

SAAB

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EXTENSIVE REPORT



Backlog conversion is clear; returns not as much

Rooted in Sweden’s industrial heritage, SAAB is a defense-technology company with a Western-friendly offering spanning the air, land, and naval domains. The current defense upcycle, sparked by the war of aggression against Ukraine and reinforced by European and NATO demand, is driving a period of high growth, profitability and returns on capital for SAAB. Because we expect this phase of abnormally strong demand to ease much sooner than the market seems to expect, we view the current valuation as (P/E ~51x for 2025e) unsustainable and initiate coverage with a Sell recommendation and a target price of SEK 310.

A defense technology company with a broad offering

SAAB is a defense-technology company with a NATO-compatible, multi-domain offering and a development and manufacturing footprint across much of the Western world. Its financial performance has historically fluctuated, reflecting the volatile nature of project-based businesses and defense programs. SAAB is an R&D-focused enterprise with a significant share of its total R&D spending funded through partnerships and collaborations with industry and partner nations. The company operates through four core business areas, each serving a different niche of defense: Dynamics (~23% of group revenue in 2024), focuses on ground combat weapons and systems, and has been the most important pillar in the company’s performance since 2022, thanks to the current market conditions. Surveillance (~35% of revenue) is SAAB’s main capability within radars and sensors. Kockums (~13% of revenue) has for centuries been a key Swedish builder of surface and subsurface naval systems. Aeronautics (~26% of revenue) has a strong track record of developing and manufacturing fighter aircraft, with the JAS 39 Gripen being a key asset.. Additionally, Combitech operates as an independent unit specializing in cross-division systems integration and digital infrastructure development.

SAAB is a key beneficiary of the current defense spending spree

Driven by significant demand tailwinds, the company grew revenue at ~23% CAGR in 2022-24, largely from European stockpiling and the need to supply weapons to Ukraine. Some of the most affected nations have shifted fiscal spending toward defense quickly, while others will move more slowly. To meet demand, SAAB has expanded capacity (4.3 BNSEK in capex 2024) and plans to invest an additional average of ~6 BNSEK per year in 2025-27 for that purpose. The path toward the NATO target of 3.5% of GDP is long, with the current average around 2.5% (up from ~1.7% in 2022), and several members are facing fiscal constraints. We, therefore, expect demand growth to begin slowing in 2026-27. Accordingly, we forecast a gradual deceleration in SAAB’s revenue growth from 2027 onward, to an average of 13% through 2033. For 2023-27, we forecast ~18% revenue CAGR, in line with company guidance. We also forecast the EBIT margin to improve to ~10% by 2028 on scale efficiencies and to settle around 9.5% over the long term as demand normalizes. Management guides to EBIT growth above revenue growth for 2023-27, which we also forecast.

Current valuation reflects unsustainable expectations

One outcome of the current defense market conditions has been higher valuations, especially for companies that benefit directly from European rearmament, including SAAB. The company trades on a last 12-month EV/EBIT of ~44x, a significant premium to both its history and peer group. Our DCF indicates a fair value of SEK 310 using a moderate WACC of 8%. We believe SAAB is priced at exuberantly high levels, making the risk-reward profile weak. We argue that the strong near-term performance alone cannot support the current valuation, so we anticipate downward pressure on the stock. For these reasons, we initiate coverage with a Sell recommendation.

Recommendation
Sell

Business risk



Target price:
310 SEK

Valuation risk



Share price:
537 SEK

	2024	2025e	2026e	2027e
Revenue	63 751	75 439	88 134	101 221
growth-%	24%	18%	17%	15%
EBIT adj.	5 604	7 114	8 350	9 902
EBIT-% adj.	8.8 %	9.4 %	9.5 %	9.8 %
Net Income	4 249	5 637	6 381	7 640
EPS (adj.)	7.85	10.56	11.95	14.31
P/E (adj.)	29.7	50.9	44.9	37.5
P/B	3.5	7.2	6.4	5.6
Dividend yield-%	0.9 %	0.5 %	0.6 %	0.8 %
EV/EBIT (adj.)	22.2	41.1	35.3	29.8
EV/EBITDA	14.8	28.4	24.8	21.7
EV/S	1.9	3.9	3.3	2.9

Source: Inderes

Guidance (Updated in Q2 2025)

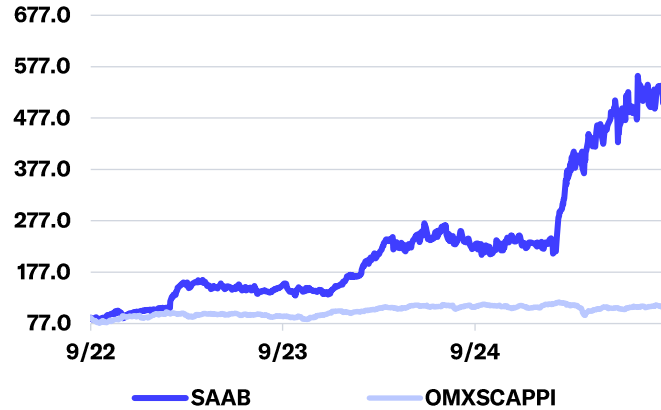
For the medium-term, 2023-2027e, SAAB is targeting:

- Sales CAGR of 18%
- Operating income growth higher than organic sales growth
- Operational cash flow conversion of at least 60% over a 5-year period

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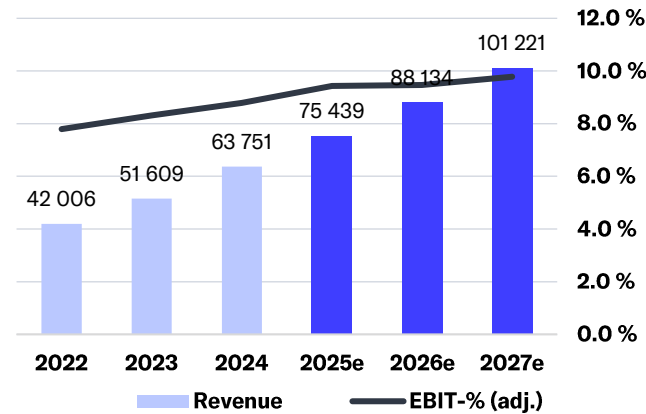
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Share price



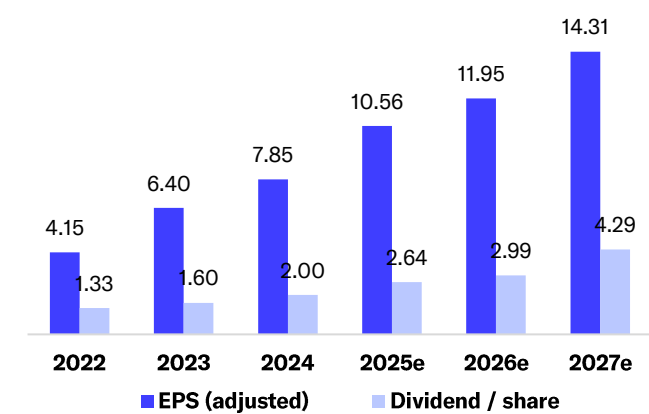
Source: Millistream Market Data AB

Revenue and EBIT-% (adj.)



Source: Inderes

EPS and DPS



Source: Inderes

Value drivers

- Strong position in core technology niches within a stable market characterized by multi-decade upcycles
- Solid value-creation track record through organic growth, complemented by selective bolt-on M&A to enhance the tech portfolio
- Clear runway to capture meaningful growth in the Americas and parts of Asia
- Path toward ~10% EBIT margin, supported by operating leverage and a strategy to grow EBIT faster than sales
- Increasing societal relevance via civil-security and digital-infrastructure solutions

Risk factors

- Risk of over-investing in capacity during a long upcycle
- Growth and profitability are highly execution-dependent; major missteps or managerial errors could have severe long-term effects
- Failure to develop or acquire relevant technologies that open future growth channels
- Fierce competition from larger, established defense peers

Valuation	2025e	2026e	2027e
Share price	537	537	537
Number of shares, millions	534	534	534
Market cap	286 762	286 762	286 762
EV	292 696	294 507	294 793
P/E (adj.)	49.7	44.9	37.5
P/E	49.7	44.9	37.5
P/B	7.2	6.4	5.6
P/S	3.8	3.3	2.8
EV/Sales	3.9	3.3	2.9
EV/EBITDA	28.4	24.8	21.7
EV/EBIT (adj.)	41.0	35.0	29.5
Payout ratio (%)	25.0 %	25.0 %	30.0 %
Dividend yield-%	0.5 %	0.6 %	0.8 %

Source: Inderes

SAAB in brief

SAAB is a global defense-technology company delivering specialized defense and civil security solutions across the air, land and naval domains.

1937

Founding year

63.7 BNSEK (23.5% y/y)

Revenue 2024

5.7 BNSEK (9% of sales)

Adjusted EBIT 2024

2.5 BNSEK (4% of sales)

Operational cash flow 2024

26 100 (vs 23 375 in 2024)

Average number of employees

92%

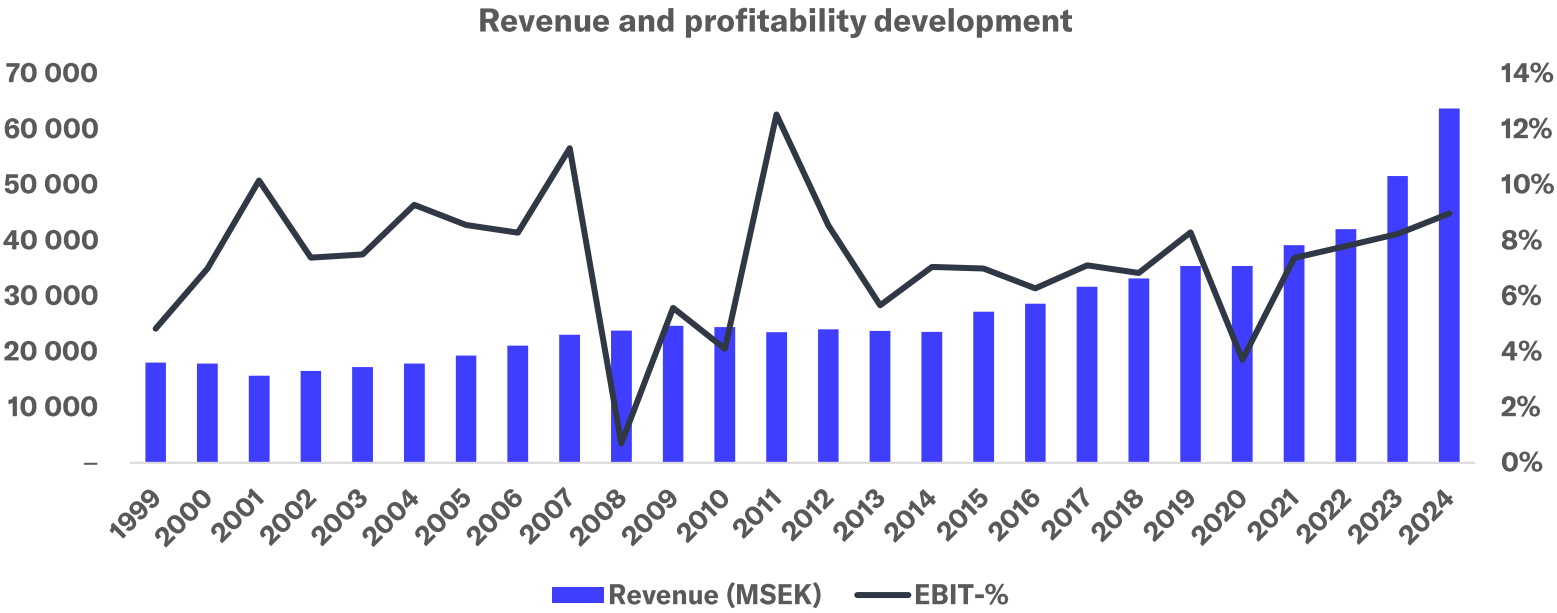
Of sales came from defense in 2024

- ### 1937-60

 - Founded to manufacture fighter aircraft for the Swedish Government (1937)
 - First car manufactured, the SAAB 92 (1949)
 - The fighter aircraft SAAB Tunnan entered service (1951), later replaced by SAAB Draken (1955)
- ### 1960-2010

 - Viggen enters service (1971)
 - Automotive division acquired by GM (1990-00);
 - Trucks division spun off (1995)
 - First iteration of Gripen enters service (1997)
 - Shares listed in 1998
 - Celsius AB acquired (1999), improving the ground-combat portfolio
 - Ericsson Microwave Systems acquired (2006) (now Surveillance)
- ### 2010-

 - Kockums acquired (brought back), strengthening the company's strong market position within Submarine technology (2014)
 - Gripen E and GlobalEye's first flight (2017, 2018)
 - Wins contract for T-X trainer program with Boeing (2018)
 - Deepens autonomy/AI exposure by acquiring Blue Bear and CrowdAI, and investing in Helsing GmbH (2023, 2024)



Company overview 1/6

From a fighter aircraft manufacturer to a global leader in defense technology

SAAB, originally Svenska Aeroplan Aktiebolaget, founded in 1937, is a leading global technology company offering solutions across multiple domains of military defense, aerospace, and civil security. While SAAB was originally founded to develop and manufacture fighter aircraft for the Swedish Armed Forces, it has since evolved into a diversified defense and security technology company delivering research-intensive platforms. Moreover, through its three transformational acquisitions of weapon manufacturer Celsius AB in 1999, Ericsson Microwave Systems in 2006, and shipyard Kockums in 2014, SAAB has inherited a broader technological footprint and century-long ties to Sweden’s defense sector.

In SAAB’s offering, we find current- and next-generation fighter jet technology, surveillance platforms and systems, as well as standardized products, ground combat platforms and services. The portfolio spans 161 solutions and 525 products, serving customers in over 100 markets with operations in 30 countries, ranging from advanced aerial systems to civil defense technologies with stable, recurring demand. However, the company accounts for only ~0.3% of the global defense market, with 2024 sales of 63.8 BNSEK in a sector totaling nearly 24,000 BNSEK.

