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Saab AB (SAABY.SE)

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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 Fourth Quarter and Full-Year Report for 2025. My name is Johan Andersson, responsible for Investor Relation, and I will be the moderator here today. With me here in Stockholm, I have our CEO, Micael Johansson; and our CFO, Anna Wijkander. Micael and Anna will present the report. And then, thereafter, we will conclude with the Q&A session. And just to remind you, you can either ask your questions over the phone or you can write them in the web interface.

So, with that, warm welcome and I'll leave it over to you, Micael.

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

Thank you, Johan. And also, a warm welcome from my side, and thank you for joining us today. I will start by jumping right in to sort of the perspective of last year, looking at how we met the sort of our guidance and our growth perspective. So, we ended up with almost SEK 80 billion in organic growth, SEK 79.1 billion, which was excellent, 25% organic growth. And then, also had a very good development on our operating income, of course, growth of 37%. And the cash flow was extremely good in the quarter, the last quarter last year. So, we ended up all in all at 5.3%. So, we had an extremely good year last year meeting all our expectations.

And it is, of course, based on very good sort of delivery capabilities and how we actually performed in delivering to our customers over the year. And showing that our capacity investments that we have comes into play. Going forward and looking at some highlights, obviously, looking at the extremely high order intake in Q4, but also over the year, we see a high customer demand in the market and is very many initiatives that we're working, of course. And the product contracts continue to grow, but also we have a strong interest on the sort of bigger platform side. And that's why the balance of the large orders towards the medium-sized orders and the smaller orders have changed a bit. So, we still see, of course, volatility and geopolitical tensions around the world, as you all know, and – but I would say, what's dominating the growth right now from our perspective is still that the European nations and the pillar of NATO, the European pillar of NATO has to sort of expand the capabilities also quite clearly stated by the US that we have to take responsibility for our own continent when it comes to the threat environment. So, that is driving, of course, lots of spendings in Europe, but not only to look forward to future growth and that drives mainly the growth for us, I would say. So, we have a record order bookings, as I've said, and a very high backlog of SEK 275 billion.

Now, a big thing that happened during the quarter, of course, was the selection by Poland for the A26 submarines. And that is extremely important to us, and we really appreciate that. And it will be good for our security policy between the countries, the Baltic Sea protection, of course, and a close collaboration between Sweden and Poland, but also between industries, between Sweden and Poland. Now we are diligently working that contract, of course. It's not a contract yet, but I really look forward to finalizing that contract sort of during this year.

And then, of course, we have shown that we are capable in extending our capacity and expanding that. All the time, we get new capacity expansions in play to support our growth, but there is still much more to do, of course, when it comes to facilities and factories that will come into play. We have the US factory that will be up and running late this year, and we also have an Indian factory as examples coming into play next year. So, those are a few highlights.

Coming back to the market position then and looking at what I try to sort of describe on a very high level, that the mix of the product side of Saab, the portfolio, we are very well positioned in the marketplace, I would say. And I am really grateful that we have a portfolio consisting of both sort of products, but also platforms and also being able to integrate systems together. So, of course, looking at last year, a few very important parts or contracts that happen was, of course, the Gripen to Colombia, €3.1 billion, that we are now executing, of course, according to plan. And then, we have the GlobalEye that came in very late last year, which was really a good win, of course, the two GlobalEyes to France. And then, the contract in Q4 also on this A26 submarines for Sweden, the extending capabilities that added to that contract, but also things like the electronic warfare capacity for the Eurofighter is a very important contract to us.

And then, as I said, product contracts on the missile side and the support weapons side is adding to an excellent sort of year for us when it comes to order intakes, order bookings of SEK 169 billion in 2025. And a really good outlook, I think going forward also, because of the market interest that we have.

Coming back to the quarter, last quarter then 2025, the fourth quarter. Of course, we have all noticed the fantastic order intake of SEK 100 billion in the last quarter, which is then a mix of large contracts with many good product contracts as well. So, an extreme increase, of course, from the SEK 17 billion we had in the Q4 of 2024, an extremely good quarter, highest ever, of course. But also the sales growth, 35% organic growth is really good, including also the EBIT growth of 50%.

And then, as I said, the volatility and the operational cash flow side is – over the year is quite sort of big. So, of course, we had an extremely good fourth quarter to generate the SEK 5.3 billion over the year, SEK 6.3 billion. And as we've said all the time, we promise good operational positive cash flow. But over the year, it will vary a lot, of course. So, this is absolutely the best quarter I think that's all that ever generated, not only the best Q4, but the best quarter ever. So, I'm really pleased with that, of course.

A few comments on the different business areas then. For aeronautics, the Colombia contract was really big event, of course, another contract on the Gripen E. So, now, we have three countries and we are increasing capacity to deliver all these Gripen E fighters. And we have a number of campaigns going forward also, a big interest in the market. So, this is an area that is now growing for us going forward, and we are also looking into the next-gen fighter capability. But I think in the beginning, we will work to complement the Gripen E fighter with the collaborative combat aircraft, sophisticated, you can call it a loyal wingman, an autonomous systems. And that, I think, is the sort of the first thing that will happen in the future fighter sort of avenue that we're running.

