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Made In Canada: The Industrialization Of Canada's Defence Procurement

Key Takeaways From The CIBC Defence & Resiliency Summit

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Sectors:
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Our Conclusion: The CIBC Defence & Resiliency Summit reinforces an inflection point in Canada's defence posture, with policy, capital, and industrial execution now aligned around a decade-long buildout of sovereign capability. The creation of the Defence Investment Agency (DIA) alongside the Defence Industrial Strategy (DIS) marks a shift away from fragmented procurement toward a centralized, capital markets-enabled model designed to accelerate deployment and anchor domestic supply chains. For Industrials and adjacent Technology, the opportunity set is broadening across infrastructure, aerospace, Arctic logistics, space systems, and quantum. The common thread is not just the scale of spending, but how it is deployed; faster, more coordinated, and increasingly reliant on private operators.

Defence Policy Moves to Execution: The federal government's unified economic resilience and national security mandate is translating into tangible structural change. The DIS introduces explicit domestic content and export targets, supported by a step-up in defence spending over the medium term. The formation of the DIA addresses long-standing procurement bottlenecks by consolidating authority, enabling independent capital deployment, and introducing alternative contracting models such as early down-selection and sole sourcing. Early examples suggest timelines can compress meaningfully relative to historical norms.

Domestic Capacity Expansion Across Multiple Fronts: Capital deployment is already mapping to identifiable end-markets. Base modernization, marine infrastructure, and munitions manufacturing point to a large domestic construction and engineering cycle. Canada is also integrating more directly into allied procurement ecosystems, opening incremental export opportunities through European and U.S. partnerships. The investment requirement extends beyond defence assets into enabling infrastructure, including housing, utilities, and logistics, particularly in the North.

New End-Markets: Arctic, Space, and Quantum: The next phase of defence spending is increasingly tied to complex operating environments and advanced technologies. Arctic sovereignty introduces a dual-use procurement model in which civil infrastructure underpins military presence, favouring experienced northern operators. In space, demand for satellite, launch, and data capabilities is structural, with sovereignty considerations driving domestic investment across the value chain. Quantum remains at an earlier stage, but policy support and defence demand are converging around a small group of credible Canadian platforms, positioning the country to participate as commercialization advances.

All figures in Canadian dollars unless otherwise stated.

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Canada's Macro Defence Strategy

The fireside chats with the Honourable David J. McGuinty, Minister of National Defence, and Doug Guzman, CEO of the newly established Defence Investment Agency (DIA), outlined a fundamental structural overhaul of Canada's defence industrial base. The federal government is looking to unify economic resilience and national security into one mandate. To address historical fragmentation, slow procurement timelines, and intermittent industrial engagement, Canada is executing its first-ever Defence Industrial Strategy (DIS).

This policy pivot is anchored by a commitment for defence spending to reach the NATO target of 5% of GDP by 2035. To ensure this capital drives domestic growth, the DIS targets 70% of all federal defence contracts being awarded to Canadian firms, a 50% increase in Canadian defence exports and the creation of ~125,000 regional jobs across the country.

Institutional Reform: The Defence Investment Agency (DIA)

To execute this decade-long mandate and to avoid historical procurement drag, the government intends to introduce legislation to make the DIA a stand alone entity. Led by inaugural CEO Doug Guzman, who brings deep financial expertise, the agency is structured to dismantle a historical triangle of inertia. This bottleneck has traditionally spanned the Department of National Defence (DND), Innovation, Science and Economic Development (ISED), and Public Services and Procurement Canada (PSPC), with additional layers from the Treasury Board and Finance stalling capital deployment.

The DIA has been granted expanded statutory freedoms and direct lines of authority to accelerate execution:

- **Jurisdictional Independence:** The DIA assumes full control over Industrial and Technological Benefits (ITBs) and separate procurement jurisdiction from PSPC for all major defence projects valued over $100MM, or those specifically routed to the agency at the request of DND.
- **Autonomous Financial Backing:** To anchor critical domestic capabilities, the DIA has been allocated an initial $1B financing facility. This placeholder allows the agency to independently deploy capital, guarantees, loans or hybrid securities without navigating standard Treasury Board approval bottlenecks.
- **Early Down-Selection and Run-Off Models:** The agency is moving away from protracted open tenders in favour of early supplier down-selection and sole-source contracting under specific conditions. As an initial proof of concept, the agency compressed the preliminary phase of the Canada Patrol Submarine Projects, from a traditional three-year timeline down to five months, establishing direct negotiations with two final allied producers.

