A Global Opportunity: Why Canada Matters

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Key Takeaways

- Canada offers earlier-cycle exposure within a global defence realignment, creating potential for value creation as policy commitments translate into procurement and industrial activity.
- The investment case is supported by an existing industrial base, strong dual-use capabilities and deep technical talent, positioning Canada to participate as allied defence ecosystems expand.
- For investors, Canada represents a differentiated point of entry into the global defence theme, particularly through private companies and venture-backed platforms, given the country's limited number of scaled public-market defence champions.

I. Introduction

The defence opportunity is increasingly global in scope, though it is not developing uniformly across markets. In some countries, higher spending, industrial mobilization and investor attention are already well reflected in public markets. Canada stands apart; the strategic case is strengthening, the industrial base is already in place and market recognition has not yet advanced to the same degree. With fewer scaled public-market defence platforms, the Canadian angle is more closely tied to private companies, dual-use technologies and emerging capabilities. For investors, that makes private capital a central access point to the theme, offering exposure to businesses that can benefit as policy commitments translate into procurement, partnerships and commercial scale.

II. The Global Landscape

The scale of the broader defence landscape is difficult to ignore. In 2025, global military spending reached US$2.9 trillion, amounting to 2.5 percent of global gross domestic product (GDP) and marking the 11th consecutive year of growth. The five largest spenders, the United States, China, Russia, Germany and India, accounted for 58 percent of global military expenditure, while spending by members of the North Atlantic Treaty Organization (NATO) totaled US$1.6 trillion, or 55 percent of the global total.

Those headline figures point not only to the size of the market, but also to a broader realignment, as governments respond to a more demanding security environment by increasing spending, expanding industrial capacity and putting greater emphasis on domestic and allied capability. That process is not equally advanced across markets. In 2025, 23 of 32 NATO members spent at least 2 percent of their GDP on their militaries, while Canada spent US$37.5 billion, or 1.6 percent of its GDP.[1] The shift is structural rather than cyclical, driven by geopolitical realignment, allied commitments and industrial policy that will take years to fully work through into procurement, capability and commercial outcomes.

In that context, Canada is earlier in the cycle. It is part of the same broader defence realignment, but the spending path, industrial response and commercial recognition are less advanced than some larger countries.

III. Real Commitments Have Been Made

Canada has already committed significant capital to defence. The 2025 Federal Budget pledged C$81.8 billion over five years to rebuild, rearm and reinvest in the Canadian Armed Forces, including C$6.6 billion in support of the Defence Industrial Strategy. The same budget outlines major allocations to military capabilities, defence infrastructure, cyber, digital systems and domestic ammunition production.[2]

These commitments sit within a larger spending shift. Defence spending is projected to rise from just over C$50 billion in 2026 to almost C$97 billion by 2030 and to C$154.8 billion by 2035 if Canada moves toward its NATO commitment of 5 percent of GDP. That broader commitment has been described as exceeding C$1.2 trillion over the next decade. At that level, defence would become one of the largest components of federal spending.[3]

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The policy direction is established, the capital commitments are material and the next phase depends on how those commitments feed through into procurement, industrial participation and commercial outcomes.

IV. Canada Has the Industrial and Technical Base to Participate

Central to the investment thesis is that Canada is entering this phase with established industrial capabilities, a well-developed technical base and a private-company ecosystem that can support defence and dual-use innovation.

Its defence sector already comprises roughly 600 firms, contributes more than C$9.6 billion to GDP and supports approximately 81,200 jobs. In 2022, those firms generated C$14.3 billion in revenues. The sector is also export-oriented: 49 percent of defence-related products and services produced by Canadian firms are sold abroad and 69 percent of those exports go to the United States and other Five Eyes partners.[4]

The underlying innovation base is broader than defence alone. More than 17,000 technology scale-ups operate in sectors with defence-relevant applications and federal initiatives have allocated approximately C$650 million to support the commercialization of dual-use technologies.[5] In practical terms, that means Canada already has a pipeline of companies working in areas such as artificial intelligence, aerospace, advanced manufacturing, cyber security and life sciences that are increasingly relevant to defence as the market develops. This is the part of the market where private capital can be most relevant, helping translate technical capability into defence-ready companies before broader market recognition develops.

The Defence Industrial Strategy identifies the same areas as priority capabilities. The issue is not whether Canada has the relevant talent or capability, but whether the market has fully recognized the value of that base within a changing defence landscape.

V. Policy and Procurement Are Making the Theme More Concrete

A market can be strategically relevant and still remain difficult to invest in if procurement is slow or policy is too abstract. Canada has tried to address that problem directly.

