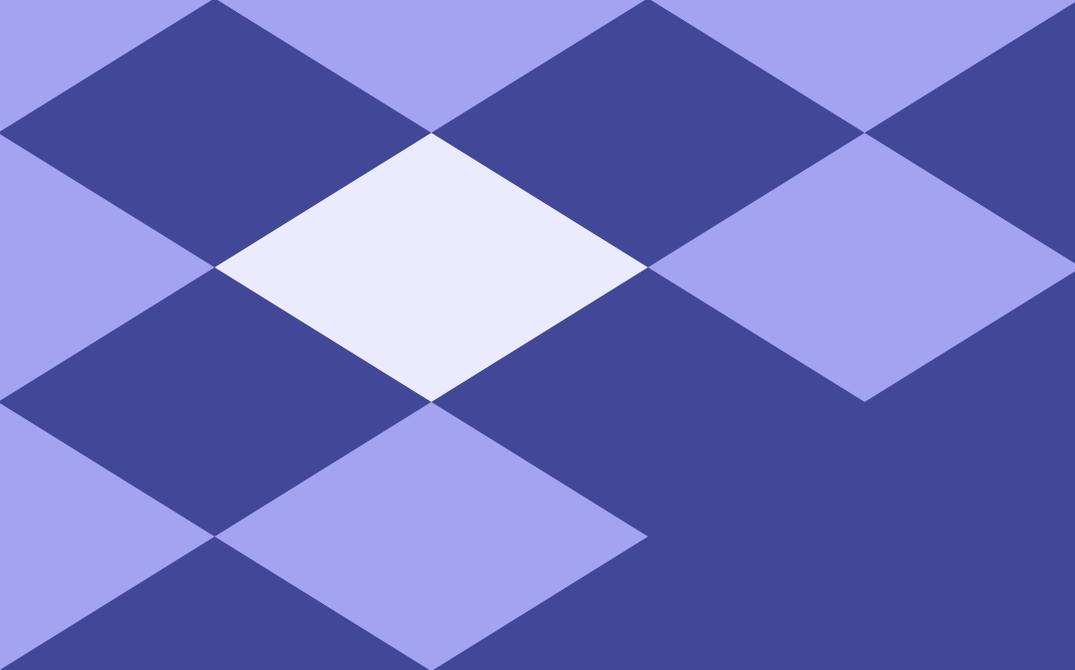


MD ● NE |  Beauhurst

UK Defence Tech 2025

Advancing National Security through Innovation





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Foreword



Will McManners
Founder and Managing
Partner at MD One

In recent years, geopolitical uncertainty and global tensions have intensified; the importance of defence tech cannot be overstated. MD One is pleased to have once again partnered with Beauhurst to highlight key trends shaping this rapidly evolving sector in the United Kingdom.

At MD One, our view of defence tech extends beyond the traditional “defence” vertical. While conventional defence innovation remains of interest, we have always maintained a strong focus on dual-use technology, solutions that support national resilience through government-adjacent markets such as health, the energy transition, and supply chain security.

Companies able to serve both civilian and military use cases benefit from broader commercial pathways, creating greater opportunities to adapt as demand shifts and products mature. We are also delighted to have broadened our horizons to National Security and National Interest related biotech companies, via our new innovation partnership with global diagnostics leader Randox, that we have begun to allocate to with Fund 1, and will continue to do so with Fund 2.

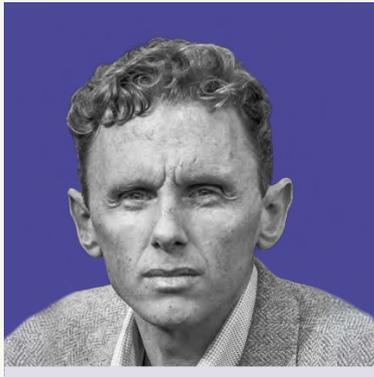
Investing in companies operating across adjacent markets, such as cybersecurity and advanced manufacturing, or in businesses within a single sector that can sell into multiple end markets, including defence, energy, and health, allows us to capture the full potential of horizontal technologies. These companies can bring proven ideas and commercial momentum into national security applications, while offering defence tech founders a broader market perspective and a clearer route to scale.