We have also the T-7 and the first one is now with [indiscernible] (00:18:53) Air Base. Now, they are using it to start sort of creating the training for the pilots, but it's still many to deliver. And we're still sort of affected by the under absorption that we have in the facilities in West Lafayette, Indiana, and that will be continuing for a couple of years more, I would say. So, that is going to be a good business for us, but we need to ramp up the deliveries. And we have only delivered a few so far on the 350 that we have on contract.

And then, a very important thing that happened, of course, that we are working diligently to sort of organize the contract around this, and this is a government-to-government and industry-to-industry initiative, I would say, was from the letter of intent that was signed between Sweden and Ukraine regarding fighter capabilities going forward. So, of course, we would like to see Ukraine flying the Gripens going forward. But we're working that and we hope that the financing side of that will be sorted. And also, for us then to prepare for industrial collaboration, but also capacity increases.

Dynamics still has a very strong demand in the market for their entire portfolio, I would say, from training simulation to camouflage net, but not the least from the missile and ground combat perspective. So, we have had the quite a few large missile and ground combat orders in the quarter. So, they have an amazing order backlog of SEK 90 billion, and this is also an area where we have invested heavily to increase capacity to deliver to our customers. There are more to come into play, as I said in the beginning, in both India and the US, but we have also already taken some capacity increases into operations, I would say, and we are booming our expansion also in Sweden, of course, so this looks very good. And they had a growth of 50% quarter-to-quarter over the years. So, that's an amazing result.

Surveillance did have a very good quarter. I mentioned the GlobalEye from France, from a market and order intake perspectives, but also strong demand when it comes to our EW equipment or our sensors to Giraffe 1X or Fire Control sites for the CV90s, but also other sensors, the weapon locating radars, Arthurs, and they are picking up on the project execution. And we see a substantial growth also here quarter-to-quarter of above 50%. And we have – I just want to mention that we have now divested completely TransponderTech, which affected the EBIT of the operational income of Surveillance by SEK 336 million. But even without that, they did 10% result during the quarter. So, that was a very good step for Surveillance.

Kockums was, of course, extremely happy and so, am I on the selection by Poland. So, now, we are expanding capacity to build more submarines. And we have other segments, of course, in the underwater business, which is autonomous systems and a number of things in that area that has a high customer interest. And then, of course, we are working on the campaign to be part of the new Swedish frigates or corvettes, but I don't know exactly

when that decision will be made. We have a partnership with Babcock. And of course, that is something that we worked really on the surface side going forward. But we have a growth, very good growth also in Saab Kockums of 20% and good product execution. And of course, there also the Swedish A26 contract was important here. So, they are developing in a very good way as well.

And lastly, we have Combitech, good momentum. Of course, the total defense perspective and how many things are happening in that area in Sweden now from an industry, from an agency perspective, is supporting the growth of Combitech, the new agency MCF, the Swedish. And also on the civil aviation side, generates lots of business for Combitech and they are good in this area, both from a cybersecurity perspective, but also how you set up resiliency in an organization. So, that is of course, the growth is driven by increased number of consultants, but they are growing in a very nice way. And they are now a SEK 5 billion entity within Saab, which is absolutely fantastic. And they are really important for Saab as well, since they have a number of very important participations in our contracts within the small business areas as well.

A couple of comments on the sustainability side. We have done a number of important things during the quarter. We have adopted formally now a human rights due diligence policy supporting our responsible sales policy. This is something that generates due diligence. Every time, we do a contract with someone and sell something, we actually go through in detail that we are not affecting anything related to human rights or things that we shouldn't be involved in. That's very important to us. We have a good development on the share of women managers in the organization, which has increased now to 29%. And we have a higher ambition than that, of course, but we are growing all the time, which is absolutely fantastic.

And we have done well also on the emission perspective, the environmental perspective, we have reduced our emissions 7% year-over-year, and we are in a good part supporting their scientific-based targets initiatives, targets that we have set that we have to be down 42%, 2030, and we are now at 36% of the 2025. So, that's very good. And we have the ambition to be a market leader when it comes to – in our segment, when it comes to sustainability, which is not only environmental perspectives, of course. But we have been highly ranked within the CDP when it comes to climate and water. We are in the highest ranking of 4% of the companies right now, which I really am impressed and I'm really pleased with that development.

So, I think with that, I will hand over to Anna to go through the numbers in a little bit more detail.

Anna Wijkander

Chief Financial Officer, Saab AB

Thank you, Micael. And good morning, everyone, from my side as well. Yes, it's clear that we have closed yet another successful year, and I will soon go into the details of the financials in the quarter.

But before doing that, I would like to take the opportunity to show you some trends on what we have achieved so far. So, let's start looking at our graphs and what we have achieved for the sales growth. We are growing the company substantially. And during the last three years, we have grown in average 24%. And what is so good to see is that we have had double-digit growth in all our business areas during this period, and that is achieved, of course, through our strong offering and our strong portfolio that we have, but also our operation and our ability to grow our operation. And an important factor to that is that we also have increased the number of employees by around 10,000 people, and now adding up to the 28,000 employees that we are today.

