ICAS SYDNEY 2026

Practical Innovation for *Aerospace*

How venture capital finds durable winners in a capital-intensive world.

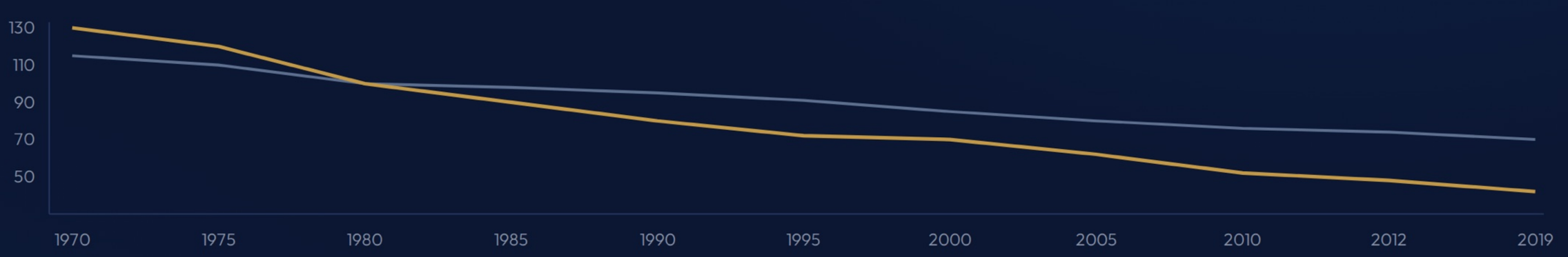
Dean Donovan

September 2026

THE CASE FOR AVIATION

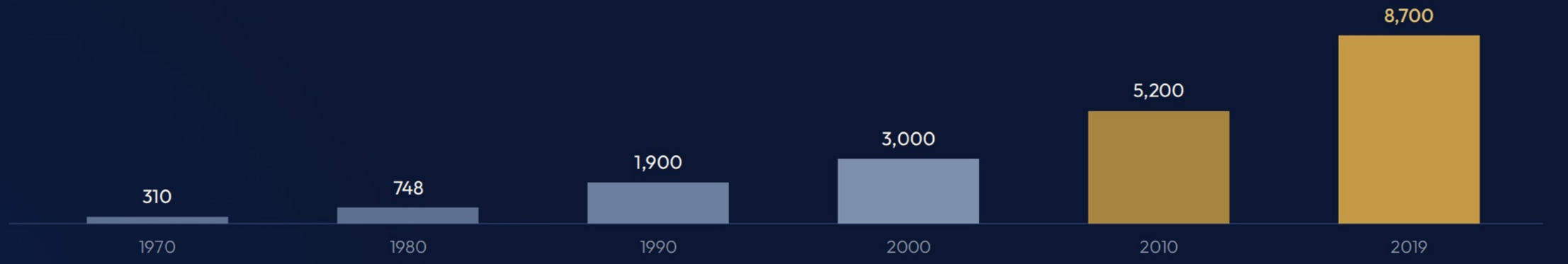
Growth in aviation depends on *falling costs.*

