

Defense & National Security in Indiana

Doubling down on hypersonics



Indiana
A State that Works

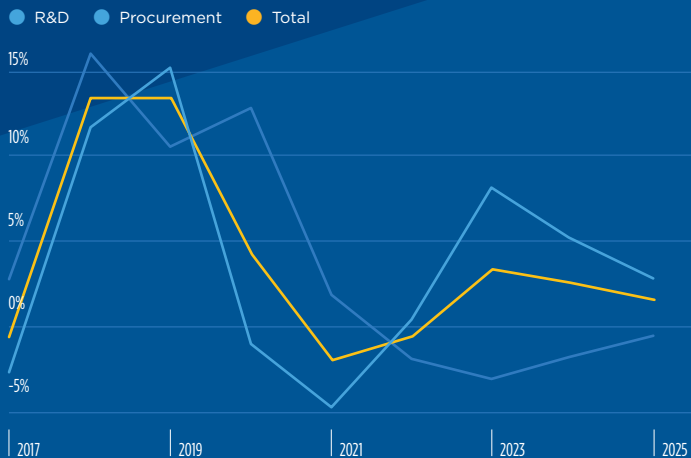
Created with
Bloomberg Media

2021 Outlook

Resilient budgets support demand

Defense and national security continues to prove itself as a relatively recession-proof industry, with a short-term outlook bolstered by backlogs driving demand and a necessity to continue research and development. Though growth may stall in 2021, it is unlikely to dip much below 0%. Growth is predicted to resume to mid-single-digit levels in 2021+, with procurement leading the way.

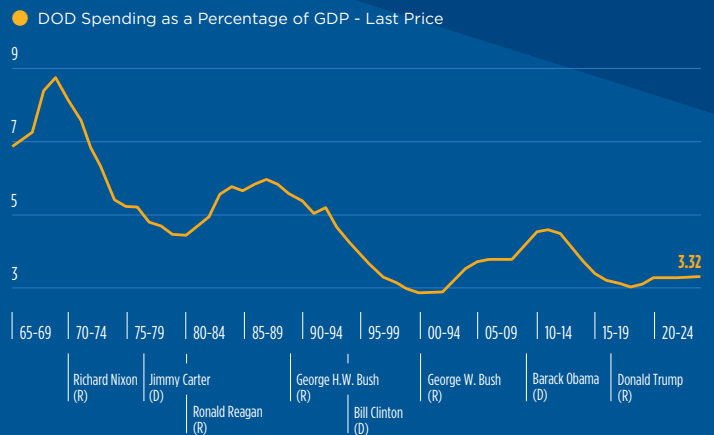
U.S. defense spending YoY change in key items



Post-election uncertainty looms

The prospect of Democratic control of the White House brings fears of cuts to the defense budget, though these anxieties are not well-founded in data. However, President Biden has referenced the potential of an increase to the capital gains tax to as high as 40%. This is prompting many suppliers to consider M&A deals sooner than later in order to avoid a greater tax burden in 2021 and beyond.

Defense spending as percentage of GDP, highlighted by party in the White House



Key Opportunity: Hypersonic Weapons & Defense

As federal hypersonics budgets have increased by 17% year-over-year and global powers improve their capabilities, there is vast opportunity in the development of hypersonic propulsion systems and the materials that allow for such high-speed travel. These systems are applicable for both manned and unmanned vehicles, but are particularly important in the growing race for hypersonic missile superiority among China and the US.

Impact of events of 2020 on mid-tier suppliers of defense sub-sectors

● Negative ● No Impact ● Positive

Propulsion systems	Positive	Ship building	Negative
Advanced materials	Positive	Aircraft building	Positive
Guidance sensors	Positive	Missile defense	Positive
Space	Positive	Overseas sales	Negative
Unmanned systems	No Impact	Cyber warfare	No Impact

Why Indiana

Strong foundation

Indiana's military presence across 55 counties, commercial aerospace footprint, and strong engineering talent pipeline make it an ideal fit for hypersonic development projects.



Headstart on research

Indiana is already home to hypersonic-adjacent research centers and production facilities (e.g., Naval Surface Warfare Center).