And we have a really strong company culture, where we have a good focus on both delivering on our commitment, but also building the company in the future. The EBIT has also grown in this period by 33% compounded average growth rate. And that really shows that we are leveraging and scaling on our growth,

growing more the EBIT more than we grow our sales growth in average. And we should remember that during this period, we have invested substantially both in R&D and in capacity investments. So, over this period, we have doubled our R&D and we have actually tripled our CapEx.

Now, look into the quarter then more in detail. We have increased the EBIT by 50% this quarter. I think one should remember that, that is an exceptionally strong quarter. And that is, of course, largely driven by our sales growth. And also visible in this slide is that we have a volatility when it comes between quarters. That is really reflected here in this slide. This quarter, I want to highlight Dynamics. Here, we – the EBIT grow by 19%. Although, the margin is a bit lower compared to what it was last year in Q4 and that is primarily related to product mix within Dynamics when comparing year-over-year.

But if we look at the trend for Dynamics, it's very strong for the year. The EBIT growth was 46% and the EBIT margin for the full year was 18.1%, an increase from last year as well. Also, Surveillance is worth mentioning this quarter with the growth on EBIT of 83%, and that was very much driven by high project execution and several deliveries in the fourth quarter. In addition to that, we had a positive effect when we received the order for the GlobalEye France contract at the last days of December, since we in that project had started some activities already when we got the letter of intent in the summer.

We can also mention that we had this divestment of TransponderTech that is visible in the numbers of Surveillance, but it is excluded here in the figures that you see for the EBIT for the quarter. For the full year then, the financial summary. We grow our sales with 24.1% reported, organic at 25.6% impacted by currency. So, SEK 79 billion in sales, good growth also in gross income, and EBIT was growing 37%, and we ended up with 9.8% EBIT compared to 8.9% last year. That was mainly driven by Dynamics and Surveillance.

Another thing to point out here in this slide is the financial net, that improves substantially compared to last year. And here, we have a positive impact this year from the SEK appreciation where the revaluation of our tender portfolio from currency hedged in the tender portfolio had a positive impact this year. Last year, it was negative. So, that's why we have a big swing there in the financial net. Also good, the net income and the EPS grow by 51% over the year.

We have talked about the cash flow. Micael talked about the cash flow. It was very strong in the fourth quarter, where we both had several deliveries and received a lot of [audio gap] (00:30:30) customer milestone payments. And as we can see on the slide, we have the cash flow from operations now amount to SEK 12 billion approximately, and we have increased our investments. So, they are now SEK 7.2 billion this year. If you compared to last year, they were SEK 4.8 billion. And so, all in all, we achieved a cash conversion this year of 68%, which is well above our mid-term targets. And also, our return on capital employed increased to 16.5% this year.

So, driven also by this strong cash flow, the net cash position and has improved this quarter. And we are ending up the year with SEK 4 billion in net liquidity. So, our balance sheet continued to be strong, and we have a cash and liquid investments amounting to SEK 18.7 billion. And adding to that, we have an unutilized revolving credit of SEK 6 billion as well.

So, following this strong financial performance or financial position, the Board of Directors will propose to the annual general meeting that we increase our dividend by 20%, amounting to SEK 2.40 per share.

So, let's again zoom out a bit and look at some trends on what we have achieved so far, 2023 to 2027. Cumulative of these first three years, we have delivered cash flow before operation of SEK 26.4 billion. That is a

strong enabler for us that we have been able to invest more in capacity expansions and which is important for our foundation, growing our company as we know, investing in new capabilities, new facilities, new production sites and new products. And in total, over these years, we have had investments amounting to SEK 15.5 billion and measuring of the period, we have received – achieved a cash conversion of 62% so far, and generated approximately SEK 11 billion in operational cash flow for our company.

Another parameter that has strengthened this quarter is our backlog. We had a strong order intake this year, SEK 169 billion on the year and SEK 100 billion this fourth quarter. So, we have built a substantial order backlog to deliver from going forward. And compared to last year, we have extended both the duration of the backlog for the years to come, but also increased the backlog for the closest years, 2026 and 2027. So, it's increased 29% for 2026 and 46% 2027. So, this really gives us a good comfort for future growth and a good foundation for growing the company within the years to come.

And finally, just look at the trend of the backlog that has been strong for – the growth has been strong over the last years, amounts now to SEK 275 billion and corresponds to 3.5 times our sales that we had 2025. So, this is really supporting our long-term growth.

So, by that, I hand over to you again, Micael, to guide us through the mid-term targets.

Micael Johansson

President, Chief Executive Officer & Director, Saab AB

Thank you so much, Anna. And yeah, coming in back then to our medium-term targets, I mean, one has to reflect a bit upon that. This is our way of measuring progress over time, of course, and our best assessment of how this business will evolve over time. And we have performed really well, as you know, Anna mentioned, we have had 24% in average growth over the period of 2023 to 2025. And as I will show shortly, we are increasing our now target to 22% in average over the period of 2023 to 2027.

