Rearming the Gulf

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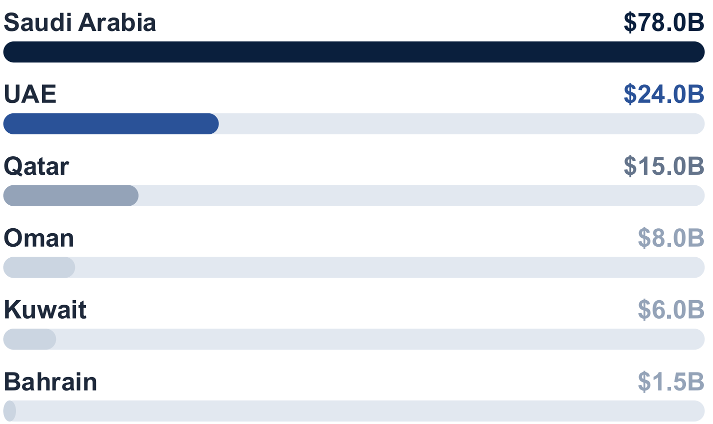
Defense Budgets (2025)

Saudi Arabia dominates GCC regional defense spending



2024 Domestic Share

25%

2030 Target (KSA)

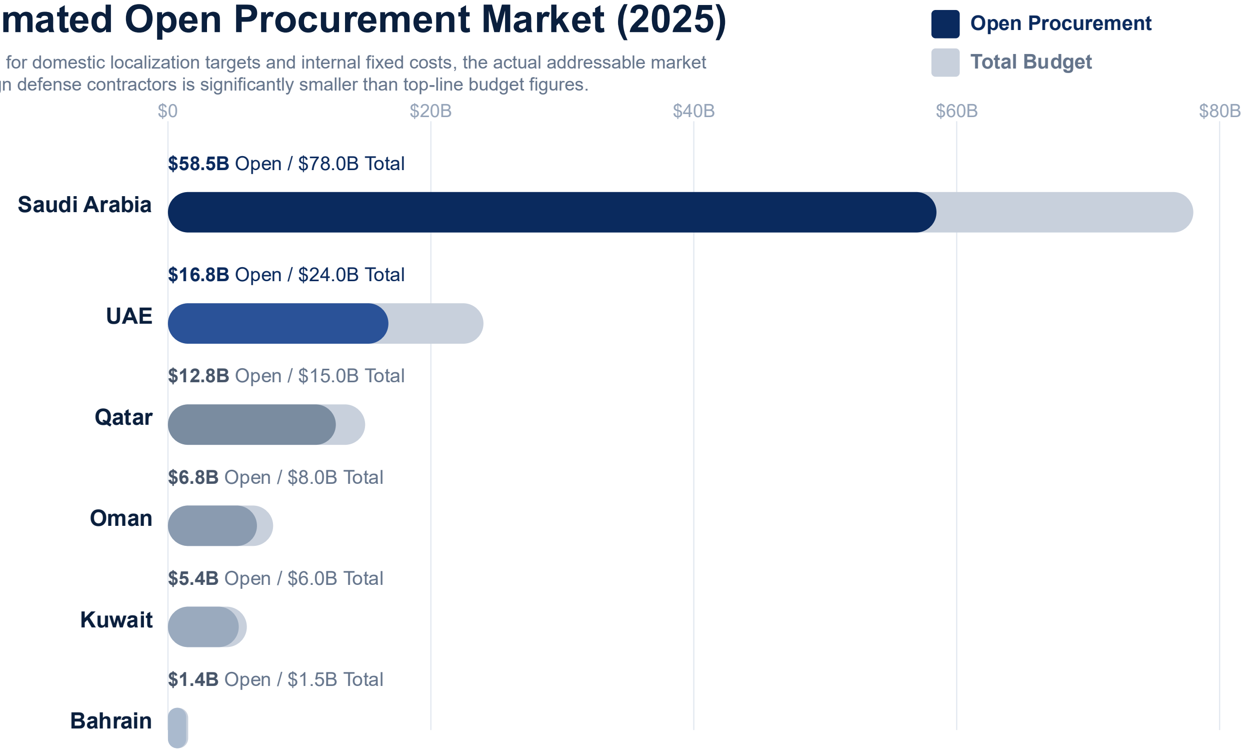
50%

The Localization Mandate

Open procurement window is closing fast. Early JV positioning critical as states demand technology transfer from foreign contractors.

Estimated Open Procurement Market (2025)

Adjusted for domestic localization targets and internal fixed costs, the actual addressable market for foreign defense contractors is significantly smaller than top-line budget figures.