The Defence Industrial Strategy places the new Defence Investment Agency (DIA) at the center of the procurement system, with the stated purpose of accelerating defence procurement, consolidating processes and providing greater clarity and certainty to both the military and industry. Federal Budget 2025 separately provides funding to establish the DIA and modernize the industrial security program that supports Canada's defence industry.[2]

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The strategy is also explicit about the results it wants to deliver over the next decade. It targets 70 percent of defence acquisitions being awarded to Canadian firms, an 85 percent increase in government investment in defence-related research and development, a 50 percent increase in defence exports and the creation of up to 125,000 new jobs.[2]

For venture investors, some of the most important details sit one level below the headline spending figures. The budget includes C$1 billion to create a new Defence and Security Business Mobilization Program through the Business Development Bank of Canada to provide loans, venture capital and advisory services to small and medium-sized firms. It also includes C$334.3 million over five years to anchor quantum companies in Canada and C$182.6 million over three years to establish a sovereign space launch capability.[2]

These measures are important because they move the story from strategic intent to investable mechanism. They create pathways by which private companies can move from technical capability toward procurement relevance, industrial partnerships and commercial scale.

VI. Canada's Global Relationships Are Becoming More Relevant

Canada's defence investment case is broader than domestic procurement alone. The industrial strategy is built around a "Build-Partner-Buy" framework that links Canadian capability to trusted allied relationships, joint production, export promotion and supply-chain security. The government has said it will prioritize building in Canada where sovereign capabilities or domestic strengths exist, partner with trusted allies where joint development makes sense and buy from allies where necessary under conditions that reinforce Canadian sovereign control and domestic industry.[4]

That framework matters because it places Canada more firmly inside allied defence ecosystems rather than at their margin. The strategy specifically prioritizes partnership opportunities in Europe, the United Kingdom and the Indo-Pacific, and it includes expanded export-promotion support through dedicated teams, additional trade commissioners in the UK and EU, and stronger government coordination around international defence contracts.

In a world of more fragmented supply chains, stronger allied industrial alignment and greater emphasis on trusted partners can increase the strategic relevance of Canadian firms before domestic spending fully translates into scale. This represents a fundamentally different opportunity than one driven solely by domestic budget growth.

VII. Why This Matters for Investors

The defence spending shift across allied markets is structural, not cyclical. Allied spending commitments, industrial policy realignment and the migration of defence-relevant innovation into the private sector are durable, multi-year forces. Canada is participating in that shift at an earlier stage of commercial translation than more mature markets, where a meaningful share of the opportunity is already reflected in public-market valuations. The policy framework has strengthened, the industrial base is real and the commercial applications are still emerging. That is where differentiated investment outcomes may emerge.

The opportunity is also more than theoretical. There are tangible catalysts that could make the Canadian defence theme more visible over time: procurement awards, budget follow-through, industrial policy implementation, partnership wins, export traction and deeper integration into allied supply chains. Those are the kinds of developments that can move a market from strategic relevance to commercial recognition.

For venture strategies, the case is even more direct. Modern defence capability is shaped by commercial technologies and dual-use businesses well before they become visible to public markets. In Canada, where there are fewer large publicly traded defence platforms through which to express the theme, private capital is the primary access point. It offers exposure to emerging companies and capabilities ahead of procurement acceleration, as well as partnership formation and broader market recognition positioned at the early stage of a structural shift rather than arriving after it is priced.

VIII. Conclusion

Canada's investment relevance lies in the combination of rising defence commitments, an established industrial base, deep dual-use technology capabilities, improving procurement mechanisms and stronger integration with allied supply chains.

Those elements make the Canadian opportunity distinct within the broader global defence realignment. The policy direction is clear, with material spending commitments already announced. The industrial base is real, with existing defence firms, export relationships and a broader technology ecosystem that can support defence and dual-use innovation. The investment mechanisms are also becoming more concrete, as procurement reform, the Defence Investment Agency and targeted support for small and medium-sized firms create pathways from technical capability to commercial scale.

For investors, the key point is access. Canada has fewer large publicly traded defence primes than more mature markets, so the Canadian defence theme is likely to be expressed through private companies, emerging technologies and venture-backed platforms. Private capital is one of the clearest ways to gain exposure to the companies and capabilities positioned to benefit as spending, procurement reform and allied industrial integration translate into commercial outcomes.

Endnotes

1 Stockholm International Peace Research Institute (SIPRI), Trends in World Military Expenditure, April 2026, https://www.sipri.org/sites/default/files/2026-04/2604_milex_2025.pdf
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4 Government of Canada, Canada Defence Industrial Strategy, February 26, 2026, https://www.canada.ca/en/department-national-defence/corporate/reports-publications/industrial-strategy/security-sovereignty-prosperity.html
5 Bennett Jones LLP, Policy, Dual-Use and DefTech Drive a New Era for Private Capital in Defence, November 15, 2025, https://www.bennettjones.com/Insights/Blogs/Policy-Dual-Use-and-DefTech-Drive-a-New-Era-for-Private-Capital-in-Defence

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