Indexed cost to travel · 1980 = 100



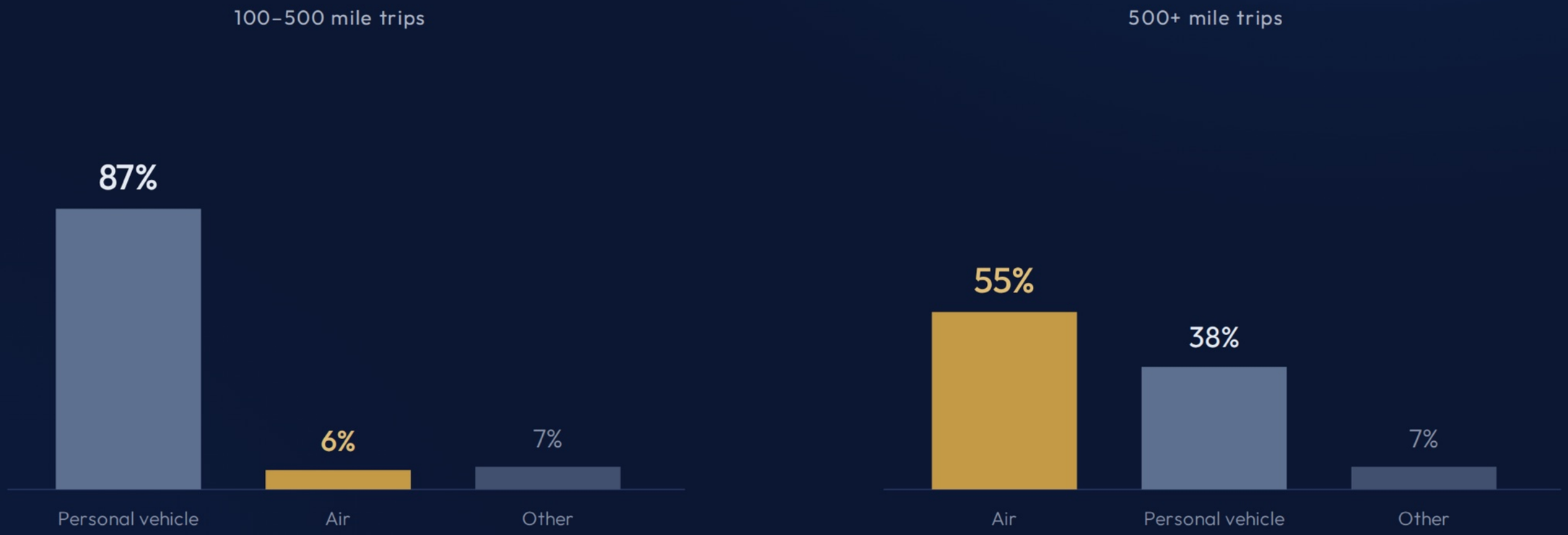
Revenue passenger-km · billions

+2,700% · 1970 → 2019



MARKET STRUCTURE

A new era: aviation competing *under 500 miles.*

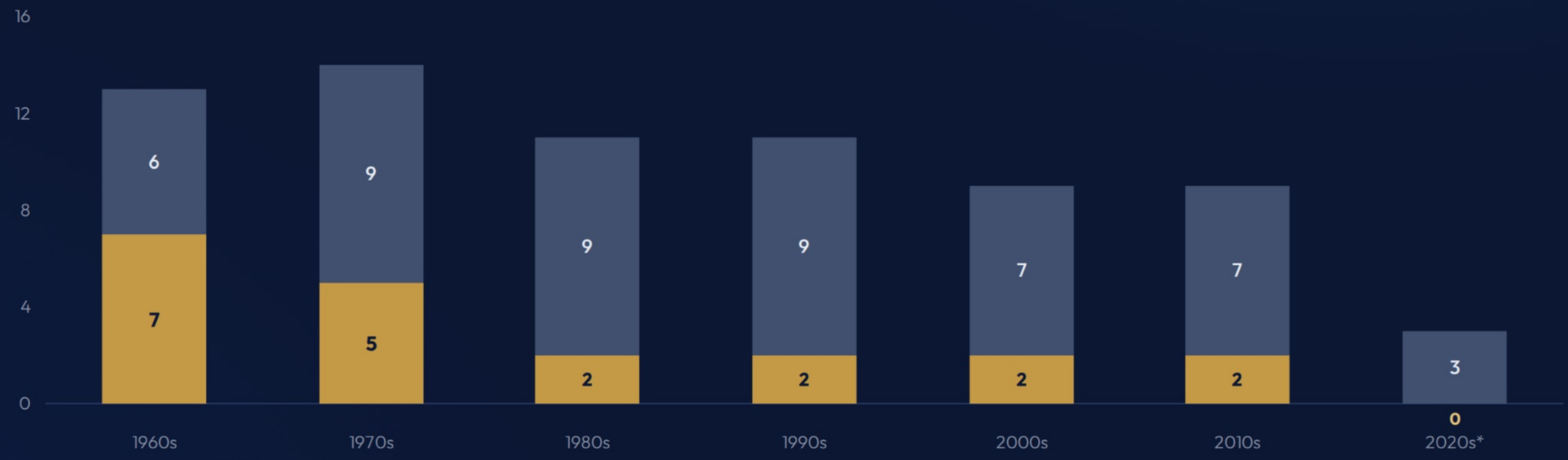


Source: USDOT NHTS 2017

INNOVATION DEFICIT — WESTERN (N. AMERICA / EUROPE)

Western commercial aviation innovation *has slowed.*

Western commercial programs by decade · 100+ seat, excluding Russia/China



*2020s partial (through 2025). 0 clean-sheet Western programs in service.

Political signalling sent capital in the *wrong direction*.

$4.6T

Net-Zero 2050 transition cost

World Economic Forum estimate — 6× annual industry profit.

Source: WEF / IATA / DiamondStream analysis

9T RPK

Demand destroyed by SAF premiums

Equivalent to all 2019 global air traffic — gone by 2050.

