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**Saab AB** (SAABY.SE)

Q3 2025 Earnings Call

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## MANAGEMENT DISCUSSION SECTION

**Johan Andersson**

*Head-Investor Relations, Saab AB*

Good morning, everyone, and welcome to the presentation of Saab's Q3 Report for 2025. My name is Johan Andersson, and I'm honored to have been appointed Head of Investor Relations here at Saab. With me here in Stockholm, I have our CEO, Micael Johansson; and Anna Wijkander, our CFO. Anna and Micael will present the report and thereafter, we will start the Q&A session. And you can either ask your questions over the phone or you can enter them in the Web interface, and I will read them out loud here in Stockholm.

So, with that quick intro, I will hand over to our CEO, Micael.

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**Micael Johansson**

*President, Chief Executive Officer & Director, Saab AB*

Thank you so much, Johan, and thank you, all, for joining us this morning for the quarterly three report and the first nine months. I want to welcome Johan as well as head of investor relationships. You're most welcome to the company. And I also want to thank Merton Kaplan for an excellent job during so many quarters, and I go looking backwards, and I wish him luck, of course, in his continued journey within Saab.

Before I go into the highlights of this quarter, I just want to say a few words about the day we had Wednesday in Linköping where we had the honor of receiving President Zelensky and his delegation, and also our Prime Minister and his delegation, to host them for this important statement and Letter of Intent that they signed in the direction of creating a strong air force in Ukraine going forward.

This was, of course, a unique day, and it was an important statement which we have been waiting for, to now continue our journey in exploring scenarios and planning for how an establishment and deliveries of quite a few aircrafts would look like in Ukraine. And it also adds to our assessment of investments that we need to do looking into that.

With all due respect, I mean, there's no contract yet. Still a lot of work to do. You heard the President Zelensky and also Prime Minister Ulf Kristersson talking about the financing solution and what needs to be established there. And then, of course, there are a couple of other things, but we will start doing our work to support this going forward.

And it was great to see our employees at Linköping spontaneously applauding and cheering when President Zelensky stepped out of the car. And it's – we're so much committed as a company to support Ukraine going forward. That was a unique and fantastic day, and now we will work hard to make this happen as well, of course.

So, with that, I just want to go into a few highlights then of the quarter. It has been a strong demand in the market. We still have a lot of geopolitical tensions, of course, around us and there's strong demand from many countries in all avenues of our portfolio. And we developed contracts really well. We had a strong quarter when it comes to order intake, as you've seen, but it's also timing. It's on the same level as the quarter last year, but in October only, after the closing of this quarter, we have SEK 16 billion in order intake. So, we're looking toward a really strong year when it comes to contracts as well.

We have a number of campaigns apart for our product demand in the market that we are running, of course, both when it comes to the Gripen side, and we'll come back to that, and also GlobalEye where a number of countries have a huge interest in our system. As you know, we've been selected by France, and now we're just waiting to, sort of, them to sign the contract in that country as quickly as possible. And then we have interest from – actually from NATO and from Germany and from Denmark, and a number of other countries is looking into our GlobalEye system.

So, there is still a need to continue to invest in capacity which we are doing in a diligent way I think, and looking at the execution this quarter, it's been solid in a normally weaker quarter, but it's really been strong this quarter. And as you've seen, I mean, the first nine months is now an organic growth of 21%. So, we've done really well also, adding the third quarter to the first two ones here.

And we will continue to look at our development of our profitability which has also been good. But we'll also never trade-off versus investing in capacity to meet the demand in the market, of course, but also being relevant when it comes to new technologies that we have to invest in going forward.

All in all, it's been a strong quarter and we have, as you've seen now, upgrading the outlook for 2025. I will come back to that in the end, but we're now raising our guidelines on topline to 20% to 24% from 16% to 20%.

So, back to the numbers. As I said, almost SEK 21 billion in order intake, a good increase in the medium-size story. Looks a bit different between the quarters and I think we – as I said, we added SEK 16 billion only in October, which we have press released. So, it looks really good going forward as well.

We have a book-to-bill of 1.3x and very strong organic growth in this quarter, the strongest quarter we've ever had on topline and also in absolute numbers when it comes to EBIT. So, the margin is now 8.7% in the quarter, but 9.3% looking at the first nine months.

Cash flow is on the same level if you look at the first nine months, minus SEK 1 billion roughly. We have still the same view as last year. We will generate a positive cash flow, we have a number of some important payments coming in now during the fourth quarter, so I'm confident that we will meet our guidelines on that as well.

A few statements about the different business areas as usual. Yes, of course, a big interest in the Gripen conversion now. We have contracted Thailand during the quarter, the first four, and they are looking into further contracts as well. Of course, the batch two and batch three of their contract is being discussed already. And then, of course, we have been selected by Colombia and we are negotiating a contract there. We have no contract yet, but we are moving ahead in a good pace in Colombia. And then, of course, the interest now from Ukraine is something we will take into account and start planning for, as I mentioned.

We have a good strong quarter from Aeronautics. They have gone 34% up compared to the quarter last year, so they had really good project execution in the Gripen program mainly. But still the profitability level is affected by ramp-up costs that we have mainly in the T-7, the trainer aircraft in the US, in West Lafayette. So, that is still a burden to Aeronautics, but they are moving in the right direction definitely.

Dynamics, again, good growth. A quarter that is normally quite weak for Dynamics has been quite strong actually. So, they have – if you look at the first nine months of Dynamics, they have now – they have grown 30%, 34% or something, maybe even 36%, if I remember correctly now, is extremely strong year for Dynamics. They have had a number of medium-sized order, but also large one from the Czech Republic when it comes to the medium, short-range air defense system, RBS 70.

So, there's still a big demand in the market and we are investing heavily, as you know, to increase capacity in this area. I think we have only in the Karlskoga area, 40 projects ongoing to expand everything and building factories in the US and in India, as you know, and they have a huge backlog now, of almost SEK 90 billion as we speak.