Four business areas and a non-operating segment

SAAB’s operations are organized into four core business areas—Surveillance, Aeronautics, Dynamics, and Kockums—alongside an independent consulting arm, Combitech. Each division serves a specific domain, yet the company develops multi-domain capabilities by leveraging specialized expertise across its divisions.

Surveillance is SAAB’s largest business area measured by

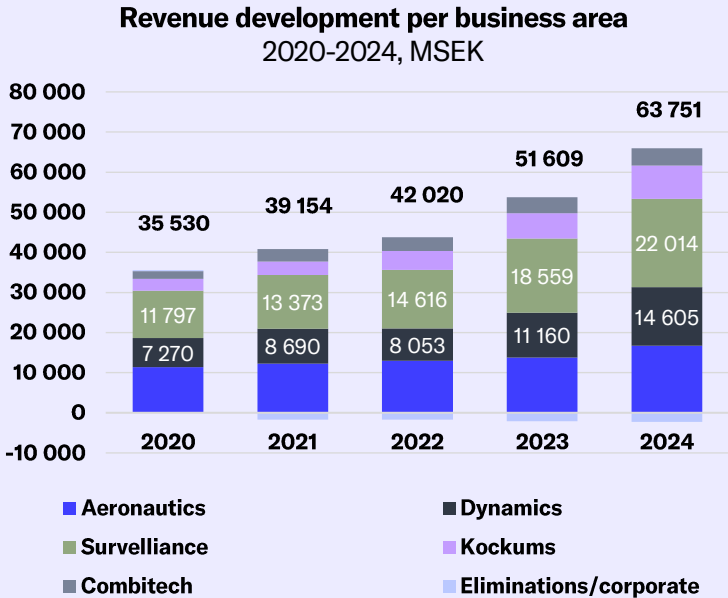
sales. It specializes in Airborne Early Warning & Control (AEW&C) systems, sensor systems and electronic warfare (EW), integrated command and control (C2) platforms, as well as advanced radar technologies for air, land, and naval domains. Surveillance’s offering enhances situational awareness and supports better decision-making by enabling cross-domain data collection.

Aeronautics, the second largest business area, develops and assembles SAAB’s aerial systems, such as, the Gripen platform, the T-7A, trainer aircraft, commercial aircraft aerostructures, and manned and unmanned concepts. The division is a key partner to the Swedish Armed Forces as a provider of high-tech aerial capabilities and services.

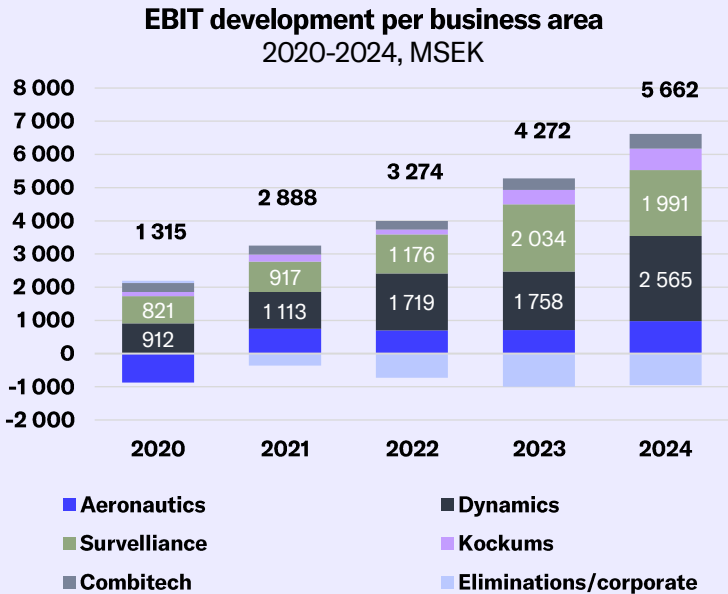
Dynamics offers competitive ground-based air defense and anti-ship missile platforms, ground anti-tank weapons, camouflage systems, and training and simulation solutions. Since 2022, it has become a key provider of ground combat solutions in Europe. In 2022-24, Dynamics has seen the steepest demand increase within SAAB and is the largest EBIT contributor since 2024.

Kockums, the smallest of the core operating business areas, develops and manufactures advanced naval systems, such as submarines, surface vessels, and advanced combat boats, as well as unmanned underwater vehicles used in civil and defense applications.

Combitech, an independent and fully owned consulting subsidiary, operates outside of SAAB’s four core business areas. It supports all divisions by providing expertise in systems development and integration, secure communications, and cybersecurity. While small in its direct revenue and profitability contribution, it plays a central role as the enabler of integrated systems across SAAB’s defense platforms.



Source: SAAB, Inderes



Source: SAAB, Inderes

Company overview 2/6

SAAB's product portfolio focuses on defense use cases, which is the main driver for the business. In the small civil-side business, SAAB offers air-traffic management, aerostructures for commercial aircraft, communications, and commercial underwater systems.

SAAB's operating structure supports synergies in both the offering and costs

SAAB differentiates itself across five strategic niches: fighter systems (Aeronautics), advanced weapons (Dynamics), sensors and command-and-control (Surveillance), and underwater systems (Kockums), leveraging decades of expertise and ongoing investment. The offering is developed with software and hardware modularity in mind, and open architectures that enable rapid upgrades and adaptation to evolving mission environments across the modern battlefield.

Through a decentralized structure on the development side, SAAB is built for speed in an innovation-heavy industry. By placing product-development decisions and prototyping authority at the business-area level, the company reduces coordination overhead and approval delays that typically slow complex programs. We see this as an important driver of much more favorable time-to-capability lead times. While decentralization may lead to localized optimization and decision-quality variance, we feel SAAB has managed to develop and maintain a decentralized operating model very well.

The company's operating model links Dynamics, Surveillance, Aeronautics, and Kockums through, e.g., weapons systems, tactical support solutions, and radars and sensor platforms, sharing data with one another. Its missiles, radars, sensors, and C2 software are engineered into Gripen and naval platforms, accelerating time-to-

capability and improving performance by design. Meanwhile, Combitech is the group's systems-integration specialist, aligning digital and physical architectures, software, and cyber-secure connectivity across business areas. Because SAAB's offering is built for interoperability, especially with NATO-aligned forces, it is well-positioned as a strategic partner for European and global defense customers currently pursuing integrated, multi-domain defense architectures.

Economies of scope arise because SAAB's engineering capabilities, software stacks, test and manufacturing facilities, and supplier relationships can be used across multiple programs, which reduces per-unit cost and improves operational efficiency. Over decades, SAAB has evolved into a contractor with a diversified revenue exposure across defense domains with a wide innovation funnel. The company's cross-domain portfolio lets it leverage common tooling and sites, as well as R&D spending and investments over a wider base. On the back of the broad offering enabling cross-divisional efficiencies, we believe that the current organizational configuration can support structurally higher margins (versus the 2014-24 average of ~7%), accelerate deliveries, and smooth revenue volatility cycles.

Co-funded R&D multiplies output and trims cash needs

In 2024, SAAB invested 10.5 BNSEK in R&D, of which 2.7 BNSEK (~26%) was self-funded, with the latter roughly 4% of total sales and ~34% of (~8 BNSEK) operating expenses. That year, total R&D was equivalent to ~17% of total sales, consistent with the 2021–24 average. For each 1 SEK SAAB funds, about 4 SEK of development activity is executed, on average.

Business area	Offering	% of 2024 revenue
Aeronautics	<ul style="list-style-type: none">Gripen E/FT-7A / fuselageFuture fighter concepts	26%
Dynamics	<ul style="list-style-type: none">Carl-Gustaf / NLAWRBS 70 NG / RBS15Barracuda MCS	23%
Surveillance	<ul style="list-style-type: none">GlobalEye / ErieyeGiraffe 1X / 4AAir traffic management	35%
Kockums	<ul style="list-style-type: none">Submarine A26CB90Visby-class corvette	13%
Combitech	<ul style="list-style-type: none">Secure industryTotal defenseAI / autonomy	7%

Source: SAAB, Inderes

Company overview 3/6

Meaningful advances in next-generation capabilities depend on multi-year R&D and capacity spending much ahead of revenue. SAAB's value proposition rests not only on inventing new technologies but on industrializing them at scale. Most R&D is co-funded through multi-year agreements with government customers, which both finance development and embed SAAB within national ecosystems, creating high switching costs and long-term economic ties. Such high-customization work strengthens SAAB's multi-domain expertise but constrains autonomy, as scope and timing are shaped by the company's dependency on partners' requirements. It is clear that the co-development model lowers the cash burden of innovation and improves relationship stickiness, supporting and partly securing continuity in orders. However, we view such increased sensitivity to partner budget cycles as unpredictable when demand normalizes and the fiscal spending priorities of client nations are revised.

Assembly-led manufacturing with regional suppliers

SAAB operates an assembly-led, asset-light manufacturing model, most of which we find in Sweden. It owns assembly plants and lifecycle-service capabilities but outsources component production. Supplier selection is regional, where possible, to improve logistics and responsiveness. That said, more than half of SAAB's suppliers are Sweden-based, which also supports security of supply. Given that outsourced components are execution-critical, SAAB must devote great effort to supplier coordination to ensure schedule adherence and operational resilience.

While this model lowers capex versus full vertical integration, capacity additions still involve material investment, multi-year ramp-up, and close synchronization with upstream suppliers. Some flexibility is, however,

possible by re-sequencing programs, bridging with alternative suppliers, or increasing local industrial participation to see desired timelines met, as was seen in 2022-24 in response to the demand surge following Russia's war of aggression on Ukraine.

A global footprint improving access, costs and visibility

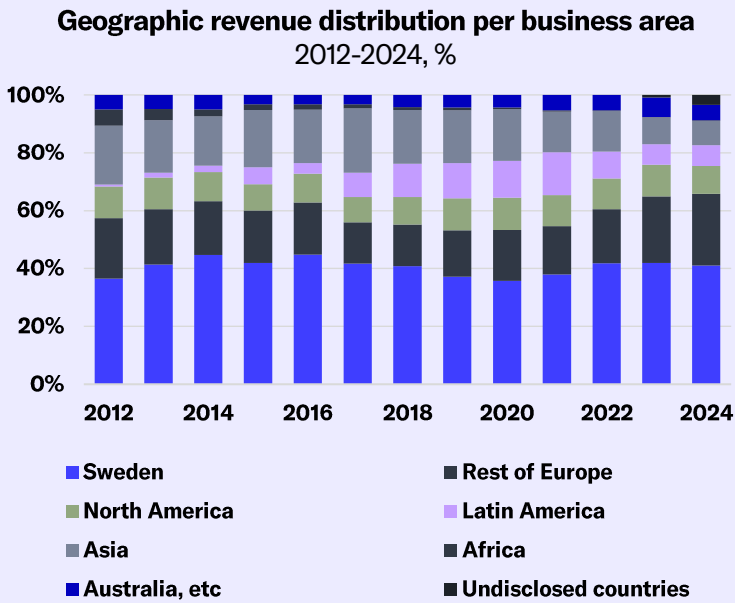
SAAB's global footprint, with operations in 30+ countries, is paired with a partnership model built on co-development, technology transfer, and local industrial cooperation. These shared-risk frameworks align programs with national defense objectives and often run for many years, providing funded revenue visibility and a deeper local presence.

A prominent example is the 2014 Brazil Gripen E/F agreement, which localizes development, manufacturing, and sustainment/aftermarket. Beyond locking in revenue over decades, localization reduces logistics and trade frictions, lowers delivery cost, and opens nearby export channels (regionalization). In our view, SAAB's broad footprint and regionalization efforts have a positive effect on win rates, execution reliability, and revenue visibility, underpinning long-term growth.

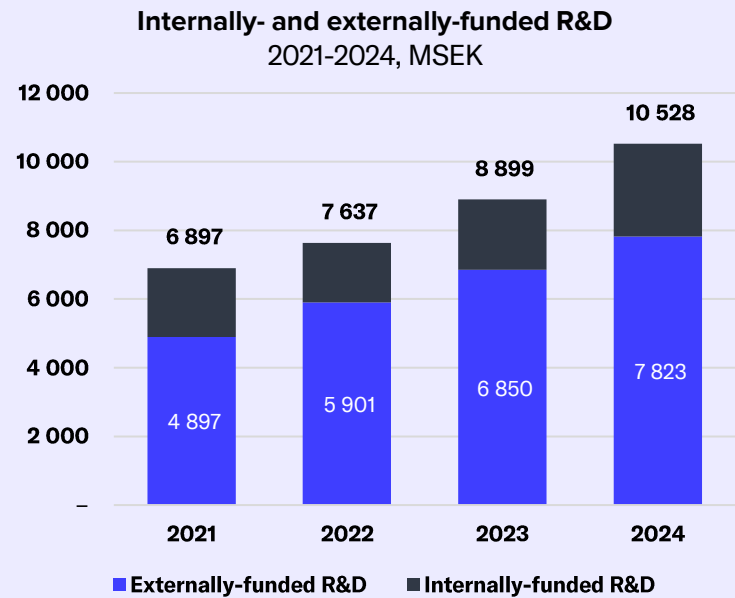
Sales rebalance toward Europe and Latin America

Fundamental for the defense market is that geographic exposure is inherently policy-driven. While localization/regionalization and export programs do improve visibility and better balance the sales mix, regional sales remain sensitive to national priorities and procurement timing.

It is evident from SAAB's geographic revenue split that alignment with regional sovereign interests is important, as Sweden and Rest of Europe consistently dominate the mix.



Source: SAAB, Inderes



Source: SAAB, Inderes

Company overview 4/6

Success in markets outside Europe requires deep local ties that enable collaboration, as seen in Latin America’s revenue growth (in absolute terms), partly achieved through successful long-term Gripen collaboration in Brazil. At the same time, although consistent, North America remains a small share of the revenue mix despite its large military needs, reflecting the region’s well-developed domestic defense industry. Meanwhile, Asia’s share of sales continues to decrease due to its physical and political misalignment with the West.