We think we have a very strategically positioned portfolio, of course, and that is fitting the market demand in a very good way. And now, when we see the product offering, growing and the contracting order intake on that's, say, growing in combination, where the better performance on the platform side, even though I recognize the fact that many of these sort of campaigns are not only about the great offering that we have, but also political decision, I think we have a very good position having both in our company. And we have shown during the last few years that we are able to ramp up both from a sort of increasing our company in terms of great employees supporting us, and we have a very attractive company to come and work for. But also our capacity increases when it comes to production and getting a lot of the backlog sort of getting delivered to our customers, which is incredibly important.

We will continue to invest and have a compromise sort of anything that has to do with the future when it comes to R&D and new capabilities, embracing new technologies, and continue to expand capacity, of course. So, we will continue to invest to make sure that we can meet this market demand. And now also going into the target upgrade that I will show you, we, of course, as Anna showed just shortly before, we have record order backlog of SEK 275 billion, which has now also increased in terms of how that is spread over the years.

So, all in all, this is a very good position that has led us to going from a previous target perspective of 18% average growth over the period 2023 to 2027. We have upgraded that now to 22%, quite a step for the full period up until 2027, which implies then, of course, that we will generate roughly 20% average over the next two coming years, including 2026 and 2027. We continue to reiterate our targets of growing our EBIT more than the sales growth. And we also continue to reiterate our target of having a good cash conversion of more than 60%, despite

all the investments that we are doing now and going forward. So, that's a good sort of sign of that things looks very good going forward.

And from that, I am pleased to take questions.

QUESTION AND ANSWER SECTION

Johan Andersson

Head-Investor Relations, Saab AB

A

Thank you, Micael and Anna. And let's go over to the Q&A session. And we are quite a lot of analysts in the call, so I recommend you to limit yourself to one question per person and then go back to the queue so everyone has the chance to ask the question. So, please, operator, do we have the first question from the telephone conference?

Operator: [Operator Instructions] The first question comes from the line of Daniel Djurberg, Handelsbanken. Please go ahead.

Daniel Djurberg

Analyst, Svenska Handelsbanken AB

Q

Thank you, operator. And good morning, Johan, Micael and Anna. Congrats to a stellar performance. I would like to ask a little bit. You obviously have a great order visibility on both volume and mix for 2026. And I was wondering if you could give – share any more information about how to think on operational margin development in 2026 based on this visibility perhaps on group level or possibly in some of the business areas? That would be grateful.

Micael Johansson

President, Chief Executive Officer & Director, Saab AB

A

Well, thank you. First of all, I mean, I think, we – as I said, we have a good market position. And we, of course, see a good trend in terms of growth on the product side. When I say product side, I mean, Giraffe 1Xs, the RBS70, the support weapons side, training and simulation, you name it. It's lots of products that is growing in a very good way. But then, there are sort of a number of campaigns that are quite big, and they are, of course, more difficult to sort of assess when the decisions will be made and how political they will become and all that.

So, I mean, an obvious one is that we must contract now Poland on the submarine side, which is roughly, as we mentioned before, a SEK 30 billion this type of contract. But that's sort of something everyone knows. Apart from that, of course, there are an assessment of the GlobalEye within NATO that will come to a decision hopefully now in the first six months of this year. But I can honestly not sort of predict completely how the mix will look like in the end of the year. But broadly speaking, we have quite a few campaigns that sort of can generate good order intake supported by the continuous growth on the product side.

I won't go into talking about operational margins and what have you. More than that, we continue to grow this top line and we continue to grow the EBIT more in terms of growth. And obviously, I think we are doing well on that side. The mix will define and there will be different mixes in different quarters exactly where we will be. But sort of that's the trend that we have right now. And this is something we are careful about also looking into the investments we have to do and the R&D efforts we have to sort of continue to perform really well and to have – be

capable going forward. So, you won't get sort of a specific number or range or anything. You have to unfortunately live with the sort of the guidance and that we've given on growth of EBIT, I think.

Daniel Djurberg

Analyst, Svenska Handelsbanken AB

Q

Perfect. Thanks. It's more exciting as well. Thanks.

Johan Andersson

Head-Investor Relations, Saab AB

A

Many thanks. Thank you, Daniel.

Micael Johansson

President, Chief Executive Officer & Director, Saab AB

A

Thank you.

Johan Andersson

Head-Investor Relations, Saab AB

A

Do we have the next question?

Operator: The next question comes from the line of Ian Douglas-Pennant, UBS. Please go ahead.

Ian Douglas-Pennant

Analyst, UBS AG (London Branch)

Q

Thanks. Thanks very much for taking my question. So, on your medium-term guidance, so there's language in the press release saying it's implied 20% growth expected in 2026 and 2027. Can you help us understand the phasing within that? I mean, I know you don't want to give 2026 guidance, but can you just help us roughly understand presumably there's more growth in 2026 and 2027?

And then related to that again, how much of that guidance is secured by orders you've already received and where's any risk around that guidance? Thank you so much.

Micael Johansson

President, Chief Executive Officer & Director, Saab AB

A

Well, as you saw, I mean, from what Anna showed on how the backlog is spread over the years, it's high numbers already in the backlog, both for 2026 and 2027. And then, of course, it's up to us to generate sales, new orders and that is sort of varying every year. But it gives us quite a confidence that we can reach sort of an average, as I said, 20% growth over this year and next year. And I won't sort of go into any sort of specifics on 2026 versus 2027 because then we go into guiding for both years simultaneously, and that we've decided not to do that.