Surveillance, also a very interesting portfolio. I said that the campaigns for the GlobalEye are a number of them now, so we are intensifying that, of course. I hope that we will see this GlobalEye system, which is the state-of-the-art system, most modern one, taking a bigger position now also within the Alliance with multiple countries going for GlobalEye. So, that's what we're working. And the first one that we were selected upon is, of course, France that you know all about.

So, there is not only on the GlobalEye side, but the surface side, surface sensors, the sensor side of Surveillance is going really strong, and getting more and more contracts and they deliver quite well as well, growing 8%. And honestly, the quarter three of Surveillance is the strongest ever, top line wise. So, they are doing well also when it comes to project execution, and they have a huge potential going forward, I would say.

I also want to mention that we are divesting TransponderTech, which is communication and automatic identification system type of entity, as we have also already press released, and we will close that deal now in quarter four. Also, very big backlog on the Surveillance side, as you can see, SEK 55 billion.

Saab Kockums, also have a big interest in many segments. You know, we work in campaigns now on the submarine side with Poland, and that we're putting a lot of effort into, of course, and it makes lots of sense to have

Sweden and Poland work together to protect the Baltic Sea. But also on the surface side, we have the Swedish corvette/frigate program coming out, which is called the Luleå class, which we are also seeing as a big potential going forward.

But there are many other export contracts where we are involved and we have also now invested, but also got the contract to look to design and test a large underwater unmanned vehicle with the Swedish Navy, which is great to see that we're moving in that direction. Because also on the Navy side, it's not only in the air, you will see collaborative combat entities working with manned entities. That will also happen on the surface and subsurface going forward.

We also got a task which is fantastic on to lead a project within NATO when it comes to underwater battlespace project, connecting and creating interoperability between manned and unmanned systems. So, that we look forward to execute. And the growth is really good, 17% year-on-year, when it comes to the quarter, and they are really moving in the right direction, and they have a substantial backlog. I need to mention, of course, that after the quarter in October, we got an additional contract, as you have seen, on the submarines side, with SEK 9.6 billion adding to the backlog now going forward.

And then finally, when it comes to our business area Combitech, we have, of course, a very well moving forward Combitech, our technical consultant entity. They are growing also rapidly year-on-year, 17%. It's all about employing new people, of course, and getting utilization into the operations that create these numbers, and I think we've employed 200 people up now, only in this quarter from the Combitech side, and that adds to the growth, of course.

We're doing well as a consulting company. We're absolutely in the right areas, in the right niches right now, cybersecurity, critical infrastructure, critical communication, creating security operation centers for many type of industries, and also from the – on the – in the public side, the authorities, and everything connected to total defense in terms of resilience is something that generates business now for Combitech going forward. So, they had a good quarter as well definitely, and they're growing quite a lot over the year as well.

So, I just want to say a few words about something that's been discussed every day, every week in terms of what's happening in Ukraine when it comes to drones and what type of drone capability do we need going forward and counter-drone capability. And also, the EU Commission have launched projects now during the last few weeks, which is a drone wall, making sure that we have resilience versus big – big drone capabilities coming from the East.

And I just want to mention that this is something we really are investing in, and we already have solutions in place. We don't talk so much about this, but we have already used these solutions in NATO missions in Poland, [ph] we call One System (00:13:45).

The way we approach this, I must say, is to make sure that we are quite agnostic when it comes to what effectors or interceptors do we use. We can use everything from a Bushmaster gun, to electronic warfare type of effectors, to nets, or kamikaze drones, or actually RBS 70, and we are now investing in a new missile that you've heard about called Nimbrix, which is in a segment between the guns and the RBS 70. So, that's agnostic. We can integrate the system that would manage different types of threats.

And the Loke system is a brand name of the system, includes of course, a sensor capability with the Giraffe 1X which is excellent, and a more state-of-the-art radar that will find everything from micro drones to larger drones, and cope with many threats at the same time. A command and control system which is really compact, and then

an interceptor vehicle that would have the chosen effector on it. That counter-UAS system already established in Sweden and used in NATO missions.

The loitering munition side, or actually having an own swarm technology capability, we have already released that, that we have something that is self-organized in terms of software and using AI to have a swarm of drones doing different types of mission. And I think we are focusing, among other things, on not only surveillance, but also loitering munition. That is important because of how you would have manage an aggressor going forward, not only with support weapons that [indiscernible] (00:15:33) anti-tank weapons, but you can also use drones to accomplish part of the mission and work together with support measures. So, we are involved in this area and ramping up our capabilities and we already have existing systems.

A couple of highlights from the sustainability area, a very important area to us. We have, this quarter, established a biogas facility in our site which is the Barracuda entity in the Gamleby which is doing camouflage and signature management, which reduces our energy dependence on fossil fuel, of course dramatically. And if you compare year-to-year, the first nine months to last year, we have reduced 4% on the CO2 emissions. And we are in good track now to support our SBTi targets, where we have said we will be 42% down 2030. And if you look at the base year compared to where we are now, we are 33% down.

We have a good progress on operational health and safety. We really make sure that we have a safe operational environment within the company and we measure this all the time, and we must report every incident to mitigate everything that could happen.

And another thing is, of course, diversity and inclusion. We are happy to see that we are now moving up when it comes to our female employees in the company now at 27%. That is a very good step. And we want to go further also, of course, when it comes to female managers, but we are moving in the right direction. And since we have employed 2,700 people net up during the first nine months, 34% of that employment is actually female. So, we're going in the right direction. I'm really happy to see this.

So, last, but not least, I already said that in my first slide that we have – because of the good progress this year, the first nine months, organic growth of 21%, and also good visibility, of course, into the backlog, which is now over SEK 200 billion, and we know what we need to deliver the remaining part of the year. We have now said that we will take this step from 16% to 20% growth rate to 20% to 24% instead. So, that's our new guidance and we still retain the other portion saying that EBIT will grow more than the organic sales growth, and we will generate a positive cash flow, and we are confident doing that going forward.