After a strong 2024, equity investment into defence tech was more measured in 2025. This pattern is consistent with how capital is deployed across the sector, with periods of higher activity followed by consolidation. The continued strength of dual-use areas in 2025 reinforces the case for integrated strategies that support both national security outcomes and scalable commercial growth.

This report aims to help stakeholders understand the evolving dynamics of the defence tech sector and to demonstrate the growing role of adaptable products and services in shaping funding patterns and investor returns.

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Foreword



Edward Ebborn
Co-Founder and
Partner at MD One

From being an ugly duckling, the defence tech market has become the focus of significant interest, investment, and media attention, largely due to the war in Ukraine and the threat of US withdrawal from European security. This has led to a surge in investments and a significant increase in Ukraine-focused businesses seeking funding, likely due to an eye on the end of the conflict. Most of these are battlefield-focused tech, primarily in and around the drone and counter-drone market, and serve as indicators and warnings of the current state of the market, with an ever-increasing pool of closely related technologies chasing a capped number of customers.

Therein lies the cautionary message about the current state of the market: enthusiasm isn't necessarily a reflection of the long-term opportunity and the scale of returns that can be generated in the defence tech market. The customer hasn't changed, and the barriers to entry remain high regardless of the technology or pressing need. Procurement systems remain unchanged, and significant transformational spend with new companies is yet to materialise beyond press releases from various Ministries of Defence around intent. Likewise, there is no central procurement for European militaries, and the status quo of many European nations pursuing their own strategies persists. While we might not be strictly in a bubble, we are definitely in a hype cycle that risks significant losses for investors backing single-use tech with a fragmented customer base that continues to dither and delay.

As with all markets, there will be winners and losers, and we're yet to see this play out. Over the coming years, it will be interesting to see whether companies such as Helsing, Tekever, Quantum Systems, and others in Europe can turn their significant capital raises and valuations into real-world returns as standalone entities. Similarly, for start-ups that don't provide "full stack" solutions, it remains to be seen how best to partner with the Government. My prediction is that they may have the edge, given they can partner easily with existing Primes to enhance their bids for Government contracts that nearly always require a full-stack solution, due to the Government's inability to sign multiple contracts to achieve a single solution. This agility and the value-add it brings to businesses that can scale up easily are likely to be their route to success.

However, looking beyond the single-use defence tech market to what is better described as Security and dual-use tech, the outlook is perhaps more positive, which is why MD One has focused on dual-use from the start. The dawning realisation that we need supply chain security, energy security, etc., many of which are best described as Government adjacent, is fuelling opportunities and solutions to underlying problems/threats that have often been decades in the making due to the likes of China.

The materials science sector, in particular, presents an opportunity to take some great British innovations and scale them up into unicorns, supplying existing successful industries. Matnex and Milvus are good examples of this, quietly building alternatives to rare earth minerals and synthetic platinum, respectively. Both companies address fundamental problems and vulnerabilities and satisfy environmental needs. The problem of rare earth minerals, whilst not getting the press that defence is getting, is widely acknowledged behind the scenes in the US as a security crisis.

Health security, including monitoring and prediction, was thrown into stark relief by the pandemic, and the tech is only now starting to filter through, with solutions that could both secure us and make us healthier. Untap is a prime example of software that integrates with hardware to drive this, providing granular wastewater monitoring. As a more defence-first tech, Labrys demonstrates how command control can be mapped to the civilian sector to manage workforces and payments. All of which demonstrate a broad and healthy market with significant opportunities for returns.

Investing in defence tech

Government spending in the defence sector in the UK continues to climb year on year, reaching £60.2b in 2024/25.

Government spending in the defence sector in the UK continues to climb year on year, reaching £60.2b in 2024/25. This is the largest increase seen this decade and demonstrates the government's intention to keep funding the sector. Amid heightened geopolitical tensions, countries are continuing to increase defence spending. Between 2023 and 2024, global military expenditure increased by 9.40% in real terms, reaching a total of £2.71tn.¹

