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Blackstone Bets \$1 Billion on Firm Aimed at Boosting US Defense

By Preeti Singh
October 1, 2026

Blackstone is investing \$1 billion to form a defense-technology company as the US and its allies face growing threats from inexpensive drones and other weapons that can be broadly deployed. The firm is combining two companies it bought, Applied Systems Engineering Inc. and Technology Service Corp., to create the venture, Blackstone said in a statement Thursday. It committed more than \$1 billion in debt and equity for the acquisitions, according to people familiar with the matter, who asked to not be identified citing confidential information.

Blackstone expects to purchase more companies for the platform, called Falcata, according to David Kaden, who leads the firm's defense investments. The company, named for a sword used in pre-Roman Iberia, will specialize in technology for interceptors that defend against missiles, drones and other weapons.

"One of the choke points in the defense industrial base has been the availability of interceptors, and some of the highest costs are for its 'brains' for navigation and guidance," Kaden said in an interview, adding that Falcata will integrate the two firms' technologies, which provide low-cost navigation and guidance. He declined to comment on the amount of the capital commitment.

More private capital is flowing into the US defense sector amid rising geopolitical tensions and a push by Republican lawmakers to award the Pentagon a record amount of funding. Earlier this year, Carlyle Group Inc. said it was launching a middle-market aerospace, defense and industrials investment unit to target deals in the US and Europe.

Blackstone has invested \$20 billion in defense and aerospace in the past five years, President Jon Gray said at the Pennsylvania Defense & Innovation Summit in July.

"We expect the scale and pace of that investment to increase meaningfully from here," Gray said at the



The Blackstone headquarters in New York. Photographer: John Taggart/Bloomberg



David Kaden Source: Blackstone

summit. "We see national security as a compelling place to deploy capital on behalf of our investors that also supports a core American interest." Blackstone's defense investments include a stake in defense-tech firm Anduril through its private equity fund for the wealthy, according to a person familiar with the matter. Late

last year, Blackstone entered into an agreement to sell ARKA, a tech firm serving the US military, to CACI International for \$2.6 billion, generating more than five times on invested capital, people said. The firm has backed at least five other companies in the sector in the past two years.