I just want to thank all our employees for doing a fantastic job during the first nine months and supporting this growth, and the commitment to creating societies, and make – having people and society safe is a strong the purpose of the company, which is supported by our employees. I'm really pleased to see that.

With that, I think if I have not forgotten anything, I will hand over to Anna, our CFO.

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## Anna Wijkander

*Chief Financial Officer, Saab AB*

Thank you, Micael, and good morning, everyone. Yes, as you have heard, we are delivering a strong third quarter and from – especially from a sales growth and EBIT growth perspective. So, I think now it's time to dig more into the financial numbers and we start with the order backlog.

We left the third quarter with a strong backlog, increasing it to SEK 202 billion. In particular, it was the medium-sized orders that increased during this quarter. They more than doubled, actually, this quarter so we booked SEK 21 billion, and we have, since the quarter closed, we booked additional SEK 16 billion in order intake. So, the start of Q4 looks promising.

73% of our orders in the backlog are international and it's Dynamics and Surveillance that is the majority of the order backlog – 71%. If you look to the left in the graph, you can also see that we are increasing our deliveries for – from the backlog for the fourth quarter with 35% compared to the last year. And we can also see that we are increasing the deliveries from backlog – the year-one and two, and that is 2026 and 2027, compared to last year. So, that really shows that we have – we are in a growth journey and that we are also expanding our production capacity to deliver on our commitments.

Let's turn into some more comments on the drivers of our sales and profitability then. And yeah, as you have heard us saying, this was our highest sales in EBIT in – ever, in a third quarter, and we have strong sales growth, 17% reported, or 18% organic for the group, and the EBIT grow 16% in the quarter. It was also good to see that the gross margin is increasing in all business areas in the quarter due to high product activities.

And looking in then to more in each business area. Aeronautics 34% growth this quarter, driven very much from the Gripen deliveries and high activities in the business areas. Also, we see improvements in the commercial business in the sales growth. However, the EBIT is still impacted by the startup costs that we have in the T-7 factory, as well as a bit higher marketing cost for all Gripen campaigns. And also, we're starting to do amortization on the capitalized R&D that's impacting the EBIT.

Dynamics, again, continued a strong growth from Q2, did grow 12% this quarter and also delivered a higher EBIT margin, 19.3% in the quarter. And that is a result also of project execution, several deliveries and mix situation. You know, in Dynamics we have lot of delivery projects and in this quarter lots of deliveries from ground combat that is impacting the margin on a positive way.

Also, Surveillance grow 8% in the quarter. Good project execution and an EBIT level at the same level almost as last year. Here, it's very much delivers from also the Giraffe 1X radar production that's impacting in a positive way, but also good project execution in the business area. However, on Surveillance, we can mention that there are still negative impact from the civil business impacting their margins.

Kockums also, high activity level and a very significant growth in their EBIT margin year-over-year. That is very much driven this quarter from both high project execution, and in particular, in their export business.

Should mention also Combitech, they grow 17% in the quarter, high utilization, high activity. And as we heard, that they are in – working very much in an area where – which is growing as well. And their EBIT margin was on par with their EBIT margin last year, if we deduct the divestments that they made in the Norwegian operation last year.

From a group perspective, mentioning also that on our corporate level, we have corporate – we have some corporate costs that are SEK 200 million approximately higher this quarter. And that is something that we expect to continue. It was driven very much of this share-based incentive program, but also somewhat higher costs for IT and security as we're growing the company.

The financial summary, then. I think I mentioned all items above EBIT, so I think I focus more here on the financial net that turned negative this quarter. And the reason for that is mainly because we had the revaluation of shares



in the financial investment of around SEK 50 million, that impacted the financial net, and we had also a low result from currency hedges related to the tender portfolio, if you compare to last year. This revaluation that I talked about, impacting also the tax rate this year, compared to last year, it's a bit higher. And then the – all-in-all, the group net income is in line with last year, and as well as the EPS.

Let's zoom out then to nine month and look how it looks for us after nine month has passed. On a group level, the sales increased 20%, organic 21% related to effect on currencies. All our business areas have double-digit growth year-to-date, so that's very positive to see. Also, our gross margin is improving 70 basis points, and it's all business areas that are contributing to this gross margin increase, but in particular, it's Dynamics and Surveillance where we see the improvements.

So, after nine month, our EBIT is up 30%, and we deliver a margin of 9.3%. Year-to-date, the financial net is positive, and here it's supported by the appreciation from currency hedges related to our tender portfolio. And following that, we also have a lower tax rate decrease due to lower share of taxable income from foreign operations. So, net income and EPS improvement, driven by the EBIT growth and also the improvement then in the financial net.

Next, our cash flow. I think we can say that we have a strong cash flow of operation despite increased working capital that is driven by our business growth. After nine month, we have generated SEK 7.3 billion in cash from operations. That's SEK 1.9 billion more than last year. Also in line with our sales growth, we are building working capital and we're doing that in line roughly with the same amount as we did last year.

So, if you look at the operation cash flow and deduct the change in working capital, we actually have a positive cash flow of SEK 3.9 billion after nine month, but, as you know, we need to do our investments, so that's something that we have communicated earlier in the Capital Markets Day and continued to communicate it's important for our growth. And we have increased our investments, SEK 4.9 billion is the amount now, that's SEK 1.7 billion more than last year.

And so, we end up with a negative cash flow year-to-date, but we expect the operating cash flow to be positive this year, since we are expecting several pay – large customer payments by the end of the year.

Finally, on this slide, I just want to mention also that it's very positive to see that we are improving our return on capital employed, it's now almost 15%, and that's driven both by our profitability but also by increased return on capital turnover.