Long-term contracts anchor revenue and cash

In 2024, SAAB’s revenue was ~92% military and ~8% civil/industrial. By source, long-term contracts (~63% of revenue) dominate, i.e., multi-year programs such as Gripen, GlobalEye, and major naval/radar projects. The very largest agreements (e.g., Brazil and Sweden) can extend for decades, while smaller long-term contracts may be completed within quarters when customization demands are limited. Within short-cycle sales, Products (~21% of revenue) consist largely of standardized, repeat-demand items (spares, modules, ammunition). A push by the company to standardize parts of the portfolio has boosted volumes, shortened delivery timelines, and supported margins, particularly in Dynamics. Services (~16%) round out the mix with consulting, maintenance, and lifecycle support, which provides a recurring component. Long-term work is typically recognized over time (percentage-of-completion) with fixed prices and milestone billing, while product sales are usually recognized at delivery.

SAAB’s home-market relationship with FMV, the Swedish Defense Materiel Administration, anchors demand and often makes SAAB the contractor of choice in peacetime procurement. In 2024, FMV accounted for ~36% of group

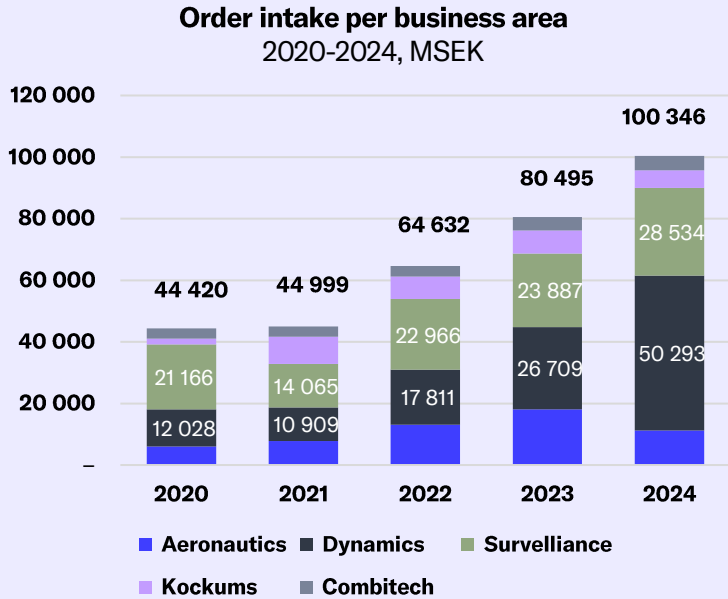
sales, having developed relatively in line with SAAB’s overall revenues over the years. While the FMV-concentration brings revenue visibility, it does not provide uncomfortable levels of concentration due to strategic dependence; yet it makes capacity expansion efforts tilted toward the needs of one customer.

Robust order intake supports backlog, supporting visibility

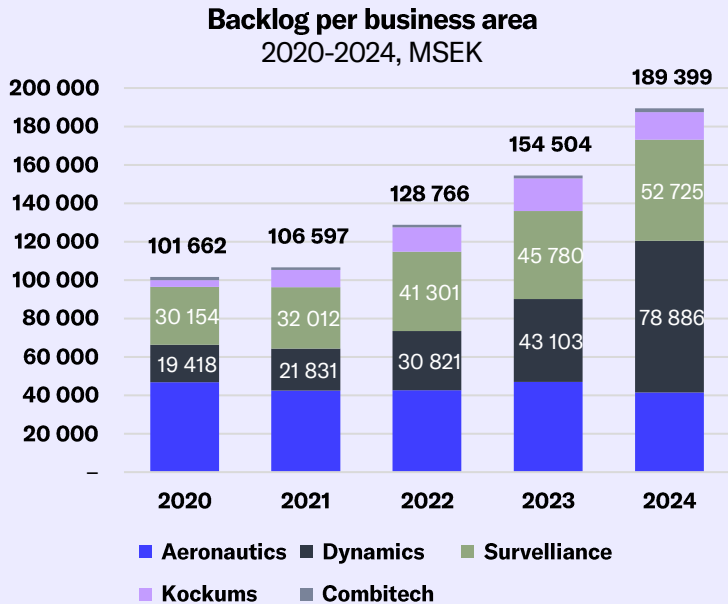
When intake exceeds shipments due to capacity constraints, the backlog expands but growth improves, as seen in 2022-24. A global demand surge on the back of armed conflict supports order intake and growth across all divisions, while the backlog grows because capacity cannot expand equally fast. Dynamics has been leading the herd, with accelerating demand for ground-combat, missiles and camouflage, since 2022. Surveillance has likewise benefited from greater demand for sensors/EW/C2, but its backlog increase has been more moderate. Meanwhile, the intake and backlog at Aeronautics and Kockums run at above pre-2022 levels and have been fairly stable (following a similar pattern through to mid-2025). This lack of trend is, however, typical for long-cycle aircraft and shipbuilding programs with long-lead components and multi-year discrete milestone billings. As the backlog typically converts to revenue over a period of quarters or years, depending on operational parameters, it is a good marker for revenue visibility. However, the actual booking of revenues will depend on program execution meeting contracted delivery schedules.

Cost structure providing operating leverage

SAAB’s COGS as a share of total costs are the company’s largest expense; within it, personnel remains the largest single expense, followed by materials and components.



Source: SAAB, Inderes



Source: SAAB, Inderes

Company overview 5/6

The costs for manufacturing premises are the largest fixed costs, while personnel, materials/components and purchased services are semi-fixed, to the extent that these can be increased when demand is high and decreased when it's low, with some flexibility. By this, we believe that the company's ability to adjust its operations to fit changing market conditions is reasonably good, as seen in recent years (2022-24). In recent years, the group's share of purchased services has increased from ~13% to 21%, while personnel costs have declined, with the former being the more variable component. Even so, gross profit has remained stable since recovering from the 2020 dip.

Operating costs have decreased as a share of revenue recently (from ~14%-~13% in 2022-24), supported by a demand-led market that pushed down marketing spend to ~4.9% in 2024, from 6.6% in 2022 (versus a 2000-19 average of ~8%). R&D remains a critical expense, comprising salaries for self-financed development teams and other development costs. The falling marketing share of expenses indicates that it has been an important driver for the operating margin expansion from recent years. Administrative expenses and R&D have not changed much in relative terms. At a group level, this rises two uncertainties: 1) is the marketing expenses trend is sustainable, and 2) how quickly will the higher share of R&D spending show up as noticeable revenue and mix benefits. At a divisional level, cost structures differ, and profitability can be volatile short-term.

SAAB's cost base is largely SEK-denominated given its Swedish footprint, while about 60% of revenue is earned outside Sweden. That mix creates a significant FX exposure. Management uses currency-forwards to hedge future cash flows and tenders (between contract bid and award) that lock an exchange rate, limiting pricing drift on

long-lead contracts. Historically, however, currency fluctuations have not had any meaningfully recurring impact on earnings. That said, large global currency market dislocations will harm SAAB, however, only in the short-term.

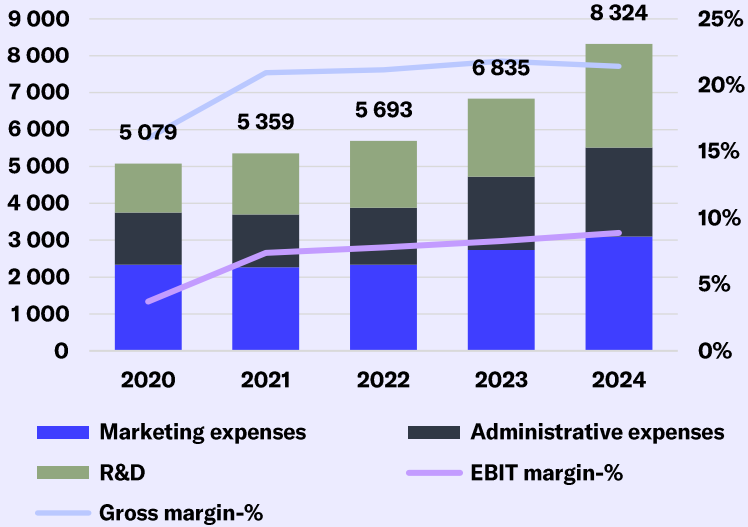
SAAB allocates cash flows to a mix of organic investments and dividend payouts

Due to the volatile nature of contract structures and delivery timing, cash flow generation is inherently volatile on a divisional and group level. However, during times of higher demand (such as 2022-24), SAAB's fixed-cost absorption is good and operating leverage improves, driving higher profitability and cash flow conversion, in turn improving the capex headroom.

In non-war defense market conditions, the focus of SAAB's investments is inherently more balanced between M&A, innovation and capacity. When the market experiences a demand-led upcycle, capacity is the bottleneck and becomes a disproportionate share of the capex formula. As a result, SAAB must prioritize organic expansion, which it has done by adding facilities in India (2026), Finland, Brazil, the UK, and the U.S. to shorten logistics, embed industrial participation, and improve lead times. Moreover, M&A is a tuck-in tool that becomes more viable when cash flow generation is strong, focusing on manufacturing/assembly or technology that strengthens the market positions of existing programs rather than headline growth.

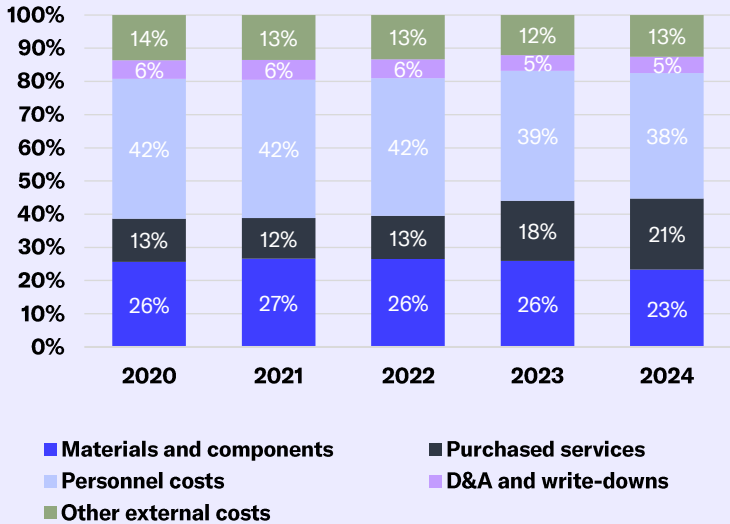
As an established company in a mature industry, SAAB targets a 20-40% dividend payout across a business cycle and carries out occasional buybacks. This is framework balances capacity building for the upcycle with disciplined long-term returns to shareholders, which aligns with the main shareholder's perpetual needs.

Gross margin and operating cost structure by cost item
2020-2024, MSEK and % of revenues



Source: SAAB, Inderes

SAAB's overall cost structure by cost item
2020-2024



Source: SAAB, Inderes

Company overview 6/6

Wallenberg family's long-term stewardship

SAAB's anchor shareholder is the Wallenberg family, holding ~39% of the capital and ~48% of the votes via Investor AB and associated foundations. Their relationship with the company goes back to 1937, when they helped establish Svenska Aero AB, later rebranded as SAAB. This permanent, long-term ownership underpins SAAB's willingness to invest ahead of revenue, in R&D, industrial capacity, and next-generation programs, so that innovation remains central to the strategy. The disregard for short-term financial performance to instead focus on long-term sustainable value creation makes the current ownership structure very value accretive, in our eyes. In essence, such sponsorship brings stability, patient capital, and long-term alignment, while also posing familiar governance trade-offs, i.e., potential entrenchment and reduced minority sway on key matters, even as outcomes have generally been constructive over time.

Management with significant skin in the game

Micael Johansson, SAAB's current CEO, joined the company straight out of school in 1985 and has since held various engineering and managerial roles. He is also the largest shareholder within the management team, with ~300,000 shares. The CFO, Anna Wijkander, has been at the company since 2015, joining the company as a divisional head of controlling and gradually progressing to her current role. Before SAAB, she held various finance-related leadership positions at Ericsson.

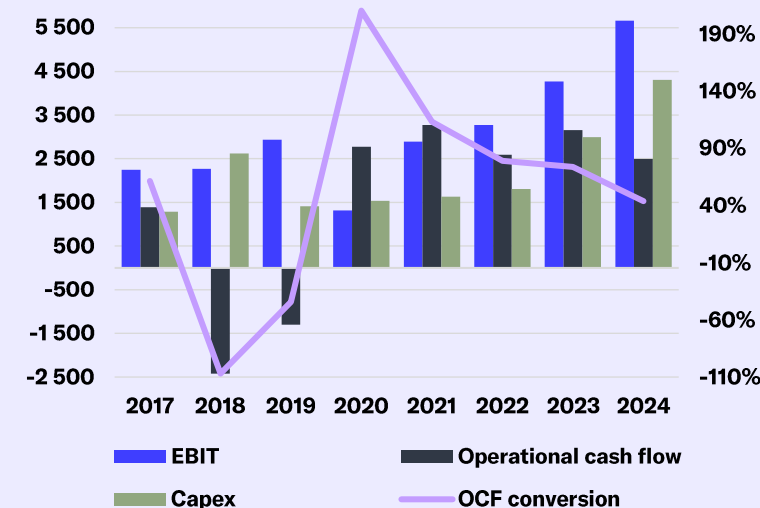
Among the 12 other members of the management team, one holds ~100,000 shares, while the others own from a few hundred to several tens of thousands of shares. Two of

these executives joined the company within the last two years.

Long-term remuneration policies

In alignment with the interests of the main shareholder, SAAB generally avoids short-term cash bonuses. The business is inherently long-cycle, dependent on complex and technically advanced programs that can span three to four decades, so incentives are designed for the long term. Therefore, the focus of variable pay is on long-term incentive programs that reflect the company's multi-year operational and profitability goals.

