



# Capital Markets Day

February 14, 2023

# Important information



This presentation may contain forward-looking statements which reflect Saab AB's current view on future events and financial and operational development. Words such as "intend", "expect", "anticipate", "may", "believe", "plan", "estimate" and other expressions which imply indications or predictions of future development or trends, and which are not based on historical facts, are intended to identify forward-looking statements. Forward-looking statements inherently involve both known and unknown risks and uncertainties as they depend on future events and circumstances. Forward-looking statements do not guarantee future results or development and the actual outcome could differ materially from the forward-looking statements.



# Today's speakers



**Micael Johansson**  
*President and CEO*



**Christian Luiga**  
*CFO & Deputy CEO*



**Görgen Johansson**  
*Head of BA Dynamics*



**Lena Eliasson**  
*Head of Human Resources*



**Christian Hedelin**  
*Chief Strategy Officer*



**Erik Smith**  
*Head of Saab USA*



**Fredrik Hassel**  
*Public Affairs Advisor Saab*



**Katarina Tracz**  
*Moderator*



# Agenda for the day



## **09:00 – Welcome**

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09.00 – Our journey to capture future growth

09.45 – Executing on our multi-domestic strategy

10.05 – Fire-side chat with Q&A: Capacity, competence and supply chain

## **10:40-11:00 – Coffee break**

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11.00 – Lessons learned from Ukraine

11.15 – Innovation for future capability leadership

11.30 – Financial update and targets

12.00 – Q&A

12.25 – CEO closing remarks

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## **12:30-13:30 – Lunch & Exhibition**





**SAAB**

# Our journey to capture future growth

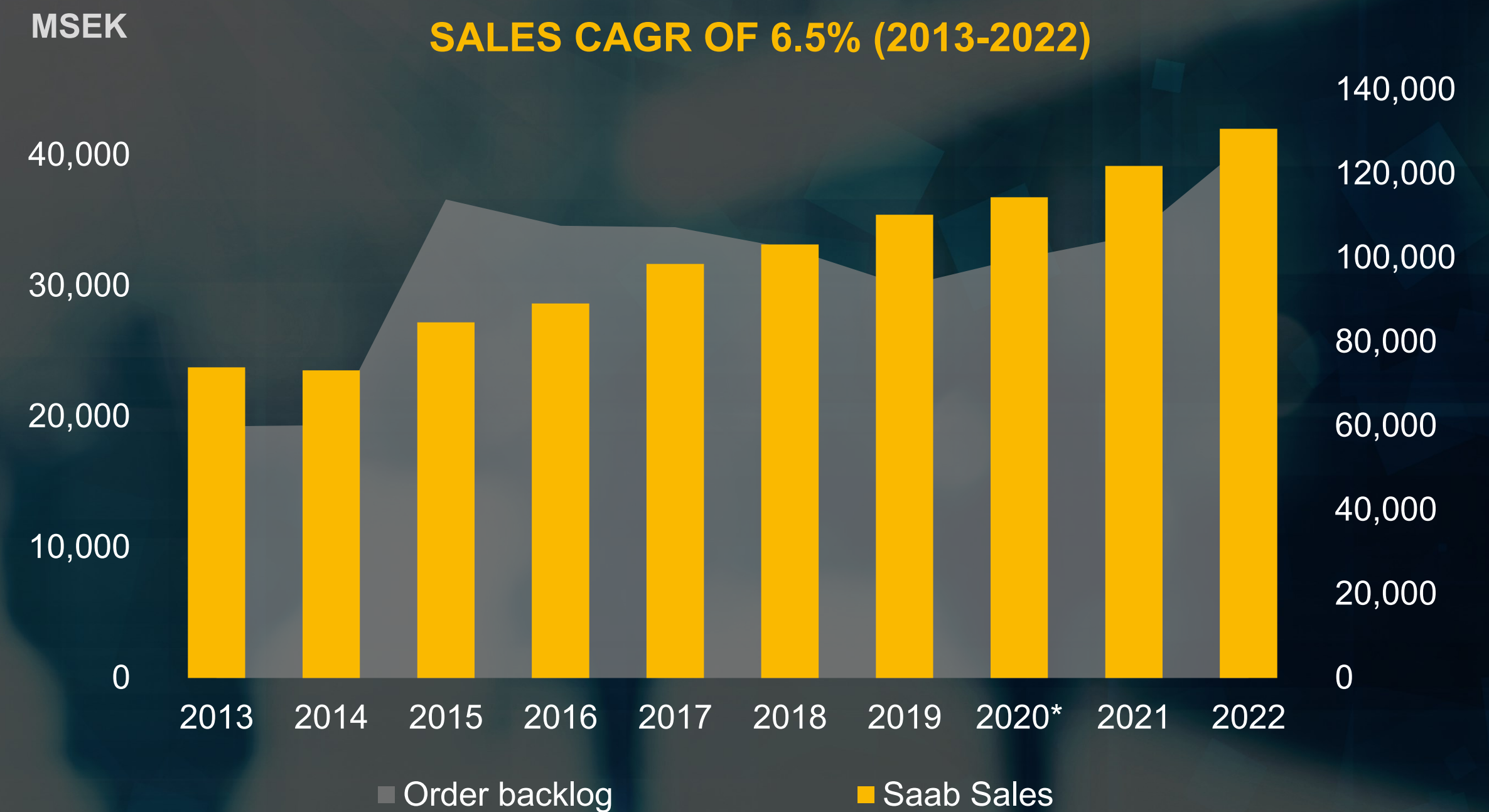
Micael Johansson, President and CEO



A new  
reality



# A strong history of growth



Well positioned  
to capture  
further growth

## Order backlog supporting improved growth

Order Intake  
momentum

Group Sales  
42 BSEK

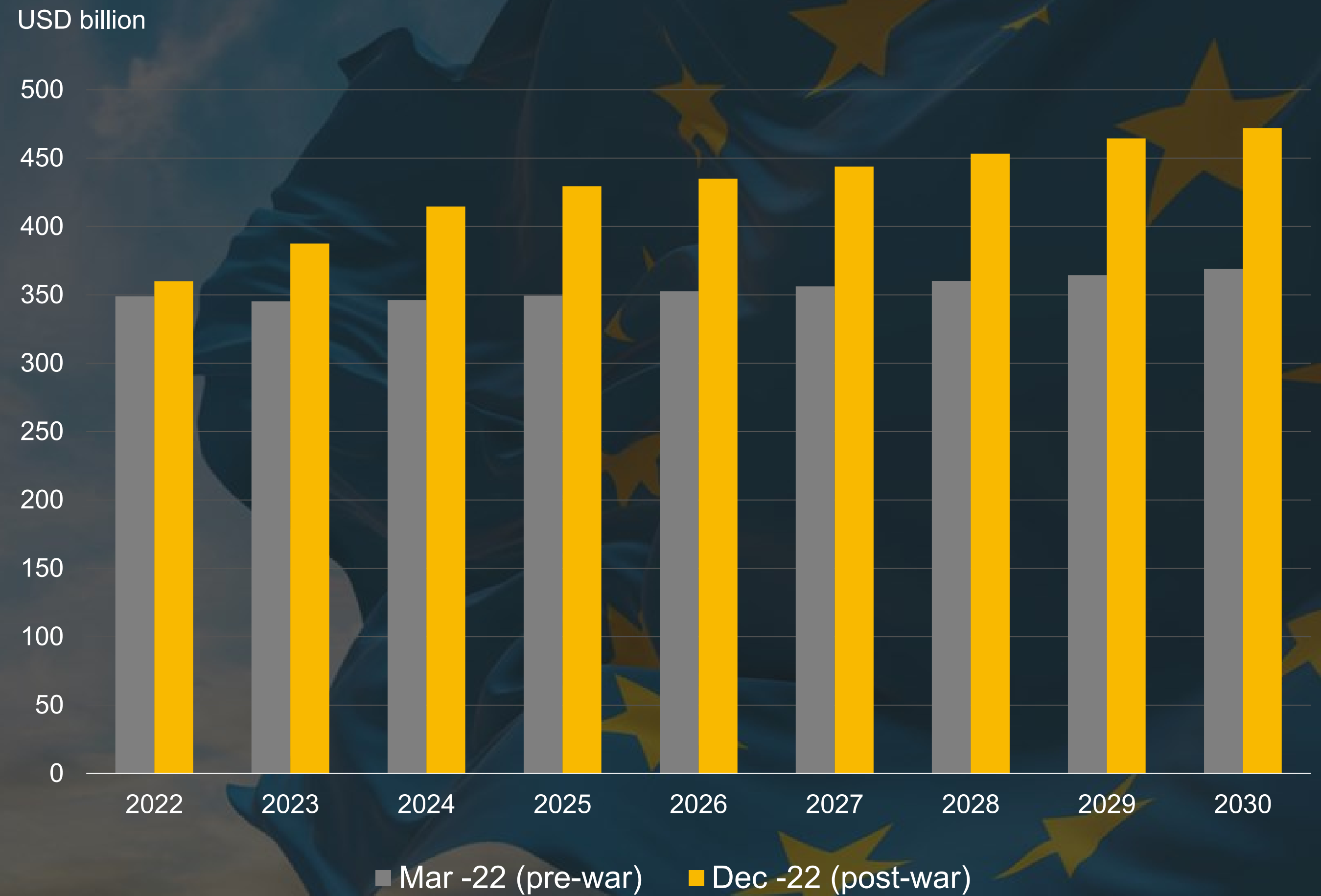
Strong  
Backlog  
128 BSEK

R&D  
18%  
of Sales



# A changed European defence market

## European defence budgets expected to grow



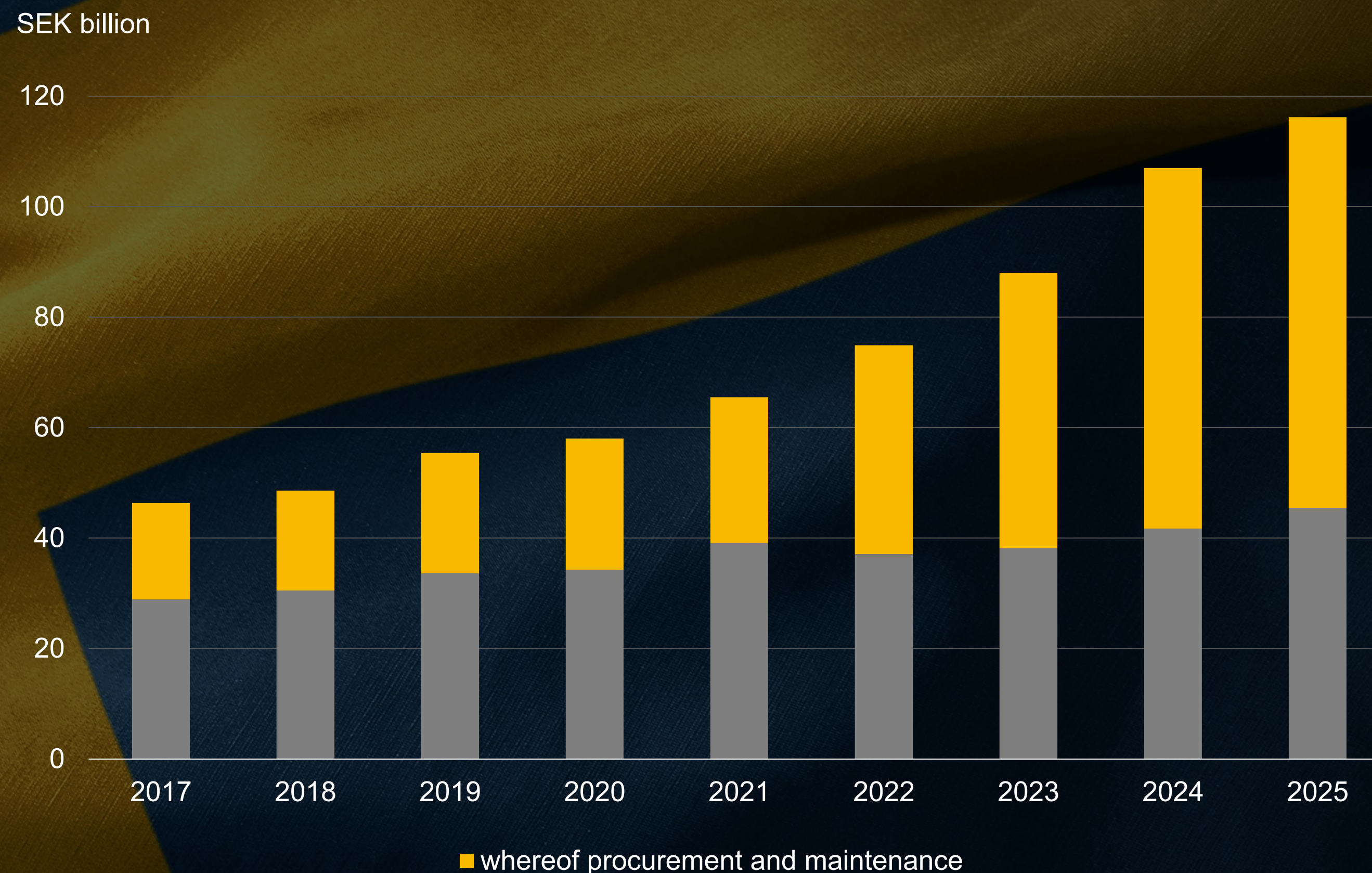




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Swedish  
defence  
market is  
growing