Capital Allocation, Strategic Sectors, and Allied Integration

The DIS prioritizes sovereign capabilities across 10 core strategic sectors, including aerospace, digital systems, autonomous systems, ammunition, and sensors and surveillance technologies. To scale domestic firms into these prime supply networks, federal agencies are collaborating closely with commercial lenders and Crown corporations, including targeted financing programs led by the BDC and expanded credit support from the EDC.

Concurrently, Canada is positioning its industrial base to support capacity constraints faced by allied nations:

- **Global Technology Transfer:** Global defence primes are increasingly viewing Canada as an attractive location for advanced manufacturing and technology transfer due to its skilled labor base and geographic export positioning.

- **Turnkey Export Capabilities:** As a primary example of this dynamic, L3Harris is expanding a major servicing capacity in Mirabel, Quebec, designed to support increased volume of 5th-generation F-35 fighter jets. This infrastructure investment captures overflow demand from a strained U.S. defence industrial base, allowing Canada to import technical expertise and export high-margin aerospace services.
- **Bilateral Openings:** Geopolitically, Canada is deepening participation in European defence initiatives. Domestically, immediate physical infrastructure outlays includes base modernization, electrification, water infrastructure upgrades, workforce housing expansion, and submarine sustainment infrastructure in Halifax and Esquimalt.

Concrete Capital Outlays and Ground-Level Realities

During his fireside discussion, Minister McGuinty provided explicit, localized examples of how this macro capital wave is actively translating into regional economic infrastructure:

- **Base Modernization and Workforce Logistics:** The domestic spending program targets the comprehensive modernization of Canadian military bases, encompassing complete grid electrification, water, and wastewater upgrades. To support shifting personnel levels, the mandate includes the construction of dedicated workforce homes.
- **Heavy Marine Infrastructure:** The infrastructure required to support newly fast-tracked naval acquisitions involves significant regional capital outlays. The Minister highlighted an immediate investment designated for Halifax, Nova Scotia, alongside a parallel investment for Esquimalt, British Columbia, specifically allocated to upgrade regional maritime facilities to handle the incoming fleet of submarines.
- **Sovereign Industrial Footprint:** To secure basic defence supply lines, the federal government is moving forward with direct capital investment in critical domestic chemical and munitions manufacturing facilities, explicitly calling for new investment pipelines for nitrocellulose and TNT production plants.
- **Bilateral Aerospace Alliances:** Expanding on recent European defence ties, the Minister noted Canada's formal entry into the EU's Security Action for Europe (SAFE) initiative. This agreement enables Canadian defence companies to bid on SAFE contracts with up to 80% Canadian content, integrating domestic components into the European marketplace.

Financial Sector Integration and Regulatory Frictions

Minister McGuinty concluded with a directive to Canada’s banking sector, acknowledging that defence infrastructure, ammunition production, and specialized weapon systems have historically fallen outside standard domestic bank lending profiles due to shareholder ESG constraints. To systematically resolve these capital blockages, the government recently convened a dedicated banking roundtable with major Canadian financial institutions.

The primary policy objective is to streamline the regulatory hurdles that delay private-sector execution. Specifically, federal agencies are currently modifying internal systems to accelerate export permit approvals through Global Affairs Canada and compress timelines for corporate security clearances, creating a more predictable framework for private capital deployment.

Arctic Sovereignty

The Arctic Sovereignty panel brought together several key Canadian companies involved in building out Canada's North. The panel included: Teri McKibbon, President & CEO, Bird Construction (BDT), Mike Pyle, CEO & Director, Exchange Income (EIF), John MacDonald, Secretary to Cabinet, Deputy Minister, Department of Executive and Indigenous Affairs, Government of the Northwest Territories, and Gord Johnston, President & CEO, Stantec (STN).

The shifting geopolitical reality in the High North is driving structural changes across the Canadian defence and industrial landscapes, moving Arctic sovereignty from a policy talking point to a complex capital deployment cycle. The federal government's proposed $35B Arctic defence infrastructure mandate represents a significant multi-decade capital project.