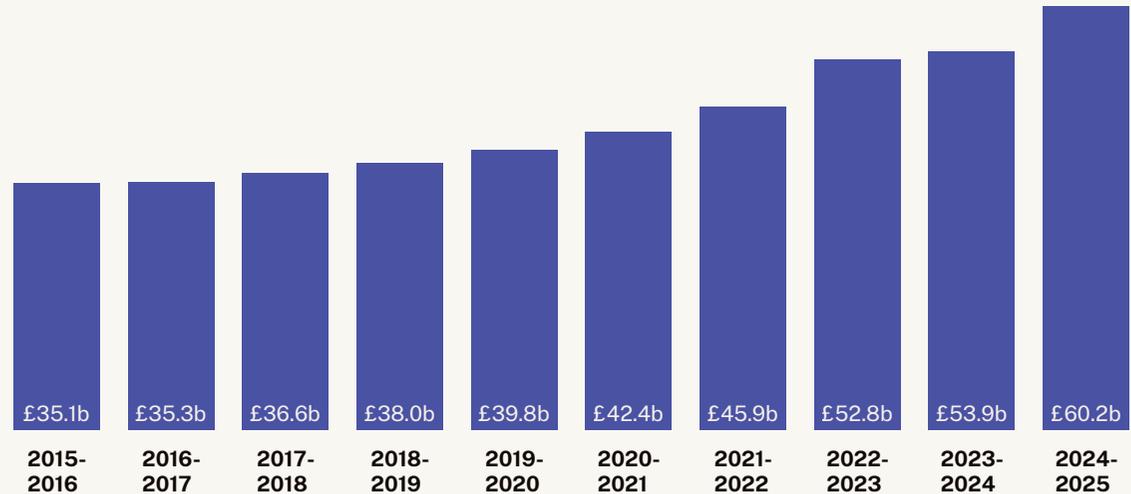
The UK's commitment to meeting NATO's (North Atlantic Treaty Organisation) target of spending 5% of GDP on defence by 2035 will likely drive further increases in defence spending in upcoming years. NATO estimates that UK defence spending will reach at least 4.10% of GDP in 2027.² As a result, national defence spending is likely to benefit private sector companies, as more contracts and funding become available.

¹ SIPRI. 2025. "Unprecedented Rise in Global Military Expenditure as European and Middle East Spending Surges." SIPRI. April 28, 2025.

² Prime. 2025. "UK to Deliver on 5% NATO Pledge as Government Drives Greater Security for Working People." GOV.UK. June 23, 2025.

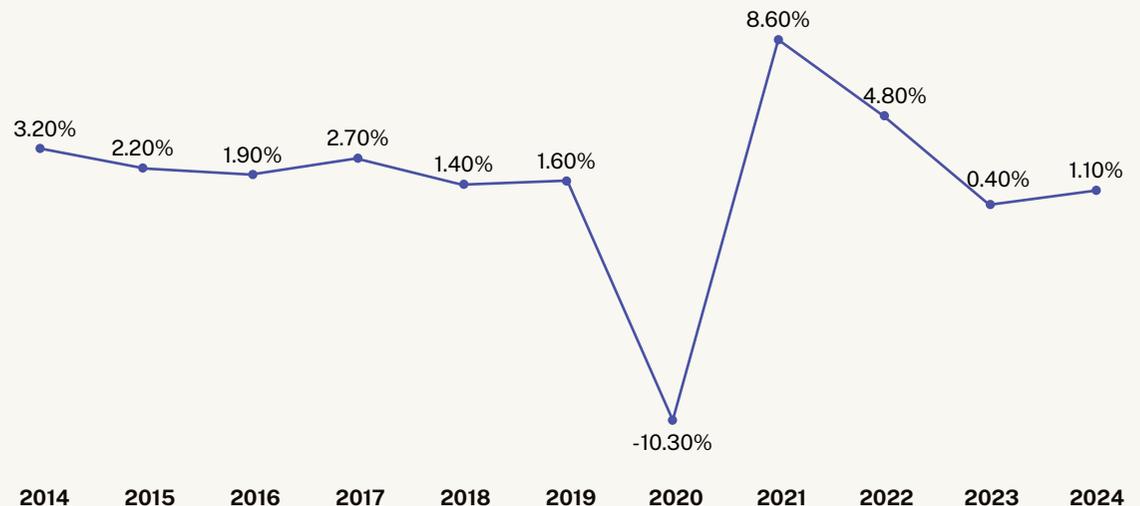
UK defence spending (2015-2025)

Source: Ministry of Defence



UK Gross Domestic Product: Year on Year growth: CVM SA% (2014 - 2024)

Source: Office for National Statistics



Private investment in the UK

598

Total number of equity deals (2015-2025)