## Sweden's defence budget





# Our role in NATO



Strategy  
in place  
to deliver

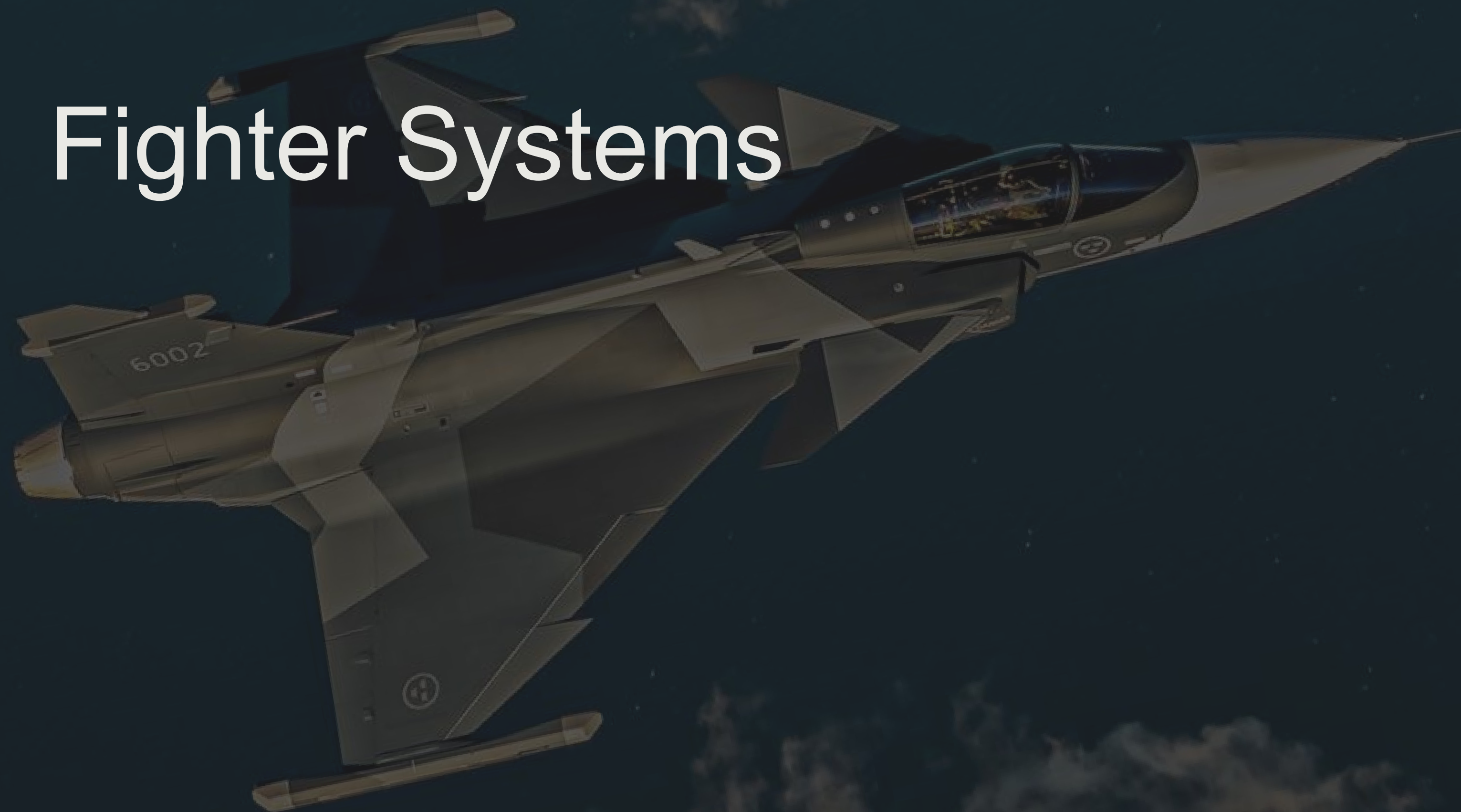






# Underwater Systems

# Fighter Systems





# Command and Control

# Sensors

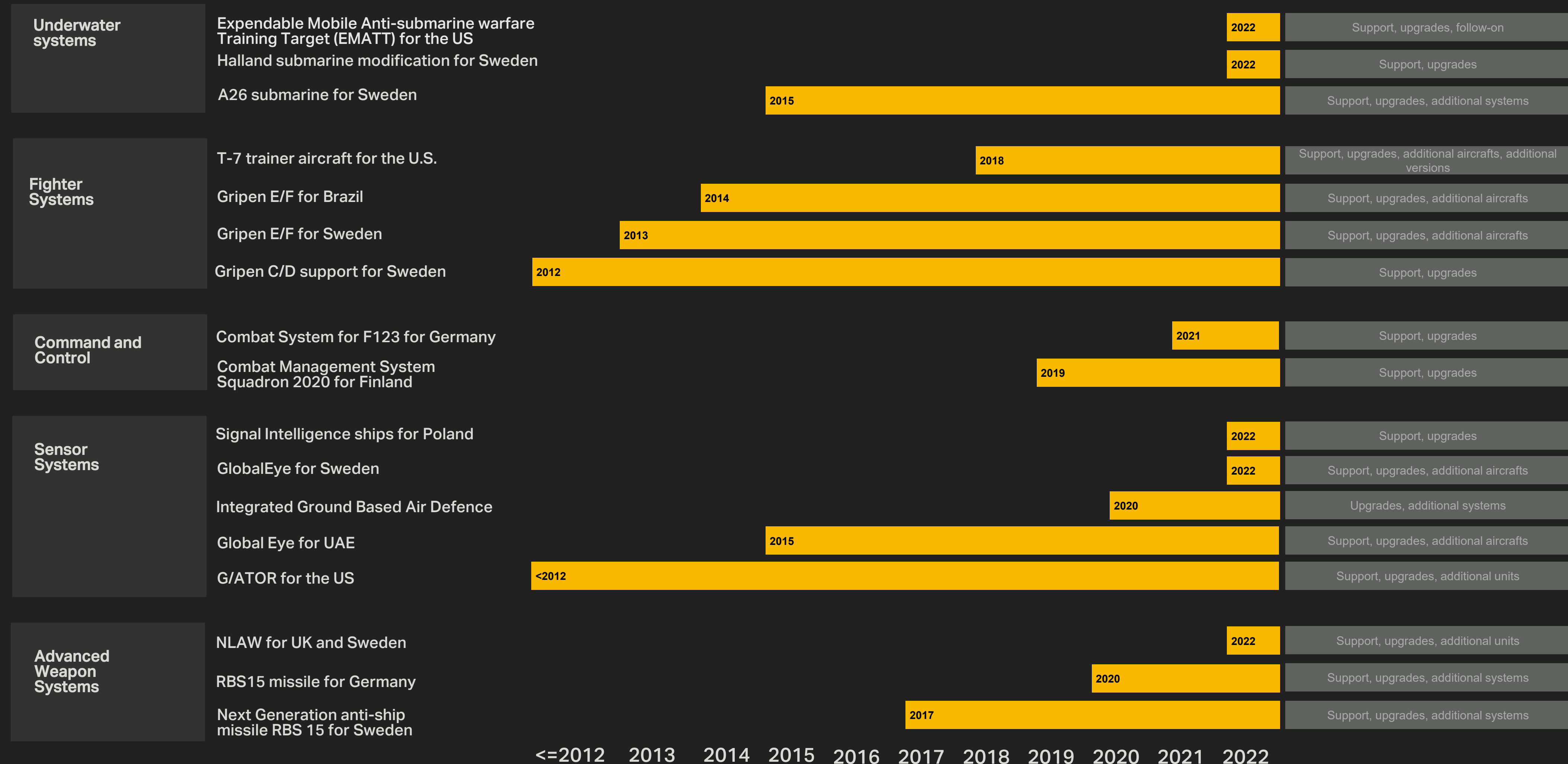


# Advanced Weapon Systems

# Saab's major programmes

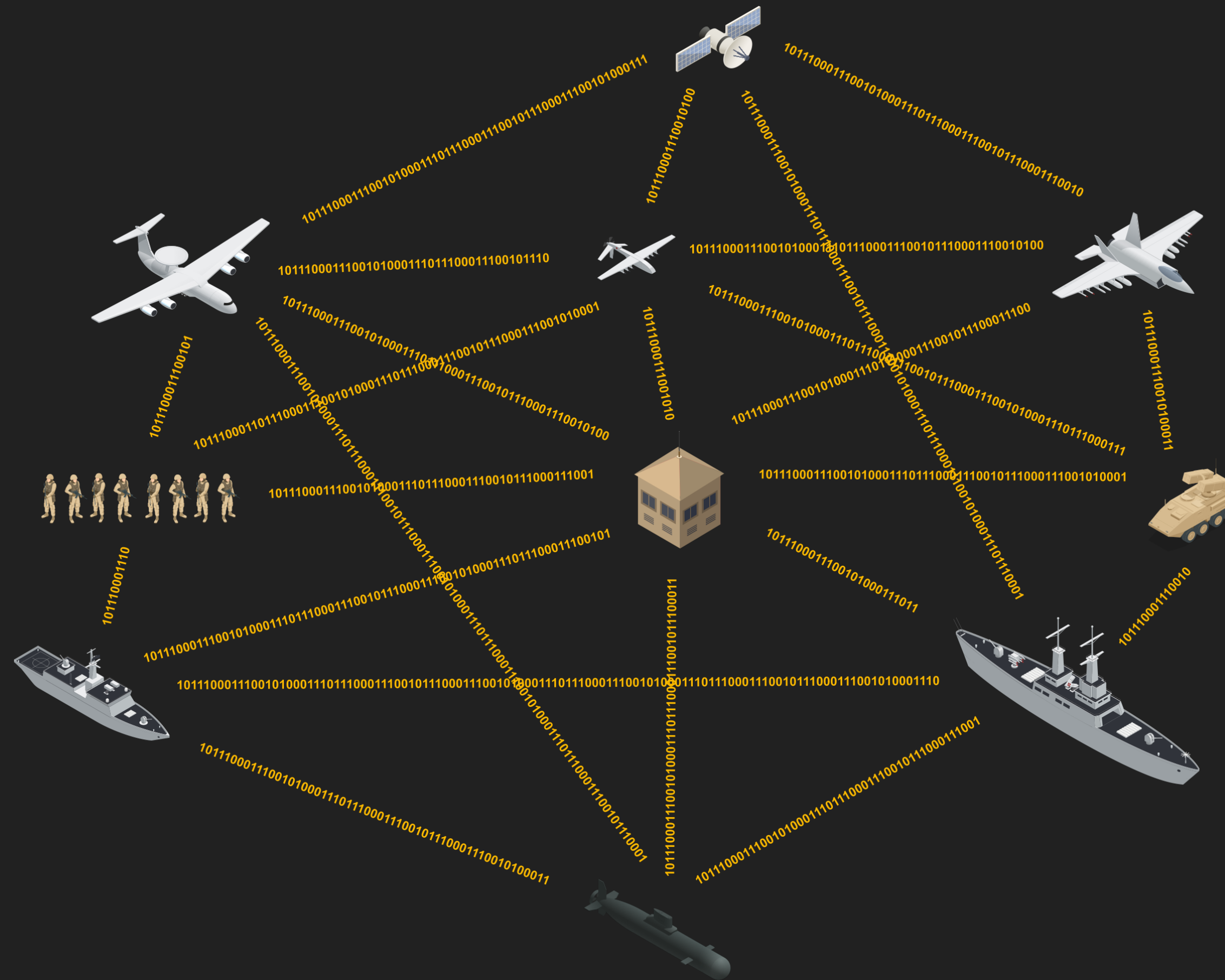
■ Major programmes

■ Follow-on opportunities





# Investing in Future Capabilities



**Focused**  
Within Core Areas

**Targeted**  
50+ Capability  
candidates

**Accelerated**  
+1 BSEK R&D  
investment

**Partnership**  
With partners and  
customers

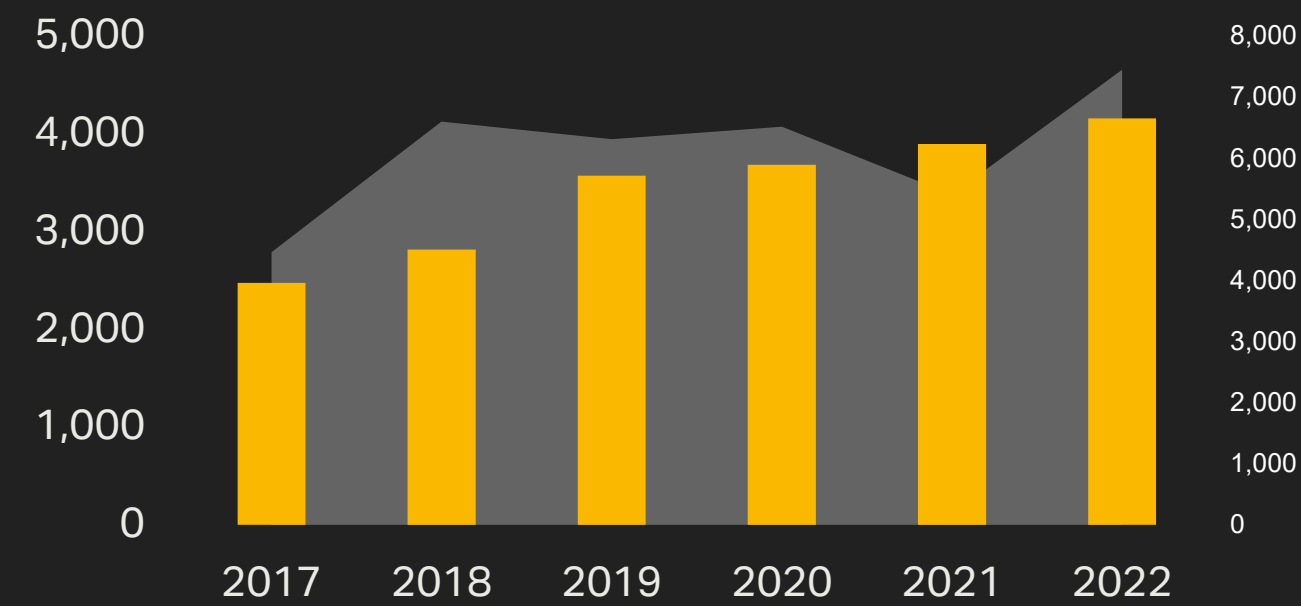


# A multi- domestic approach

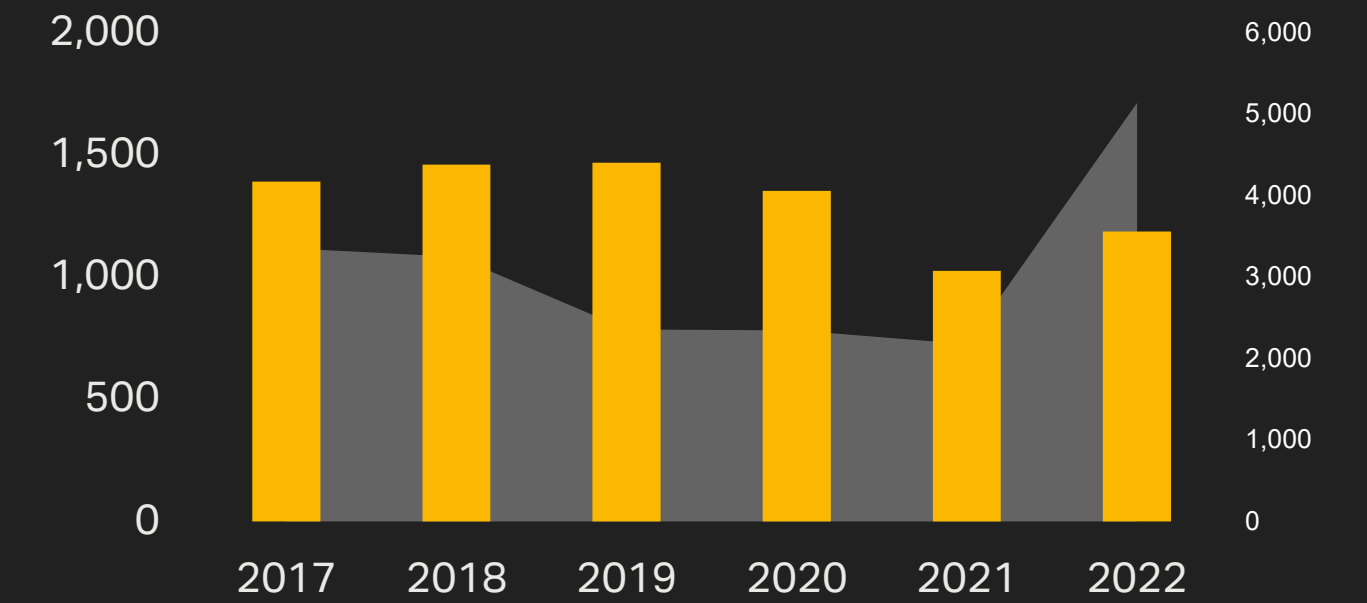


# A clear growth ambition

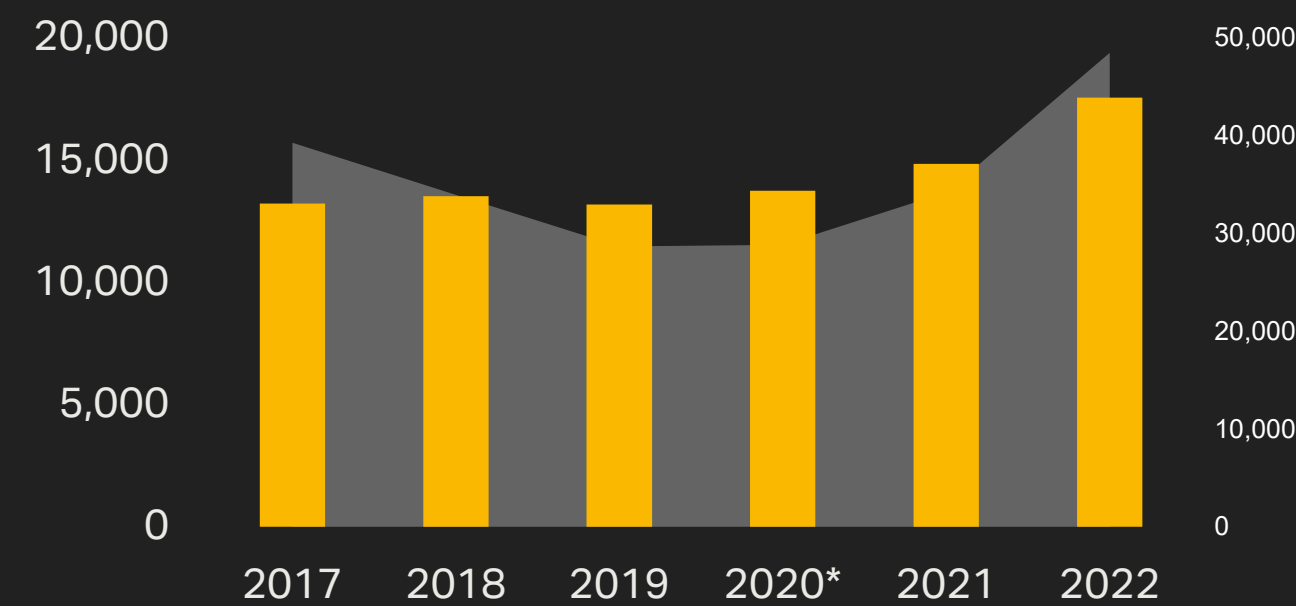
## USA



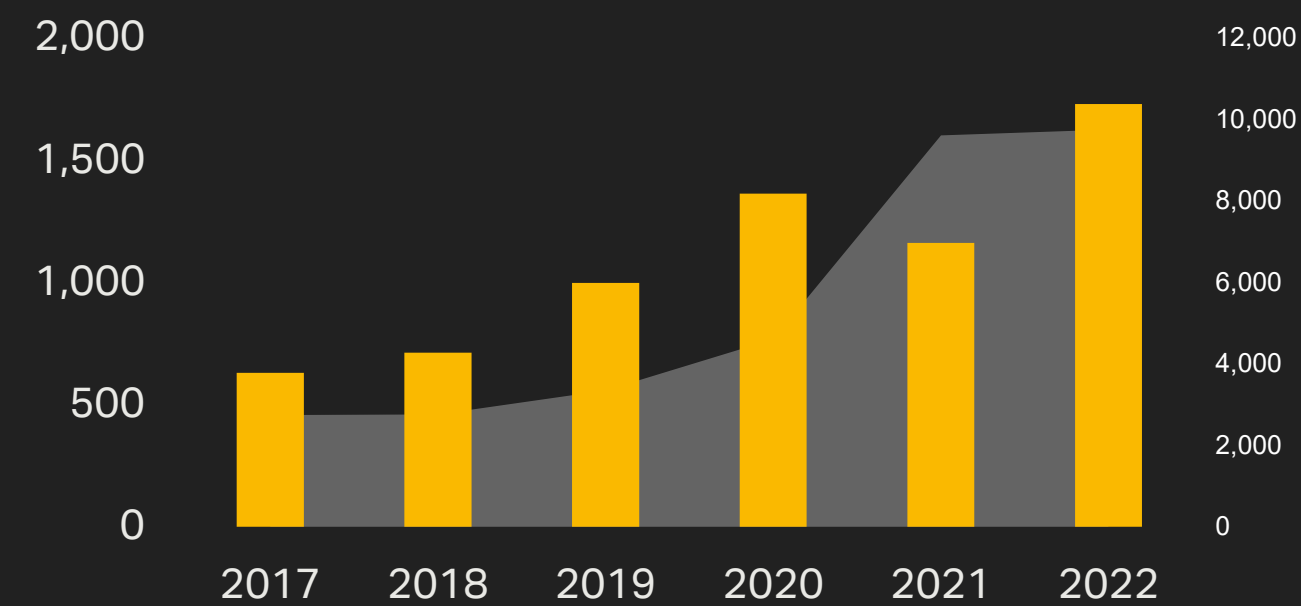
## United Kingdom



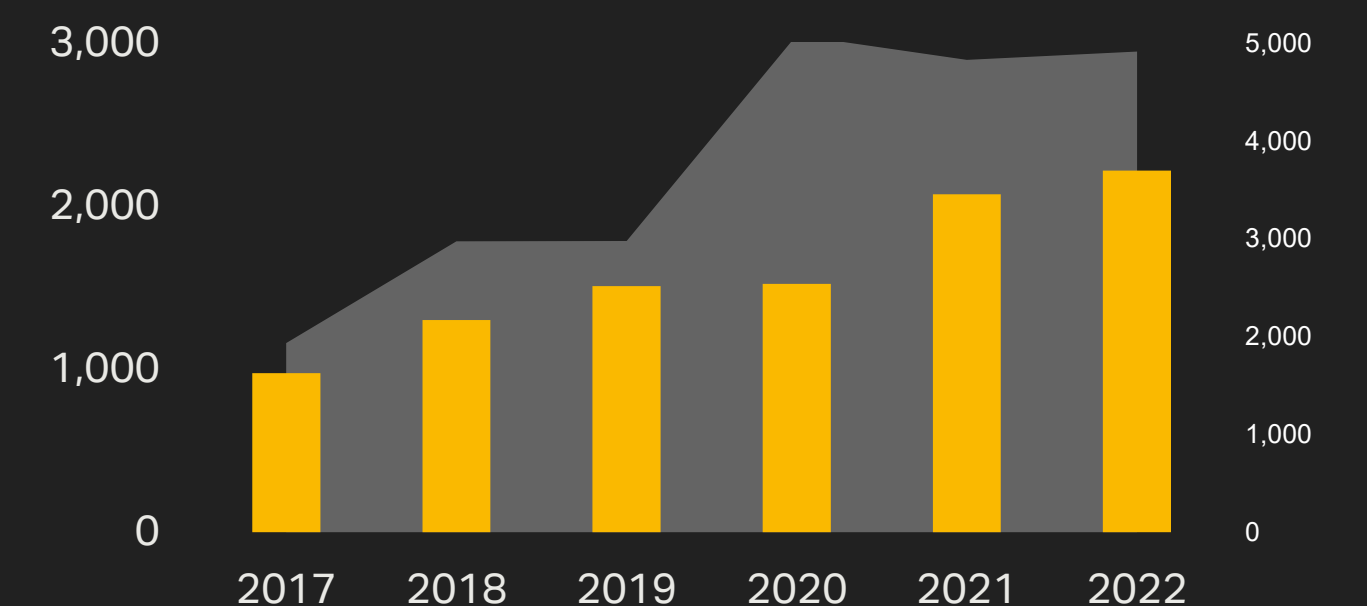
## Sweden



## Germany



## Australia



■ Order backlog ■ Sales

Saab Group,  
SEK million



# Enabling safe and resilient societies

## Keeping people and society safe



# Attract, develop and retain talent and competence

FTE\* net increase in 2022 **~100/month**

Target net increase in 2023 **>100/month**

Share in strategic  
countries outside Sweden **~30%**



# Operational efficiency to meet the growth

- Increase throughput by flow optimisation and digitalised processes
- Improve Software factory to enhance development productivity
- IT automation and standardisation
- Managing supply chain risks
- Facilities consolidation
- Learning as a vital part of our culture

# New medium-term financial targets 2023-2027

## **ORGANIC SALES GROWTH**

**Around 10% CAGR\***

## **OPERATING INCOME**

**Growth higher than  
organic sales growth**

## **CASH FLOW**

**Cash conversion\*\* >70%  
(cumulative over 5 years)**

\*CAGR base year 2022

\*\*Cash conversion = Operational cash flow / Operating income





# Executing on our multi-domestic growth strategy

Erik Smith, President and CEO Saab, Inc.



# Being multi-domestic is important

- Close to customers
- Market access
- Political support
- R&D funding
- Export markets
- Product development





# This is Saab in the U.S.

**~3,300 MUSD**

Order intake since 2012

**~410 MUSD**

Total U.S. sales 2022

**~300 MUSD**

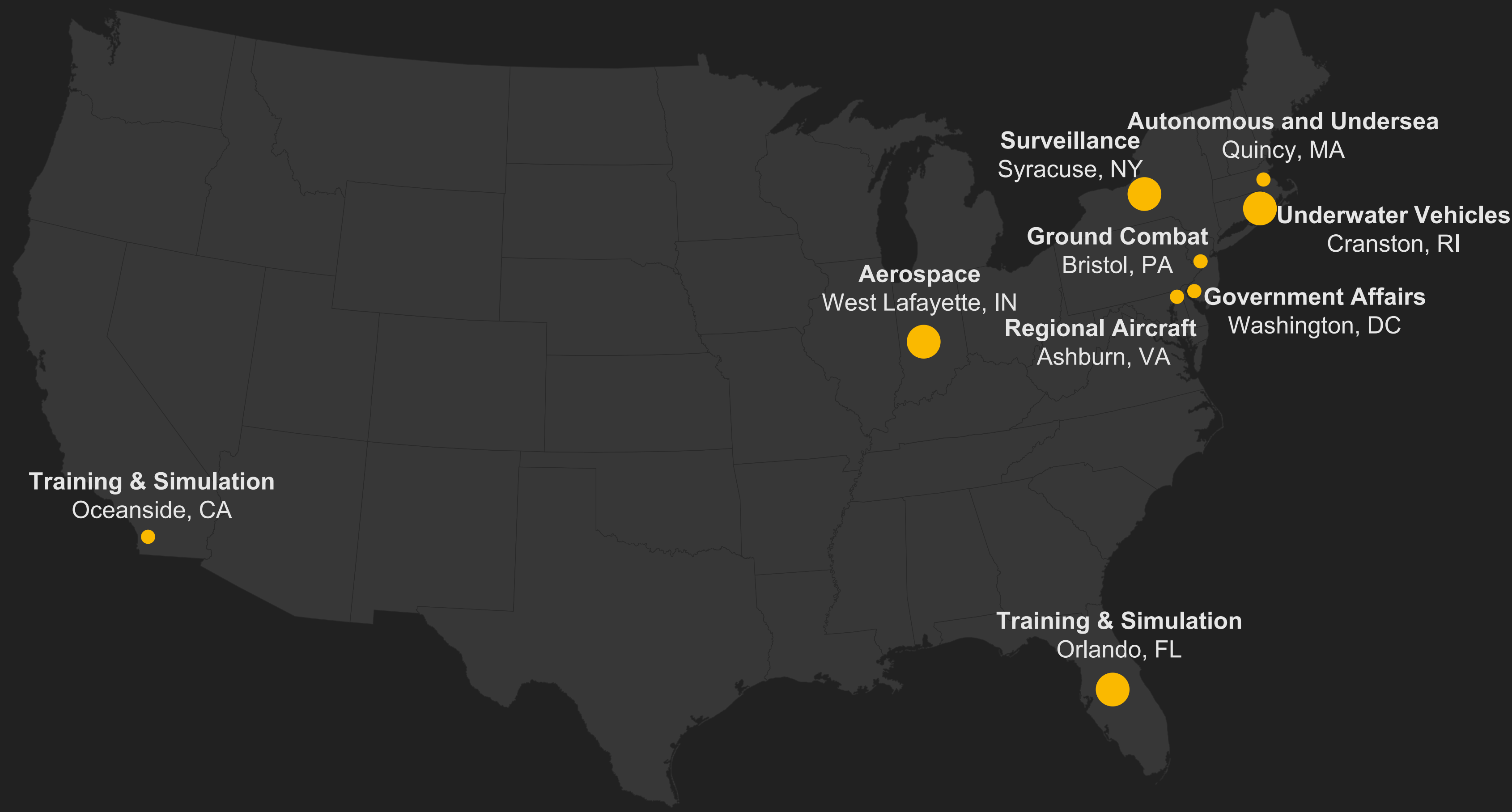
of which local sales 2022