Broadening The Mandate: Defence Through Socio-Economic Resilience

The execution of Arctic defence sustainment requires a significant, parallel investment in civil infrastructure. Discussions highlighted that a year-round presence by the Canadian Armed Forces (CAF) is functionally dependent on the baseline capacity of local communities, which must provide medical facilities, permanent housing, and municipal utilities to support incoming personnel. Consequently, the procurement opportunity is dual-use in nature, adding a major civil engineer and construction component alongside pure military assets.

Incumbent operators on the panel, BDT, STN and EIF, have demonstrated that long-standing northern experience provides a structural advantage when managing these projects, as those who have not operated in the North do not always appreciate the conditions and vastness of the region.

Procurement Framework And Indigenous Relations

The regulatory and social framework for executing northern infrastructure requires deep economic integration with local communities. Rather than treating local participation as a secondary contract requirement, successful execution often relies on structured partnerships with Indigenous communities. Panel participants noted a shift toward Indigenous groups realizing structural economic benefits, including direct asset ownership. Two examples of this include EIF's strategic alliance with Sakku Investments, the business arm of Kivalliq Inuit Association, where part of the alliance saw Calm Air (an EIF airline) enter into a long-term lease of an aircraft hanger in Rankin Inlet that was owned and constructed by Sakku. The second, while not in the Arctic but in northern Ontario, is a partnership entered into by BDT and Marten Falls First Nations to create Piinahzii Limited Partnership, a majority Indigenous-owned partnership that will work collaboratively on infrastructure projects within the community. It also resulted in BDT issuing ~20,000 common shares to Ozhiitaah LP, a Marten Falls First Nation development group.

Environmental Dynamics And Logistical Gating Factors

Project timelines and subsequent revenue recognition for industrial contractors remain governed by tight seasonal and environmental constraints. The absence of interconnected ground transport requires a standard 12 – 18 month forward procurement planning cycle, as heavy materials are dependent on compressed seasonal barge windows or winter ice roads. The panelists noted that climate change introduces operational volatility; while it is opening new shipping channels, such as those linked to the planned Gray's Bay Road and Port Project, changing temperatures are simultaneously impacting existing infrastructure, causing foundational challenges on northern facilities built as recently as 15 years ago.

Procurement Efficiency And Industry Collaboration

A notable takeaway for the defence sector was the commentary on the operational efficiency demonstrated by Defence Construction Canada (DCC). Panelists identified DCC as a progressive and efficient federal procurement entity, consistently meeting target dates for projects releases and adapting its contracting models based on industry feedback. This structural efficiency is enabling faster contracting timelines relative to historical baseline cycles.

Simultaneously, the massive scale of the required infrastructure is prompting federal agencies to increase their reliance on commercial partners for solutions-driven procurement rather than traditional, RFP processes. Because the government faces its own capacity constraints in directly managing and maintaining these expanding northern assets, it is increasingly outsourcing long-term operational programs. Procurement examples include the structural reliance on private operators to manage specialized pilot training platforms and to provide ongoing maintenance for the military’s fixed-wing search and rescue aircraft fleets. This shift allows commercial operators to deliver turnkey capabilities directly to the region, effectively accelerating execution timelines while the political and economic will remains aligned.

Accelerating Space Defence

The space defence panel, moderated by John Ruffolo (Maverix Equity) brought together Canadian companies across the space supply chain. Panelists included Daniel S. Goldberg, CEO of Telesat, representing satellite operators and dual-use broadband infrastructure; Joe Armstrong, President of 49North (the recently carved-out defence-focused entity of MDA Space (MDA)), representing satellite manufacturing and integrated defence systems; Steve Matier, President & CEO of Maritime Launch, representing Canada's first commercial launch site in Canso, Nova Scotia; and Hugh Kolias, CEO of Canada Rocket Company, representing emerging domestic launch vehicle development. Collectively, the panel covered satellite design and manufacturing, constellation operations, launch infrastructure, and launch vehicles, providing an end-to-end view of where Canada stands in the global space race and how quickly it can accelerate.

The discussion was set against a constructive macro backdrop: 1) private space investment grew ~40% Y/Y to ~$12B globally; 2) a clear sovereign capability push is underway across Canada and allied nations, and; 3) the upcoming SpaceX IPO is re-rating the entire industry.