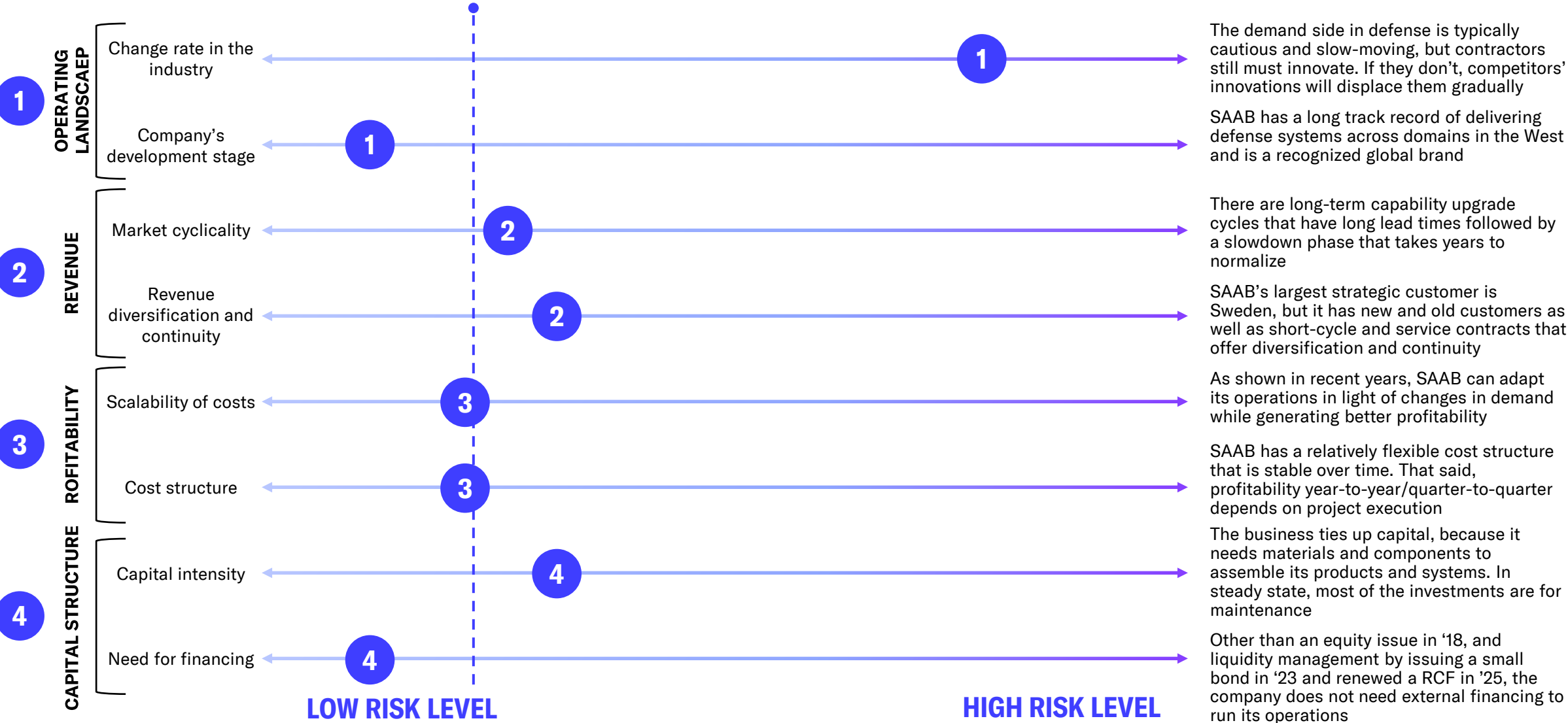
Group level EBIT, OCF and investment needs
2017-2024, OCF/EBIT and conversion-%



Source: SAAB, Inderes

Risk profile of the business model

Assessment of SAAB's overall business risk



Aeronautics 1/2

Aeronautics develops advanced aerial systems for military and civil customers

In 2024, the division accounted for ~22% of SAAB’s backlog versus ~38% on average during 2020-23, a shift driven by rising order intake in other divisions (particularly in Dynamics and Surveillance) rather than weakness in Aeronautics. The division focuses on technology development and assembly, so execution risk sits with component availability at assembly lines and upstream access to critical materials. In 2020, Aeronautics saw the supply-chain shocks affect delivery and production, and a civil-aviation downturn driving an 875 MSEK operating loss (EBIT -7.8% vs 8.2% the year before). However, since 2021, program execution in the division has been good and capacity has improved, which has yielded growing revenues and somewhat stable margins. While sales have doubled from the pre-COVID levels, margins have actually decreased, dragged down mostly due to lags in the T-7A operations. In all, the division is a material contributor to the group’s brand, but its performance hinges heavily on meeting delivery schedules and capacity utilization, as well as export approvals.

Business units

Aeronautics is organized into four units that together cover future concepts, commercial aerostructures, sustainment, and a full combat-aircraft program.

Advanced Programs develops next-generation manned/unmanned concepts and integrates AI, training systems, and advanced materials, feeding the future product pipeline.

Aerospace Systems focuses on commercial aerostructures (fuselages, wings, engine pylons, landing-gear

components) and provides subsystems for the T-7A partnership with Boeing (tail section), emphasizing volume execution with partners.

Aviation Services sustains civil and military fleets via support, modifications, and upgrades, contributing recurring activity over the platform’s life.

Gripen manages the Gripen C/D/E/F program from contracting through development and design, serving as Aeronautics’ long-cycle program anchor.

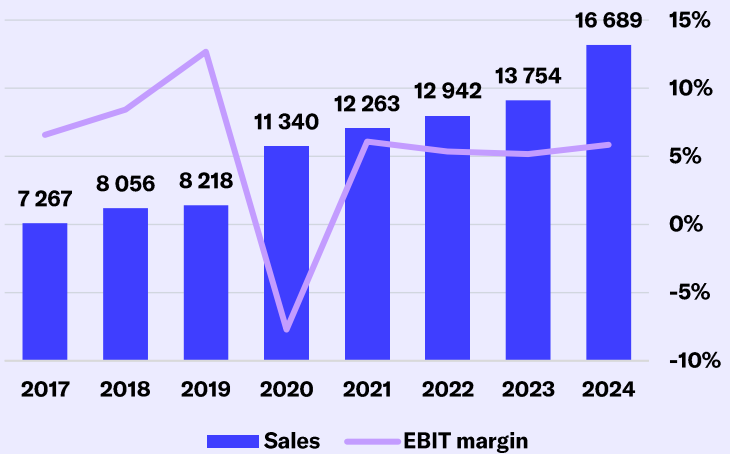
A modular, cost-effective multirole fighter jet

The JAS 39 Gripen anchors Aeronautics’ offering. Its E/F (4.5-generation) version combines advanced avionics with a modular software stack that enables rapid capability insertion, a supersonic engine, and a maneuverability-focused airframe. Relative to C/D, E/F brings enhanced EW, more capable sensors, stealth features, and a network-centric design for cross-domain data exchange, widening mission flexibility. Also, within the F-16V, F/A-18E/F, Typhoon, and Rafale set, attributes are broadly comparable, with distinctions by doctrine and mission needs. For nations seeking to upgrade their airspace defense at lower operating cost, Gripen’s modular software architecture and deterrence profile are compelling. Looking forward, SAAB and the Swedish Air Force are progressing unmanned and next-gen manned concepts with deeper AI integration. Over time, regardless of the aircraft, we see value creation depending on the competitiveness of the platform and sustaining cost advantages over the lifecycle of the aircraft.














Gripen interest rising globally

Since 2022, Aeronautics has seen good order activity for Gripen upgrades or for the actual aircraft.

Revenue and EBIT margin-%
2017-2024, MSEK and % of revenue



Source: SAAB, Inderes

Business units	Key Customers
Advanced programs	
Aerospace Systems	   
Aviation Services	  
Gripen	    

Source: SAAB, Inderes

Aeronautics 2/2

The Gripen E/F sales campaign has secured 60 aircraft for Sweden and 36 for Brazil. Thailand has ordered three Gripen E and one F, while Colombia is in negotiations for an unknown number of aircraft. The media also reports interest from the Philippines, Portugal, Canada, Indonesia, and Ukraine as potential buyers, but none are firm until orders are official. Because the Swedish, Brazilian and Thai orders are being fulfilled in parallel (alongside Gripen C orders from Hungary), the division could be looking at 4-5 years of additional backlog work, excluding potential orders. The company has currently capacity for 10 aircraft per year, but in in the process of increasing capacity to meet demand, to around 20 aircraft per year.

Structurally high fighter-jet entry barriers

Fighter programs demand multi-billion investment across extended development and qualification phases before revenue appears, amplifying financing and execution risk for newcomers. The regulatory and ethical load, spanning airworthiness certification, broad compliance, and export controls, adds cost and complexity, with any lapse carrying reputational and expensive operational consequences.




Moreover, alongside Lockheed Martin, Boeing, Dassault, and Eurofighter GmbH, SAAB is among a handful of established suppliers of fighter jets in the West. These often hold regulatory advantages, such as exemptions around substances of concern, that are difficult for new entrants to secure. On top of this, franchise effects such as, a recognized qualitative brand, deep engineering know-how, and a proven track record, reinforce buyer confidence and further raise the bar for entry.

Regionalized footprint and production ramp-up take time

Aeronautics keeps R&D and Gripen E/F assembly/integration in Sweden, while expanding its footprint in Brazil, where the division’s São Bernardo facility is for fuselages and aftersales parts. A second facility, a final-assembly line, came online in 2023 at Embraer (Gavião Peixoto), scheduled to produce 15 aircraft for the Brazilian Air Force. In addition, manufacturing of the T-7A tail takes place in the facility at Lafayette, US, opened in 2021. This more regionalized manufacturing network that embeds local industry and suppliers allows Aeronautics to ease logistics costs and improve schedule coordination. However, this takes time to build up because it requires tight synchronization with suppliers, so components arrive at the right time, in the right quantity, with the right quality. For the same reason, it takes time to ramp up manufacturing to meet demand for the Gripen system.

A heavy burden on group operational cash flow

The division has historically weighed heavily on the group’s operational cash flow due to its high working capital and relatively high investment needs compared to other divisions. As Aeronautics ramps up Gripen production in Sweden and manufacturing units are established in Brazil, the division will continue to tie up more capital, making the trend persistent.

4.5 gen	JAS Gripen E/F	F-16 Block 70/72	Eurofighter Typhoon
			
Origin	Sweden (SAAB)	USA (Lockheed Martin)	UK (Eurofighter GmbH)
Entry into service	1996 (A), 2021 (E)	1978	2003
Operational cost/h	\$4 000-6 000	\$7 000-9 000	\$17 000-18 000
Maintenance needs	Minimal (1-2 crew)	Moderate	High
Typical users	Sweden, Brazil, Czechia, Hungary, Thailand	U.S., UAE, Poland, Taiwan, others	UK, Germany, Saudi Arabia, Italy, Spain
Standout strengths	Cost-efficiency, digital integration, sensors	Global support, upgradeable, proven platform	Speed, air superiority, sensor fusion
Limitations	Lower payload/range, single engine	Aging architecture, limited stealth	High cost, complex logistics

Source: Peer reports, media sources and industry reports
Images: ChatGPT generated

Dynamics

Dynamics in short

In 2024, the division stood for ~42% of the backlog versus ~23% average over 2020-23, on the back of heightened demand for Dynamics short-cycle offering, like shoulder-fired weapons and missiles. Dynamics develops and manufactures ground-combat solutions, with its main hub in Karlskoga, Sweden. From 2022 onward, on the back of higher European defense spending, the division has had excellent growth, but the sharp order intake uplift has outpaced capacity growth, in turn making the backlog quite large. To convert this pipeline, the division has been expanding and continues to expand capacity, to raise the delivery pace and meet contract schedules. Dynamics’ higher volumes paired with higher capacity have driven up the EBIT profitability quite well. Also, at times of higher profitability, Dynamics can convert EBIT to OCF at consistently higher rates, despite tying up more capital for the production ramp-up.

Five business units aligned with rearmament needs

Dynamics’ units are expanding with European rearmament, with a portfolio aligned to current capability gaps. SAAB, does not, however, provide any figures on these.

Ground Combat produces Carl-Gustaf, NLAW, and AT4 shoulder-fired weapons. It has 40-50 regular customers and serves key customers in Sweden, the U.S., India, France, and Australia. The business unit is expected to have 4x the capacity of the pre-war period by the end of 2025.

Barracuda delivers advanced camouflage and deception systems that increase survivability and protection. The need for these systems is amplified by widespread drone adoption on modern battlefields.

Missile Systems is experiencing strong demand, but capital-intensive program economics and complexity require government and partnerships with other defense contractors: METEOR and TAURUS (with MBDA/TAURUS Systems GmbH), IRIS-T (with Diehl), and GLSDB (with Boeing).

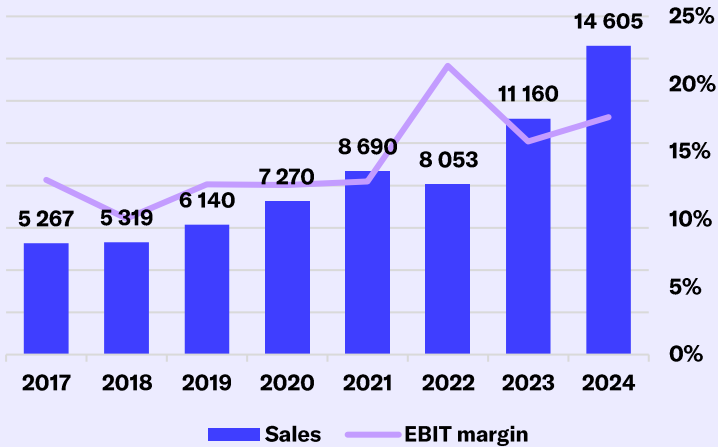
Tactical Support Solutions provides deployable healthcare, CBRN systems, ruggedized electronics, and systems integration, working closely with the Swedish Armed Forces.

Training & Simulation supplies battlefield training systems to ~40 customers worldwide. Since 2020, multiple European nations and the U.S. Marine Corps have contracted for simulation solutions.

