



# NAVIGATING A SURGE IN DEMAND:

ASSESSING WHAT THE UKRAINE CONFLICT  
MEANS FOR U.S. DEFENSE COMPANIES AND  
THE IMPACT ON M&A

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GREENWICH CAPITAL GROUP

The conflict in Ukraine has ushered in a significant surge in demand for the defense sector. U.S. companies, given their pivotal role in the international defense market, are at the forefront of this wave, actively contributing to the efforts of Ukraine and its allies. This article provides a review of the multifaceted impact of the conflict on the U.S. defense industry, including considerations related to M&A activity.

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## U.S Funding Support

On April 24th, Congress passed, and the president signed into law a \$60.7B aid package for Ukraine as part of a larger \$95B bill that also allocated money to Israel and Taiwan. The larger bill was broken down into separate votes to secure a coalition of support for each piece individually. The total figure allocated to Ukraine now reaches \$175B in documented U.S. support and largely consists of surplus U.S. military stock, donated directly by the federal government (see Figure 1). Within the latest \$60.7B Ukraine Security Supplemental Appropriations Act of 2024, support falls into six categories:

- 1. Military equipment for Ukraine (\$25.7B)**
- 2. Ukraine-related military activities (\$17B)**, includes funds for the Ukraine Security Assistance Initiative (USAI) (\$13.8B), and funds for U.S. intelligence operations (\$3.3B)
- 3. Economic support to the Ukrainian government** to sustain essential government services, including law enforcement. This piece is structured as a loan, rather than a grant, in response to pressure from Republicans and former President Trump **(\$7.9B)**
- 4. Support for the heightened presence of U.S. forces in Europe (\$7.3B)**
- 5. Global humanitarian aid (\$2.5B)**. This includes special assistance for Europe, Eurasia, and Central Asia (\$1.6B), support for Ukrainian refugees in the U.S. (\$481M), counter-drug activities (\$300M), and demining (\$100M)
- 6. Support for other U.S. agencies (\$335M)**, including support for the Department of Energy's nonproliferation activities (\$150M)

**Figure 1: Congressional Appropriation for Ukraine since Feb 2022**

Congressional Appropriation	Signed into law	Amount (USD, billions)
Ukraine Supplemental Appropriations Act, 2022	March 15, 2022	13.6
Additional Ukraine Supplemental Appropriations Act, 2022	May 21, 2022	40.2
Ukraine Supplemental Appropriations Act, 2023	September 30, 2022	12.4
Additional Ukraine Supplemental Appropriations Act, 2023	December 29, 2022	47.4
Ukraine Security Supplemental Appropriations Act, 2023	April 4, 2024	60.7
Regular Appropriations, FY 2022, FY 2023, and FY 2024		0.9
	<b>Total</b>	<b>175.2</b>

Sources: USA Today, CSIS, AP News

Beyond Ukraine-specific funding packages, quantifying the full extent of demand driven by the Ukraine conflict may also involve foreign military sales (FMS) or direct commercial sales (DCS) with international allies. FMS programs are administered through the Defense Security Cooperation Agency (DSCA), with approval by the State Department. The DCS process involves a purchaser contracting directly with industry participants, governed through export licenses granted by the

State Department or the Department of Commerce. While Ukraine-specific figures are not readily available, in 2023, total FMS and DCS to all allies totaled \$80B and \$157.5B, respectively. FMS and DCS could, in part, relate to foreign governments selling or donating their stockpiles of legacy American-made equipment, thereby creating a need to procure additional replacement materials. Still further, Eastern European and other countries may look to replace Soviet-era arms sent to Ukraine with cutting-edge Western weapons.

## Challenges in Meeting Demand: Depleting Stockpiles and Industry Investments into Increased Capacity

The increase in demand, fueled by the Ukraine conflict and global geopolitical shifts, has presented substantial opportunities as well as challenges. In particular, the strain on stockpiles is a critical concern. As the conflict continues, U.S. and European inventories of critical munitions and weapon systems are being depleted. For instance, the United States has provided Ukraine with 8,500+ Javelin missiles, reportedly a significant portion of its inventory. The strain is not limited to Javelins but may extend to various other munitions, including the Guided Multiple Launch Rocket System (GMLRS), Stinger missiles, 155mm projectiles, and more (see Figure 2).