Finally, our balance sheet. We have a strong financial position and a solid balance sheet. Our net debt to EBITDA is on a healthy level 0.1 times. This quarter, we have a net debt of SEK 700 million and that was mainly due to that we have a new – the lease of our newly opened office in Solna here in Sweden. And that's impacting around SEK 1.3 billion in the third quarter.

We have cash and liquid investments of SEK 12.2 billion and during the quarter we had issued total bonds of SEK 2 billion additionally. Additional to that, we have an unutilized revolving credit of SEK 6 billion. So, all in all, that puts us in a strong position to capitalize on future growth opportunities, both through increased investments and also enable us to do potential acquisitions.

So, in summary, I think a strong quarter, both in sales and EBIT across the business. The group has a solid financial position and we have a strong order backlog to deliver on.



So, with that, I hand over to you, Johan, to open the Q&A.

## Johan Andersson

*Head-Investor Relations, Saab AB*

Thank you very much, Anna and Micael for a great presentation. So let's start the Q&A session and we will start with questions from the phone conference. And I will ask you also to limit yourself to one question per participant. So, please, operator, do we have any questions from the telephone conference?

# QUESTION AND ANSWER SECTION

**Operator:** Yes. [Operator Instructions] The first question comes from Daniel Djurberg with Handelsbanken. Please go ahead.

## Daniel Djurberg

*Analyst, Svenska Handelsbanken AB*

Q

Thank you, operator. Good morning, Micael, Anna and Johan. Then I will go to Aeronautics I think. You had a good quarter, nice growth, a little bit lower EBIT margin versus last year's quarter [indiscernible] (00:29:41), but it's still the – as you have mentioned the T-7A program [indiscernible] (00:29:47). Can you both give us an update on this in terms of both the cost or margin impact, and also how – for how long we should expect this to linger, [indiscernible] (00:30:00) will increase in size or the opposite? Thank you.

## Micael Johansson

*President, Chief Executive Officer & Director, Saab AB*

A

Thank you and good morning. Now, I think when you look at Aeronautics, I would say that a normal Aeronautics, with a reasonable scale of Gripen contracts and what have you, should be in – I don't guide, but I will – talked about this before, high single-digit numbers. So, the effect is still there from T-7, absolutely. We've turned around the commercial business in a good way. We're not adding lots profitability really yet, but it's still okay. So, I would say, still a couple of years. It won't go in the wrong direction. It will go in the right direction, but before it's actually a good addition to our Aeronautics business, it will be three years ahead from now roughly, I would say. But it will go in the right direction...

## Daniel Djurberg

*Analyst, Svenska Handelsbanken AB*

Q

Thank you very much.

## Micael Johansson

*President, Chief Executive Officer & Director, Saab AB*

A

...over time, of course.

## Johan Andersson

*Head-Investor Relations, Saab AB*

A

Excellent. Thank you very much. Do we have another question from the telephone conference?

**Operator:** The next question comes from Ian Douglas-Pennant with UBS. Please go ahead.

**Ian Douglas-Pennant**

*Analyst, UBS AG (London Branch)*

Q

Hi. Thank you very much. So, I've got several questions, but I'll limit myself to one on Gripen, please. Could you expand on the comments that we've [ph] reviewed (00:31:20) I think, in the press this morning that you could expand Gripen capacity very rapidly if required? I wonder if you cared to just educate us on this group as to what was said there and how quickly that could happen. And in order for that to happen, do you need to see deposits coming in before you consider making those investments, or would you consider investing on [indiscernible] (00:31:40)? Thank you.

**Micael Johansson**

*President, Chief Executive Officer & Director, Saab AB*

A

Well, as I've said, I mean, we still need to set the scenario that is, if we now get the financing in place, if the politicians sort that, and you get support for financing Ukraine to go into contract on the Gripen E, and expanding, then production will be important. The way I see it is that – I've said that this morning, that, right now, we are looking at expanding production with investments that we've taken to somewhere between 20 and 30 aircrafts a year.

And, of course, as you know, with the numbers that was stated in Wednesday's meetings, that would add a lot of that. So, that – we're looking into that now, how quickly can we take another step, because this investment we're talking about is look to be implemented next year, and the year after that, roughly, get to that level, and then you can take another step, of course. It will be adding more to the Linköping production lines if we do that, and that's a few years ahead, but it would also mean that we would expand our hub in Brazil, and we are initiating, as we speak, other partnership discussions in countries that would have an interest for the Gripen, of course. So, it will mean that we would need another hub beyond the hub we have in Brazil, and expanding in Linköping as well.

Well, we said that, okay, if Ukraine pushed the button, we would deliver the first one in three years' time, and that is what we commit to. And then it depends on what is the stretch of the delivery schedule with Ukraine in when we have to have this capacity in place.

Normally, it takes like two to three years to get improved capacity in place I would say. That's the view I have on how quickly we can do this. But there is an absolute opportunity to implement this. Will we – yes, I would like to see a more solidified financing solution in place before we take the big step to start adding huge investment to this, but since we're already moving in the investment direction, we can add a little bit more may be at risk to actually make sure that we keep the lead times. That's the way I see it without quantifying exactly.

**Johan Andersson**

*Head-Investor Relations, Saab AB*

A

Excellent. Thank you very much and thank you for your question, Ian. Do we have another question from the phone call?

**Operator:** The next question comes from Aymeric Poulain with Kepler Cheuvreux. Please go ahead.

**Aymeric Poulain**

*Analyst, Kepler Cheuvreux SA (Switzerland)*

Q

Yes, thank you. Good morning. Clearly, the demand outlook is great and it's a third year you're going to be growing at 20% or 25%. So, the question is, do you expect that rate to be maintained, or are there supply chain

challenges, especially regarding the staffing or specific material that are starting to emerge, given the very strong demand situation?