But take a look at the backlog, how it's spread and you can have a view of sort of what can we achieve in terms of sales, new orders, which can be also looked upon in a retrospective perspective, of course, but that's where we are. So, I won't divide 2026 with 2027 in any more sort of detailed way. This is where we are, and the 20% average is good.

Johan Andersson

Head-Investor Relations, Saab AB

A

Perfect. Thank you. Thank you very much for your question, Ian. Do we have a next question from the telephone conference?

Operator: The next question comes from the line of Tom Guinchard, Pareto. Please go ahead.

Tom Guinchard

Analyst, Pareto Securities AB

Q

Thank you. A question on Surveillance margins here, just looking into 2026, 2027, 2028. You mentioned on the Capital Markets Day earlier last year that you had some unprofitable business that you were managing, and how much of that has been dealt with as of today, and sort of margin potential there for Surveillance going above the 10% EBIT margin line? Can you comment anything on that?

Micael Johansson

President, Chief Executive Officer & Director, Saab AB

A

Well, I think, I mean, as we're showing right now, Surveillance should be a profitable business. I'm not going to guide in detail on that, but they should be on or above 10%. So, that's sort of the business they have in the mix. And I would say that we have taken steps to sort of either mitigate loss-making business or sort of making sure that we have a sort of crossroad decision on whether that business should be within Surveillance or not, but we're not done yet. That will continue this year to improve even further. So, if you're asking, have we divested the loss-making business yet or sort of stopped the sort of the losses completely? No. Not yet. We're working it. We'll tell you when we have done it completely.

Tom Guinchard

Analyst, Pareto Securities AB

Q

Perfect. Thanks. And just a quick follow-up on the T-7. You said a couple of years ahead with negative numbers here and increasing cost, you said throughout 2025 that costs actually accelerated for the T-7 program. Are we looking at 2028-2029 or mid-2027 that you previously indicated?

Micael Johansson

President, Chief Executive Officer & Director, Saab AB

A

I think we're looking at 2028-2029 actually, but with one sort of comment on that. This is based on the numbers we have now in our contract and how quickly the US Air Force wants to receive sort of the aircrafts going forward. This can change a bit depending on renegotiations between Boeing and the US Air Force, that will sort of flow down to us. And it can change from a margin perspective overall in terms of getting additional contract into the business. This has not happened yet, but as we speak, I mean, you have to think, we have probably 25 to 30 aircrafts in the pipeline in the factory right now.

And it's just sort of to get the flow out to the customer that we need to achieve. And it's a bit sort of a can't be sort of exactly sure on which year we will now pause sort of going positive perfectly. But it's not this year, I would say, if I'm going to be honest. But aeronautics, as a whole, will improve but this is where we are on that program. It will be a good program to us. There will be many, many aircrafts delivered to US Air Force and others. So, this is numbers that we're not used to an aircraft side. This is a thousand aircrafts and then beyond that in the end and we're just in the beginning having delivered a handful of aircrafts. So, yeah, that's where we are. So, it will be a good thing. But it unfortunately takes some time.

Johan Andersson

Head-Investor Relations, Saab AB

Perfect.

A

Tom Guinchard

Analyst, Pareto Securities AB

Perfect. Thank you.

Q

Johan Andersson

Head-Investor Relations, Saab AB

Many thanks, Tom. Let's take two questions that we have received over the web here. One is around Canada and Gripen, and it was a lot of discussions in media around that for a couple of months ago. Are we seeing any progress or have we – is that relation progressing?

A

Micael Johansson

President, Chief Executive Officer & Director, Saab AB

Well, Canada is, of course, looking to a crossroad decision, I would say. There are two parts of Canada, one is campaigning to win a GlobalEye-d business in Canada, and we're waiting for sort of that procurement to happen, that's a campaign. Then, Canada is looking into do we want to have sovereign capacity when it comes to aeronautics, having more of a not to be too dependent on the US by having a dual fleet, maybe both F-35 and agreements. And there, we are providing all the detailed information that they need to understand what it would mean to Canada, how quickly would we do with technology transfer, how quickly can we build up a Gripen hub in Canada for manufacturing, and how would they be involved in the full export market perspective of a fighter business, we're providing that and they are asking questions, we are providing that.

A

But it's sort of a very high level political decisions that they have to make and exactly when they will make that decision, I don't know, but of course, we have intensive discussions around this. Absolutely.

Johan Andersson

Head-Investor Relations, Saab AB

Perfect. Many thanks, Micael. Another question on that is that we have seen media figures that you're ramping up the Gripen production capacity to around 2030 in the coming years. Are we progressing with that? Is that going according to plan?

A

Micael Johansson

President, Chief Executive Officer & Director, Saab AB

We are. We're taking many, many initiatives and investments to make that happen. And we already now have three contracts to deliver to Sweden, Brazil and Colombia. So, that is going according to plan. And you will see more and more aircrafts leaving the factory in Linköping, but also in Brazil. And if we are successful in the market, maybe we will need another hub somewhere. But right now, we are focusing on the Swedish and the Brazilian hub, of course, to expand that and that is going according to plan.