** Note: KSA assumes 75% open procurement based on current localization targets. UAE modeled with ~70% open access due to robust EDGE Group absorption. Rest of GCC estimated at 85-90%.*

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Post-Conflict Architecture

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VULNERABILITY ANALYSIS

Quantity over Interoperability

Money bought vast capabilities — not real-time interoperability

Current Arsenal Matrix

THAAD & Patriot PAC-3	US (KSA)
NASAMS	US/Norway (UAE, Qatar)
Crotale & Shahine	France (KSA)
Silent Hunter (Laser)	China (KSA)

The Interoperability Gap

The six Gulf states bought weapons from

9 different nations

US · France · Russia · China · Israel · S.Korea · Sweden · Italy · Germany

Radical differences in comms protocols, radar frequencies, and integrations. They cannot share targeting data.

Cost Problem

Brutal drone warfare asymmetry

Shahed Drone **$20K**

THAAD **$15M**

The Reload Problem

5 weeks of conflict vs supply chain

1,700

Patriots fired (5 weeks)

600 / year

current build rate

3 Years to Replace 1 Month of Usage

Western bottlenecks force GCC to diversify suppliers

US prioritizes own stockpile over GCC allies

This supply chain vulnerability is the primary driver of GCC localization mandates and budget shifts.

The Counter-UAS Ecosystem

GCC demand driving cheaper, faster, non-kinetic alternatives

United States

Dedrone (Motorola)

AI-powered airspace security software & sensors deployed across 30+ countries.

Threat detection · Classification · Response

D-Fend Solutions

EnforceAir RF cyber-takeovers safely land rogue drones — no kinetic force.

Non-kinetic · RF takeover · Safe landing

Fortem Technologies

DroneHunter interceptor physically nets and retrieves hostile UAVs mid-air.

Kinetic intercept · Net capture · Retrieval

Europe & UK

Eperis (Europe)

Leonitis system fires High-Power Microwave (HPM) to disable whole swarms.

DEW · HPM energy · Swarm defeat

CERBAIR (France) & Indra (Spain)

Rapid RF detection and next-gen EU counter-drone architecture.

RF detection · EU architecture · C-UAS

QinetiQ (UK)

Low-cost disposable counter-UAS and radar tech for high-volume threats.

Disposable · Low-cost · High-volume

Global Innovators

Ukraine "Sting" Drones

$2.1K – $2.5K / unit

FPV interceptors flown into hostile UAVs. Bluntest proof cost equation can flip.

India (Zen Tech, Indrajaal)

Autonomous mesh-network grids and AI radars tracking 100+ targets up to 20km.

Mesh network · AI radar · 20km range

Australia (DroneShield)

Handheld DroneGun jams UAV control links. Highly portable, non-kinetic.

Portable · RF jamming · Non-kinetic

End of the Million-dollar Interceptors

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Where Will the Budgets Go Next?

Strategic shift away from traditional interceptors — clear allocation vectors

1 Directed Energy Weapons (DEW)

Laser & HPM systems offer "infinite magazines" — pennies per engagement. Directly solves the $15M missile vs $20K drone cost asymmetry problem.

Cost reduction: ~750,000×

2 AI-Integrated C2 Networks

Bridge the 9-nation interoperability gap with software overlays (C2) that unify disparate radar and weapon feeds in real time across all six GCC states.

High-margin software opportunity

3 Domestic IP via EDGE & SAMI

The Reload Problem forces full localization. State champions SAMI (KSA) & EDGE Group (UAE) receive massive capital to build local drone and interceptor manufacturing.

50% domestic target by 2030

EXECUTIVE SUMMARY

Key Takeaways for Portfolio Managers

The Localization Premium

Saudi Arabia targets 50% domestic military spend by 2030. The open procurement window is closing. Alpha generation requires early JV exposure and technology transfers with state champions like SAMI (KSA) and EDGE Group (UAE).

▲ Early mover advantage in JV structures

End of the Legacy Interceptor

The brutal math of $15M missiles vs $20K drones is fiscally unsustainable. Capital allocations will rapidly rotate away from legacy kinetic interceptors toward low-cost C-UAS ecosystems and Directed Energy Weapons (DEW).

▼ Rotate out of legacy Raytheon / Lockheed exposure

Software as the Defense Moat

GCC hardware fragmentation (nine distinct supplier nations) has created a severe interoperability crisis. High-margin opportunities exist in AI-driven Command & Control (C2) overlays that unify disparate radar and weapons feeds.

▲ High-margin software integration play

Supply Chain Sovereignty

Western production bottlenecks, taking 3 years to replace 1 month of Patriot usage, are forcing the GCC to diversify. This vulnerability opens the market to agile, non-traditional defense tech firms with rapid, localized manufacturing.

▲ Non-traditional defense tech upside

Connect with our Team

Shivam Madaan

Senior Analyst,
Investment Research

shivam.madaan@aranca.com

Rohit Thevar

Assistant Manager,
Investment Research

rohit.thevar@aranca.com

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