



EQUITY RESEARCH

UPDATED

07/18/2025

Threod Systems

TEAM

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Threod Systems

Developer and producer of unmanned aircraft systems (UAS) for intelligence, surveillance, target acquisition, and reconnaissance operations

#drones #defense

[Visit Website](#)

Details

HEADQUARTERS

Viimsi

CEO

Arno Vaik



REVENUE

\$44,000,000

2024

Revenue

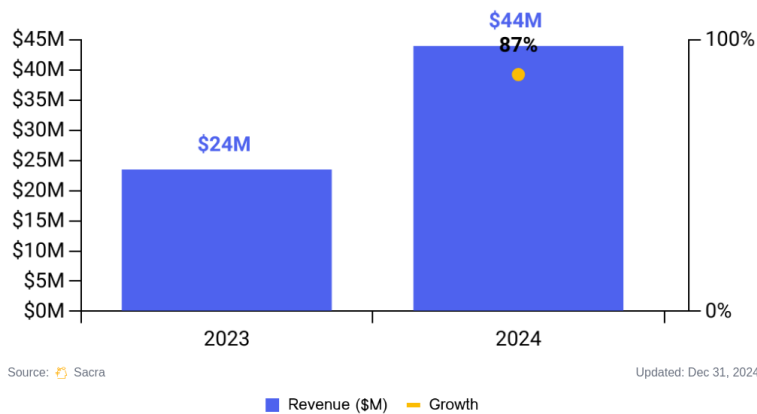


Threod Systems

Revenue & Revenue Growth Rate

\$44.0M

↑ 87.2% YoY



Sacra estimates that Threod Systems generated \$44 million in revenue in 2024, up 87% from the previous year. This dramatic growth reflects the surge in demand for tactical surveillance drones driven by the war in Ukraine and NATO's accelerated defense spending commitments.

The Estonian dronemaker serves Ukraine and seven NATO countries including the UK, Poland, and Lithuania. Ukraine regularly deploys Threod's surveillance drones on the battlefield, making the company a direct beneficiary of military aid packages flowing to the region. The company's revenue target of reaching \$110 million within the next few years suggests management expects this defense spending boom to continue.

Valuation

Threod Systems is exploring a sale process with advisers gauging interest from defense companies and private equity firms. The company has raised approximately \$80,000 in non-dilutive EU grant funding, with the most recent grant of \$54,600 coming from the European Innovation Council Fund in September 2019.

Key funders include the EU Executive Agency for SMEs and the European Innovation Council. The minimal external funding to date suggests the company has been largely bootstrapped through its rapid revenue growth in the defense sector.

Product

Threod Systems is a vertically integrated drone manufacturer that builds complete tactical surveillance systems for military and government customers. The company operates like a specialized defense contractor, designing and manufacturing everything from airframes and sensors to launch equipment and ground control software in-house at their Estonian facility.

Their core product lineup centers on three drone platforms. The Stream C is a fixed-wing surveillance drone that can fly for 6-8 hours and now features optional vertical takeoff and landing pods, allowing it to launch from small clearings before transitioning to conventional flight. Military units use it for artillery fire correction and long-range target reconnaissance. The Eos C is a lightweight carbon-composite drone with four rotors that can take off vertically, then tilt forward for conventional flight lasting 2-3 hours while carrying high-definition cameras with 20x zoom capabilities. The Titan is a heavy-lift quadcopter that can carry up to 6 kilograms of equipment or operate continuously when tethered to ground power, serving as a persistent surveillance platform.

What sets Threod apart is their complete systems approach. They manufacture proprietary autopilot software, composite airframes, electro-optical payloads with laser designators, pneumatic catapult launchers, and ground control stations. This vertical integration allows rapid customization for specific military requirements and ensures all components work seamlessly together, unlike competitors who assemble third-party components.

Business Model

Threod operates as a B2B defense contractor with a vertically integrated manufacturing model that captures value across the entire drone system stack. Rather than selling standalone airframes, the company packages complete tactical surveillance solutions including drones, sensors, launchers, ground control equipment, and training services.

The business model centers on direct sales to military and government customers through multi-year defense contracts. This approach generates higher average contract values compared to component suppliers, as customers prefer integrated solutions that reduce procurement complexity and ensure interoperability. The company's Estonian location provides security clearance advantages when selling to NATO members while maintaining lower manufacturing costs than Western European competitors.