A

Johan Andersson

Head-Investor Relations, Saab AB

Perfect. Thank you very much. Operator, do we have any further questions on the telephone conference?

A

Operator: The next question comes from the line of Carlos Iranzo Peris, Bank of America. Please go ahead.

Carlos Iranzo Peris

Analyst, Bank of America

Q

Hey, guys. Good morning, and thanks for taking my questions. On the GlobalEye, how should we think about the delivery timeline of the three GlobalEyes to Sweden? Any chance you could follow us those three deliveries? And if you can share any timeline to go to four per year on the GlobalEye?

Micael Johansson

President, Chief Executive Officer & Director, Saab AB

A

Well, on the GlobalEye contract to Sweden, I am not sure we're going to say an exact delivery date on that, but it's not far away. We are working diligently on all three aircrafts now, so Sweden quickly needs the capability. So, in the next couple of years, they will have it. And that's all what I can say about the Swedish contract.

And then, if the question was the pipeline on GlobalEye going forward, there are quite a few. I mentioned the NATO initiatives. We have provided information, a request for information from NSPA, the acquisition authority within NATO. And because there are nine countries now, the partner countries that want to have a common use, a common NATO capability, and I think we have a great offer there with a great schedule and there is a gap here, so they need it. So, that's an obvious one.

The Nordic perspective, I think it's interesting, how can the Nordic countries combine efforts in using an airborne [indiscernible] (00:51:00) capability hasn't materialized yet. Sweden has contracted three. Let's see if we can get the other countries involved in that. Then, we have an interest there, France actually contracted two, but there's an option for two more in France. We have an interest from a couple of countries in the Middle East for this capability. So, yes, there is a great interest for GlobalEye. And we're also increasing our capacity to deliver a number of aircrafts per year also on that side.

Johan Andersson

Head-Investor Relations, Saab AB

A

Perfect. Thank you, Micael. It sounds promising. Operator, do we have the next question please?

Operator: The next question comes from the line of Björn Enarson, Danske Bank. Please go ahead.

Björn Enarson

Analyst, Danske Bank A/S (Sweden)

Q

Thank you. A question on the Dynamics and the capacity expansion that you are doing in India, and also Sweden, United States. Are there any – how would that impact the profitability like near-term, mid-term or are there anything that will distort the picture, or will it be a good drop through from day one? Thank you.

Micael Johansson

President, Chief Executive Officer & Director, Saab AB

A

I think the mix of things will – we haven't taken into account that that will have sort of a momentum effect – somehow at a specific moment in effect on our profitability. I think it will be a very automated set-up in the US and also to some extent in India. And then, it more depends on the mix of how the contracts looks like in our facilities there going forward. When the Individual Assault Munition production comes into play in Grayling, in Michigan, of

course, it depends on volume rather than whether the facility is efficient. And also combine that with ground-launched small diameter bomb, it will be good contributions to capacity.

We haven't sort of taken any assumptions on that. It will affect profitability really. We will, of course, have some sort of learning curve in these facilities, but the Dynamics will still sort of have good numbers going forward in terms of the mix that we see. I wouldn't sort of connect a specific factory that comes into play to any effect on Dynamics as such. It's not at that level in a way that it will affect us.

Anna Wijkander

Chief Financial Officer, Saab AB

[indiscernible] (00:53:40) and this...

A

Björn Enarson

Analyst, Danske Bank A/S (Sweden)

[indiscernible] (00:53:42) normal business basically?

Q

Micael Johansson

President, Chief Executive Officer & Director, Saab AB

Yeah.

A

Anna Wijkander

Chief Financial Officer, Saab AB

And the capacity increases and really happening stepwise, it's not just a big boom. It's happening in different places and different steps. So...

A

Micael Johansson

President, Chief Executive Officer & Director, Saab AB

Yeah, absolutely.

A

Anna Wijkander

Chief Financial Officer, Saab AB

Gradually.

A

Johan Andersson

Head-Investor Relations, Saab AB

Good. Thank you very much, Björn. Operator, do we have another question from the telephone conference?

A

Operator: The next question is from Afonso Osorio, Barclays. Please go ahead.

Afonso Osorio

Analyst, Barclays Capital Securities Ltd.

Hello. Yes. Thank you very much for this. It's a great color. Micael, can I just follow up on this backlog situation given the significant number as of today. Can you tell us the average duration of the contracts that go beyond 2029? I'm just looking at this slide 21, in which you show the sizing of the coming years. It would be able to help to have your views on the story beyond 2029 would be great. Thank you.

Q

Micael Johansson

President, Chief Executive Officer & Director, Saab AB

A

Yeah. Anna showed the a slide on that, but it stretches, of course, until 2029, right? Yeah. Okay. So, well, I think, it's a good spread over the years. I mean already, if you look at 2029, it's like after that, we have still like SEK 35 billion to SEK 40 billion in backlog to deliver. So, it's a good spread. But it's also quite high level sort of during the first few years, that has increased substantially from sort of the same position we had last year. So, it looks good from a long-term perspective. I mean, the big platform contracts or adding to the long-term perspective, while the product side of things is very much more short term, like sort of within two years. So, when we get contracts on the platform side, submarines, GlobalEyes, Gripens, of course, that sort of extends our backlog over many years to come, and that's good for us. So, that's why the balance is important. But then, you can't predict in the same way exactly when you get more product contracts.

