



Capitalising on Aerospace & Defence growth

Within private markets, Aerospace and Defence are gaining attention as resilience becomes more important. Financial Investigator spoke with Henri Marcoux and Fabien Roualdes from Tikehau Capital about the opportunities, challenges and risks of the sector, and how investors can address ESG considerations while supporting the crucial transformation of the supply chain.

By our editorial team

Which developments led to the focus on Aerospace & Defence?

‘Since the COVID-19 crisis, we have strongly believed that economic value creation around the world would pivot from generation of efficiency to generation of resilience. After decades of low interest rates and globalisation that allowed economic players to optimise their production, supply chains and capital structure, de-globalisation and higher interest rates are pushing these same players to strengthen their robustness by repatriating production close to the consumer.

Cybersecurity, Aerospace and Defence are key sectors for protecting our economic model and European sovereignty.’

What are the challenges and opportunities in Aerospace & Defence?

‘Aerospace and Defence are inherently dual use, combining civil and military applications. This duality fosters innovation, enables synergies between defence and commercial programmes, and preserves essential skills. Today, both the defence and commercial aviation sectors face the same challenge: the need to rapidly increase production rates to fulfil record order books.’

What can you tell about current order backlogs in Aerospace & Defence?

‘Defence manufacturers’ order books are at record levels. For example, some have more than 10 years’ worth of production to deliver, which requires an unprecedented increase in production rates¹ to speed up deliveries.

Commercial aviation order books are well filled and have remained very resilient during the crisis, where Airbus and Boeing have 10 years of deliveries in their order books. For Airbus, order books stood at to 8,700 aircraft in December 2024, while 766 aircraft were delivered in 2024².

The world fleet is set to almost double by 2043, driven by growing air traffic demand and the need for airlines to renew their fleet³ with more efficient aircrafts.’

Why are private market investments important for the Aerospace & Defence sector?

‘In the Aerospace & Defence sector, certain listed companies benefit from visibility on

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the sector’s growth prospects, such as Rheinmetall⁴. They aim to double revenues to € 20 billion in 2027 and achieve an operating margin of 18% in 2027⁵.

This unprecedented acceleration in production rates requires massive amounts of capital to strengthen the balance sheets of the key links in the supply chain, whose debt levels have increased over the period 2020-2022⁶.

Given the complexity of the sector, a key differentiator to invest in Aerospace & Defence is to benefit from the experience of the investments teams, operating partners, experts and relevant advisors’ networks. It is essential to have in-depth knowledge of challenges and innovations related to these sectors, and this is where private equity plays a crucial role.’

What are the key risks associated with investing in the private market, and how do you address them?

‘Some of the risks are geopolitical and regulatory uncertainties, supply chain disruptions, technological obsolescence and the cyclical nature of end markets. Private companies may face challenges related to governance, transparency and liquidity. We address risks through rigorous due diligence, active portfolio management and close engagement with management teams.

Our sector expertise and network of industry experts support us to anticipate and mitigate operational and strategic risks. We prioritise diversification across sub-sectors, maintaining a disciplined approach to capital structure and exit planning.’

How are you positioned currently?

‘We are well positioned to capture opportunities in Aerospace & Defence, leveraging our deep sector knowledge, strong relationships with industry leaders, and flexible capital solutions. We have a dedicated team focused on identifying high-quality assets across the value chain, from materials and components to advanced systems and services. Our investment strategy targets resilient niche players and consolidation platforms that can benefit from increased scale and supply chain integration. We are actively deploying capital in Europe and beyond, supporting companies critical to the resilience and sovereignty of the sector.’

Do you encounter resistance from institutional investors due to ESG considerations?

‘ESG considerations are increasingly important for institutional investors, particularly in sectors such as Aerospace & Defence. While some investors may have restrictions or heightened scrutiny regarding defence-related investments, many recognise the essential role these industries play in national security, technological innovation and economic resilience. We maintain a robust ESG framework engaging proactively with investors to address their concerns. We focus on responsible investment practices, transparency, alignment with international standards and invest in companies that demonstrate strong governance, ethical practices, and a commitment to sustainability.’ ■

¹ Dassault Aviation, January 2025

² Airbus and Boeing, December 2024

³ Airbus, 2025

⁴ For illustrative purposes only, does not constitute investment advice

⁵ Rheinmetall: Rheinmetall, Annual Report 2024

⁶ <https://www.tikehaucapital.com/~media/Files/T/Tikehau-Capital-V2/documents/news-and-views/tikehau-focus-defence-en.pdf>

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SUMMARY

Aerospace & Defence is a key sovereign industry in Europe with a rising demand for resilience.

Both Commercial Aviation and Defence have booked an unprecedented level of orders and now need to strengthen their supply chains to deliver.

Aerospace & Defence offer attractive opportunities but also present challenges in production, innovation, and risk management, requiring deep expertise.

ESG considerations increasingly shape investment decisions in Aerospace & Defence, emphasising transparency and responsible practices.