**760+**

Employees

**9**

Locations



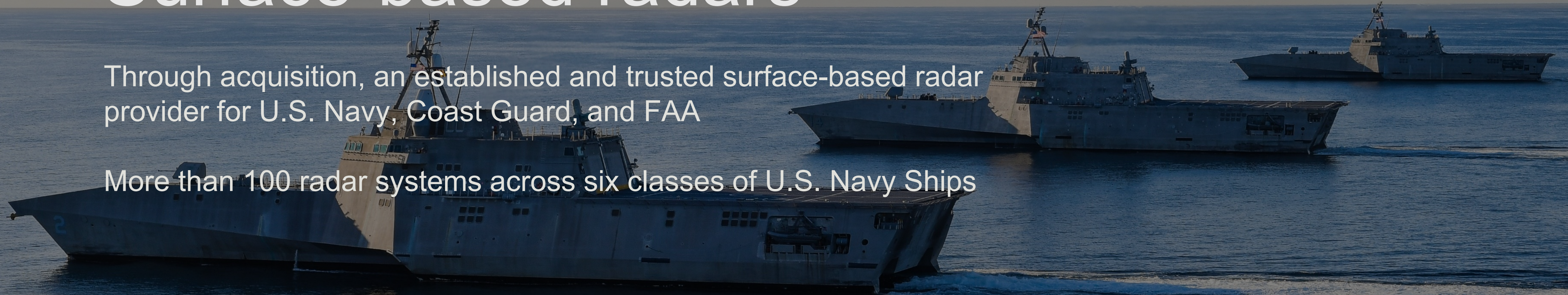


# Example:

## Surface-based radars

Through acquisition, an established and trusted surface-based radar provider for U.S. Navy, Coast Guard, and FAA

More than 100 radar systems across six classes of U.S. Navy Ships





# Example:

## AT4

### AT4 anti-armor weapon

Partnering with Action Manufacturing in Pennsylvania for increased manufacturing capacity for Ground Combat portfolio

Over 700 000 AT4 systems sold into the U.S. market to date





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**Example:**

# Autonomous and Undersea Systems

## Anti-Submarine Warfare Training Target

Unmanned underwater vehicle used in warfare training to mimic the acoustics and signals of a submarine so sonar operators can train themselves to track threats

Total autonomous and undersea backlog of >200 MUSD





# Formula for multi-domestic growth

## Target Market

Niche market segments  
Strong Saab portfolio  
Markets with old or immature capabilities currently in use

## Market Entry Strategies

Strategic partnerships  
Mergers and acquisitions  
Technology transfer  
Targeted talent acquisition

## Future Position

Balanced portfolio with production and development programs  
Broad geographic footprint close to customers  
Robust locally supported R&D  
Improved locally supported export sales





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# Innovation for future capability leadership

Christian Hedelin, Chief Strategy Officer



Strategy  
in place  
to deliver

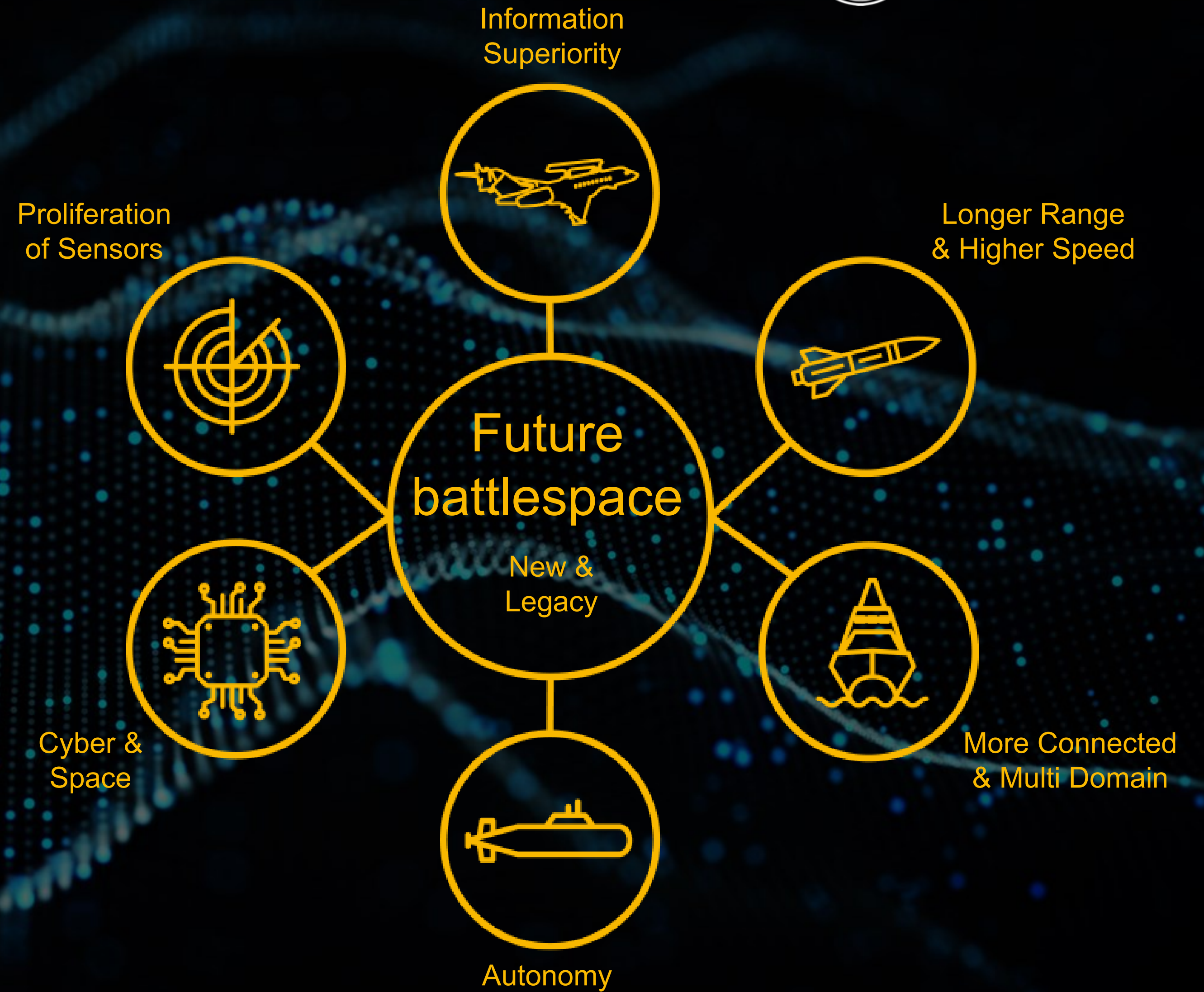


# Strong track record of innovations





# Preparing for the future



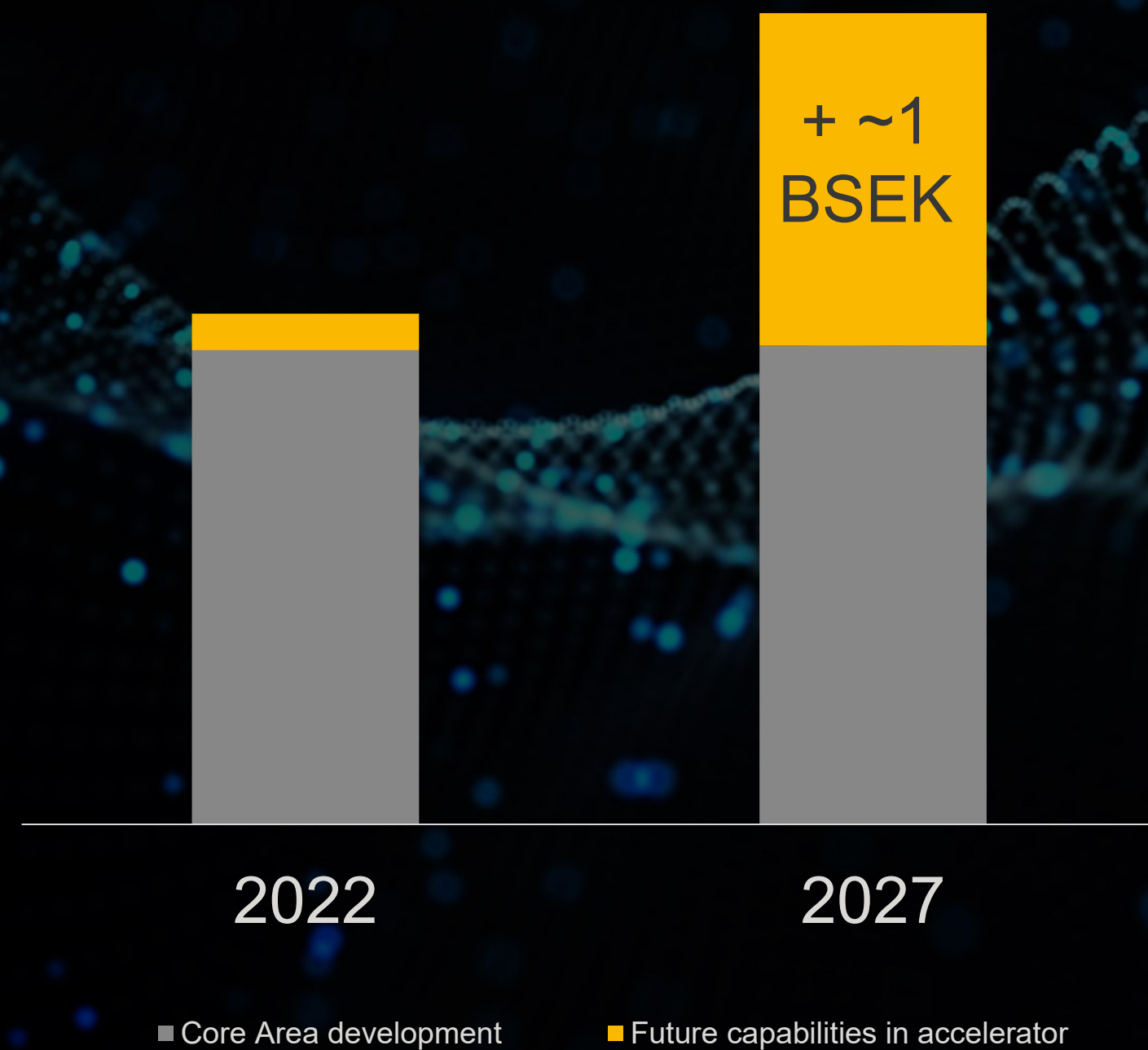


# Focus and accelerate our investments into future capabilities

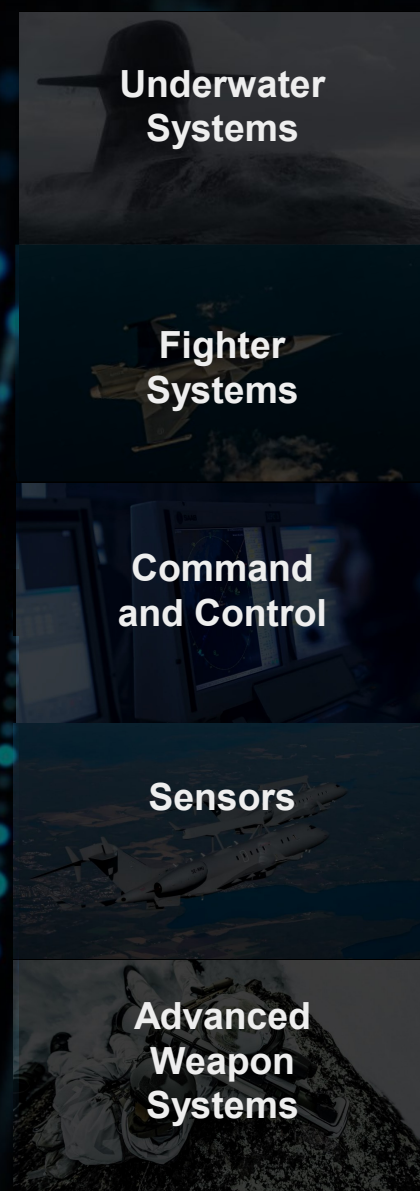


## Increased and focused investment

Saab's own R&D, direct and capitalized, no amortization



## Leveraging Core Areas



## Targeting selected future capabilities

	2022-2024	2025-2027	2028-2030
Naval Autonomy	██████████	██████████	██████████
Air Autonomy	██████████	██████████	██████████
Next Gen AI C2 & Defence Cloud	██████████	██████████	██████████
Distributed Sensor Systems	██████████	██████████	██████████
Cyber Defence & Space	██████████	██████████	██████████
Next Gen Missiles	██████████	██████████	██████████