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**Micael Johansson**

*President, Chief Executive Officer & Director, Saab AB*

A

Well, it's a bit premature to talk about the next years beyond, I would say, this year right now. You know, we've committed to a mid-term target of 18% CAGR over the time period of 2023 to 2027. We will come back and refresh that – revisit that and refresh it in the report quarter, I would say, in February next year. And then we will have a new view, from our perspective, on how quickly we can continue to grow. So, that's where we are right now.

If you look at what is the pain points, what's the limiting factors to grow, you are touching upon the right things. We need to bring with us the supply chain, and maybe sometimes invest in supply chain, but they have to invest also to find a whole ecosystem supporting us is absolutely necessary. And there are a few pain points there, but manageable, I would say, going forward.

And then I am assuming, long-term, of course, that we will resolve the rare earth elements discussions we have with China, and also start to invest to have sovereign capacity on that side. But then we're talking years ahead and that – because that will affect every industry, I would say, if that is not sorted. But, yeah, that's the way I see it.

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**Johan Andersson**

*Head-Investor Relations, Saab AB*

A

Excellent. Thank you. Let's take a couple of quick ones from the Web. One is, what's the difference between Gripen E and F, and when can we see the first Gripen F?

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**Micael Johansson**

*President, Chief Executive Officer & Director, Saab AB*

A

Okay. Yeah. We are maybe a bit of nerds using all these acronyms, but, as you know, we have the Charlie, Delta version in operations right now, and, we have delivered an Echo version as well. The C is – the E is a single-seater version. The F is a dual-seater version. And we will deliver the dual-seat version to Brazil in 2027. So, that's when the first aircraft – it is being manufactured right now. This has been a design that's been done together with the Brazilian industry and Brazil, and that is in line with the plan that we have. Sweden has not contracted any dual-seat versions of the Gripen, meaning Gripen F. I hope I was not too complicated. It's simple, actually, single-seater version, dual-seater version.

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**Johan Andersson**

*Head-Investor Relations, Saab AB*

A

I think it was pretty clear. Another one, you talked a lot about your drone capabilities in your strategy there. How much are you doing and developing by yourself, and how are you looking and doing things with partners? How do you think strategically there? What's important?

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**Micael Johansson**

*President, Chief Executive Officer & Director, Saab AB*

A

It's a really good question. I think from a software-defined perspective, we're doing everything ourselves. And then, of course, when it comes to sensors and effectors, we have also things in-house. Then we are looking into

how can you scale something quickly either yourselves, with lots of 3D printing, or storing parts that you can actually assemble quickly, and how many partners do we need there?

So, I think on that side, when it comes to platforms, there will be more partnerships, but it's a bit different depending on what kind of drone you're talking about, of course.

**Johan Andersson**

*Head-Investor Relations, Saab AB*

A

Good. Excellent. Then we had a quick one for Anna. Do you expect your backlog to continue to increase going forward?

**Anna Wijkander**

*Chief Financial Officer, Saab AB*

A

With our growth that we're foreseeing, I think that is something that we can assume that the backlog will increase going forward.

**Johan Andersson**

*Head-Investor Relations, Saab AB*

A

Sounds good.

**Anna Wijkander**

*Chief Financial Officer, Saab AB*

A

So, that is – yeah.

**Johan Andersson**

*Head-Investor Relations, Saab AB*

A

Sounds good. Okay. Operator, do we have any other questions from the telephone conference in this point of time?

**Operator:** The next question from the phone comes from Björn Enarson with Danske Bank. Please go ahead.

**Björn Enarson**

*Analyst, Danske Bank A/S (Sweden)*

Q

Yes. Hi. On Dynamics and the super-solid backlog, and – but as a mix it's very, very important. Can you give us some color on how you look upon the mix situation in the backlog, as profitability can swing quite a lot? We've seen that over the years, depending on what Dynamics you have. Yes, thank you.

**Micael Johansson**

*President, Chief Executive Officer & Director, Saab AB*

A

In the Dynamics area, you mean?

**Björn Enarson**

*Analyst, Danske Bank A/S (Sweden)*

Q

Exactly.

**Micael Johansson**

*President, Chief Executive Officer & Director, Saab AB*

A

Well, I think – I won't go into exact details on the mix as such, but of course, it's quite dominated today by support weapons and missiles. Both have a substantial backlog in that and both will add good profitability numbers.

I will – we have always talked about what is the – what's the ambition level in terms of sustained EBIT level on Dynamics side and I've always said that depending exactly on the question you ask, the mix, between the different portfolio entities in Dynamics, but it should be always in the mid-double-digit numbers, around 15%. Now we've had good quarters now, so we are above that, and of course that's very nice to see, but it will always be on that level, so to say.

But I won't go into exactly part of the SEK 87 billion what's [ph] what there (00:40:15)...

**Anna Wijkander**

*Chief Financial Officer, Saab AB*

A

No.

**Micael Johansson**

*President, Chief Executive Officer & Director, Saab AB*

A

...but the main parts are absolutely support weapons and missile capability. And you can probably draw the conclusions from contracts that we have received.

**Anna Wijkander**

*Chief Financial Officer, Saab AB*

A

And it varies, of course, between different contracts also within the same business unit within Dynamics. So, it differs. So, that could also impact. But I think it's good, as you say, Micael, in the midst of mid-teens – what you – mid-15 – what you say in the...

**Micael Johansson**

*President, Chief Executive Officer & Director, Saab AB*

A

Mid-double-digit number.

**Anna Wijkander**

*Chief Financial Officer, Saab AB*

A

Double digit. Yeah.

**Micael Johansson**

*President, Chief Executive Officer & Director, Saab AB*

A

Then I mean between 10 and 20, not sort of...

**Anna Wijkander**

*Chief Financial Officer, Saab AB*

A

Yeah. Exactly.

**Micael Johansson**

*President, Chief Executive Officer & Director, Saab AB*

...between 10 and 100.