Lead in ground combat through capacity investments

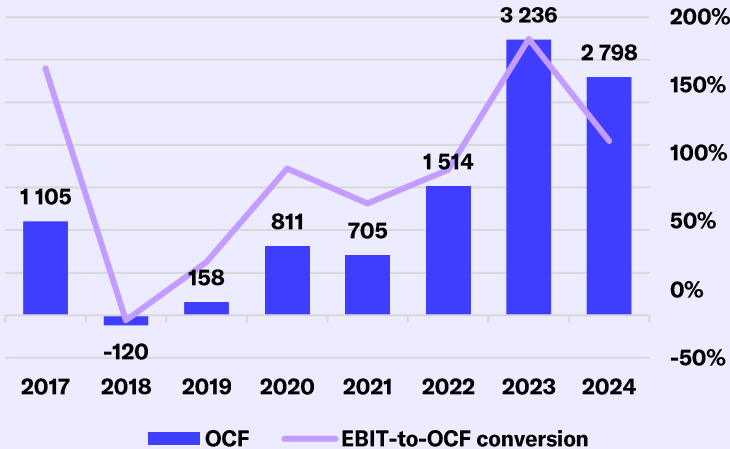
The division has managed to respond to market demand by adding shifts, growing personnel, upgrading systems, and reconfiguring lines in Karlskoga, Sweden, its main hub. To compress logistics distances and strengthen supply, Dynamics is building additional regional final-assembly capacity in India and the US. All new lines will incorporate more automation and digitally integrated workflows. The capacity expansion inevitably ties up more working capital (inventory, WIP, and long-lead components), pressuring operating cash flow. However, to date, throughput gains and fixed-cost absorption have offset much of that drag. Over time, a larger, more automated footprint should improve divisional margins and schedule reliability, provided utilization scales with the orderbook. The footprint expansion positions Dynamics to capture a longer Western military build-up, but it increases fixed-cost exposure and over-investment risk if demand normalizes sooner than expected.

Revenue and EBIT margin-%
2017-2024, MSEK and % of revenue



Source: SAAB, Inderes

Dynamics, OCF and OCF conversion rate
2017-2024, MSEK and conversion-%



Source: SAAB, Inderes

Surveillance 1/2

Surveillance in short

In 2024, this division stood for ~28% of the backlog versus ~30% average over 2020-23, slightly lower because of the relative strength in Dynamics' order intake. Surveillance traces back to Ericsson Microwave Systems (1956) and joined SAAB in 2006 through a strategic acquisition. It has since become a global leader in Airborne Early Warning & Control (AEW&C) systems, through its GlobalEye platform, and complements that position with ground-based radars, Electronic Warfare (EW), real-time Signals Intelligence (SIGINT), and Command, Control, Communications, Computers, and Intelligence (C4I) capabilities. Strategically, Surveillance acts as SAAB's sensor/radar-and-systems engine. Demand tailwinds in other divisions trickle through sensors, radars, EW, and C4I, while Surveillance's installed base and system upgrades reinforce its growth. The division's EBIT margin has developed quite well in 2020-24, due to good project execution across several programs, while the 2023 EBIT saw a positive impact from a divestment at the beginning of the year. Meanwhile, the operating cash flow has held steady over 2022-24. In 2020-21, however, the operating cash flow stands out on the back of larger-than-usual milestone payments.

Surveillance is the integration engine across air, land, and sea

Surveillance supplies compact, NATO-compatible, easily integrable systems that plug into fighter, ground combat, surface, and subsurface platforms. It also provides a software-led data layer that enhances situational awareness and decision-support. Although, SAAB provides no specific figures, Surveillance operates six units:

Airborne Early Warning develops advanced airborne surveillance systems, led by the GlobalEye multi-domain

platform.

Surface Sensor Solutions, known for AESA radars/EW with 3,000+ systems delivered.

Naval Combat Systems provides combat management, weapon control, and communications to 30+ customer nations.

Fighter Core Capabilities develops multifunctional, distributed systems for fighter jets and other airborne platforms and integrates EW/radar/avionics on Gripen.

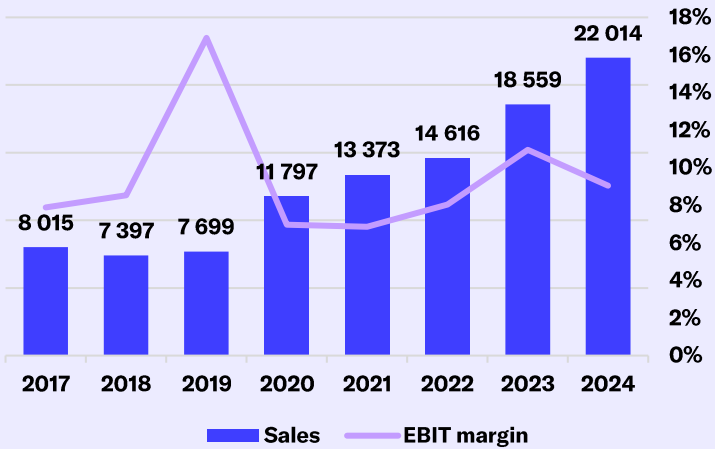
Digital Battlespace designs cross-platform communications and C2 for multi-domain operations, improving data-driven decision-making.

Safety & Security Solutions applies Surveillance's integration know-how to air-traffic and public-safety systems in the civil domain.

AI and autonomy sharpen the radar and sensor stack

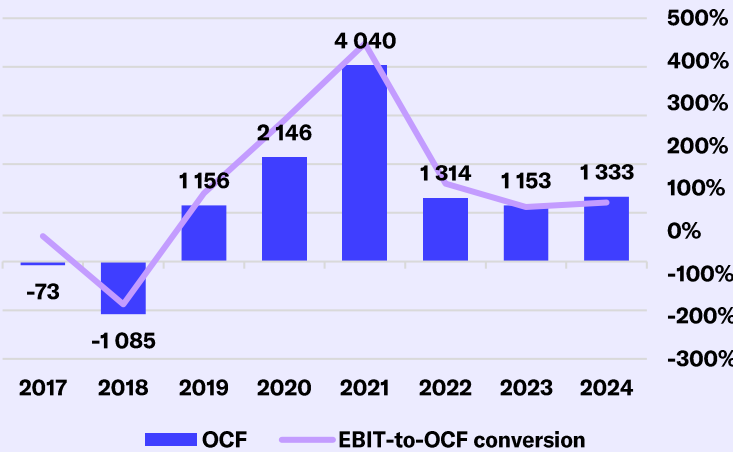
AI and autonomy are natural extensions for Surveillance's data-centric sensor, EW, and C2 stack. On the AI side, the focus is on accelerating data processing, so operators see a clearer picture sooner and receive more precise decision-making assistance. On the autonomy side, human-machine teaming is designed to compress observe-orient-decide-act cycles and lower operator workload, keeping tempo high under harsh conditions. The payoffs from these investments scale very well because Surveillance's solutions are already embedded in SAAB's other platforms. Improvements in algorithms and software composition travel across the installed base through upgrades. In our view, the recent order momentum at Surveillance is a good marker for a strong competitive position, considering the fierce competition.

Revenue and EBIT margin-%
2017-2024, MSEK and % of revenue



Source: SAAB, Inderes

Surveillance, OCF and OCF conversion rate
2017-2024, MSEK and conversion-%



Source: SAAB, Inderes

Surveillance 2/2

GlobalEye competes strongly among NATO AEW&C

GlobalEye sits at the top of SAAB’s sensor portfolio as a modular AEW&C system that combines extended radar coverage (about 70% over Erieye) with multi-domain flexibility. Its secure data links support real-time tactical networking and high-precision tracking across large seas, ground and air spaces. Among competing systems, including Pegasus (Persistent German Airborne Surveillance System) and Gulfstream G550 CAEW, GlobalEye stands out thanks to its sensor capabilities, and the platform also aligns well with members of the NATO alliance. From a manufacturing standpoint, it has taken 3-4 years to deliver one aircraft, with five delivered to date since the first delivery to the UAE in 2020. The delivery pace has been around one aircraft per year, but SAAB has stated a goal to ramp up manufacturing to deliver four GlobalEye per year. Pricing appears highly dependent on scope (mission systems, training, spares, and support). UAE announcements indicate 1.27 BNUSD (2015) for two aircraft (~635 MUSD each), 235 MUSD (2017) for one, and 1.018 BNUSD (2020) for two (~509 MUSD each), framing an approximate 235-635 MUSD per-aircraft range across configurations. Contract profitability remains undisclosed.

Giraffe radars: Interoperable NATO-compatible platform

Introduced with Giraffe 40/75 in the 1970s-80s, the Giraffe radar line has progressed from early short-range systems to a short- through long-range portfolio featuring 3D AESA sensors. It is one of Surveillance’s best-known product families, with a wide installed base. Current applications span airspace surveillance, counter-drone detection, and Integrated Air and Missile Defense (IAMD) architectures. Against peers like Thales and Leonardo, Giraffe is equivalent in integrability and interoperability and is also

designed to integrate easily into NATO-compatible command chains. Since 2022, publicly reported orders of ~4.8 BNSEK have been recorded. It is not, however, a large driver of growth in the division.

High entry barriers: technology depth and scale

Barriers to entry in this division are high and rely on pricing power, long-term relationships and longer-lived contracts. Meanwhile, the capital-intensive, long-cycle nature of programs can delay cash conversion.

Market position & technology depth. The division’s broad geographic footprint supports technology transfer across operational environments, while decades of R&D and a proven radar/sensor track record anchor credibility. The decades-long competence spans the full path from architecture and design to supply-chain configuration and industrialization, which is hard to shortcut.

Scale and scope synergies. Close co-development and co-manufacturing with other SAAB divisions and partners generate scale efficiencies and scope synergies (shared teams, tools, and interfaces) so each additional program reinforces the base, raising the replication bar for entrants.

Coordination and regionalization for shorter lead times

At Surveillance, design, prototyping, qualification, integration, and test must run in lockstep with other business areas. To make that practical, the division has built a regionalized footprint across Western geographies, positioning teams close to customer and partner clusters. The proximity tightens feedback loops and simplifies logistics. A well-regionalized and coordinated setup tends to produce steadier delivery schedules and fewer schedule slips, which supports predictability in revenue recognition and lowers the risk of milestone-related margin noise.

AEW&C system



Erieye

Successor



GlobalEye



Pegasus



G550 CAEW

Key competing platforms

Radars



Giraffe AMB



Kronos Grand



GM300



Giraffe 1X



Kronos Land



GM400

Key competing systems

Kockums

Kockums in short

In 2024, Kockums stood for ~8% of the group’s backlog roughly in line with the average over 2020-23. However, the size of its backlog in absolute terms increased over 2x the average from the pre-2022 levels. Kockums is a globally competitive supplier of submarines, surface vessels, and naval systems, and provides mid-life upgrades and full lifecycle support. The division was brought back into SAAB in 2014, for a cash consideration of 340 MSEK, and has increased its sales from ~1.8 BNSEK to ~8.4 BNSEK in 2015-24 (~18% CAGR). Over 2022-24, the division’s sales have increased by a CAGR of 33%, and the EBIT margin has nearly doubled, driven in part by higher volumes. In anticipation of the demand step-up in 2022, management expanded and reconfigured shipyard capacity to accelerate manufacturing and improve schedule reliability, which has also supported growth and profitability. Like Aeronautics, Kockums’ order book is filled with long lead-time projects whose cash flow profiles are schedule dependent and tie up a lot of capital, even more so when manufacturing ramp-ups take place. Therefore, the division has a quite weak and volatile OCF profile.

Four units and submarines as the engine

Kockums spans all naval sub-domains, through four business units, with Submarines as the strategic and growth engine.

Docksta specializes in advanced high-speed vessels, combat boats, patrol craft, and pilot boats, with maintenance, upgrades, and lifecycle support for defense and civil operators. Core combat assets are the CB90 and Visby-class corvette platforms. The unit also develops and manufactures submarines and related technologies for diverse underwater missions, including

oceanic/expeditionary designs, submarine rescue, air-independent propulsion (AIP), and full lifecycle support from build to sustainment. The A26 Blekinge-class is the anchor platform, built on a modular architecture that supports straightforward upgrades and long-term adaptability.

Surface Ships delivers surface combat, mine countermeasures (MCM), and maritime patrol capabilities. It adds naval design/materials depth, notably lightweight superstructures (bridge, sensor masts, weapons integration), plus long-term support and maintenance.

Underwater Systems builds next-generation underwater vehicles and autonomous systems, for naval and commercial use, including MCM, anti-submarine warfare (ASW), and protection of critical underwater infrastructure.

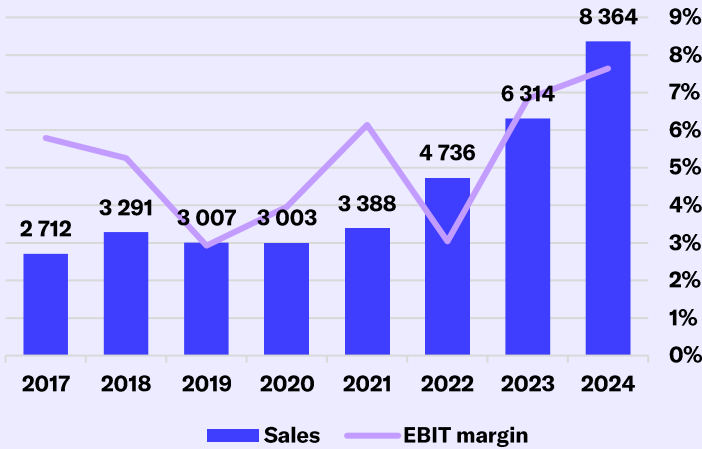
Outgrowing the slow naval market

Global naval procurement has been sluggish, rising from ~78 BNSEK to ~81 BNSEK, in 2021-24. Kockums, by contrast, has grown sales at ~35% CAGR, signaling market share gains in a low-growth market, implying a strong competitive position. Scaling beyond the home region will hinge on Kockums’ ability to re-engineer its Baltic-oriented designs to fit the capability requirements of ex-Nordic customers.