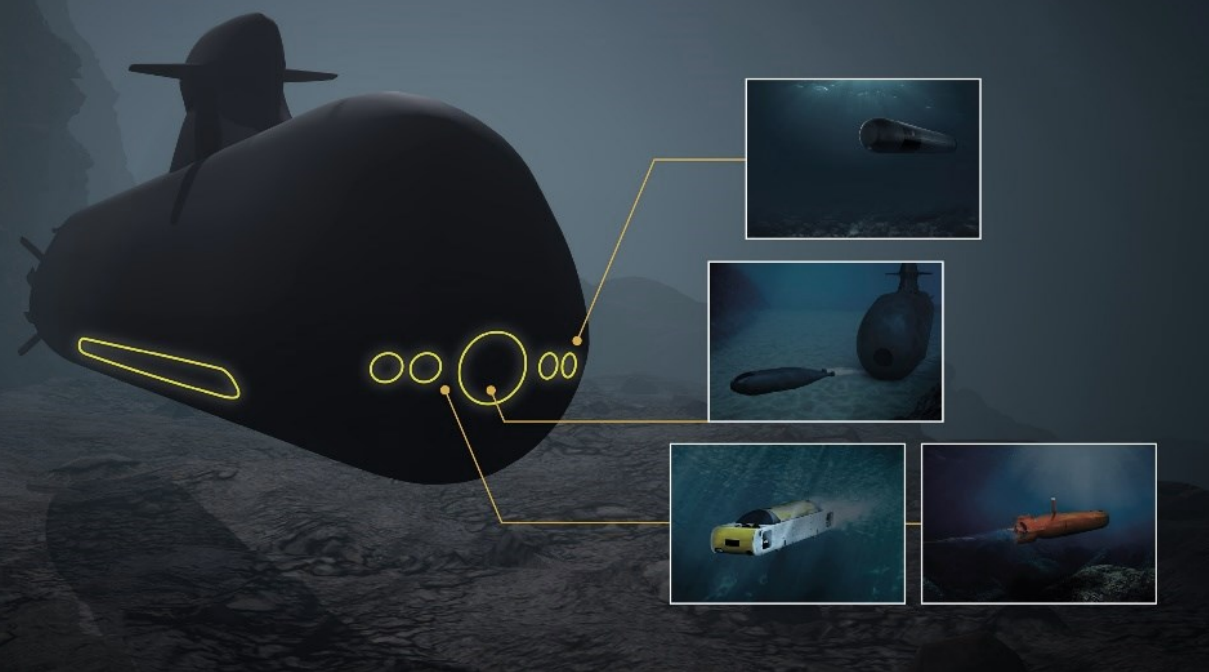




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**Case: Taking a leading offering  
to the next level** Anti-tank system  
beyond line of sight





# Case: Meeting new demand in Seabed Operations







# Financial Update

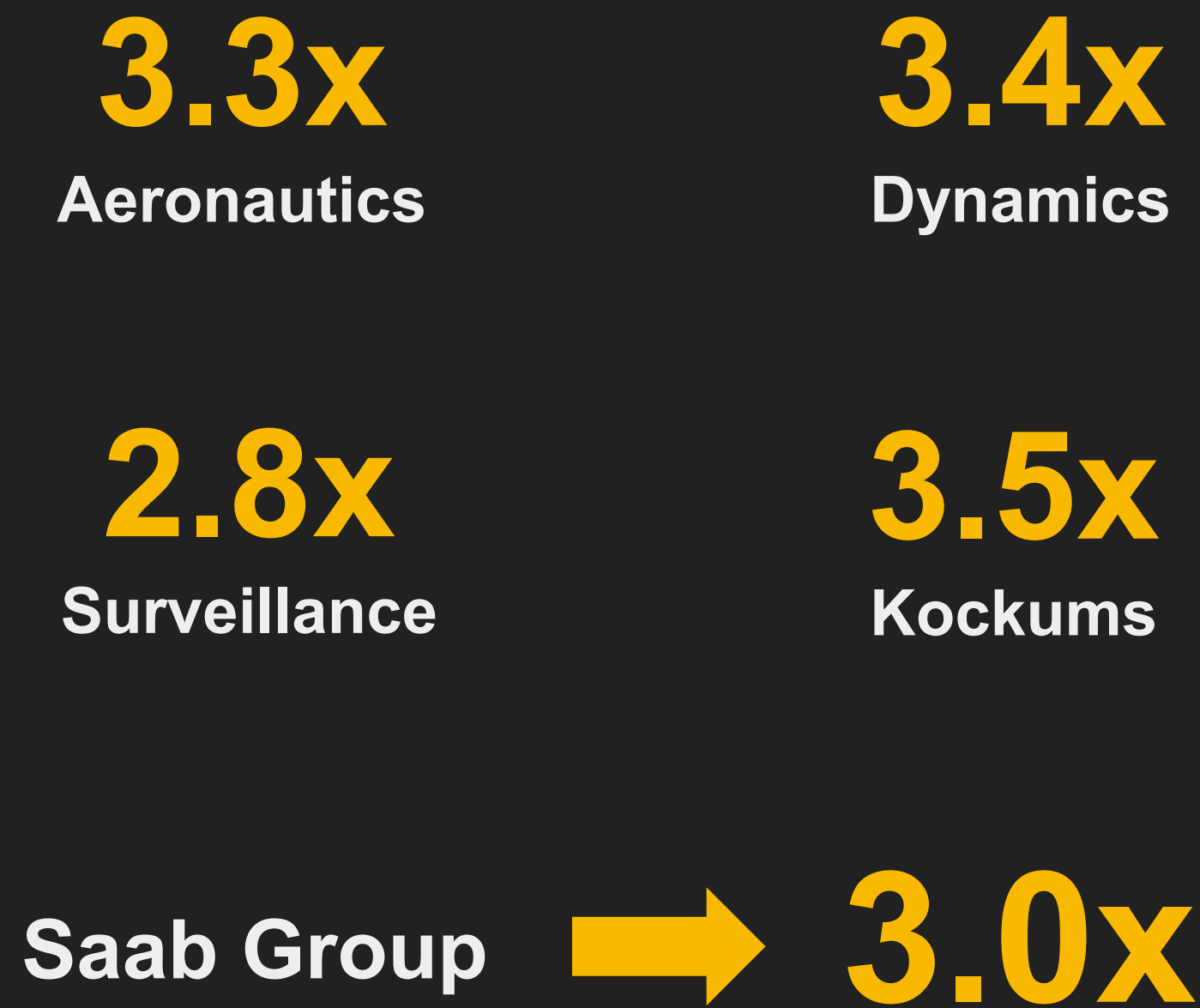
Christian Luiga, CFO and Deputy CEO



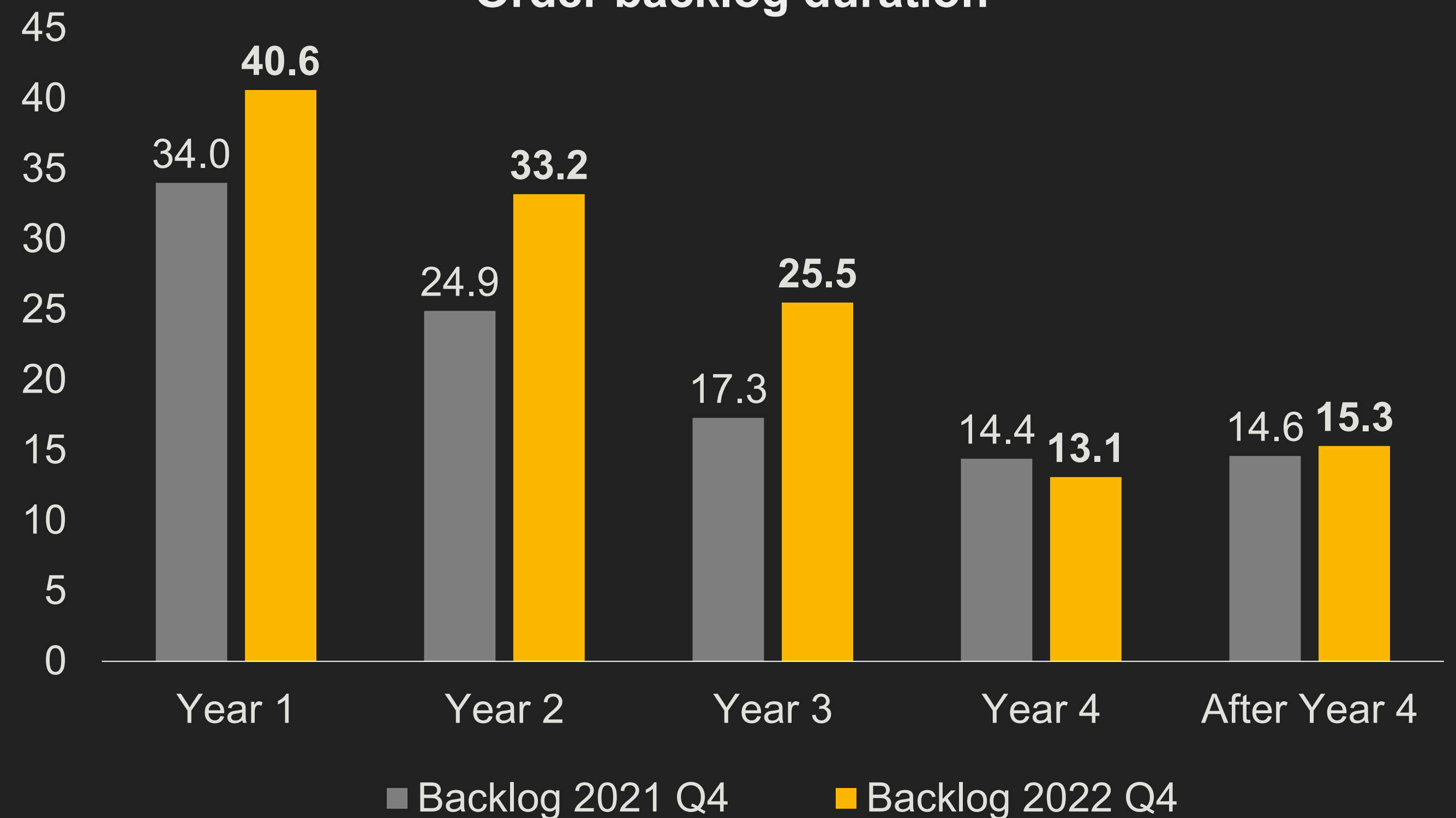
# Strong order backlog in all business areas



Years of sales in order backlog\*:



Order backlog duration





# Business Area Aeronautics

share of sales 2022

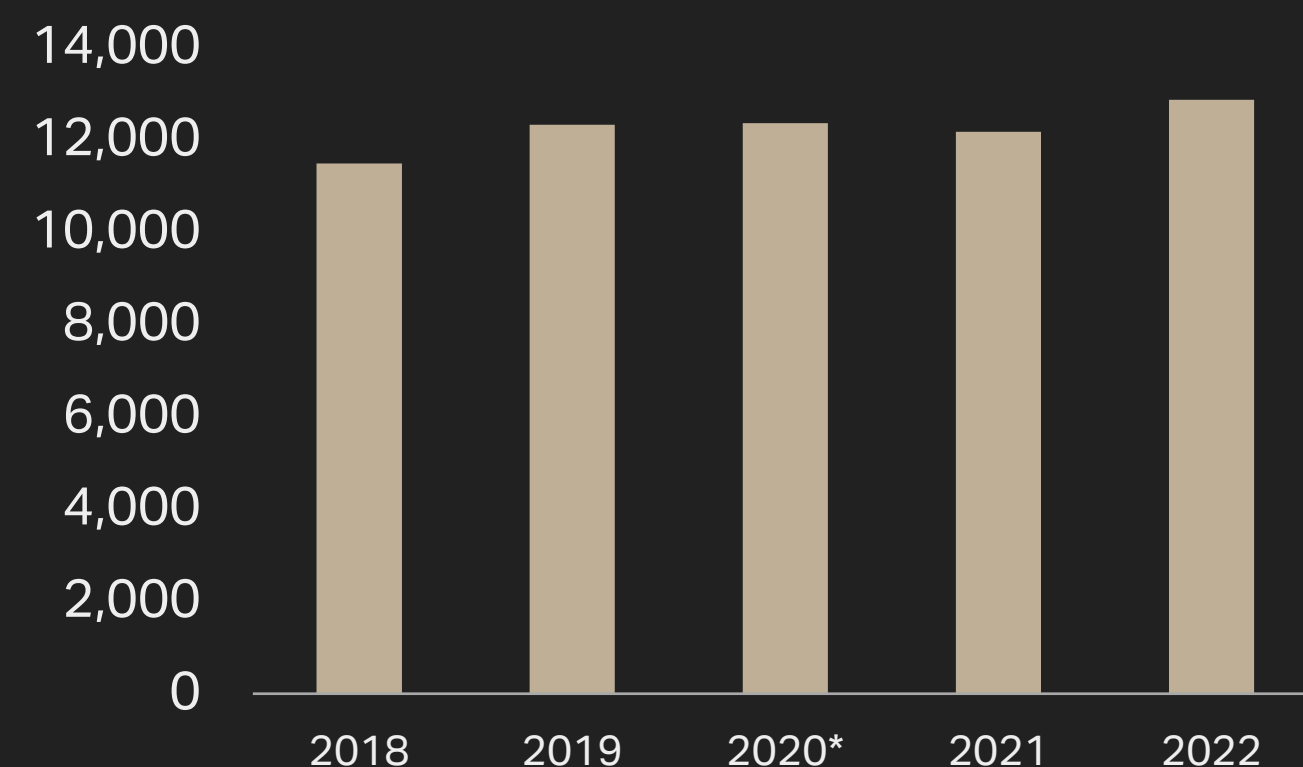
31%

share of EBIT 2022

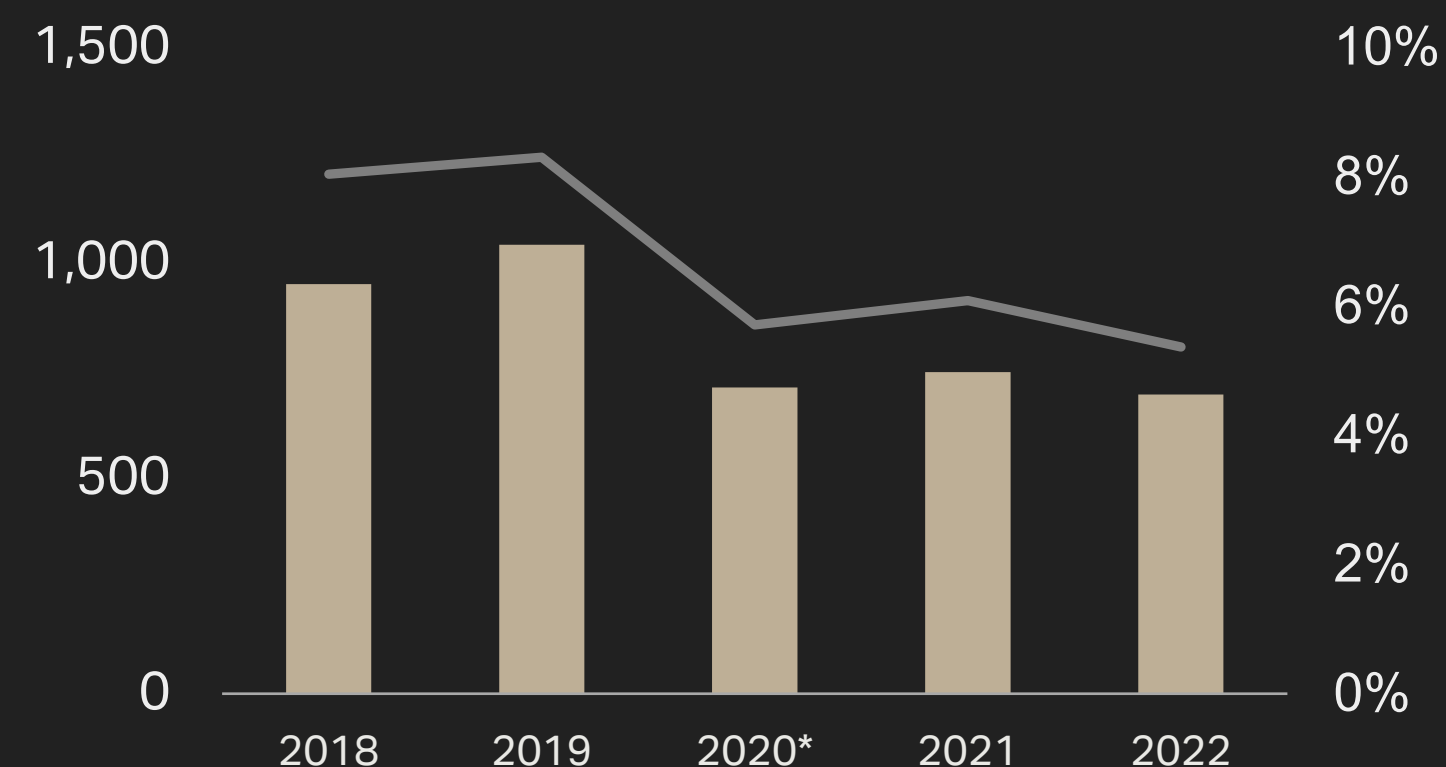
21%



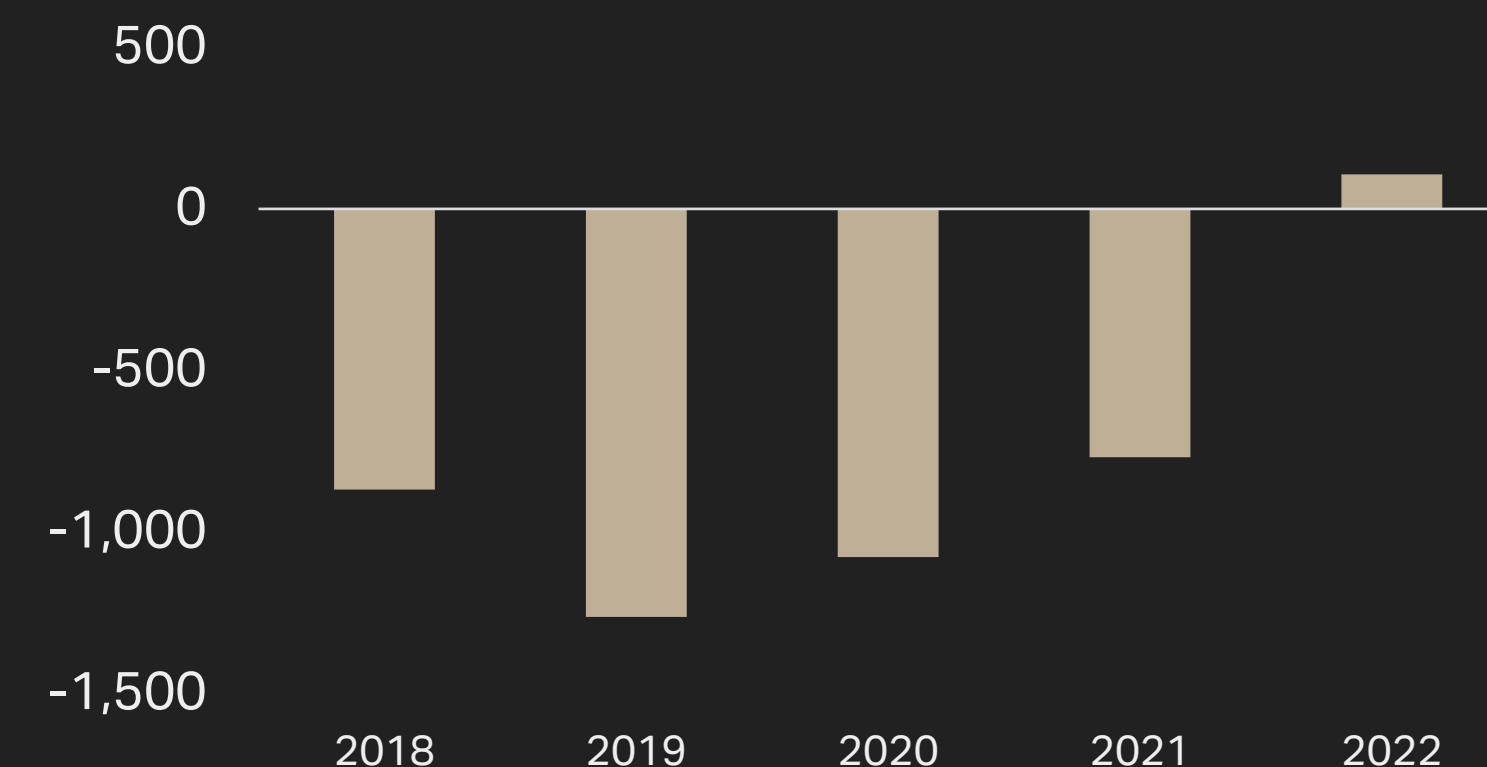
Sales



EBIT and EBIT margin



Operational cash flow



## Growth drivers going forward:

- Entering production and delivery phase in Gripen programmes
- New Gripen contracts
- T-7 ramp-up

## EBIT drivers going forward:

- Scale effects in Gripen and T-7
- Contribution from new contracts
- Growth in aviation services
- Improvement in commercial aviation

## Cash flow drivers going forward:

- Delivery phase in Gripen programmes
- T-7 ramp-up
- Lower level of capitalised R&D
- Improvement in commercial aviation



# Business Area Dynamics

share of sales 2022

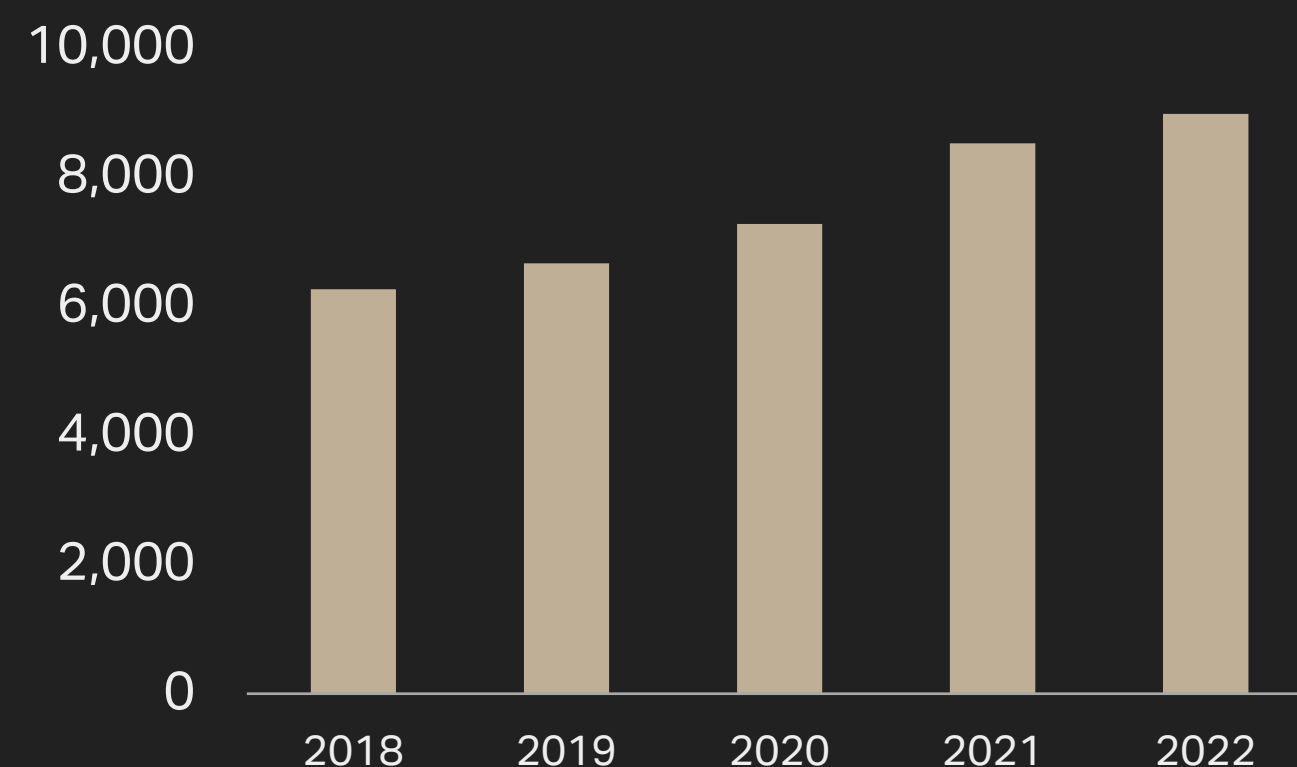
21%

share of EBIT 2022

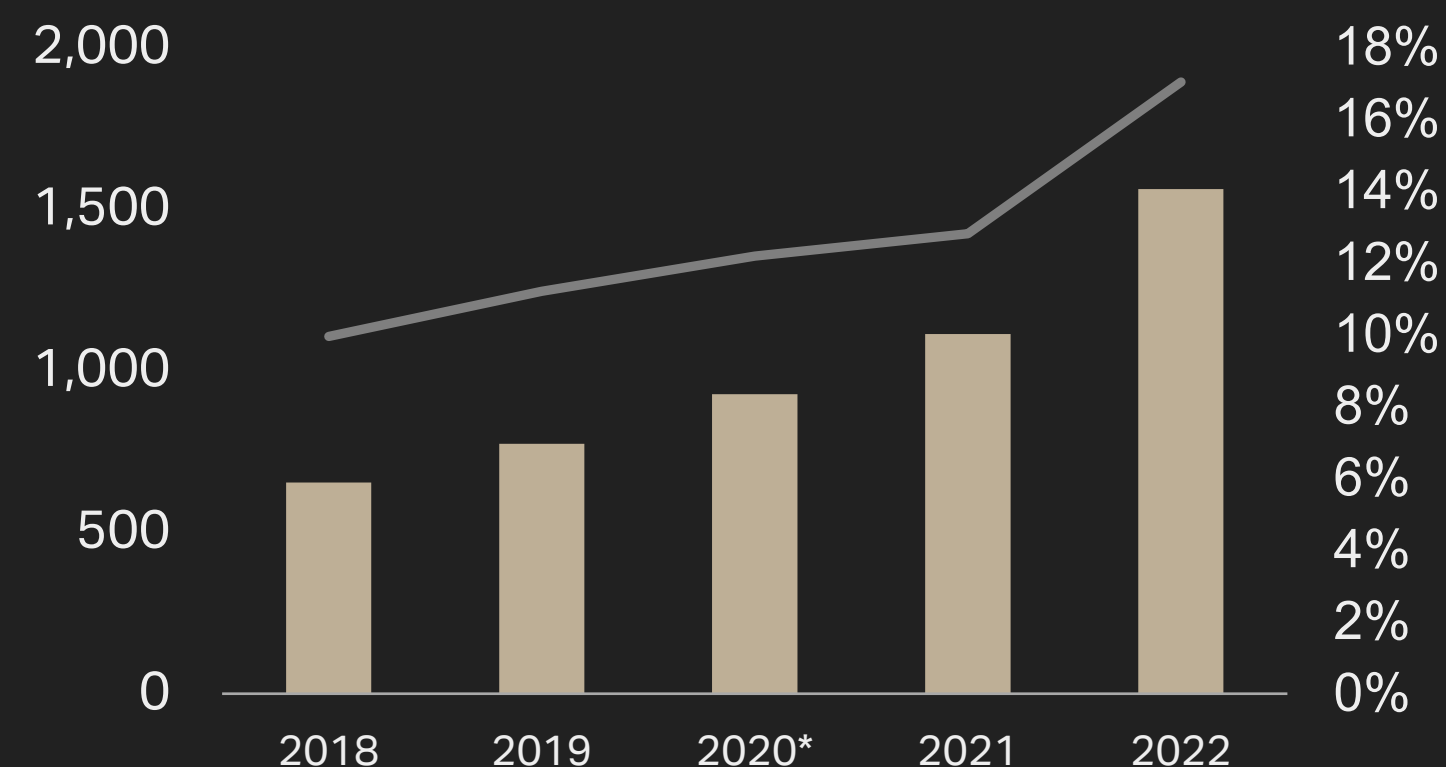
48%



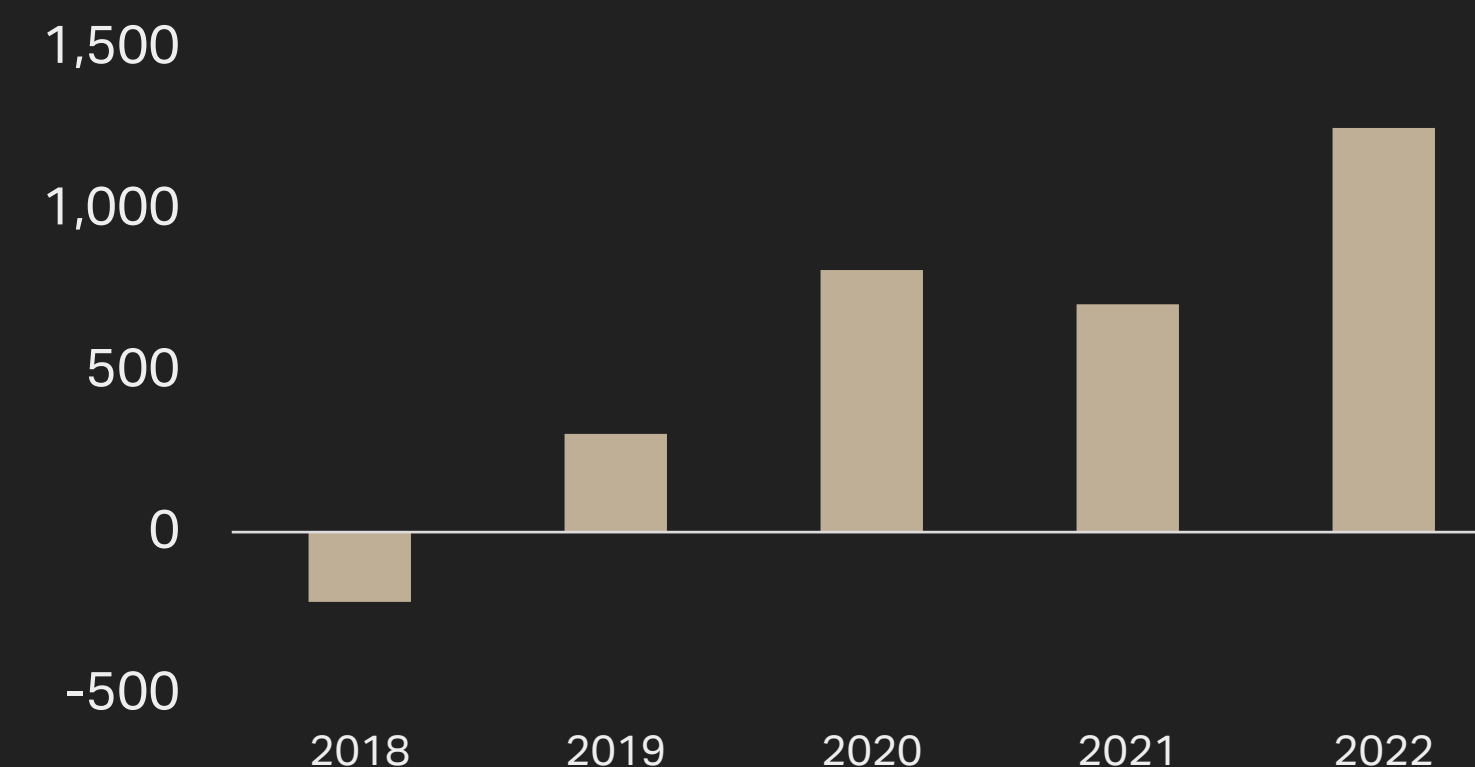
Sales



EBIT and EBIT margin



Operational cash flow



## Growth drivers going forward:

- Historically large backlog
- High market demand
- Well positioned in all areas: support weapons, missiles, underwater, signature management and training & simulation, tactical support

## EBIT drivers going forward:

- Sales growth
- More stable production and better capacity utilisation
- R&D increases on future support weapons and missiles

## Cash flow drivers going forward:

- EBIT growth
- Relatively lower working capital
- Higher investments in production capacity