A

**Johan Andersson**

*Head-Investor Relations, Saab AB*

That's great. Perfect. We have another question from the telephone conference.

A

**Operator:** The next question from the phone comes from Carlos Iranzo Peris with Bank of America. Please go ahead.

**Carlos Iranzo Peris**

*Analyst, Bank of America*

Hi, guys. I hope you're well. Thanks for taking my question. So, I just want to ask on the GlobalEye because it looks that it's having a strong commercial momentum recently. So, can you help us to understand how big the GlobalEye opportunity could be for you mid-term?

Q

**Micael Johansson**

*President, Chief Executive Officer & Director, Saab AB*

Well, I mean, this is one of the megadeals that always will take a prime minister or a defense minister to decide in the end. But, I mean, we have campaigns ongoing. As you know, France has – have selected and they will start with two. We have three in production for Sweden. There is an interest for a number of aircraft when it comes to Germany and NATO. We have a couple of interests also in the Middle East. So, it adds up to a number of platforms with a strong potential. But I would hesitate to bring too much of megadeals into our growth, and this is not part of our growth this year, or a big portion of our business plan going forward.

A

We look upon megadeals in a careful way. They are adding substantially when they happen, but it has to be continuous growth anyway. So I just want to say that yes, there are many platforms that could come into play, but I wouldn't jump into conclusions because they are megadeals campaigns. And political decisions will also be involved in that. So – but, I look very positively upon the future of GlobalEye. That's what I can say and I mentioned a few countries now that have an interest.

**Johan Andersson**

*Head-Investor Relations, Saab AB*

Excellent. The next question, please?

A

**Operator:** The next question comes from Tom Guinchard with Pareto. Please go ahead.

**Tom Guinchard**

*Analyst, Pareto Securities AB*

Thank you. Question on the raised guidance here. Any changes in delivery pace across the different business areas, or what's changed since your last guidance? If you can break that down, please.

Q

**Micael Johansson**

*President, Chief Executive Officer & Director, Saab AB*

A

Well, I think everyone is actually picking up nicely when it comes to expediting deliveries and pushing things from the backlog into sales. And also some of it is connected to that, we get our capacities coming into place. And also seeing, yes, that we have added 2,700 people to the company, net up this year, there's lots of push into this, and we are optimizing our way of working and automating production. So, it's a number of things that comes together that was – had lack visibility in the beginning of the year, but now, we have – are more confident that we have actually succeeded in many things that we put ourselves forward to do.

So, it's actually in all areas, and of course, I mean, Dynamics is growing dramatically. You see 36% growth of the first nine months, so, it's an engine in this, but also the other business areas are growing, and there's lots of potential in Surveillance, and Aeronautics have now really stepped up in terms of growth. So, I wouldn't point to something specific, but you can see from the numbers, so nine months now, what's driving this and what comes into play first.

**Johan Andersson**  
*Head-Investor Relations, Saab AB*

A

Good. Many thanks.

**Tom Guinchard**  
*Analyst, Pareto Securities AB*

Q

Thank you.

**Johan Andersson**  
*Head-Investor Relations, Saab AB*

A

I think we have another question from the telephone conference.

**Operator:** The next question comes from [ph] Sasha Tusa (00:44:35) with Agency Partners. Please go ahead.

**Sash Tusa**  
*Analyst, Agency Partners LLP*

Q

Yeah. Good morning. It's Sash Tusa here. I've got a couple of questions. First is just to – R&D, on a nine-month basis, it's doubled over the last four years. Going forward, if you have investments, particularly in Counter-UAS, do you expect continued growth in R&D, or is that just going to be a shift in the mix probably towards the Counter-UAS area, and away from other areas ? I wonder if you could just give some color on how the R&D is expected to develop.

**Micael Johansson**  
*President, Chief Executive Officer & Director, Saab AB*

A

Now, what I can say is I want to grow the R&D investments as much as I can, but still keeping to the guidelines that we have, the trade-off between here and now top-line growth, increasing our profitability, but still having the strength to grow our investments in R&D, and we need to do that when it comes to AI, autonomous systems in all domains, and also of course, in the way we develop software. We have established in our common tech organization that is pushing a software out on the business unit in a different way, with solidified architectures and stuff. So, we need to continue to invest. Make no mistake.

So, it will continue to grow. It will not only be a mix and shift in that, so to say. We have to do a number of things going forward in all core areas, both when it comes to autonomous systems in the air, which we call Collaborative



Combat Aircraft, the unmanned underwater vehicles, we have, as you know, a collaboration with General Atomics to do an autonomous airborne early warning capability. So, there are a number of things that we have to do and which I look forward to do. So, it will continue to grow, but I won't quantify it, how much. It is always this trade-off between the different pieces I mentioned.

**Anna Wijkander**

*Chief Financial Officer, Saab AB*

A

Yes. Maybe I can add, we have also some capitalized R&D that we have started to depreciate now that is also impacting and that's something positive because we are delivering in our projects and therefore we can – we depreciated the capitalized R&D. So, that's also going to increase during the year.

**Johan Andersson**

*Head-Investor Relations, Saab AB*

A

Excellent. Thank you. The next question – oh, sorry. Did you have a follow-up there?

**Sash Tusa**

*Analyst, Agency Partners LLP*

Q

Yes, please. [ph] That's thoughtful (00:47:13). Yeah. I just wondered if you could elaborate on the Luleå frigate program which seems to be in a degree of flux. Are you pleased that it's now more of a frigate, not a corvette?

**Micael Johansson**

*President, Chief Executive Officer & Director, Saab AB*

A

Yeah.

**Sash Tusa**

*Analyst, Agency Partners LLP*

Q

Corvette was probably a bit of a euphemism anyway. But could you just give us some color on where that program is? And, in particular, the reported bid by France to export frigates directly to Sweden, possibly as part of the offsets for the GlobalEye program, how do you see that developing?