You don't get 10-year contracts on Carl-Gustaf Ammunition, for example. That's not what we have. But the platform contracts are quite sort of beyond five years in terms of how they spread. So, I can only say, we have a very good market position, as I tried to say, and we are confident that the capacity increases that we now take into the operations will sort of give us a possibility to meet the market demand. And we don't see that sort of diminishing in any way as we speak. And as I said, difficult to say exactly when the bigger contracts will come into play and how political they will be. So, this is the world we live in every day. But it's a good spread and a good backlog.

Johan Andersson

Head-Investor Relations, Saab AB

A

For sure. We're okay with that, Afonso?

Afonso Osorio

Analyst, Barclays Capital Securities Ltd.

Q

Thank you. Thank you very much.

Johan Andersson

Head-Investor Relations, Saab AB

A

Thank you. The next question, please, operator?

Operator: The next question comes from Mikael Laséen, DNB Carnegie. Please go ahead.

Mikael Laséen

Analyst, DNB Carnegie Investment Bank AB

Q

Okay. Hi. Thank you. I have a question around the order backlog and the capacity situation. I'm wondering if you can say something about where you are most capacity constrained today, and where are the two or three concrete bottlenecks that you could fix in 2026? And also a comment on CapEx [indiscernible] (00:57:16) couple of years?

Micael Johansson

President, Chief Executive Officer & Director, Saab AB

A

Well, when it comes to where are we most constrained? I mean, I would say, if there's one thing that we work diligently now, it's maybe not our factories or capacity increases as a prime that we're worried about them being set up. It's the material supply. It's the supply chain that we work diligently. So, we know that the ecosystem of

companies we work with supports us in this growth journey. There are pain points there that sort of, but I wouldn't point to any specific. We have certain issues on the missile side. We have certain issues on the ground combat side, but we also have issues on the sort of fighter side.

So, everything, if it's summarized, comes down to we have to be extremely diligent on making sure that we have a balance by sort of what kind of inventory level do we have to have to support our commitments, and how can we ensure that we have commitments from our supply chain to support us in this growth journey. I wouldn't point to any specific area where we have more problems or possibilities than any other areas, I would say. We're doing well, but I'm just saying that, this is a huge ecosystem of companies in the supply chain at different tier levels that everyone uses. So, it's not only us, so we also have to make sure that we are on sort of proactive in how we work with our suppliers, so we get priority.

Johan Andersson

Head-Investor Relations, Saab AB

Very good. Anna?

A

Anna Wijkander

Chief Financial Officer, Saab AB

Maybe to add on there, regarding your question regarding investment levels, we – I mean, we have increased investments substantially this year and we see continued need for high investment levels going forward as well. So...

A

Johan Andersson

Head-Investor Relations, Saab AB

Absolutely. Good. Let's take another one here from the...

A

Micael Johansson

President, Chief Executive Officer & Director, Saab AB

It won't be less than the SEK 7.2 billion that you saw...

A

Anna Wijkander

Chief Financial Officer, Saab AB

No.

A

Micael Johansson

President, Chief Executive Officer & Director, Saab AB

...saw this year. That much I can say, but still we're good sort of – as we've seen, good targets.

A

Johan Andersson

Head-Investor Relations, Saab AB

Good. Another question here from the web. You were selected by Poland in quite fierce competition. Why do you believe you won there? What was your edge on the submarine side?

A

Micael Johansson

President, Chief Executive Officer & Director, Saab AB

A

And first of all, this is about sort of how do we in this region make sure that we protect the Baltic Sea and create deterrence through acting in the Baltic Sea. And of course, A26 is a fantastic commercial submarines with capabilities that are adapted to that environment. And then, of course, Poland and Sweden have a – both countries have naval capabilities that can work together in an interoperable way. And we can train together, of course, if we use the same submarines. So, it's a both a security policy perspective, defense and deterrence perspective, adding to the capability in the Baltic Sea. But then, it's about that we have a great product as well.

And on top of that, we want to establish industrial collaboration so we can have redundancy and capacity at both sides of the Baltic Sea. So, it's a number of parameters, of course, that are really logical to sort of make this happen between Sweden and Poland, and between Saab and Polish industry, so – but in the sort of – the foundation of everything is that we have a great product.

Johan Andersson

Head-Investor Relations, Saab AB

A

For sure. Yeah. Good. Another one, you talked a lot about innovation, can you give one or two examples either of something you just have released or something that's really keen about that's coming out?

Micael Johansson

President, Chief Executive Officer & Director, Saab AB

A

I hope that people understand what we did sort of during 2025, during the summer, and we continue to do that, to have an AI agent supporting a pilot in a fighter aircraft like the Gripen E is something quite unique. And how much that can add to the work sort of load of the pilot in different types of emission. It's a fantastic, innovative example of innovation, an example of what we quickly can achieve with existing air forces. But then, of course, as anyone else, we have innovative sort of R&D that has led to come to US systems, for example, the Loke system which is involving our C2 systems, our radars and our Trackfire. We're part of what was launched this week, Sweden and Denmark spending SEK 2.6 billion on counter US systems for Ukraine.