# Business Area Surveillance

share of sales 2022

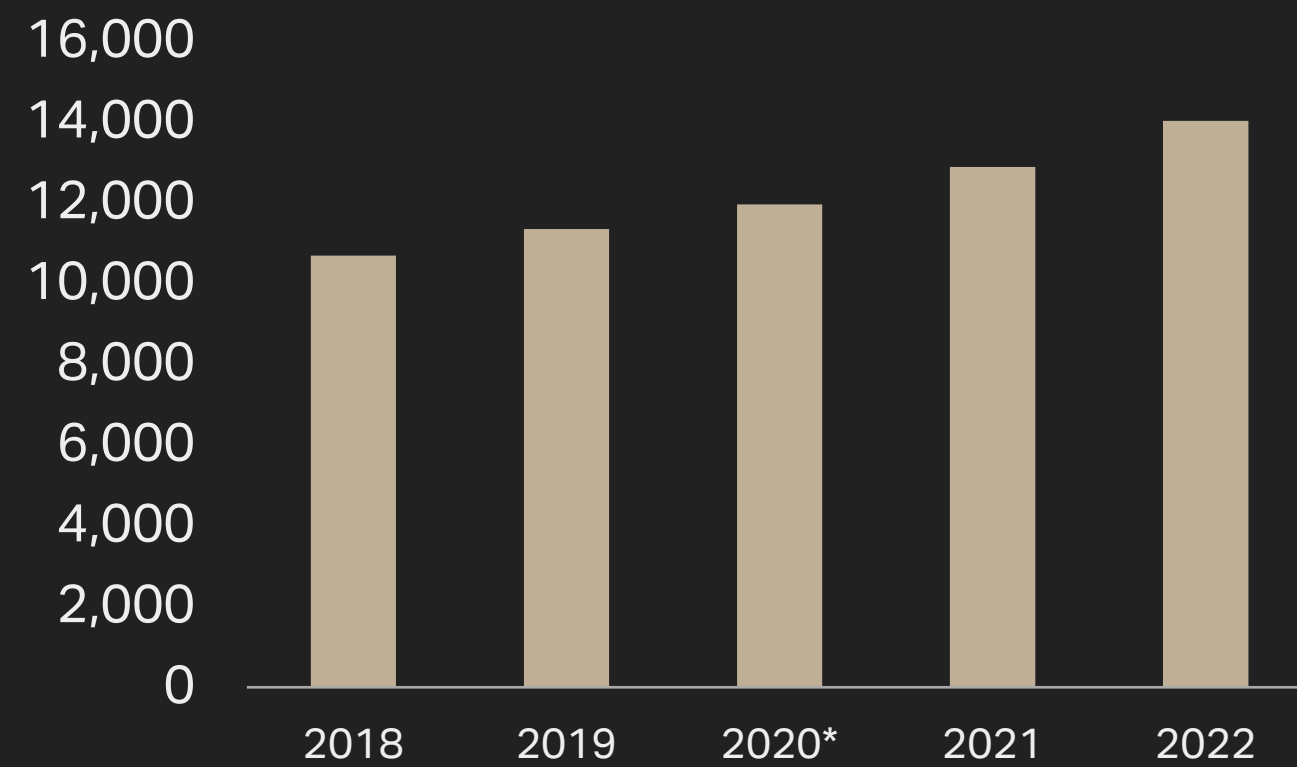
**33%**

share of EBIT 2022

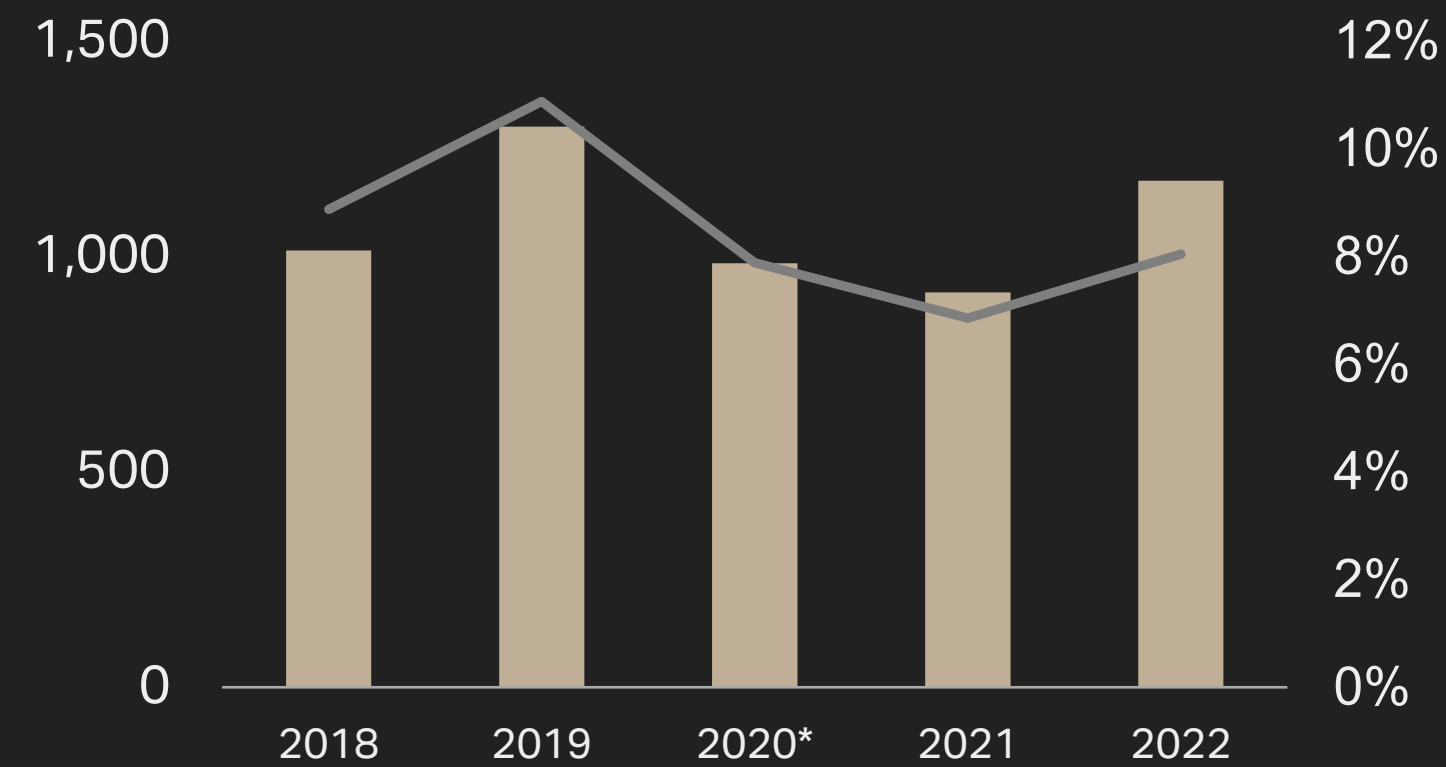
**36%**



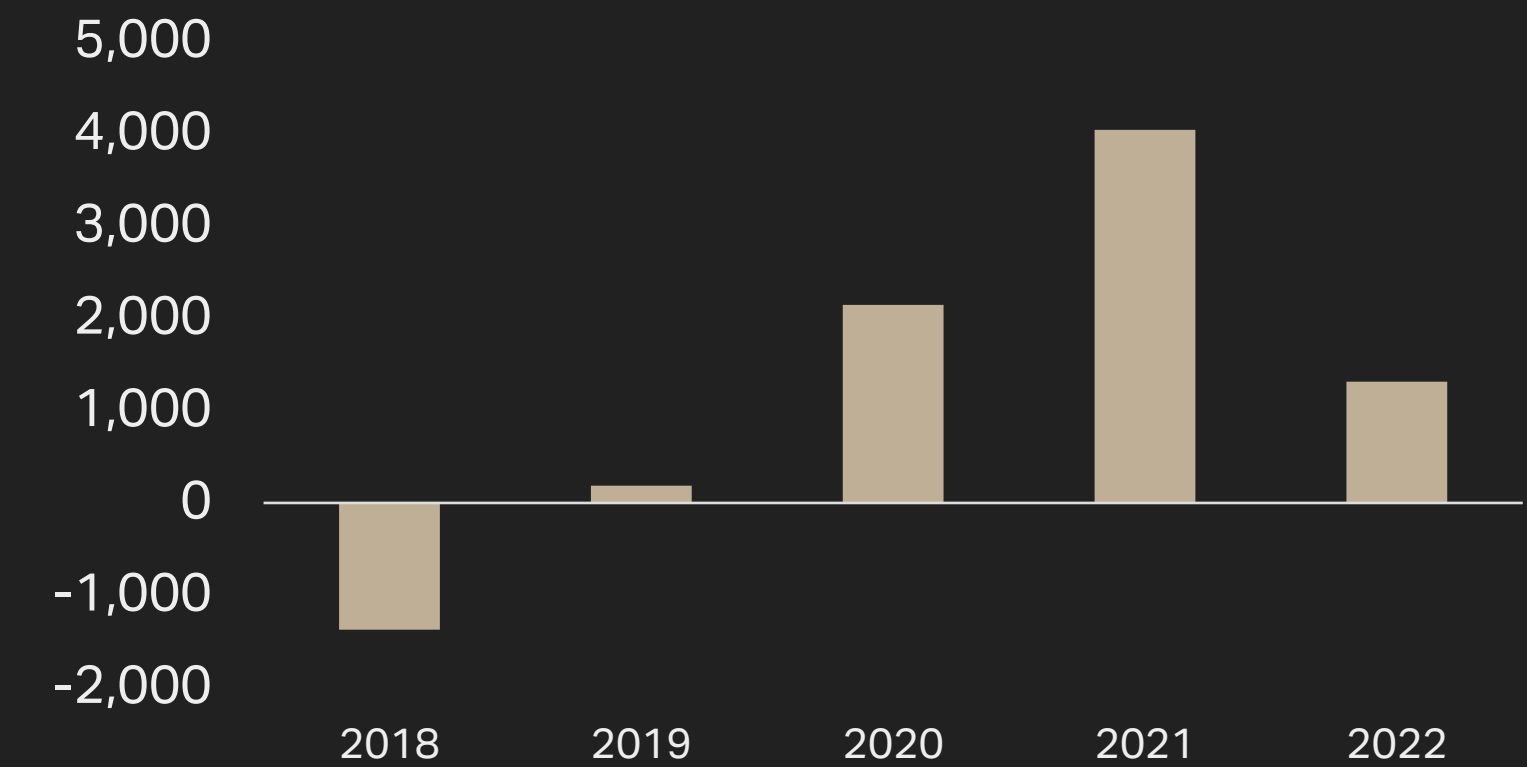
Sales



EBIT and EBIT margin



Operational cash flow



## Growth drivers going forward:

- Position within Airborne Early Warning & Control, naval domain and Electronic Warfare
- Increased demand for sensors
- Expansion in strategic markets, such as US, UK and Germany

## EBIT drivers going forward:

- Scale effects from growth in sales
- More standardisation
- Improved project execution
- Multi-domestic expansion
- R&D Increase

## Cash flow drivers going forward:

- Improved EBIT
- Relatively balanced NWC development
- Increased investments in capacity