**Micael Johansson**

*President, Chief Executive Officer & Director, Saab AB*

A

I think that's a question you should ask the Swedish customer mainly. And I want to underline it's probably...

**Sash Tusa**

*Analyst, Agency Partners LLP*

Q

Yeah, [ph] exactly (00:47:56)...

**Micael Johansson**

*President, Chief Executive Officer & Director, Saab AB*

A

I mean, it's probably a corvette, of course. I mean, maybe it's my ignorance. But, listen, we have a – we have put forward a very strong offer together with Babcock, our main partner here, and I hope that that will prevail and be the selected thing. Yes, the Swedish customer has opened up, as I know, for other proposals, and it's up to them now to select. But I still think we and Babcock have the strongest proposal. Now, it's up to the Swedish Navy and Swedish FMV, the Defense Materiel Organization (sic) [Defence Materiel Administration] (00:48:28), to make

a selection. And exactly when that is going to be done, I'm not sure, but time is of essence, of course, since they want the frigates to be operational 2029-2030, something.

Johan Andersson

*Head-Investor Relations, Saab AB*

Excellent.

A

Sash Tusa

*Analyst, Agency Partners LLP*

Thanks very much, indeed.

Q

Johan Andersson

*Head-Investor Relations, Saab AB*

Thank you very much. Let's take the next question from the telephone conference, please, operator?

A

**Operator:** The next question comes from Marie-Ange Riggio with Morgan Stanley. Please go ahead.

Marie-Ange Riggio

*Analyst, Morgan Stanley & Co. International Plc*

Yeah. Hi. Thank you for taking my questions. The question that I have is on your current capacity expansion. Clearly, we see that 2025 is quite a record level for you. You announced some capacity expansions at your last CMD mainly for Dynamics and Surveillance. I'm just wondering, given the level of backlog that you have today and the demand that you are seeing in the coming years, are you already increasing further the capacity, compared to the guidance, or when I compare to the indication that you gave at your CMD, or you are still expecting basically the orders before like moving forward from those targets? Thank you.

Q

Micael Johansson

*President, Chief Executive Officer & Director, Saab AB*

I will say, for the year, we are in line...

A

Anna Wijkander

*Chief Financial Officer, Saab AB*

Yeah.

A

Micael Johansson

*President, Chief Executive Officer & Director, Saab AB*

...what we talked about at the CMD. It's not a walk in the park to get everything executed. So, that is a really a high ambition, to invest all that money into capacity increases that we talked about. And we're looking into what do we need to do next year, of course, and we'll come back to that next year. But we will continue to invest in capacity increases, obviously, because of the demand in market. But what we're doing right now is supporting what we talked about in the support area, going from below 100,000 units to somewhere in between 400,000 and 500,000 units when we get that – all the capacity in play. And I look forward to getting the factory in Grayling, Michigan up and running, in the end of next year and also then India, of course, to add to this.

A

So, we'll come back on that, but we will see more invest – again, we stick to our guidelines, but we will not compromise, making sure that we have the capacity to support demand in the market and not compromise to

make sure that we invest in the right technologies to be relevant all the years to come. And this is the puzzle that we work with all the time to make that really efficient going forward. But it will – we will need more capacity investments, absolutely. But we'll keep to the CMD statements that we – that we have.

Johan Andersson

*Head-Investor Relations, Saab AB*

Excellent. Thank you. Just take two...

Marie-Ange Riggio

*Analyst, Morgan Stanley & Co. International Plc*

I – If I may?

Johan Andersson

*Head-Investor Relations, Saab AB*

Yeah, sorry, go ahead, please.

Marie-Ange Riggio

*Analyst, Morgan Stanley & Co. International Plc*

On that, I mean, are you afraid about the lead time for your [indiscernible] (00:51:25), like, are you afraid basically that the lead time about increasing the capacity can limit further growth going forward given the fact that, I mean, it will take time, if I'm correct, you have ground combat where you can increase the capacity pretty quickly. And for the rest, I think that takes a bit more time. So, that's why I was saying, like, if you are trying to be ahead of the curve in terms of adding capacity, because clearly the backlog would support further growth or not. So, can you probably just remind us with the lead time for any order projects that is not ground combat, if you include the capacity?

Micael Johansson

*President, Chief Executive Officer & Director, Saab AB*

If you talk about the lead times to get increased capacity into play when it comes to ground...

Marie-Ange Riggio

*Analyst, Morgan Stanley & Co. International Plc*

Yes.

Micael Johansson

*President, Chief Executive Officer & Director, Saab AB*

...combat, it's like roughly two years. So, we started early, fortunately, but there are different movements. As I said, there are 40 building projects ongoing in the Karlskoga area only. So, they are not in the same schedule as we speak, all of them. But it's roughly – to get to full-fledged big step up on the capacity of support weapons, I will sort of simplify it to say it's roughly two years.

Johan Andersson

*Head-Investor Relations, Saab AB*

Excellent. Thank you very much for the questions. I think we need to move on to some of your colleagues, but just take one question from the Web here. In – Micael, in your CEO statement, you write that Colombia has selected the Gripen, and that you are in negotiations. Do you dare to set a timeframe here or how should we view that?

**Micael Johansson**

*President, Chief Executive Officer & Director, Saab AB*

A

As I said before, I hope to conclude that during this year. That's what I've said before. I'll stick to that. It's – I won't give a week or a month or so, but we've been doing good progress and I'm pleased to see that. So, I hope we will conclude this, this year.

**Johan Andersson**

*Head-Investor Relations, Saab AB*

A

Good. Another one is on the – your drone capabilities. Should we start to see that that also can be some larger orders here, or will it be more of test and trials and so forth, or in the future would you see that this can also grow to more products, bigger – bigger size orders?