Localized production, but increased concentration risk

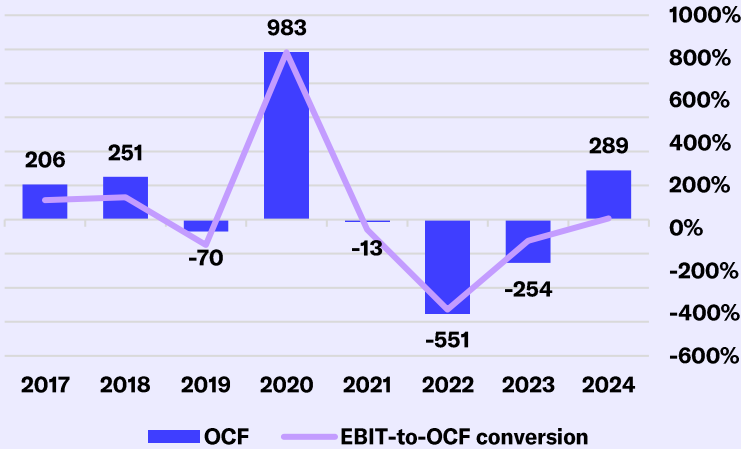
Kockums’ shipyard is in Sweden, supported by a predominantly local/regional supplier base. This setup mitigates logistics bottlenecks but increases concentration risks. Submarine programs are especially sensitive to long-lead critical subsystems, so component synchronization is essential. If there are component delays, integration slides, sea trials and acceptance is pushed back, milestones slip, and revenue recognition is deferred, and profitability falls.

Revenue and EBIT margin-%
2017-2024, MSEK and % of revenue



Source: SAAB, Inderes

Kockums, OCF and OCF conversion rate
2017-2024, MSEK and conversion-%



Source: SAAB, Inderes

Combitech

Combitech in short

Combitech has historically been a negligible part of the group’s backlog as its projects are largely short-cycle. This supports quicker and more stable cash conversion but worsens revenue visibility compared to multi-year defense programs. Combitech was founded within SAAB in 1982 to translate the company’s military R&D into civilian applications. The division provides consulting services within cybersecurity, autonomy, safety-critical software, connectivity, and data architectures, which is a good complement to SAAB’s offering (about 50% of the division’s sales come from within SAAB). Combitech has grown at 22% CAGR over 2020-24, making it the second fastest growing division in the period, although from a low base. Outside of SAAB, the division serves the broader convergence between operational technology and information technology, on the back of the secular shift toward secure, resilient digital infrastructure in public and industrial sectors. The combination complements SAAB’s long-cycle platforms, broadening market reach and responsiveness. Given its size and synergies with SAAB, to us, it is not an obvious spin-off candidate in the near term.

Organized into three domains

Combitech structures its offering across industry, community infrastructure, and total defense, as follows:

Smart & Secure Industry provides services that aid the acceleration of industrial digitalization. Combitech delivers technical development, system integration, safety-critical systems, autonomy, connectivity, cybersecurity, AI applications, and digital documentation.

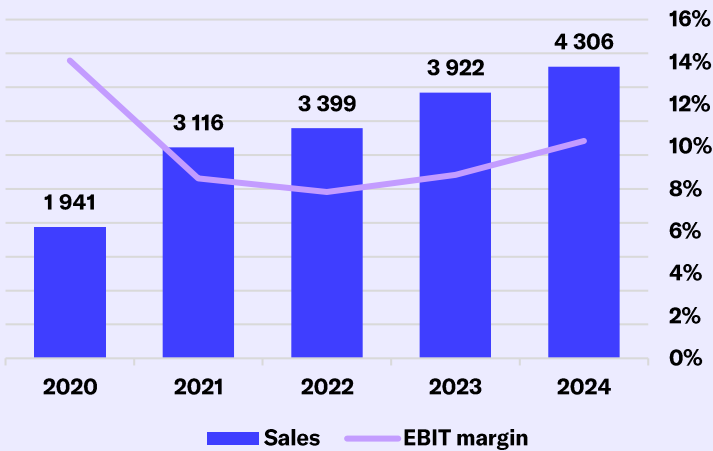
Smart & Sustainable Community offers services within the integration of critical infrastructure to improve information flow and system efficiency across assets of systemic importance

Smart & Resilient Total Defense offers services to design resilient processes and technology-enabled solutions across civil-military boundaries.

Workforce expands and revenue per FTE rises

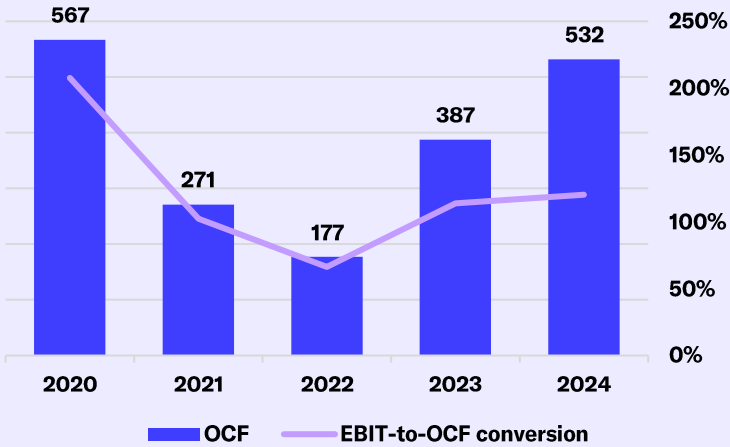
The growing demand from within SAAB, paired with growing external commitments, has pushed utilization towards the ceiling. In response, the organization expanded headcount from 2,064 to 2,378 between 2022 and 2024 (about 7.3% average annual growth). Meanwhile, the IT consulting sector has been struggling since 2023, with many industry peers laying off employees due to understaffing issues. At Combitech, however, productivity has kept pace, with revenue per FTE increasing from 1.6 to 1.8 (2022-24), suggesting onboarding was accompanied by process/method upgrades and beneficial mix shifts. Running hot improves asset utilization, but it raises the bar on hiring discipline, knowledge transfer, and schedule protection to prevent margin erosion.

Revenue and EBIT margin-%
2020-2024, MSEK and % of revenue



Source: SAAB, Inderes

Combitech, OCF and OCF conversion rate
2020-2024, MSEK and conversion-%



Source: SAAB, Inderes

Investment profile

- 1 Global brand with strong franchises and a history of outgrowing the defense market
- 2 Increasing European defense spending structurally supports operating margins through scale and efficiency
- 3 Sticky aftermarket and growing software content, supported by a long-lived installed base
- 4 An expanding geographic footprint yields new relationships in regions such as South America
- 5 Fierce industry competition alongside frequent collaboration (co-opetition)

Potential

- Untapped potential in next-gen technologies could open new growth channels
- New, more modern, digitalized production facilities should improve working-capital management and profitability over time
- European/NATO defense spending normalizing at higher levels would increase the rate of contract awards making long-term growth and margins more stable
- SAAB's industrial partnership with Brazil could deepen regional ties and open doors to a large market

Risks

- Although peers often collaborate, the sector is highly technical and fiercely competitive
- Since the early 2010s, SAAB's gross profitability has declined amid weaker project execution, a trend that could persist
- Strict export controls may limit technology sales, pressuring margins and growth
- Over-investing in capacity to meet today's elevated demand could impair the company's profitability profile in the mid-term if demand does not evolve as expected

Industry and competitive dynamics 1/3

SAAB is a small and competitive player in a large market

The global defense market is ~2.7 TNUSD (2024) and has grown at an average of ~3% p.a. since 2000, broadly in line with global GDP, making it a mature and defensive market with no apparent cycles. However, during times of military conflict, the speed of the technology cycle within the defense industry increases significantly. The adoption of AI/autonomy, rapid build-out of counter-Unmanned Aerial Systems (UAS), and capability requirements in radar/sensor technologies and networked C2 are pulling demand forward and reshaping research programs at defense companies' R&D departments. Within a global context, SAAB is a very small player (<1% market share) but competes head-to-head on multiple fronts against the likes of Thales, RTX, Leonardo, Northrop Grumman, Rheinmetall, Lockheed Martin, etc.

Defense procurement is politically driven with an intensive regulatory (export/import) overlay and profitability restrictions for all participants. Ministries and agencies set requirements and timelines, while contractors suggest contract structures and pricing, but do not control selection. In today's urgent rearmament efforts among NATO allies, customers are paying for the increased capacity in the industry by means of more contract awards, with better margin structures or up-front funding, to compress delivery schedules. This has been particularly visible in the profitability development of players offering short-cycle weapon systems like Rheinmetall and SAAB. Such industrial upcycle lifts defense contractors' revenues, supports operating leverage, and improves cash conversion if milestone plans are met.

Geopolitical cycles reign over economic ones

Defense spending is fundamentally tied to geopolitical



cycles, as shown in the rearmament period that the world went through in the years leading up to the First and Second World Wars. History shows that every upcycle was followed by a period of rapid slowdown in defense spending, once risk perceptions eased. In a steady state, the sector is structurally non-cyclical as it does not follow economic cycles, which supports the volatile nature of defense spending. Whether short- or long-term, defense commitments reflect geopolitical ties and common military goals, like the NATO alliance (targeting now 3.5% spending as a share of GDP by 2035, with an additional 1.5% in defense infrastructure investments, up from the previous 2% target).

With the current NATO targets, defense budgets of allied nations will rise to an average of 3-4%. This will secure growth and profitability for European defense companies as long as nations feel the need to replenish stockpiles and upgrade capabilities, which could last until 2035. Specifically, for Dynamics, SAAB believes that the demand trend could last for at least 10 years. With its NATO-compatible portfolio, SAAB is in a strong position to compete for contracts in the current environment, reflected in its financial performance in 2022-24. The caveat is that because current conditions require large capacity investments, where capital discipline and prudence are paramount.

Defense contract award mechanics are politically driven

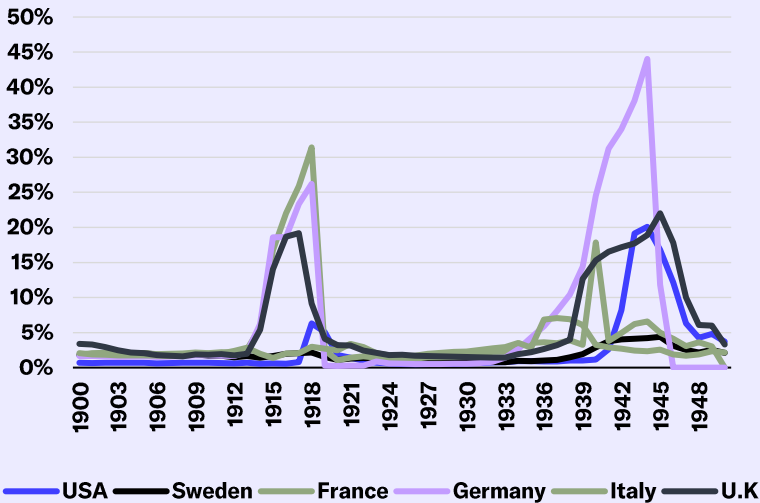
The underlying driver of the contract awards is the changing landscape of public attitudes toward security, jobs, and industrial development, which is inherently uncertain and influences defense procurement. Governments prioritize local awards unless domestic

Historical growth figures
In local currencies

		2017-21	2017-24	2022-24
Sales CAGR	 SAAB	5.7%	10.6%	23.2%
	Peers	9.1%	7.7%	8.8%
EBIT CAGR	 SAAB	6.4%	14.1%	31.5%
	Peers	4.9%	3.2%	8.5%

Source: Inderes, SAAB, Bloomberg

Defense budgets as % of GDP for key Western nations
1900-1950



Source: ourworldindata.org

Industry and competitive dynamics 2/3

awards are dealt to allied suppliers to advance foreign/industrial policy and interoperability. The contracts with foreign defense contractors commonly include multi-year industrial cooperation and technology-transfer (ToT) agreements, which are highly political, but become the backbone for long-term partnerships. In terms of contract size, these depend on budget cycles, fiscal headroom, industrial-policy incentives, and perceived military threat, but all of these are also largely unpredictable.

SAAB has grown faster than the market and peers

In the historical medium-term (2018-24), SAAB's sales CAGR of ~7% has been marginally lower than that of its peer universe. During the period, European peers grew at 7% and the U.S.-based ones at 10%, with the latter supported by more consistent and higher defense sector spending. Although U.S. peers have been struggling with supply chain issues.

Since 2022-24, the global defense sector has been in a strong wartime upcycle that has allowed SAAB to grow revenues at ~20% CAGR, while the global defense sector grew at ~8% and the peer universe at ~9%. This has been possible by a combination of 1) a larger pool of outstanding contracts, 2) single large contracts that make a bigger difference for SAAB than larger contractors, and 3) SAAB's alignment to NATO and European defense interests (program execution has also been a factor, but not the driver). Defense upcycles are typically characterized by accelerating innovation loops, expanding the scopes of development programs, but the modern twist to place a high value on integrable and upgradable systems is favoring SAAB, in our view.

SAAB's historical profitability has lagged the peer group

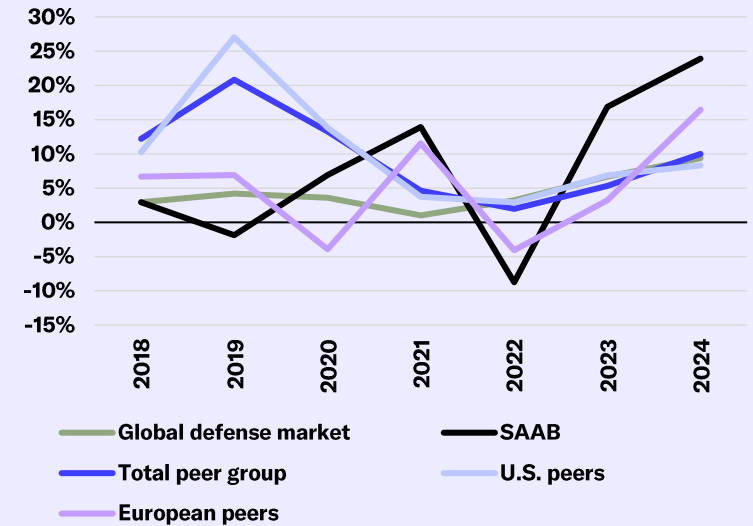
SAAB delivered a strong EBIT CAGR of ~10%, versus ~3% for its peer group, in 2017-24. Since 2021, however, SAAB's margin has expanded, whereas peer margins have trended lower. SAAB's rising profitability reflects rising European defense budgets, while the total peer group's profitability has been weighed down by U.S. peers, who have had to endure cost overruns on fixed-price programs, supply chain disruptions, and tariff-related input cost pressure. Similarly, the profitability of European peers has been weighed down by Airbus. In parallel, SAAB has benefited from reconfigured manufacturing processes, ramp-ups, and capacity expansions, which have aided the strong performance.