Threod's vertical integration creates operational leverage as production scales. The company expanded its manufacturing facility in 2024, adding advanced machining capabilities and larger test facilities to remove previous bottlenecks. This investment positions them to bid on larger framework contracts rather than one-off orders, improving revenue predictability. The integrated model also enables rapid product iteration based on battlefield feedback from Ukraine, creating a development cycle advantage over traditional defense contractors with longer procurement timelines.

Competition

Vertically integrated defense primes

Large defense contractors like Elbit Systems, Israel Aerospace Industries, and Boeing's Insitu division dominate the tactical drone market through scale and integration advantages. Elbit's Hermes series and IAI's BirdEye platforms offer turnkey command and control systems with lifecycle support contracts that can lock customers into proprietary data architectures. These primes leverage their scale to underprice smaller competitors on through-life costs while bundling drones with broader defense systems. Boeing's ScanEagle benefits from US Foreign Military Sales pipelines and commonality with Navy data links, creating procurement advantages that regional players struggle to match.

Regional champions

European competitors like Germany's Quantum Systems, UK-based Evolve Dynamics, and Poland's WB Group are building strong relationships with local defense ministries and leveraging proximity advantages. Quantum Systems raised \$175 million in 2024 with backing from Peter Thiel and Airbus, while Tekever achieved a \$1.4 billion valuation after winning Royal Air Force contracts. These regional players understand local procurement processes and regulatory requirements better than global primes, but face similar scale constraints as Threod when competing for larger multinational programs.

Software-first insurgents

US venture-backed companies like Anduril, Shield AI, and Skydio Defense are approaching the market from a software-first perspective, layering AI autonomy and sensor fusion capabilities onto commodity airframes. These companies focus on autonomous swarming and counter-drone capabilities that traditional hardware manufacturers struggle to replicate. While they currently face export restrictions when selling to European customers, their software-centric approach could eventually commoditize hardware platforms like those Threod manufactures.

TAM Expansion

New products

Threod is expanding beyond basic surveillance into higher-value mission systems. The company has moved upstream into launch hardware with pneumatic catapult systems, enabling package sales that increase average contract values. Management has indicated plans to add loitering munition capabilities and swarm autonomy modules, both directly fundable under the European Defence Fund's disruptive technology programs. These additions would transform Threod from a surveillance provider into a complete tactical strike system supplier.

Customer base expansion

NATO's commitment to increase defense spending to 5% of GDP creates massive procurement opportunities across member states. Lithuania alone plans to spend \$220 million on UAVs by 2030 and is already a Threod customer. The European Defence Fund's \$880 billion framework requires 65% EU content, advantaging regional players like Threod over Chinese imports or US systems with ITAR restrictions. Civil agencies including border police and emergency services represent adjacent markets where Threod's encrypted platforms provide security advantages over commercial drones.

Geographic expansion

Eastern European NATO members have doubled drone procurement budgets following Russia's invasion of Ukraine, with most still sourcing tactical systems from foreign suppliers. Threod's Estonian location eases security clearances and logistics for Baltic and Nordic customers. Middle Eastern markets, particularly UAE-aligned states seeking non-US technology sources, offer export opportunities once ITAR-free supply chains are verified. A potential acquisition by a larger European prime would instantly globalize Threod's channel access and export licensing capabilities.

Risks

Supply chain concentration: Threod's vertical integration strategy creates vulnerability to component shortages and quality control issues that could disrupt entire product lines. Unlike competitors who can switch between multiple suppliers, Threod's in-house manufacturing approach means any disruption to their Estonian facility or key component suppliers could halt production across all product lines, potentially breaching delivery commitments to military customers who have limited tolerance for delays.

Commoditization pressure: The tactical drone market is attracting significant venture capital and defense prime investment, with competitors rapidly developing similar capabilities through software-first approaches and AI integration. As autonomous flight and sensor fusion become commoditized, Threod's hardware-centric differentiation could erode, forcing the company to compete primarily on price rather than integrated system capabilities.

Geopolitical dependency: Threod's revenue growth is heavily tied to the Ukraine conflict and NATO's response to Russian aggression, creating vulnerability to geopolitical shifts that could reduce defense spending urgency. Any resolution to the Ukraine war or changes in NATO defense priorities could significantly impact demand for tactical surveillance systems, while Threod's limited geographic diversification leaves them exposed to European defense budget cycles.

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Published on Jul 18th, 2025