Demand Is Structural, Not Cyclical

Space-based assets have transitioned from "nice-to-have" into core defence infrastructure with a long demand curve. Panelists pointed to a rapid expansion in active satellites, from ~13,000 today to 100,000 expected over the next five years, with recurring demand driven by an average refresh cycle of five to eight years. MDA pointed to its ability to meet increasing demand, supported by its expanded manufacturing capacity, with its new Montreal facility capable of producing up to two satellites per day versus a few per year previously. Panelists noted that demand for satellite communications, ISR, and launch capabilities is being driven by lessons from Ukraine, learned "after Musk turned the light switch on and off".

Dual-use Infrastructure Is The Operating Model

Telesat framed Lightspeed, its $5B LEO constellation, as the "blueprint of dual-use infrastructure," serving government/defence broadband alongside commercial aviation, maritime, and enterprise customers. These use cases are enduring and will require increased capacity over time. Lightspeed is in execution mode, with MDA selected as prime approximately two years ago, 14 Falcon 9 launches purchased from SpaceX and two pathfinder satellites expected to launch in December.

Domestic Launch in the Maritimes Is a Sovereign Asset with Allied Optionality

Panelists stated that sovereignty for launch is also a key priority, as Canada can no longer solely rely on foreign pads for assured access to orbit. Domestic launch capabilities may also serve as a key offering to allies as well as for those who "do not have the luxury of living in a good neighborhood" or do not have access to key orbital corridors that Canada can reach from the Maritimes. Maritime Launch has a launch scheduled for next month, and the Department of National Defence has stepped in to lease a pad from Maritime Launch through a 10-year, $200 million agreement announced on March 16, 2026.

The Medium Lift Gap

Panelists noted that the global launch market has a structural gap in medium-lift rockets (~25,000 kg) as SpaceX and Blue Origin shift toward super-heavy. Canada Rocket Company is specifically targeting this middle market, following a Falcon 1, Falcon 2, Falcon 9 architecture progression (6 to 8 years on average), with capex of approximately $500MM required to get a medium lift rocket to space. The company is deliberately taking the lowest possible technical risk to ensure speed to market.

Arctic Sovereignty Is Also A Case For Space Assets

The Arctic was discussed as a defining challenge, given its vast geography and harsh climate. Panelists noted that total coverage must include space assets and integration of data coming from space and ground-based assets. MDA noted its long history in this area (its first contract ever was satellite detection systems in the Arctic), as well as longstanding capabilities in Earth Observation satellites, with RADARSAT2 continuing to operate well beyond its expected life. In December, the Government of Canada signed a strategic partnership with MDA Space and Telesat to develop and deliver a multi frequency, Arctic MILSATCOM capability to the Canadian Armed Forces.

Quantum Computing Leadership Panel

Sarah Boatman, CFO, Photonic, Rafal Janik, COO, Xanadu, and Julien Camirand Lemyre, Co-Founder & CEO, Nord Quantique framed a constructive setup for Canadian quantum: validation is increasing, commercialization is within sight, and Canada has a credible chance to convert technical leadership into strategic and economic relevance. For investors, the key point is that policy, capital, and defence interest are increasingly aligning behind a small group of credible domestic platforms. Over the next 10 years, developments in quantum computing technologies are expected to transform the defence, safety and security landscape. These technologies pose significant opportunities and challenges to defence and security. With these three companies poised to thrive as they contribute to advancing quantum computing’s commercialization.

What matters:

- **Validation:** IBM’s Starling roadmap and Google’s Willow progress both support the view that fault-tolerant quantum computing is nearing a breakthrough.

  Canada is contributing with support of its world-leading labs (e.g., Xanadu, Photonic, Nord Quantique) to develop scalable, fault-tolerant quantum computers.

- **Commercialization:** Early value is most likely in optimization, materials, healthcare, and quantum-secure infrastructure.

- **Support:** Canadian policy is becoming more targeted via the National Quantum Strategy and commercialization-focused funding.

- **Demand signal:** Defence is becoming a real adoption vector, with Quantum 2030 and post-quantum migration priorities helping to pull the ecosystem forward.