# Business Area Kockums

share of sales 2022

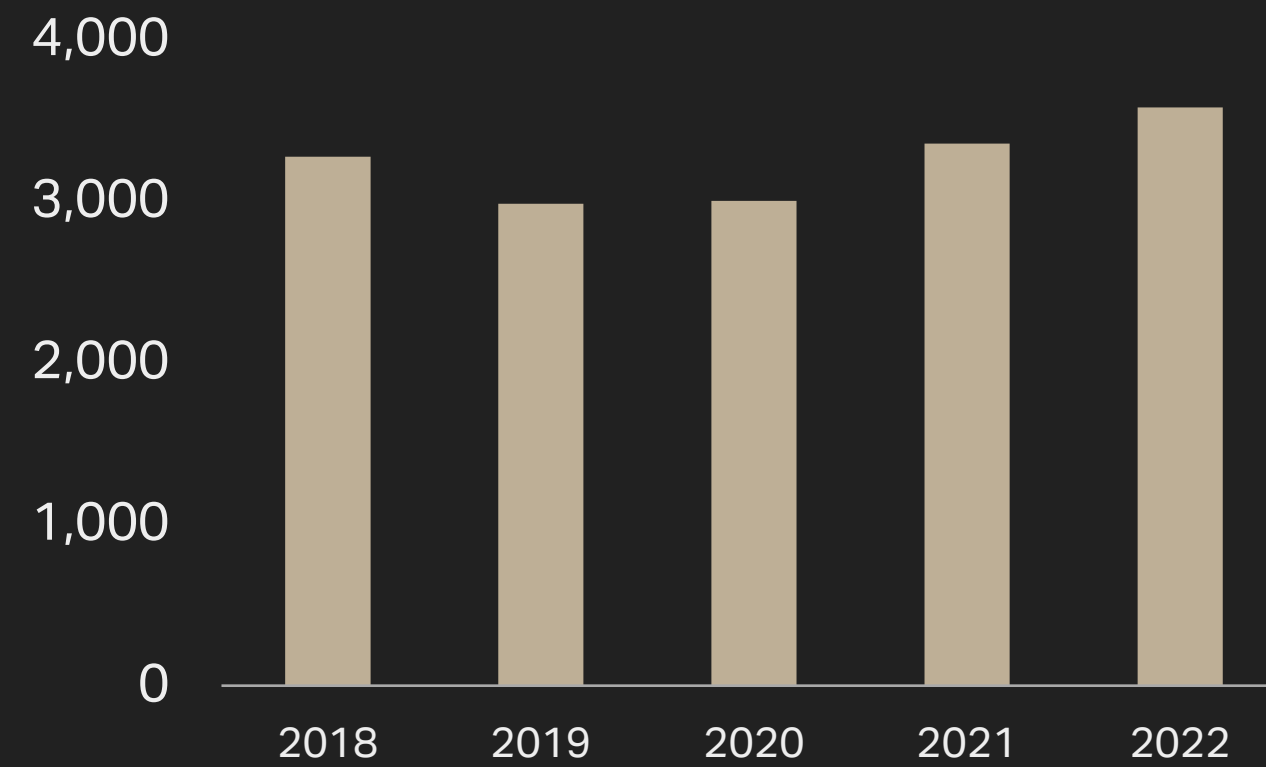
9%

share of EBIT 2022

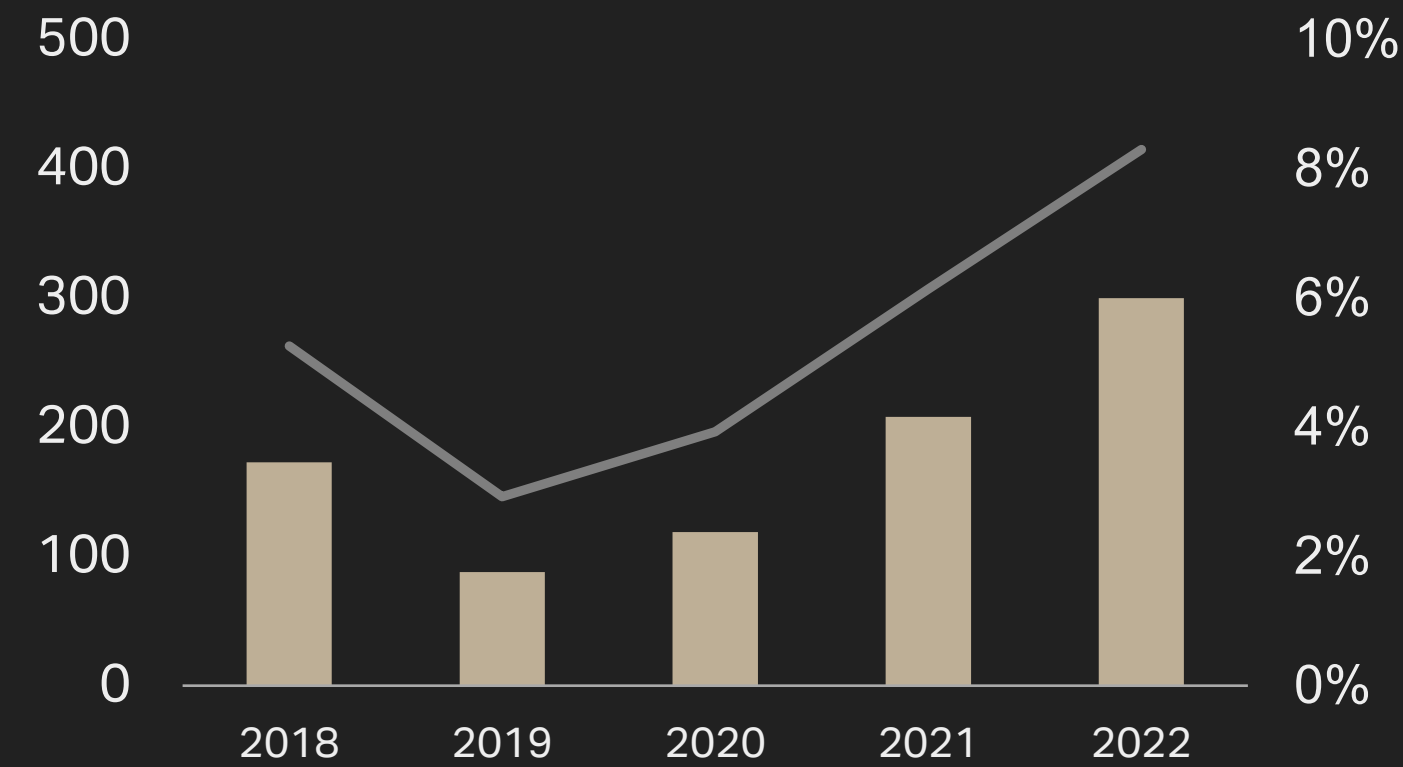
9%



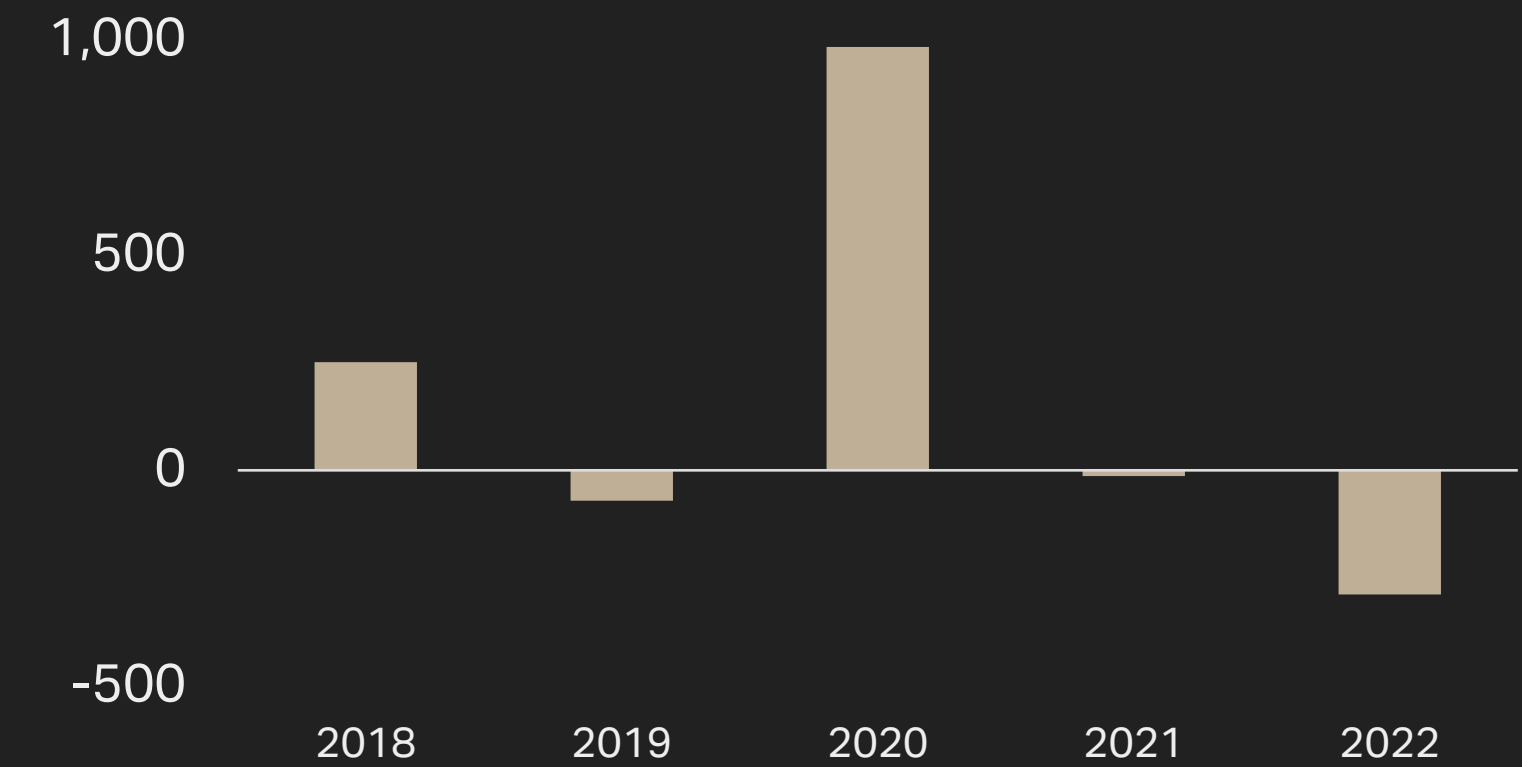
Sales



EBIT and EBIT margin



Operational cash flow



## Growth drivers going forward:

- Market opportunities for surface ships and submarine
- Aftermarket sales

## EBIT drivers going forward:

- Cost efficiency
- Customer project and product mix

## Cash flow drivers going forward:

- Milestone payments
- Higher investments in capacity
- EBIT growth



# Combitech

share of sales 2022

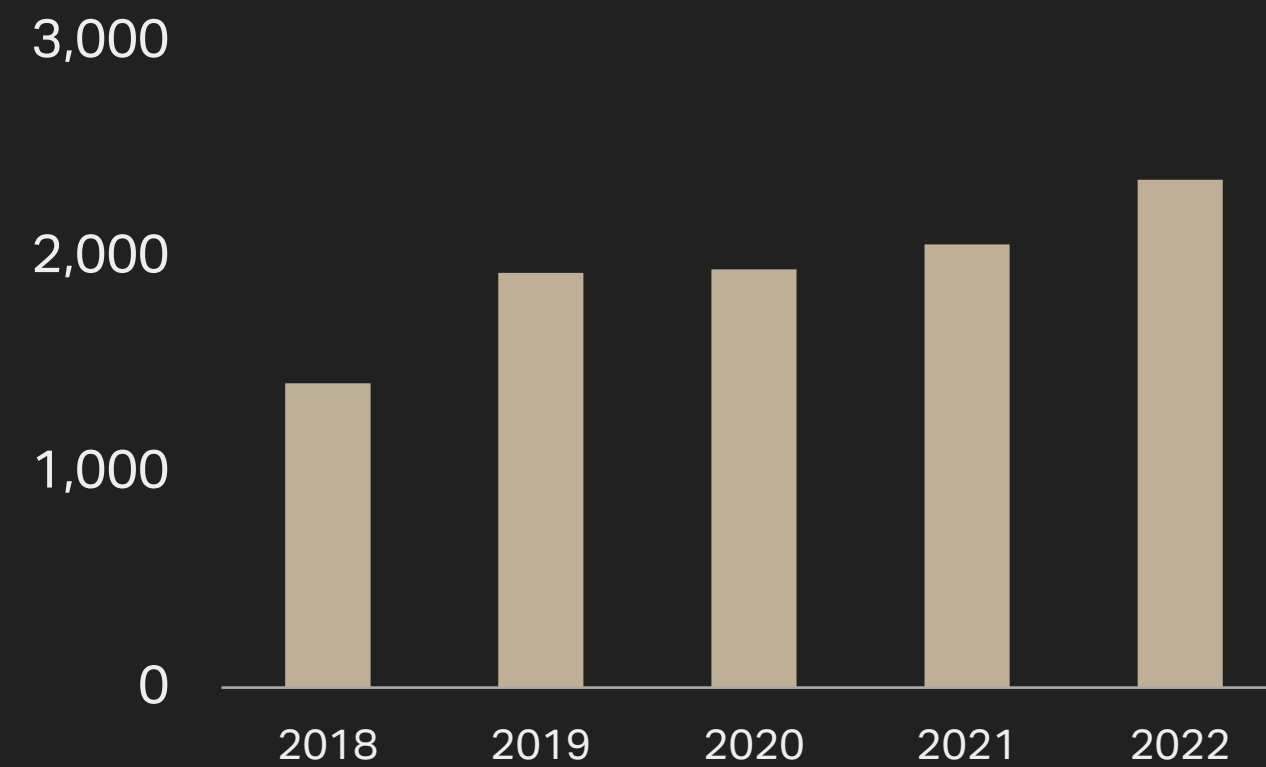
6%

share of EBIT 2022

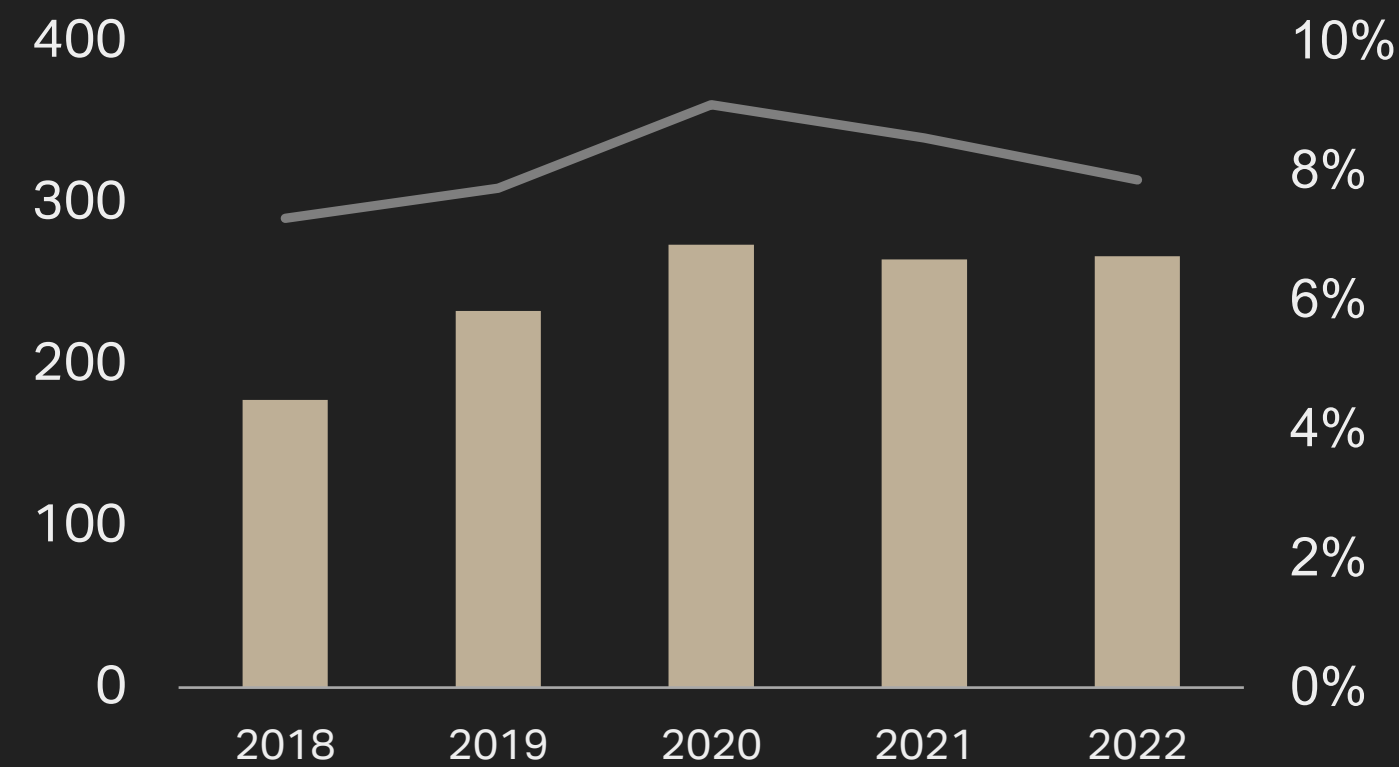
8%



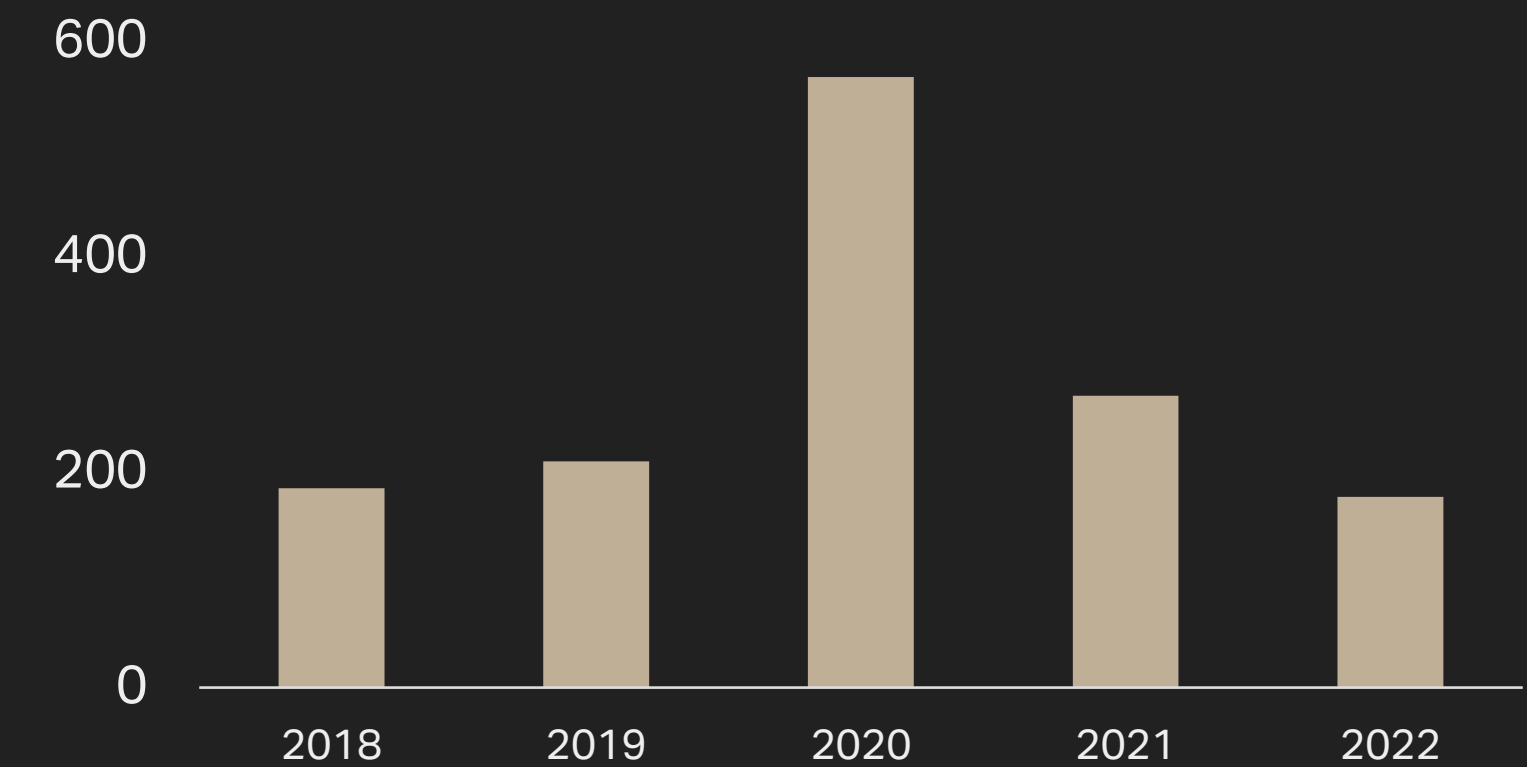
Sales



EBIT and EBIT margin



Operational cash flow



## Growth drivers going forward:

- Strong position in growing markets – military and civil defence segment, digitalisation, Industry 4.0 and Cyber security
- The place to work - growing number of consultants

## EBIT drivers going forward:

- Improved utilisation and growing number of consultants
- Increase share of team deliveries and engagement services
- Cost control

## Cash flow drivers going forward:

- Higher volumes and growth in EBIT



# Saab's profitability improvement



+++

## Scale effects

- Sales growth above OPEX growth – Not applicable to R&D
- Utilisation of production facilities

++

## Efficiency measures

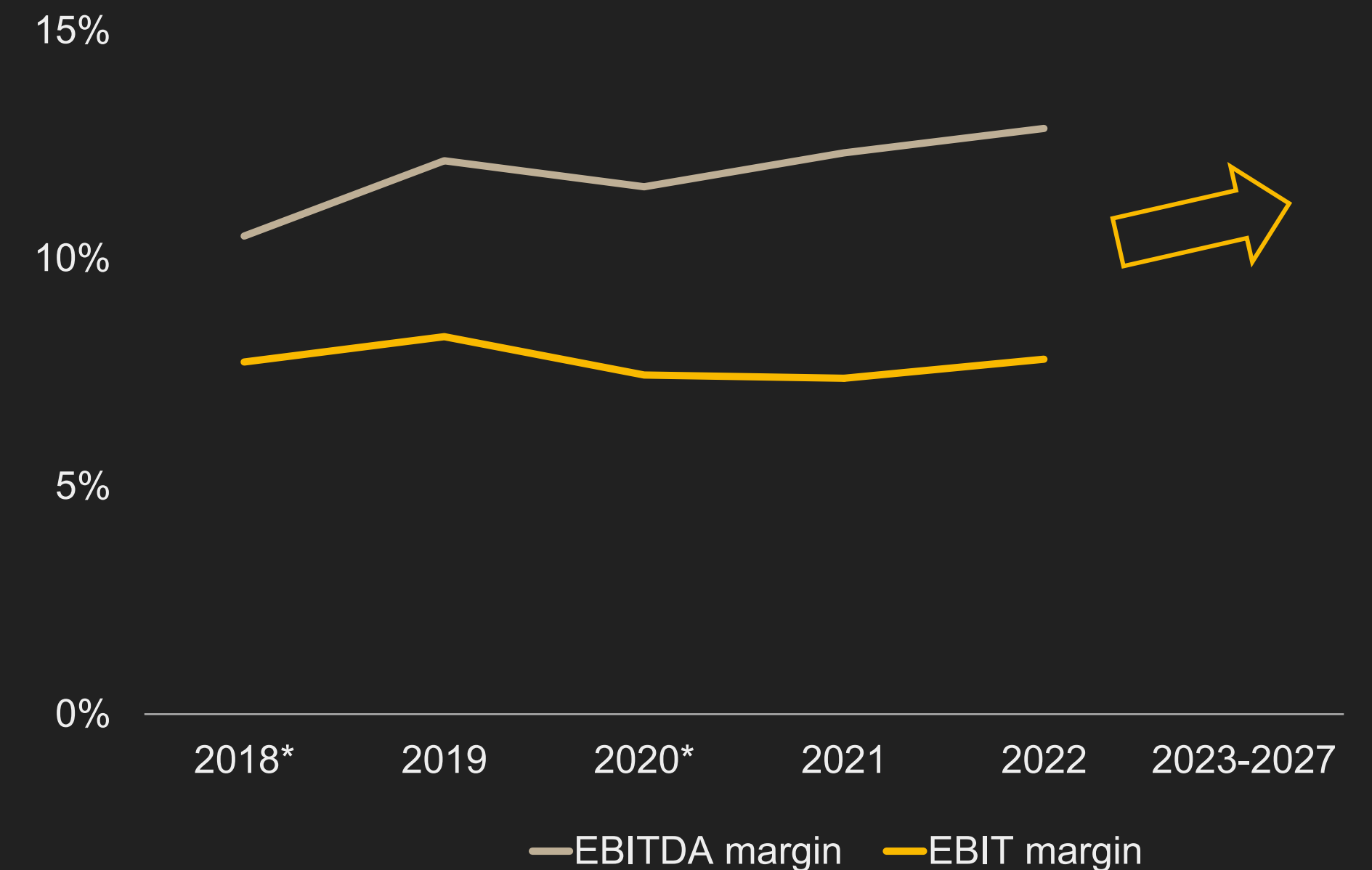
- Cost efficiency
- Supply chain
- Improve project execution
- Contract management