A fierce yet friendly competitive landscape

SAAB competes in an ecosystem where incumbents with multi-domain offerings and specialists both matter. Firms frequently team on one bid and compete on the next, while all chase capacity from a shared tier-1/2 supplier base. This is a dynamic that influences costs, schedules, and risks, so relationships with suppliers are extremely important. In pursuing their own objectives, companies must make sure to benefit each other for the market to function well.

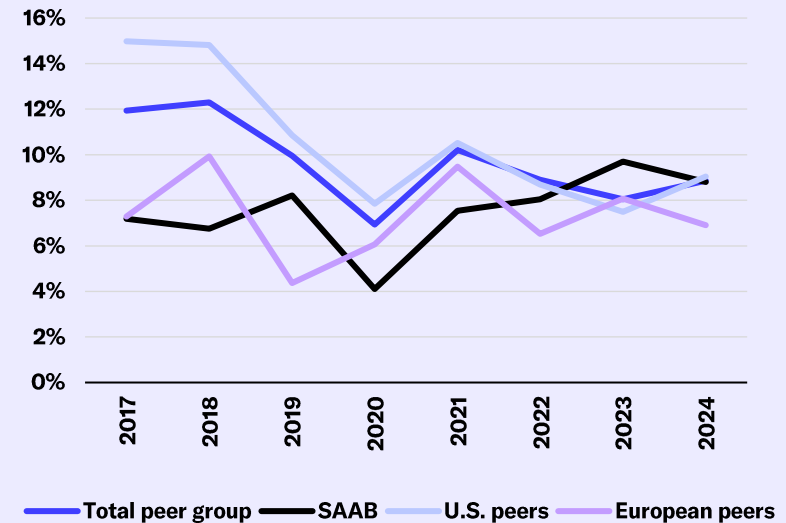
Competition in the Western defense market is fierce and typically has a finite set of major awards, where bidding is high-stakes. These programs are frequently winner-take-most, bundling years of development, production, training, and support (SAAB's playbook). Winning contracts establishes volume (and visibility) and a steady stream of after-sales work, keeping factories busy, fixed costs well covered, and driving lower unit costs. Not being awarded a contract, on the other hand, leaves capacity under-loaded, pushing overheads onto fewer units and eroding margins.

Global defense market, peers', and SAAB's growth-%
2018-2024, in USD terms



Source: SIPRI Military Spending Database, Bloomberg

EBIT margin-% of peer group and subgroups
2017-2024



Source: Inderes, SAAB, Bloomberg

Industry and competitive dynamics 3/3

Across all areas of defense procurement, award decisions blend price/performance, integrability/interoperability, industrial benefits, and political calculus. However, to tip award decisions in one's favor, the technology that is offered by contractors must be sound from an architectural standpoint, of the highest quality, and preferably come with competitive pricing. All companies are subject to these conditions. However, technological innovation is accelerated through cross-border competition and collaboration (i.e., co-opetition) and industrial teaming. By cooperating in this way, companies can develop better and more resilient defense capabilities that fit the current and future needs of customers.

A hard market to penetrate for new entrants

Incumbents benefit from sovereign trust, established security clearances, and a long compliance track record. Together, these ease access to classified work and targeted regulatory benefits that new entrants rarely obtain. The billions of dollars in installed base compound this advantage. The decades of fielded platforms create sustainment tails, integrated interfaces, and training/equipment ecosystems that make switching costs high and risky. On top of that, entrants must arrange large, multi-year capital expenditure programs and qualify supply chains under strict export/import-control regimes. Since 2022, many incumbents have been converting higher volumes into higher margins and cash flow, which is fueling reinvestment (R&D, capacity, tooling), reinforcing their lead. In our view, the industry is hard to penetrate, unless an entrant's offering is purely software-driven, but as such an entrant gains significance, it becomes a target for acquisition. Whether that edge endures into the next phase when momentum starts slowing down depends on how disciplined and prudent ongoing investment decisions are.

However, entrants attempting to enter the defense market through the software solutions side, with shorter and less capital-intensive development, are gaining importance, materially lowering barriers to entry. Many focus on AI and autonomy (e.g., within drone technology, and underwater and aerial systems), which integrate quite well with incumbents' systems, making them attractive partners for collaboration or acquisition.

SAAB has a strong competitive position, caveated by size

We believe SAAB is well-positioned amid fierce competition and the push for European defense sovereignty, combining high-quality technology with a broad, multi-domain offering. The company has been growing at a faster rate than U.S. and European peers, and faster than the overall global defense market, which indicates some kind of superiority, even if SAAB's precise technological competitive advantage is hard to isolate. SAAB has a competitive fighter-aircraft franchise with top-of-the-line sensor capabilities, which is often praised for cost efficiency versus peers. In shoulder-fired systems, it holds a strong market position with a flexible portfolio spanning a reusable multi-role recoilless weapon, a disposable guided anti-tank weapon, and a disposable anti-armor weapon. On the radar/sensor side, Surveillance has a large installed base and strong integration record, with a new platform (GlobalEye) that has only two direct competitors. In the naval domain, SAAB differentiates through long-standing shipbuilding expertise and advanced submarine stealth technology. That said, scale is a constraint: when customers require tighter delivery schedules (e.g., for Gripen or A26), SAAB cannot simply reconfigure its supply chain to deliver as much capacity as larger rivals, which can be a disadvantage on large bids on supply/capacity grounds.

Competition and partial overlap

	SAAB	Dynamics	Surveillance	Aeronautics	Kockums	Combitech
LOCKHEED MARTIN		✓	✓	✓		✓
NORTHROP GRUMMAN		✓	✓	✓		
GENERAL DYNAMICS					✓	✓
leidos			✓			✓
RTX	✓	✓	✓	✓		✓
BOEING	✓	✓	✓	✓		
L3HARRIS	✓	✓	✓	✓		✓
Huntington Ingalls Industries			✓		✓	✓
LEONARDO	✓	✓	✓	✓	✓	✓
AIRBUS	✓	✓	✓	✓		✓
RHEINMETALL	✓	✓	✓			✓
THALES	✓	✓	✓	✓		✓
BAE SYSTEMS	✓	✓	✓	✓	✓	✓
Rolls-Royce				✓	✓	
DASSAULT AVIATION			✓	✓		
FINANTIERI MARINETTE MARINE					✓	
Elbit Systems	✓	✓	✓	✓		✓
KONGSBERG	✓	✓	✓		✓	✓
Hanwha Aerospace	✓	✓	✓	✓		✓
HENSOLDT			✓	✓	✓	

Source: Peers, SAAB, Bloomberg

Global peers

USA

LOCKHEED MARTIN

RTX

NORTHROP GRUMMAN

BOEING

GENERAL DYNAMICS

L3HARRIS™

leidos

Huntington Ingalls Industries

European

LEONARDO

BAE SYSTEMS

AIRBUS

Rolls-Royce®

RHEINMETALL

THALES

DASSAULT AVIATION

HENSOLDT

FINCANTIERI MARINETTE MARINE

RoW

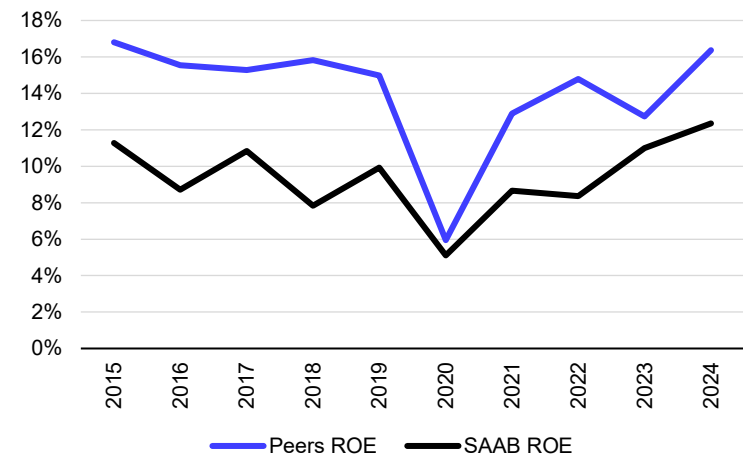
Elbit Systems

Hanwha Aerospace

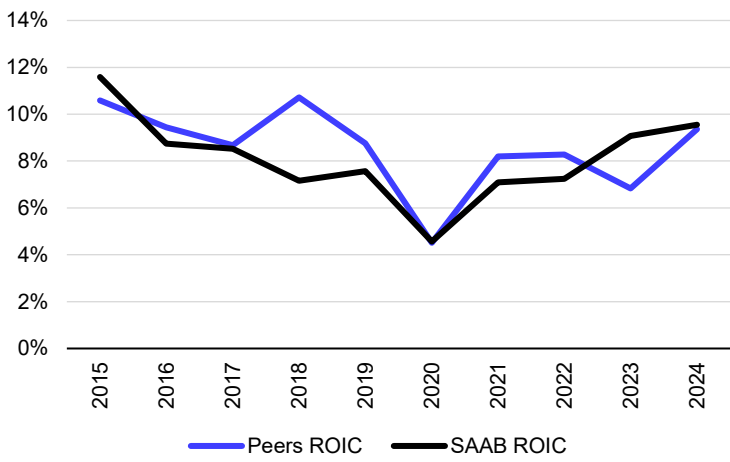
KONGSBERG

In addition to global listed peers the industry also consists of a fragmented upstream supplier market

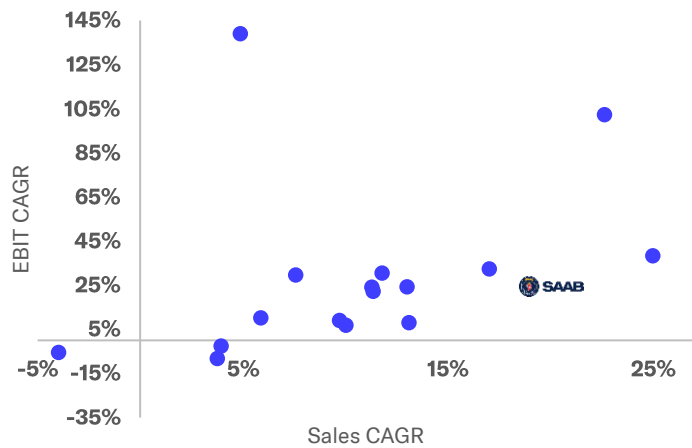
ROE for the peer group
2015-2024



ROIC for the peer group
2015-2024



Peer group's EBIT and sales CAGR over 2022-24



Source: Bloomberg, Inderes

Strategy

Current strategic focus

In a CMD, in H1 of 2025, SAAB’s management presented a strategic direction that focuses on four areas. We view these as interconnected logical areas for SAAB to focus on during this period of increased profitability and cash flow generation, which will benefit it in the long-term. We also feel, that the digital transformation journey the company is embarking will be fruitful, though lead times are long.

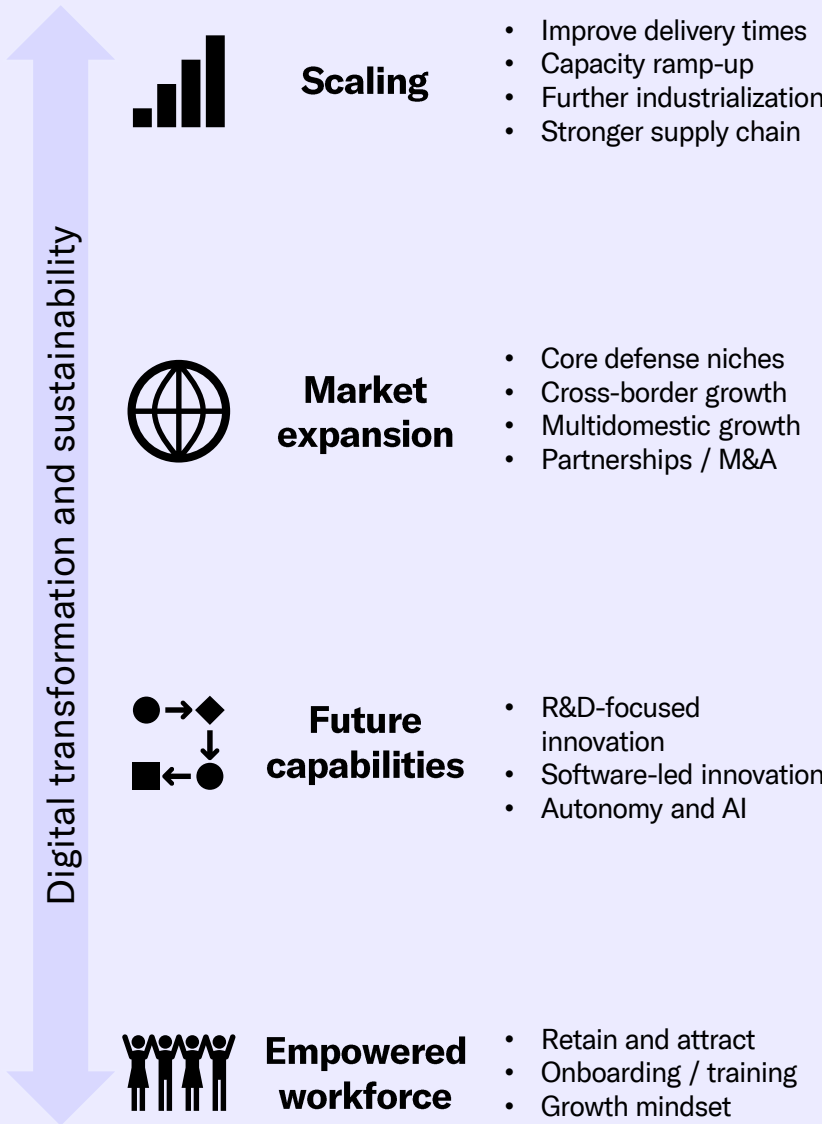
Scaling up the business to reach a higher level of capacity across all business areas will allow the company to deliver on its increasing customer commitments faster and more reliably. This is being done by pushing the business through a new industrialization phase with heavy investments in new facilities and production lines, with automation and integrated digital processes. Since automated assembly lines require a different configuration, the company is investing in redesigning of components and products. Our view is that these investments will help the company support its profitability and cash flow generation by giving more stability to its working capital, which is important for the type of business that SAAB is. This is hardly achievable without a resilient supplier and partner network where production is located, so SAAB invests alongside suppliers to help them expand capacity.