£1.26b

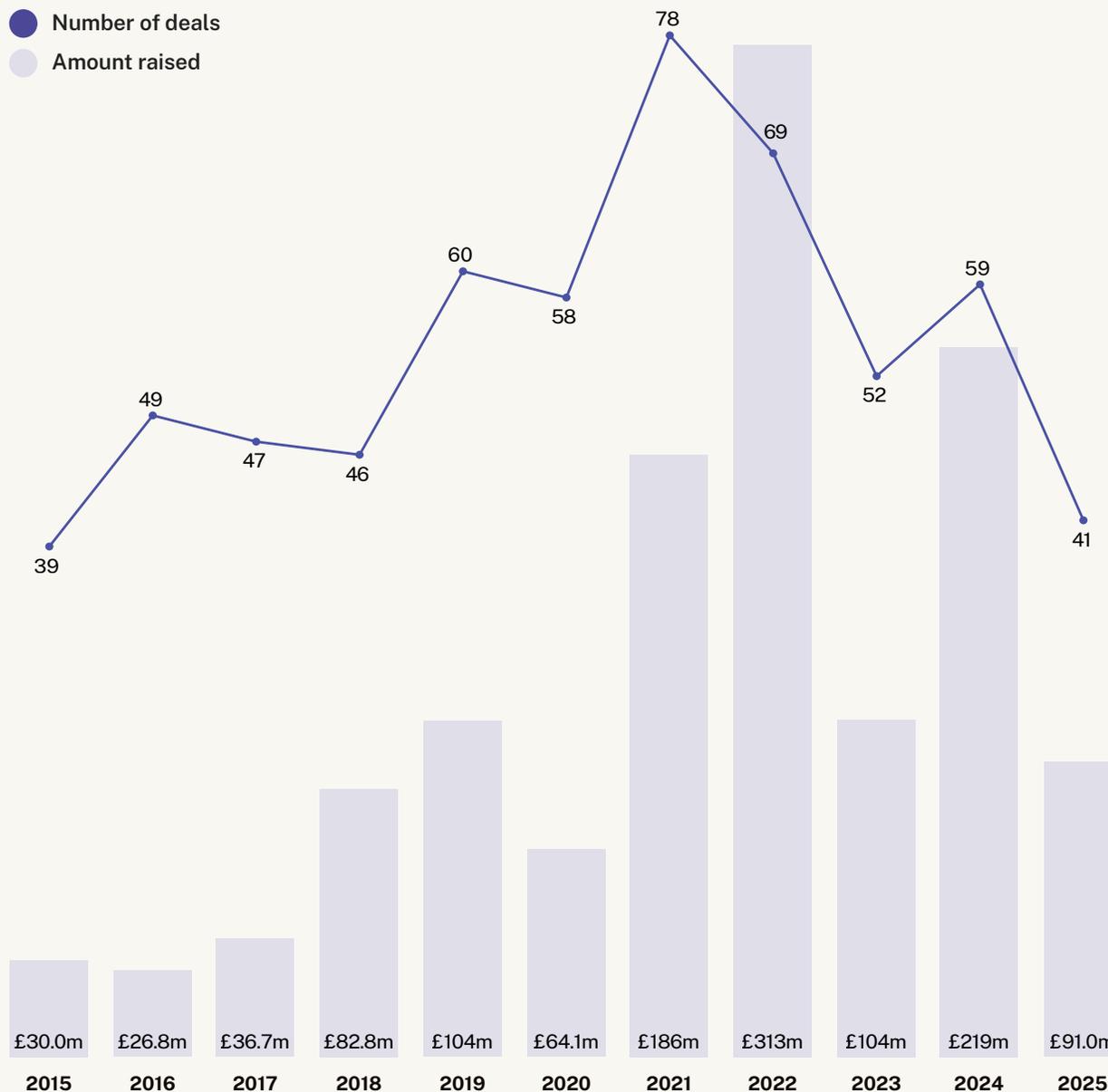
Total value of equity deals (2015-2025)

After a strong 2024, when deal value more than doubled (104%). Equity investment into defence tech companies slowed in 2025, with deal numbers and deal value down. Overall, this reflects a cyclical pattern of investment rather than a significant shift in investor confidence, as recent years suggest deal activity can shift quickly, with stronger years in 2022 and 2024 and lower levels in 2023 and 2025.