**Figure 2: Status of Key Weapons and Munitions as a Result of Transfers to Ukraine**

System	Manufacturer	State of Product Line	Amount Given to Ukraine	Status of US Inventory
MLRS Rocket	Lockheed Martin	Active	Not Specified	OK in short term, ltd in medium term
HIMARS launchers	Lockheed Martin	Active	16	Limited
Javelin missiles	Raytheon/Lockheed Martin	Active	8,500+	Limited
Other anti-tank missiles	Various	Active	32,000+	Possibly Limited
Stinger missiles	Raytheon	Semi-active	1,400+	Limited
M-777 howitzer	BAE Systems	Closed	126	Limited
155 mm ammunition	Government arsenals	Active	561,000+	Limited
Counter-artillery radars (AN/TPQ-36, 37, 53)	Raytheon	Active	50	Possibly Limited
Switchblade unmanned aerial systems (UAS)	AeroVironment	Open	700	Not applicable
Phoenix Ghost UAS	AEVEX Aerospace	Open	700	Not applicable
M113 armored personnel vehicles	BAE Systems	Closed	200	Adequate
Small arms ammunition	Various comm mfgs	Open	26mm+	Adequate
105 mm howitzers	Rock island arsenal	Closed	20	Adequate
105 mm ammunition	Government arsenals	Active	144,000	Adequate
Harpoon missiles	Boeing/MD	Possibly Active	2 systems	Adequate

Note: Data through September 9, 2022; totals from DOD Fact Sheet on U.S. Aid to Ukraine; Source: CSIS

The United States has provided Ukraine with dozens of different munitions and weapon systems. In most instances, the amounts given to Ukraine are relatively small compared to U.S. inventories and production capabilities. However, some U.S. inventories are reportedly reaching the minimum levels needed for direct war contingencies and training.

Stockpiles reaching the minimum required levels means either the minimums need to be adjusted or production needs to be increased. Decisionmakers are likely only willing to accept more inventory drawdowns if production lines are surging so that replacement systems will arrive more quickly (see Figure 3). While increased production is welcomed by industry participants, there is also a competing view that the Department of Defense (“DOD”) should make commitments for multiyear acquisitions to justify industry investments into increased capacity. These commitments may lead to more long-term agreements (or “LTAs”) between defense OEMs and their supply chain partners. Increased visibility for suppliers is a key driver in M&A discussions and, as such, can lead to increased levels of interest and activity.

**Figure 3: Inventory Replacement Times for Key Systems as of January 2023**

	Number Transferred to Ukraine	Production Rate (per year)	Mfg Lead Time (months)	Production Time (months)	Total Time to Rebuild (months)
155 mm ammunition (recent rate)	1,074,000	93,000	Inventory rebuild not possible because of U.S. training requirements		
155 mm ammunition (surge rate)	1,074,000	240,000	12-18	44	59 (5 years)
155 mm precision munition - Excalibur (recent rate)	5,200	1,000	22	56	84 (7 years)
155 mm precision munition - Excalibur (surge rate)	5,200	2,400	22	23	48 (4 years)
Javelin (recent rate)	8,500	1,000	24	12	149 (~8 years)
Javelin (surge rate)	8,500	2,100	24	12	56 (~5.5 years)
HIMARS (recent rate)	20	20	26	12	37 (3 years)
HIMARS (surge rate)	20	72+	26	5	30 (2.5 years)
GMLRS (recent rate)	"Thousands"	5,000	17+	?	?
GMLRS (surge rate)	"Thousands"	10,000+	17+	?	?
Stinger (recent rate)	1,600	100?	24+	192	216 (18 years)
Stinger (historical rate)	1,600	350?	24+	55	79 (6.5 years)

**Color key**

■ Unlikely to rebuild inventories within 5 years

■ Inventory replacement within five years at low risk

■ Rebuilding timeline unclear but substantial risk of low inventories and long replacement cycles

Note: The most recent estimates for production of 155 mm ammunition, which is in very high demand, are at about 30,000 per month as of June 2024 and are expected to increase to 100,000 per month by the end of 2025.

Sources: CSIS, WSJ

## IN CONCLUSION

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As the Ukraine conflict continues to unfold, its impact on the global economy and the defense industry, particularly in the United States, becomes increasingly evident. The strain on stockpiles and constraints on rapidly increasing capacity present a significant need for long-term industry investment. In this evolving landscape, U.S. defense companies remain central players in meeting growing market demand, a trend being observed by industry consolidators and private equity buyers.

**For more information, please contact GCG's Aerospace and Defense Leader, Pete Frankfort or A&D team member, Evan Fisher.**



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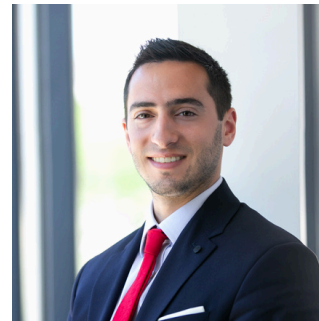
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