Source: WEF / IATA / DiamondStream analysis

25%

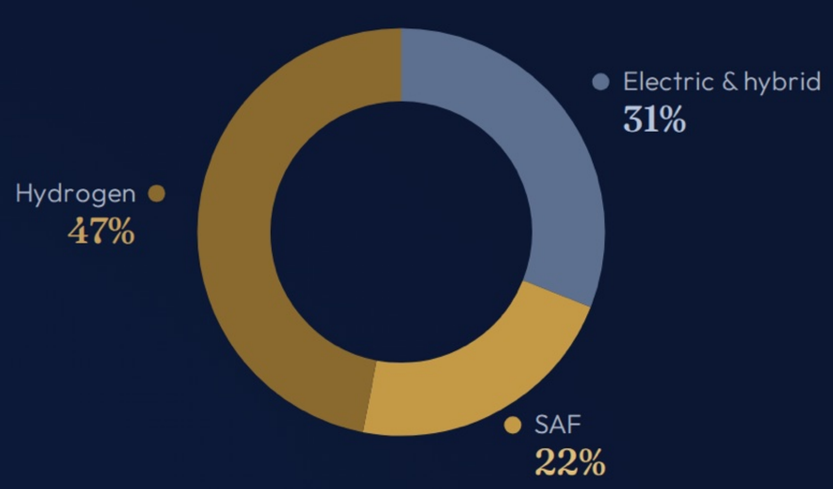
Airline margin decline

If SAF mandates pass full cost to passengers.

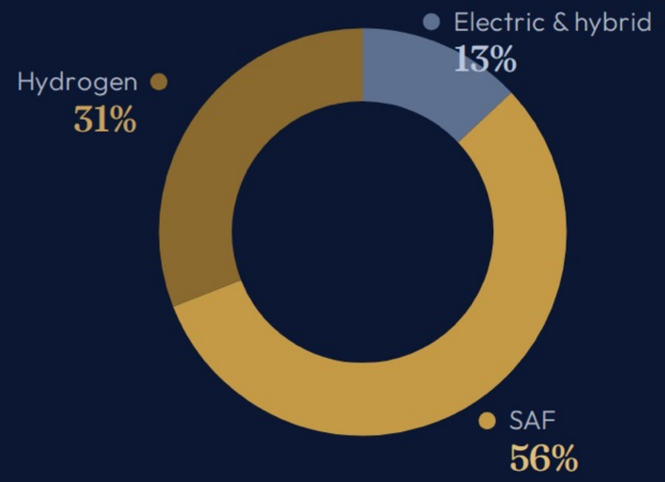
Source: WEF / IATA / DiamondStream analysis

Over half of aviation venture investment went to *SAF or hydrogen*.

Venture capital investment · 2016–2024



Airline CVC investment · 2016–2024



Source: Dealroom.co, March 2024 · SAF + Hydrogen = 69% of VC | 87% of airline CVC

The aerospace *valuation cycle.*

SEED VISION



Founders raise on vision. Capital needs are low. Valuations often outpace commercial reality.

THE SLOW ZONE



Technical maturation takes time. Companies are hard to evaluate without commercial milestones. Can extend into ramp-up when market creation is required.

TAKEOFF



Scale deployments based on military contracts or commercial certifications. Valuations re-rate dramatically. High entry barriers.

INVESTMENT FRAMEWORK

Aerospace hardware is a *different world.*

ATTRIBUTE	SOFTWARE / AI	*AEROSPACE HARDWARE*
Market development	Fast — months to years	*Slow — years to decades*
Build cost	Cheap, easy, quick to build	*Slow and expensive to build*
Error tolerance	Mistakes are OK — pivot freely	*Get it right the first time*
Knowledge	Learn as you go	*Deep expertise required upfront*
Disruption	Constantly disrupted	*40-year franchise value*

Special factors for *aerospace investing.*

01

Demand

How much? Understand substitution, not just TAM.

How long? Potential is not pipeline.

02

Technology Difficulty

Make fewer, higher-impact innovations. Every novel technical challenge multiplies the probability of failure.

03

Access to Experience

Aviation expertise accumulates slowly and is hard to buy — unless there is a war on.

Dual-use strategies and venue shopping are important mechanisms to compress the experience curve.

Dual-use makes venture aerospace *more attractive.*

Revenue bridge through the Slow Zone

Unlike commercial contracts, defense customers often pay for technical maturation through milestone-based contracts.

Valuation premium

Dual-use companies trade at a premium to pure-play peers.

Access to experience

Defense deployments can compress operational learning. Military deployments allow technical maturation in use. These flight hours generate reliability data that helps meet FAA/EASA demands years faster.

Attractive demand profile

Military customers are less price sensitive. They offer counter-cyclical revenue and a durable 20-year moat once in market. They can demand specific capabilities that increase platform costs.

Aerospace investing has unique challenges *and offers unique opportunities.*

- Innovation in aviation drives demand growth — **slower innovation slows growth**.
- Capital allocated to SAF and hydrogen left **big immediate opportunities underfunded**.
- Capital requirements and availability through the "**Slow Zone**" is the constraint to take-off, and must be managed thoughtfully.
- Winning aerospace ventures satisfy **Demand, Technology, and Experience** — in that order.
- Dual-use strategies bridge the Slow Zone — **defense provides capital, experience, and demand**.
- The rewards can be high — **good margins, steady long-term growth, and long-term defensibility**.

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