+

## Portfolio management

- Turnaround or exit non profitable business
- Exit non-core business
- Partnerships
- M&A

## EBITDA and EBIT margin





# Tax, EPS & Dividend



SEK million, unless otherwise stated	2020	2021	2022
<b>EBIT</b>	<b>1,315</b>	<b>2,888</b>	<b>3,274</b>
Financial net	-203	-311	-455
Taxes	-20	-552	-536
Tax rate, %	1.8%	21.4%	19.0%
<b>Net income</b>	<b>1,092</b>	<b>2,025</b>	<b>2,283</b>
Earnings per share (after dilution, SEK)	8.01	14.45	16.41
Dividend per share (SEK)	4.70	4.90	5.30*

- Net income in 2022 impacted by -202 MSEK by unrealised results from short-term investments
- 2023-2027 estimated effective tax rate of 21-23%
- Higher estimated tax rate driven by increased income outside Sweden
- 2023-2027 estimated paid tax ratio of 90-110% of total tax costs
- Proposed Dividend per share for 2022 is 5.30 SEK, an increase of 8% and 32% of net income

Saab's dividend policy:

**20-40%**

of net income

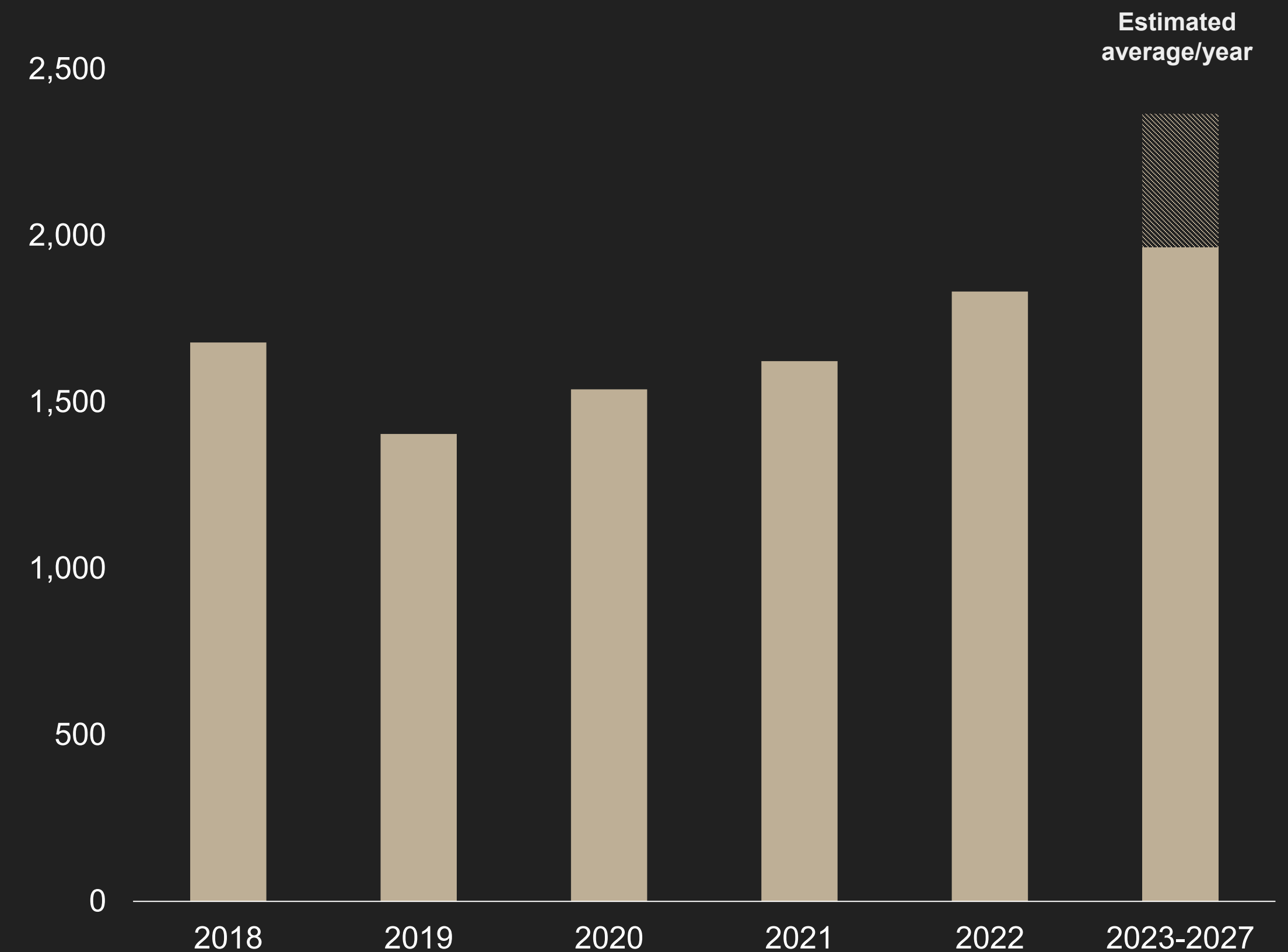


# Investments to **build capacity**



- Investments expected to increase 2023-2027 to support growth
- Increase primarily driven by production lines, facility expansion and IT
- Increase expected to be front-loaded within the period
- Dynamics capacity increase will have high priority

Saab investment excl. R&D

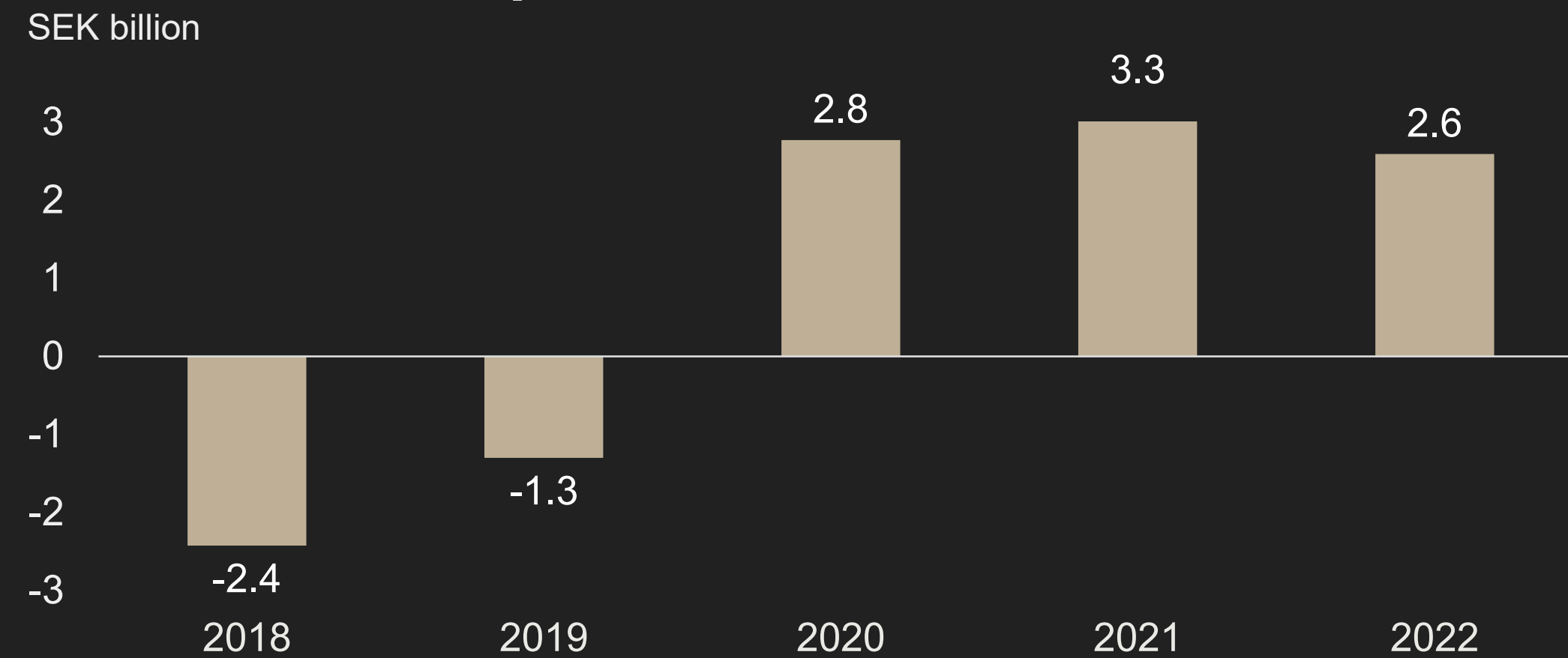




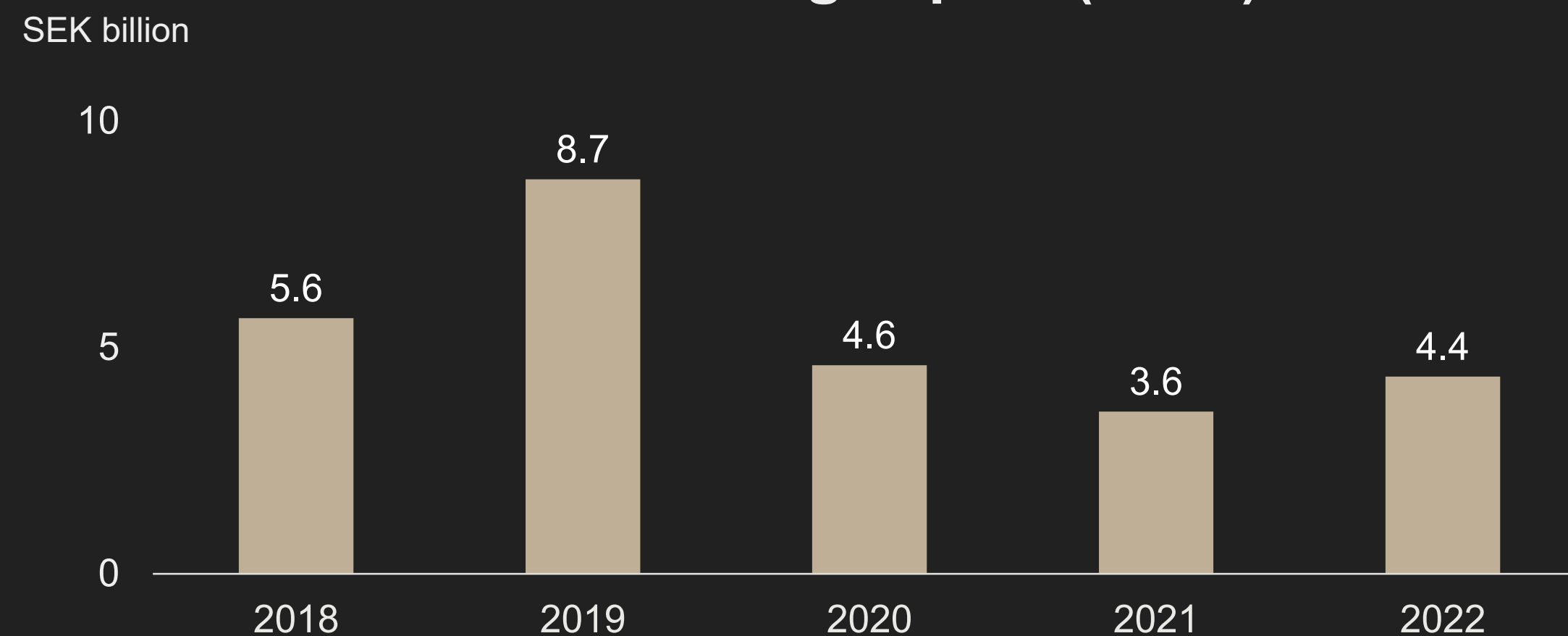
# Cash flow and NWC in focus



## Operational cash flow

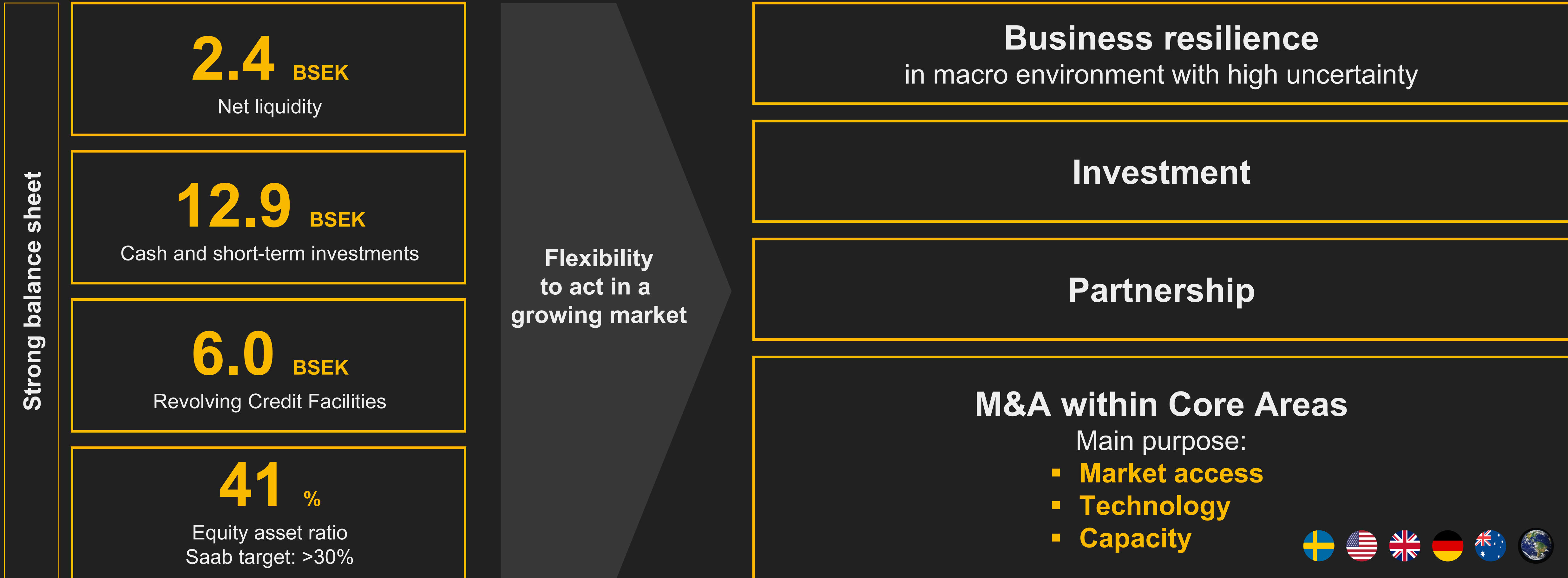


## Net working capital (NWC)



- Continuous EBITDA growth
- Scale up in several programs will be positive on cash flow
- Aim for more even payment terms
- NWC will increase relatively balanced to sales
- Decrease capitalised R&D in Gripen and T-7
- Investments and inventories will increase medium-term

# Financial position **gives flexibility**



**2.4** BSEK  
Net liquidity

**12.9** BSEK  
Cash and short-term investments

**6.0** BSEK  
Revolving Credit Facilities

**41** %  
Equity asset ratio  
Saab target: >30%

Flexibility  
to act in a  
growing market

**Business resilience**  
in macro environment with high uncertainty

**Investment**

**Partnership**

**M&A within Core Areas**

- Main purpose:
- **Market access**
  - **Technology**
  - **Capacity**





# Cash conversion at Saab



**Cumulative over 5 years**

$$\frac{\text{Operational Cash Flow}}{\text{Operating income}} = \text{Cash Conversion}$$

SEK million	2020	2021	2022
<b>EBITDA</b>	<b>2,833</b>	<b>4,826</b>	<b>5,401</b>
Amortisation lease liabilities	-437	-469	-524
Adj. for other items not included in cash flow	509	1,489	841
Change in operational net working capital	2,736	-76	-932
Net Capex	-2,868	-2,494	-2,193
<b>Operational cash flow</b>	<b>2,773</b>	<b>3,276</b>	<b>2,593</b>
<b>EBIT</b>	<b>2,738*</b>	<b>2,888</b>	<b>3,274</b>
Cash conversion	101%	113%	79%

# Outlook 2023



## ORGANIC GROWTH

Organic sales growth of  
around 15%

## OPERATING INCOME

Operating income growth  
higher than organic sales  
growth

## CASH FLOW

Operational cash flow to  
be positive



# Introducing **medium-term targets**



## Medium-term: 2023-2027

### **ORGANIC SALES GROWTH**

Around 10% CAGR\*

Strong order backlog, well positioned products & services  
and a growing market

### **OPERATING INCOME**

Growth higher than  
organic sales growth

Scale, efficiency and portfolio management

### **CASH FLOW**

Cash conversion\*\* >70%  
(cumulative over 5 years)

Growing EBITDA, less pressure on working capital  
while investments will grow

\*CAGR base year 2022

\*\*Cash conversion = Operational cash flow / Operating income

# Summary



- Strong order backlog in all business areas and a growing market
- Earnings to improve through scale, efficiency and portfolio management
- Higher investments to handle capacity uplift
- Strong balance sheet gives flexibility to act
- New guidance for medium-term





# Closing Remarks

Micael Johansson, President and CEO

# CMD

## Summary

### **Our growth journey continues**

- Multi-year growth opportunity – around 10% CAGR
- Multi-domestic strategy will support our success
- We will build capacity and resources
- Continue to innovate to secure future capabilities

### **Profitability and cash flow**

- Operating income growth higher than organic sales growth
- Scale, Efficiency and Portfolio management
- Positive cash flow and strong financial position