In the last three years, a number of defence tech and dual-use companies have secured large rounds of funding. The higher investment volume in 2022 was bolstered by a £106m raise by Oxa, the Oxfordshire-based autonomous-vehicle software developer. In 2024, there were several large raises, including for materials technology companies Alloyed (£37.0m) and iCOMAT (£17.6m).

While investment cooled in 2025, the dual-use sectors remained resilient. Two of the larger deals included £21.7m for satellite hardware company SatVu and £15.0m for location software company Labrys.

Equity investment into UK defence tech companies (2015-2025)



Public grants

1,663

Total number of grants
(2015-2025)

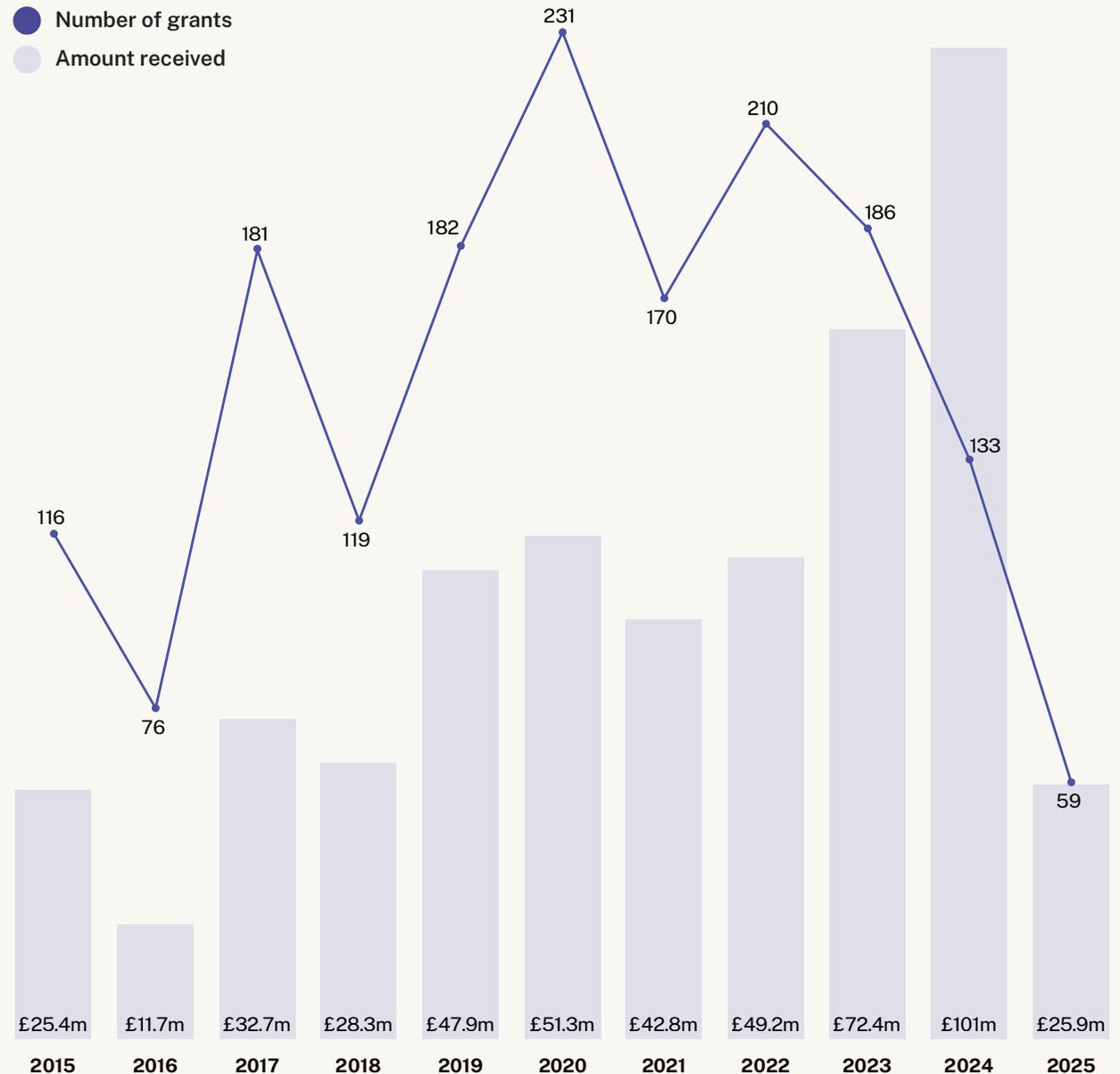
£489m

Total value of grants
(2015-2025)