- **Defence and National Security Requirements:** The Canadian Armed Forces (CAF) and the Department of National Defence (DND) are heavily prioritizing quantum science and technology to modernize the battlespace and ensure secure operations. Their strategic imperatives are laid out in the Quantum 2030 Strategy. DND’s implementation plan focuses on four core missions: cryptographic modernization, quantum sensing, quantum imaging, and computing readiness.

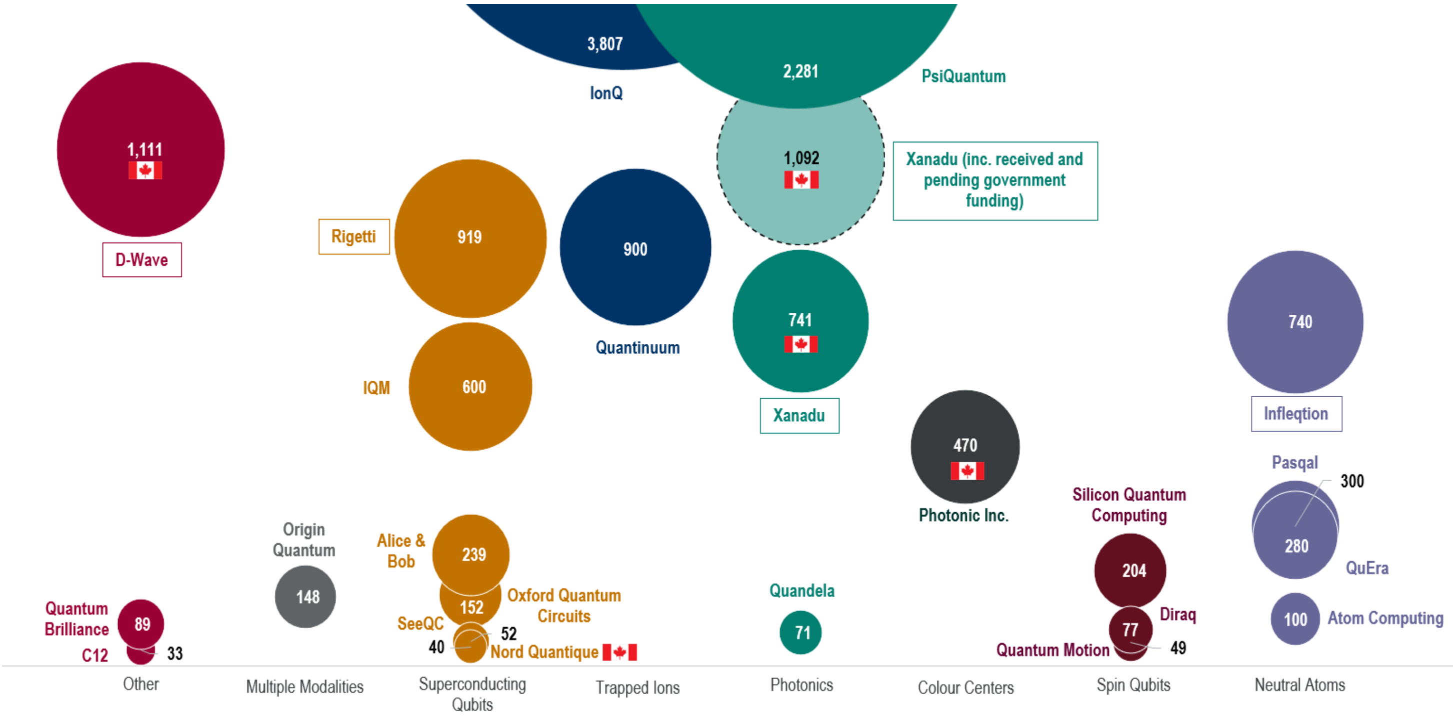
Xanadu: the flagship Canadian photonics story and likely the highest-visibility domestic platform. Xanadu boasts the unique ability to scale out using a modular networking approach, giving the company a credible shot at achieving its goal of building a fault-tolerant commercial scale quantum datacenter by 2030. The debate is simple: if photonics wins, Xanadu could be one of the country’s most important computing assets.

Photonic: the more architecture-driven fault-tolerant story, with differentiated positioning around networking and error correction, as well as cost and size benefits. If the market rewards scalability and system design, Photonic could prove to be strategically important.

Nord Quantique: the earlier-stage call, with differentiated, low-overhead error-correction technology and real upside if execution holds. It carries more risk, but also the most obvious optionality.