**Micael Johansson**

*President, Chief Executive Officer & Director, Saab AB*

A

No. I anticipate that to happen because I think also looking at what capabilities the commission have stated as flagship projects, if you want to implement that, of course you need plenty of counter UAS systems. And if you want to have another capabilities or more aggressive, you also need quantities. But we're not really there yet, but we're seeing contracts coming now. So I think that's an avenue that will grow, absolutely. But, exactly how and when it's – I can't say, but we're in that race.

**Johan Andersson**

*Head-Investor Relations, Saab AB*

A

Good. Okay. I think we have a number more questions over the telephone conference. So let's spend the last 5 minutes there. Please, operator, next question.

**Operator:** The next question comes from Renato Rios with Inderes. Please go ahead.

**Renato Rios**

*Analyst, Inderes AB*

Q

Good morning. This is Renato at Inderes. Congratulations on the very good results [ph] to-date at work (00:54:24). Thank you for taking my questions. Similar to the question that was just asked, and regarding drones and AI, looking ahead to, say 2026 to 2030, or even beyond, how do you see drones technology and AI-driven, drone-powered products and systems moving from development to recurring revenue and contracts? How significant a share do you think this could become in the medium to long term?

And it would just be interesting to hear your view on the revenue mix, how it could look like across the ground, air and marine domains and largest product categories? Thank you.

**Micael Johansson**

*President, Chief Executive Officer & Director, Saab AB*

A

Good questions. I think looking into the crystal ball and trying to understand how quickly AI and autonomous capabilities will take an operational role and great quantity is a really difficult one, I must say. It's all connected to also the end user, how quickly are they prepared to change a bit of their concepts of operations from doing what they're doing now to using these capabilities in a new way.

I mean, it's different looking at Ukraine, which are moving really quickly ahead with short iteration cycles, upgrading the drone capability on a weekly, daily basis, very decentralized to keep – to keep trying winning the war, and they take a bit of a risk, of course. It's different than in an environment where you change the CONOPS of a defense force or an army to do things. It will take a little bit of time, I think, but it will definitely prevail and be there going forward.

Technology was developed much quicker than I think we understand, and how much you can do on an autonomous basis and how much support you will have from AI agents, agentive AI going forward will be tremendous. But to quantify the share is – I can't do that today. I just make sure that we are part of that journey and that we invest in that going forward.

Between the domains, I think the land domain will continue to grow and will be substantial. If you look at the company from our side, maritime and air is a bit dependent on the megadeals, of course, a bit different in that domain. But then it will be sustained business, of course, in the background as well. So, I think land domain is more sensors and products and weapons will continue to grow, and also, we, hopefully, will continue to grow a lot in the air domains as well, but that will be a bit dependent on the megadeals honestly.

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**Johan Andersson**

*Head-Investor Relations, Saab AB*

A

Excellent. Thank you very much, Micael. Operator, do have a final question from the telephone conference?

---

**Operator:** Yes, and it comes from Alfonso Osorio with Barclays. Please go ahead.

---

**Afonso Osorio**

*Analyst, Barclays Capital Securities Ltd.*

Q

Hello, yes, good morning. I hope you're both well. I just wanted to come back to this Gripen deal with Ukraine. I mean, the 100 to 150 jets is a massive potential order here. So, firstly, what would be the total length of this contract, assuming [ph] the deliveries (00:57:54) start three years from now, as you just said. And then what would be the profitability of that contract compared to the other contracts you have within the Gripen family?

---

**Micael Johansson**

*President, Chief Executive Officer & Director, Saab AB*

A

Good questions, but I'm sure you understand, I can't nail that down completely, but I mean, I have said before, I mean, that size of the contract would of course create scale and improve the profitability of the Aeronautics domain, and it depends on many other things. What kind of availability do they need? What kind of flexibility and agility do they need? Ground support equipments, training, and all of that in terms of the whole contract. But you can look at Brazil, and then you do your mathematics on what 100 or 150 contract – it's in that ballpark, but it depends on a number of things that we haven't nailed down yet to look at the size of the contract.

But everything that adds that scale to the operations would of course add profitability, that's for sure, but I won't say how much, today. That's not possible. We will start working this now and look what the expectations are from Ukraine when it comes to schedule, delivery rates and when the first aircraft needs to arrive and then offer them something that needs to be discussed, and apart from that, all these things that are on financing must come into play as well. So, we will work that diligently of course, no question about it. And I look forward to it.

Can I say one thing before we end which I...

**Johan Andersson**  
*Head-Investor Relations, Saab AB*

A

Absolutely.

**Micael Johansson**  
*President, Chief Executive Officer & Director, Saab AB*

A

...forgot...

**Johan Andersson**  
*Head-Investor Relations, Saab AB*

A

Sure.

**Micael Johansson**  
*President, Chief Executive Officer & Director, Saab AB*

A

actually. You've seen probably the press release, but I just want to say that we have now appointed a new position in our corporate management, Strategy and Technology, and it is Marcus Wandt, who is a great technology guy and a visionary guy, good leader, and will take the role. And we do this because there are cross-company initiatives that we have to have a thorough discussion about in corporate management, and all the initiatives that comes from EU, or NATO, of course, as well. But technology is moving so fast, so we need to be sure that we have the right discussion in corporate management. So, I look forward to welcome Marcus Wandt, 1st of November, to my corporate management.

**Johan Andersson**  
*Head-Investor Relations, Saab AB*

Thank you very much, Micael. And with that, good evening, we finalized this call for the third quarter and very much look forward to the Q4 call that we will have then in beginning of February. So, thank you again, very much for listening in and also joining over the Web. And if you have any further question, do not hesitate to reach out to us at the Investor Relations department and have a really, really nice day. Thank you.

**Micael Johansson**  
*President, Chief Executive Officer & Director, Saab AB*

Thank you.

**Anna Wijkander**  
*Chief Financial Officer, Saab AB*

Thank you.

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