Public investment into UK defence tech companies fell in 2025, with the number of grants down 55.6% and the amount awarded down 74.3% from the record level seen in 2024. In 2024, the cohort received £101m in grant funding, despite the number of grants falling by 31.2% from the previous year. The increase in the amount awarded was driven by a £57.0m grant to Chemring in March 2024, accounting for just over half of the funding awarded that year. Chemring supplies technology to the aerospace, defence and security sectors, and the grant supported munitions production to replenish stockpiles across Europe.

Grant awards to defence tech companies have declined since 2022, in line with wider UK trends. Between 2023 and 2025, the number of grants awarded across UK companies fell by 69.8%, while the total amount awarded decreased by 73.4%. Innovate UK remains the most active grant provider. Of the 1,663 grants awarded to defence tech companies between 2015 and 2025, 995 were awarded by Innovate UK (59.8%), while DASA awarded 478 (28.7%).

Grant funding into UK defence tech companies (2015-2025)



Spinouts

Number of spinouts (proportion of total spinout population)



8

(14.3%)

University of Oxford



6

(10.7%)

University of Southampton

Spinout companies are companies set up to exploit the intellectual property developed within a UK academic institution. Within the high-growth ecosystem, spinout companies are often of interest to investors and other organisations as they are often built on innovative technology. Within the defence industry, this might include research related to robotics, communications, cyber security, quantum technology, or advanced materials. Some defence tech spinout may have emerged from dual-use technology, with the company's technology having defence applications where this may not have been the original intention behind the research.

Of the 480 UK defence technology companies in this report, 56 (11.7%) have spunout of an academic institution. The most common origin institution is the University of Oxford, which has spunout eight defence tech companies. One such company is patrn.ai,

which spunout of the University of Oxford in 2022. Patrn.ai develops AI software that aims to help companies and governments monitor and mitigate risks such as disinformation and foreign interference. The Oxford-based company offers three main services: it monitors online threats and interference in real time, analyses how AI systems might be misused and identifies the associated risks, and independently tests AI tools to ensure they are safe and trustworthy.

The University of Southampton has produced six defence tech spinouts in this cohort, the second most of any UK academic institution. Southampton's success in spinning out defence tech companies is likely related to the Centre for Defence and Security Research, which is based at the university. The cross-disciplinary centre works in areas including cyber security, psychology, defence medicine and optoelectronics, with the aim of

meeting national security challenges through collaboration with government and industry. The centre has partnerships with several UK defence companies, such as Rolls-Royce, BAE Systems, Airbus, and Boeing.

Symetrica was spunout from the University of Southampton in 2004 and develops hardware to detect radiation. This technology is used in border control and security services. Symetrica develops handheld radiation detection devices, mobile units, and backpacks. Its Radiation Vision technology allows for the visualisation of radiation in optical image format, which can be used to locate sources of radiation. The Southampton-based company has raised a total of £17.6m in equity funding via 12 rounds since 2004. It has also been awarded 12 grants across the same period, totalling £2.41m.

Sector companies

The companies profiled in the following pages are part of MD One's investment portfolio.



Dual-use sector: Data provision and AI
Incorporation date: 2020
Headquarters: London

Labrys, a London-based startup founded in 2019 by two British military veterans, is revolutionising the coordination and management of globally distributed teams in military and humanitarian scenarios. The company's platform, AXIOM, integrates functionalities such as encrypted communications, task management, geo-location, and digital payments. After building this software, Labrys secured its first set of Ministry of Defence contract awards, fulfilling training and operational requirements as a software solutions provider. The solutions Labrys offers cater to a broad client base, including governments, non-governmental organisations (NGOs), and multinational corporations, helping to address communication and coordination challenges effectively. Labrys has been present in Ukraine since 2022 and has established Technical Assistance projects in support of the main Ukrainian security and military agencies.

Labrys raised £19.3m in equity funding. This includes a £15.0m round in May 2025 from key investors, including MD One Ventures, AlbionVC, and Plural, to expand its engineering and operations teams and improve its secure coordination and payments platform by incorporating advanced AI features and scaling its stablecoin integrations.



