

3 surging ASX defence shares to buy next week

[Darvi Mather](#) | July 25, 2020

ASX defence shares have attracted global attention as international tensions increase. The Prime Minister recently said we are entering a world that is more uncertain than it was in February. Accordingly, Australia has announced a range of spending initiatives to better secure our country's defences over the next decade. Furthermore, we are also seeing additional defence spending activity elsewhere around the world.

One example is the [Japanese Memorandum of Understanding](#) that formalises Australia and Japan's plans to work more closely together on space and defence sectors. A second example is the US\$50 million in funding from the United States government to **Austal Limited** ([ASX: ASB](#)). This is to maintain, protect, and expand US domestic production of steel shipbuilding capabilities for capital projects over the next 24 months. Consequently, we are seeing a mini-boom in ASX defence shares. On that note, let's take a look at three defence shares that have done very well recently.

3 surging ASX defence shares

DroneShield Ltd ([ASX: DRO](#))

DroneShield has made two strong announcements this week, taking its market capitalisation to \$40.39 million. The company specialises in drone security technology and is a world leader in the field. Earlier this week, it announced new contracts with both the [US defence forces](#) and the [European Ministry of Defence](#). This builds upon an already expansive client list which also includes the European Union Police.

DroneShield saw its share price rise by 33.33% across this week. However, it is still down by over 40% in year to date trading due to the [coronavirus](#) market crash. I think this ASX defence share is likely to see an increased level of sales due to the proven capability of its product.

Orbital Corporation Ltd. ([ASX: OEC](#))

Orbital has enjoyed a share price increase of only 0.79% this week. However, over the past month the share price has risen by approximately 73%. The company provides propulsion systems for small unmanned aircraft or drones. In the past month, the company had a [visit](#)

[from the Minister for Defence](#), the Hon Linda Reynolds, reminding the market that Orbital is already an accomplished defence contractor.

In addition, this ASX defence share received a new contract with Northrop Grumman to design and develop a hybrid propulsion system. This will combine an electric motor with the company's flight-proven engine. The company has a current valuation of \$99.31 million.

Xtek Ltd ([ASX: XTE](#))

Xtek is a very interesting company for me. Its share price is level for this week but up by 12.7% over the past month. The company has developed a patented technology called XTclave for curing and consolidating composite materials. Xtek has already installed an industrial sized machine in its Adelaide premises. This is large enough to support ~\$40 million in revenues per year, and Xtek is also looking to install another one at its [recently acquired US base](#).

This technology is used to produce a range of products, including; armour, lightweight tactical and human carriage equipment, robotic mechanical systems and unmanned craft. In the past 2 months, this ASX defence share has announced additional contracts with the Finnish Defence Forces and the Australian Defence Forces as well as a grant from the Australian Space Agency.

Foolish takeaway

Australia has a good number of technologically advanced defence contractors. While most of us focus on Austal and **Electro Optic Systems Holdings Limited** ([ASX: EOS](#)) there are also many smaller ASX defence shares that have developed technologies other countries are willing to pay for.

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