For global context, these three Canadian names compare well against global competitors in Quantum Navigator’s 2026 rankings: D-Wave ranked 7th, Xanadu 8th, Photonic 19th, and Nord Quantique 23rd. Exhibit 1 plots quantum computing companies by total funding raised, one of the inputs in the Quantum Navigator methodology.

Exhibit 1: Quantum Computing Companies By Modality – Total Funding Raised To Date, 2026 (US$MM)



Notes: 1. Google, IBM, and Amazon, while not shown here, extensively use superconducting, trapped ion, and neutral atom qubits. 2. Xanadu's total funding includes both previously received government funding and announced negotiations with the Government of Canada and Government of Ontario for support of up to C$390 million if finalized which is based on reimbursable expenses in new domestic capabilities for heterogeneous integration, photonic integrated circuit packaging, wafer-level semiconductor test and measurement, and quantum module assembly. 3 D-Wave excludes the May 21, 2026 Letter of Intent for $100 million of proposed funding under the U.S. CHIPS and Science Act, which is administered by the U.S. Department of Commerce. In connection with executing final award documents, D-Wave would issue $100 million in shares of its common stock to the U.S. Department of Commerce. Source: Company reports and CIBC World Markets Inc

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Appendix – Agenda

<u>**Opening Remarks**</u>

Harry K. Culham, President & CEO, CIBC

<u>**Opening Key Note**</u>

The Hon. David J. McGuinty, Minister of National Defence, Government of Canada

Moderator: Harry K. Culham, President & CEO, CIBC

<u>**Public Sector Mobilization of Commitment**</u>

Peter Dawe, Vice-President, Defence Strategy, Business Development Bank of Canada (BDC)

Alison Nankivell, President & CEO, Export Development Canada (EDC)

Mark Shoniker, Market Vice-President, Corporate Finance, CIBC

Moderator: Susan Rimmer: SEVP & Group Head, Commercial Banking and Wealth Management, CIBC

<u>**Arctic Sovereignty**</u>

Teri McKibbon, President & CEO, Bird Construction Inc.

Michael Pyle, CEO & Director, Exchange Income Corp.

John MacDonald, Secretary to Cabinet, Deputy Minister, Department of Executive and Indigenous Affairs, Government of the Northwest Territories

Gord Johnston, President & CEO, Stantec

Moderator: Krista Friesen, Executive Director, Equity Research, CIBC Capital Markets

<u>**Duel-use Technology**</u>

Fazi Hemani, Managing Director, Onex Corporation

Dana O'Born, Chief Strategy Officer, Canadian Council of Innovators

Glenn Lynch, Director, President & CEO, Volatus Aerospace

Moderator: Jamie Pizazle, Managing Director, Global Investment Banking, CIBC Capital Markets

<u>**Private Capital's Role In Defence Investment**</u>

Glenn Cowan, Founder & CEO, ONE9

Ken Rotman, CEO & Managing Director, Clairvest Group Inc.

Moderator: Priya Radha, Head, Government Solutions Group, CIBC Capital Markets

<u>**Quantum Computing Leadership**</u>

Sarah Boatman, CFO, Photonic Inc.

Rafal Janik, COO, Xanadu

Julien Camirand Lemyre, Co-Founder & CEO, Nord Quantique

Moderator : Colin Ryan, Head, Technology and Innovation, Global Investment Banking, CIBC Capital Markets

<u>**Fireside Chat**</u>

Eliot Pence, Founder, Dominion Dynamics

Moderator: Paul McKinlay, Executive Managing Director & Head Innovation Banking, CIBC

<u>**Accelerating Space Defence**</u>

Joe Armstrong, President of 49North (MDA Space)

Daniel S. Goldberg, President &v CEO, Telesat

Hugh Kolias, CEO, Canada Rocket Company

Stephen Matier, President & CEO, Maritime Launch

Moderator: John Ruffolo, Founder & Managing Partner, Maverix Private Equity

Closing Keynote Discussion

Doug Guzman, CEO, Defence Investment Agency, Government of Canada

Moderator: Lisa Raitt, Vice-Chair, Office of the CEO, CIBC

Closing Remarks

Christian Exshaw, SEVP & Group Head, CIBC Capital Markets

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