Dual-use sector: Material technology
Incorporation date: 2020
Headquarters: Cambridge

University of Cambridge spinout MatNex develops software for use in materials technology research. Its software utilises AI and quantum calculations to automate processes, speeding up the discovery, design, and creation of new sustainable materials while reducing the need for physical experiments. MatNex not only helps to discover new materials but also improves the performance and reduces the environmental cost of existing materials, especially those that play a key role in the net-zero transition. MatNex significantly contributes to national security by securing future supply chain resilience.

Since its incorporation in 2020, Cambridge-based MatNex has secured £5.80m in equity funding via three rounds. This includes a £2.74m round in 2023, which involved several notable investors, including MD One Ventures, Ada Ventures, Cambridge Enterprise Ventures, and the University of Cambridge Enterprise Fund. MatNex has also been awarded four grants, totalling £625k. The most recent of which was part of an Innovate UK project in 2024 focused on developing rare-earth alternative materials for magnets.

Sector companies

The companies profiled in the following pages are part of MD One's investment portfolio.



Dual-use sector: Life sciences
Incorporation date: 2021
Headquarters: London

Untap develops a viral testing system for wastewater analysis to enable early virus detection and inform timely, appropriate countermeasures. This allows organisations such as hospitals, care homes, and universities to enhance cleaning measures, identify virus-related vulnerabilities, and avoid unnecessary and costly staff testing. The testing system Untap manufactures contributes to national biosecurity by enabling early detection of new harmful viruses and enabling faster interventions.

Since 2021, Untap has raised £1.7m in equity and received £337k in grants, including a June 2025 investment from MD One Ventures. The company has also been selected for the Randox for Builders incubator, which provides access to advanced biotechnology infrastructure and support, from manufacturing to commercialisation. Untap was also featured in Startups.co.uk's top 100 startups to watch in 2025 and 2026.³

³ Startups.co.uk, Startups 100 2026: Discover the UK's Top Startups for 2026, accessed January 13, 2026.



MILVUS ADVANCED

Dual-use sector: Material Technology
Incorporation date: 2020
Headquarters: Oxford

Milvus Advanced develops hydrogen electrolyser technology that reduces reliance on mining by transforming common metals into the nanomaterials required for green energy production. The nanoscale catalysis it manufactures, which substitutes for platinum, significantly lowers the cost of hydrogen production by eliminating the need for rare-earth minerals. The company plays a key role in the transition to net zero by reducing dependence on intensive mining amid geopolitical tensions and supply chain challenges, thereby strengthening energy security.

Milvus Advanced has raised £7.54m in equity funding across two rounds, including £5.14m in August 2025, from investors such as Hoxton Ventures and MD One Ventures, to support international expansion and scale the commercialisation of its nanomaterials within transport, chemical manufacturing, and clean energy. The company was also featured in the 2025 Norrsken Foundation Impact 100, which highlights the 100 most promising early-stage impact startups.

Defining defence technology

Defence-related technologies draw on a broad range of industries, from satellite imaging and autonomous aerial systems used in surveillance to encrypted communications platforms that secure military networks. This report examines private technology companies whose products have applications in defence or which have secured investment from organisations prioritising national security.

Within the UK, the Ministry of Defence (MOD) continues to champion innovation in this space through bodies such as the Defence Science and Technology Laboratory and the Defence and Security Accelerator (DASA). These agencies work closely with universities and commercial partners to develop next-generation solutions that strengthen the nation's security. Through the Defence Innovation Initiative, the MOD has earmarked £800m between 2015 and 2025 to fund private sector firms developing technologies of strategic importance. The UK Government has also committed to increasing defence spending to 5.00% of GDP by 2035, in line with other NATO member states.

The data in this edition covers 480 UK-based defence technology companies, spanning active private businesses as well as those that have exited via acquisition or IPO, or ceased trading altogether. As breakthroughs in areas like quantum computing and artificial intelligence transform society, they also reshape the security landscape, necessitating the rapid development of new technologies to counter emerging threats.

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Through our data platform, we provide data on every UK private company – from investments and hiring status, to patents and trade data – identifying hidden growth, innovation, risk, and ESG signals across UK companies.