And of course, our C2 and sensors are part of that as well. And then, we have swarm technology on the quadcopter-level, so to say, that can do missions for the Army. And we work in sort of specific autonomous systems also in all domains. So, we have many, many innovation initiatives that we are spending money on to embrace new technology and work with partners on.

Johan Andersson

Head-Investor Relations, Saab AB

A

Great. Operator, do we have a final question on the telephone conference?

Operator: We have a follow-up question from Renato Rios, Inderes. Please go ahead.

Renato Rios

Analyst, Inderes AB

Q

Hi. Hi, Micael and everyone. Congratulations on a – to you and your team on a great quarter.

Micael Johansson

President, Chief Executive Officer & Director, Saab AB

A

Thank you.

Renato Rios

Analyst, Inderes AB



Thanks for taking my question, too. So, you keep growing a lot and you have increased your medium-term target for the revenues. In absolute terms, that means that you – from an observant point of view, it's quite challenging in terms of absolute values that have to be delivered like volume wise. And that the industry, they just – takes a bit to align capacity. Sometimes, it takes years and you have to build factories. So, obviously, you're ahead of that because you are hiking your medium-term revenue targets.

So based on that, could you give, I guess, as much context as you can on the capacity requirements to deliver the growth that you're expecting through 2027? I mean, is that capacity on the supply chain already fully or mostly aligned to deliver on that? And included in that answer, you could just – it would be nice to hear you reflect out loud about the constraints that would make it difficult for Saab to deliver on the new targets?

Micael Johansson

President, Chief Executive Officer & Director, Saab AB



Well, it's, of course, impossible to say that this specific capacity in terms of a facility or a factory needs to come into play for us to deliver this portion of our backlog. It is not happening sort of a like a one-off thing. It's happening gradually. And specifically in Sweden, when we invest heavily in the Karlskoga area, where we have 40 sort of construction projects ongoing, they by – one by one, they come into to play to support this backlog. Now, we have capacity to do lots of the backlog or investments or also meant to take us even further. Of course, it's not that we have everything we've talked about in terms of investment do not have to come into play fully for us to deliver this backlog.

It's not that much connected on that level. We can do lots of this with the capacity we have, but we also need to have more going forward. That's our view of things. I don't know how to elaborate more on that. Of course, the factories we've talked about with that capacity, but they also need to be filled with new orders. So, we have both in this. That's all I can say. I mean, we are taking a big responsibility from the demand perspective in the market to be proactive, to provide capacity, which all politicians are saying that, we have to because the growth will continue.

So, it's not 100% clear answer, but you can look upon we have up until now, in certain areas, four or five folded our capacity compared to what we had like in 2022 in terms of ammunition and sensor capability. It's a lot higher already, but we think more will be needed and some of it is needed to sort of deliver on the customer commitments that we have in our backlog. But some of it will be devoted to future contracts. I don't know how to answer the question in more detail way.

Johan Andersson

Head-Investor Relations, Saab AB



Are you fine with the answer, Renato?

Renato Rios

Analyst, Inderes AB



Thank you, guys.

Johan Andersson

Head-Investor Relations, Saab AB



Yeah. Thank you. Perfect.

Renato Rios

Analyst, Inderes AB

Q

Yes. Yes. I just ask for some context, and that was very, very much good context. Thank you.

Micael Johansson

President, Chief Executive Officer & Director, Saab AB

A

Thank you.

Johan Andersson

Head-Investor Relations, Saab AB

A

Thank you very much, Renato. Operator, do we have any final questions on the telephone conference?

Operator: The final question is from Ian Douglas-Pennant, UBS. Please go ahead.

Ian Douglas-Pennant

Analyst, UBS AG (London Branch)

Q

Thanks for taking a follow-up question. You mentioned that late in the quarter, you put some GlobalEye milestones. Could you help size that effects please? Just like – I'm sure, you're not going to give us the exact number, but just roughly how important was it in terms of driving the outperformance versus expectations in that division please?

Micael Johansson

President, Chief Executive Officer & Director, Saab AB

A

Yes. In Surveillance, we did have an effect of recognizing revenue and profit from the contract we got in France, obviously, but it's not super substantial. Still, I don't want to give an exact number to it. It would have been good numbers anyway. But there is some revenue recognition and profit recognition from that contract because we have been selected and we had agreed to start sort of our work to make sure we keep the schedules and that we did. And that we could, of course, recognize then when the contract was formally signed, but it was not so substantial. So, that drives this fantastic quarter in any sense.

Johan Andersson

Head-Investor Relations, Saab AB

A

Okay. Thank you very much, Ian. And operator, I don't think we have any further questions in the telephone conference, do we?

Operator: There are no more questions at this time.

Johan Andersson

Head-Investor Relations, Saab AB

Okay. But I think with that, we will conclude the presentation of the Q4 and the full year results from us here at Saab. Importantly, we will be on the road now for both here in Stockholm, Paris, London and Helsinki as well during the coming weeks here. So, looking forward very much to see you out there. And then, we report the Q1 then in April. So, thank you very much for listening in today, and have a nice day.

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