Our Research and Consultancy team can provide powerful insights, thought leadership, and data-led reports. Please get in touch if you would like to talk about a project.

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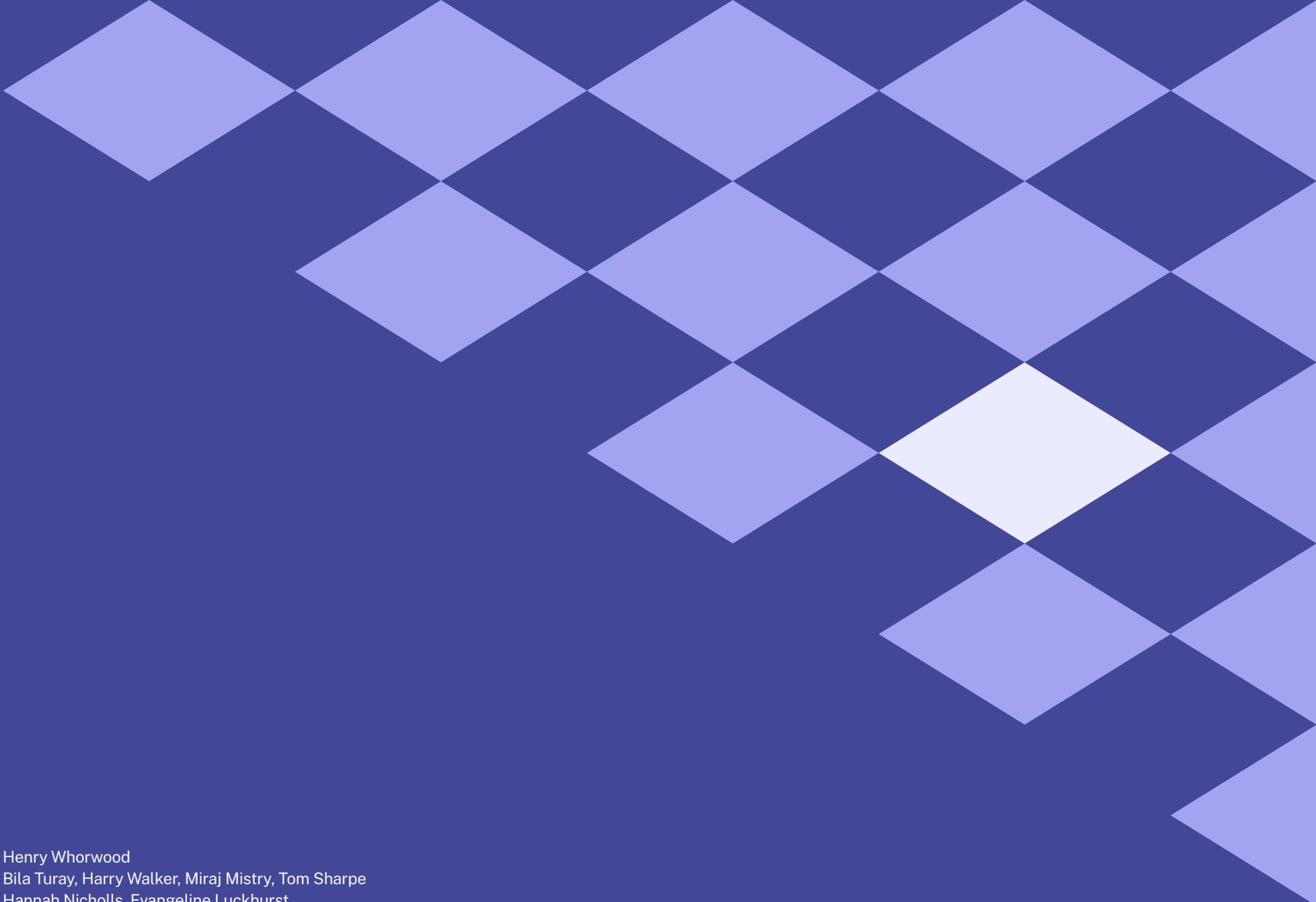
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MD One, Europe's first National Security VC firm, was founded in 2021. The team invests in National Security technology, and support teams who deliver a technical advantage to European national security.

The team combines comprehensive venture capital experience across multiple sub sectors, with deep operational expertise from Tier One special forces and the intelligence communities.

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