SAAB will **expand its IP** by focusing on the core niches where it already has decades of accumulated expertise. The company is also planning to selectively continue its **geographic expansion** by opening new facilities where it feels demand is visible and likely to be funded long-term. Industrial participation agreements are meaningful in this context as they facilitate and strengthen cross-border cooperation with customers. This collaboration model is essential for the execution of the expansion part of SAAB’s

strategy, through technology transfer and risk-sharing, which lower the risks of ongoing programs. Where partnering cannot close the gap, the company looks to make bolt-on acquisitions within specific technologies from which the company believes future capabilities can be developed.

The development of next-generation capabilities is front and center of SAAB’s current strategy. Our understanding is that the company wants to take advantage of the currently elevated cash flows to invest in developing the capabilities of the future. Thus, SAAB will be able to extend its growth trajectory. These next-generation capabilities are essential for the company to remain competitive in a market where innovation is key, and competition is fierce. The goal is to integrate autonomous and AI systems into the existing capabilities to enable a more mission-flexible and versatile offering that enhances decision-making and security. For this, the company is planning to ramp up internally-funded R&D from 2.7 BNSEK to 5-6 BNSEK in 2027e, of which most will be channeled toward the innovation of future capabilities.

The alignment and nurturing of its workforce is important for SAAB, as it is a growing tech company that thrives with innovation. However, this specific point is not unique to SAAB, but common to the whole industry. As innovation is the result of human curiosity refusing to accept “just because”, culture is arguably the most important thing for SAAB’s going concern. The company must spend significant resources making sure it attracts the right individuals with the right attitude and mindset. A misstep in this aspect could result in mediocre and unfruitful innovation, or lower-quality solutions, which would be detrimental for SAAB’s reputation.



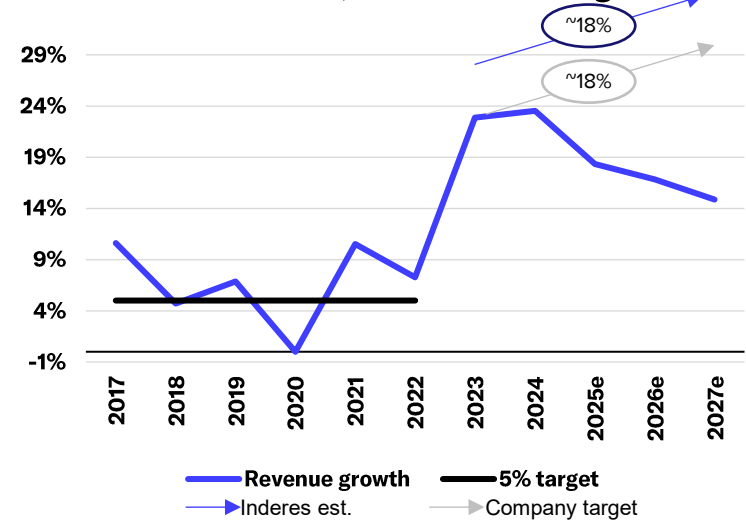
Financial targets

Medium-term financial targets covering 2023-27

Organic growth CAGR of ~18% 2023-27

- 2025 organic growth target upgraded from 12-16% to 16-20% in Q2, on the back of favorable market dynamics
- Medium-term targets were first upgraded in 2023 to 15% organic sales growth in 2023-27, from organic sales growth of 5% p.a.. Later upgraded in Q4 2024 to the current target
- SAAB does not include “mega-deals” in its financial targets. For example, the order for two GlobalEye platforms by France that may or may not come, is not included
- Based on current demand and how the company has handled its operations since 2022, we believe that the company will reach its mid-term growth target

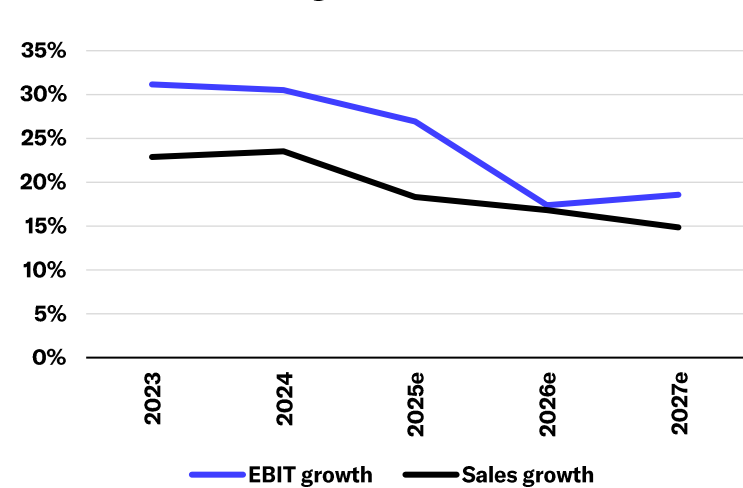
Growth actuals, estimates and target



EBIT growth above organic sales growth

- Previously, the EBIT target was to hit a 10% margin over a business cycle
- Due to the upcycle in the defense industry and having seen the operating leverage at play, the company changed its margin target to an EBIT growth target that is expected to be higher than sales growth in the period
- SAAB has historically underdelivered on its prior 10% EBIT target at a time when demand conditions and mix were not so favorable. We believe that SAAB can deliver on its EBIT growth target (but EBIT g > sales g has historically been the case, so there is no real substance to the target change)

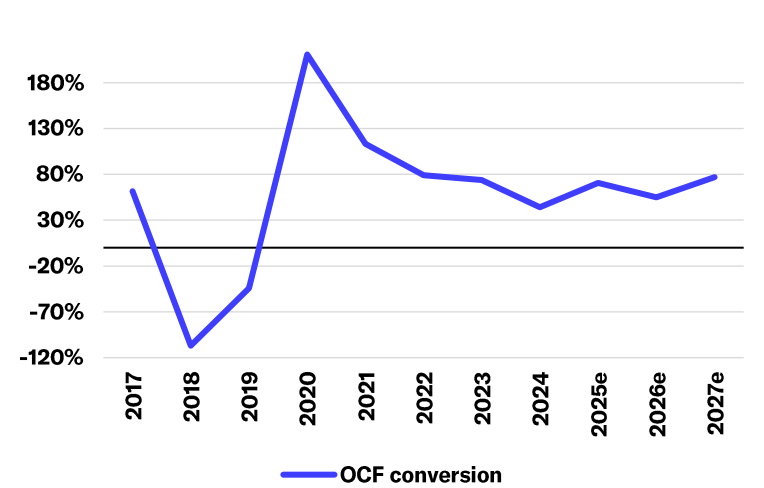
EBIT growth 2023-27



OCF of at least 60% over a 5-year period

- Had no OCF targets before the 2023 target update
- Outcomes have shown that OCF benefits significantly from higher throughput, but the company has also been consistent with its execution of projects
- In the two fiscal years since the company set the target (2023-24), the company has, on average, been in line with it
- Because the underlying market has been favorable for cash flow conversion in recent history (104% avg. in 2020-24), we believe that the company will reach and quite likely surpass the target

OCF conversion



Past development

Strong but volatile growth

In 2008-24, SAAB compounded growth at ~6%, largely organically, roughly 3 p.p. faster than the global defense market. The company's growth has been unstable, reflecting the volatile nature of defense procurement and program execution dynamics. Even so, the numbers suggest that the company has been grabbing market shares in the long-term. In our view, this stems more from solid execution and a high-quality offering than from exposure to any single market or region. Sweden is a large, longstanding customer, but its budget alone does not explain the outperformance.

In 2006, SAAB acquired Ericsson Microwave Systems, which later became Surveillance, and in 2014, it brought back Kockums. Acquisitions have been integral to the company's growth story, though the frequency is too low to draw any strong conclusions from the M&A track record. That said, when SAAB has made large deals, they have tended to work well. On the other hand, the company has stayed active when it comes to bolt-on acquisitions, opting for precision over pace, conducting mostly small deals, so the engine remains organic execution.

From the 2020 reorganization onward, growth has been good and broad. Dynamics and Surveillance almost doubled sales, Kockums accelerated the fastest, and Aeronautics and Combitech have also shown good growth. The common driver has been the post-2022 surge in European and allied defense spending, translating into more favorable order-book levels and throughput.

Profitability in on the rise with a rising market

Historically, SAAB's gross profitability has consistently

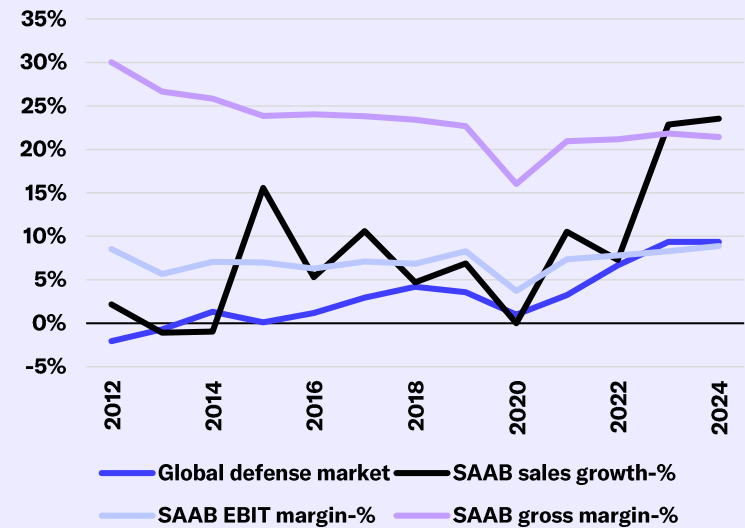
trended down, which the company attributes to weaker project execution. In the post-Covid era, however, the gross margin has held rather stable, which we believe is primarily due to significantly higher demand, with some contribution from improved project execution.

SAAB's average EBIT margin over 2008-24 is 8%, but it has been somewhat volatile, fluctuating by roughly ± 2% over the period. The company does not have the highest EBIT margin in the industry, but its EBIT level is in line with European peers (and is lower than U.S. peers).

In 2021, the EBIT margin jumped to 7.4%, followed by a profitability boost in 2022, and it has trended firmly upward since. This pattern aligns well with our view that the company is benefiting from scale advantages under the current market conditions. It is also corroborated by SAAB's operating leverage in 2020-24, with EBIT growing at ~44% CAGR (off low 2020 base due to the pandemic).

At a divisional level, Kockums recorded the fastest EBIT growth, while Surveillance and Dynamics contributed the largest absolute increases. In Aeronautics, deliveries were nearly impossible in 2020, resulting in an EBIT loss of -875 MSEK, which recovered to 746 MSEK in 2021 and reached 977 MSEK in 2024. Although Aeronautics' EBIT has increased, its operating margin is at lower levels than before 2020, due to manufacturing delays on the T-7A program. Combitech's profitability is steadier but naturally constrained, as consulting models cannot run double shifts around the clock. So, with the exception of Combitech and Aeronautics, the other divisions exhibit scale advantages, some more pronounced than others, particularly Dynamics, thanks to its shorter-cycle offering.

Global defense market growth, SAAB growth and profitability
2011-2024, % of revenues and y/y %-change



Source: SIPRI Military Spending Database, SAAB

Divisional sales and EBIT growth and contribution
2020-24, % of revenue and CAGR-%

	Sales CAGR	EBIT CAGR	Share of sales (avg.)	Share of EBIT (avg.)
Aeronautics	10%	-**	29%	3%*
Dynamics	19%	30%	21%	49%
Surveillance	17%	25%	35%	43%
Kockums	29%	52%	11%	8%
Combitech	22%	13%	7%	11%
Total	16%	44%	-	-

Source: Inderes. *The 2021-24 average was 20%.
**The EBIT CAGR was 11% in 2021-24.

Financial position

Due to its operational structure, SAAB needs fewer long-term assets than current assets

SAAB's balance sheet shows a reasonably good equity ratio of 35-40%, comfortably within the 30-40% range generally considered healthy for industrials, specially given its high working-capital needs. Current assets have historically constituted the largest share of the balance sheet. Within these, inventories are the biggest item (20% of assets in 2018-24 and rising), containing mostly materials and components, with a smaller portion of finished goods. SAAB's liquidity is also strong, with cash and short-term interest-bearing investments accounting for roughly 16% of assets, consistent with prudent liquidity management considering the volatile nature of cash flows. Receivables and contract assets are also a sizable portion of current assets, reflecting future commitments from customers, with the latter billed over time as milestones are achieved.

On the non-current side, the most significant items are tangible and intangible assets. The former consists of property, plant and equipment, plus a small amount of rights-of-use assets related to lease assets. Intangibles are mostly composed of goodwill and capitalized development costs. In light of this, we deem the risks for material goodwill impairments to be low (the company does not have a history of making big acquisitions). The sensitivity for write-downs, however, is greater as it lies on the actual returns of research-intensive programs like GlobalEye, Gripen and A26.

The liabilities side is straightforward; the interest-bearing debt constitutes about 10% of assets, including ~2.3 BNSEK of lease liabilities. Meanwhile, on the current liabilities side,

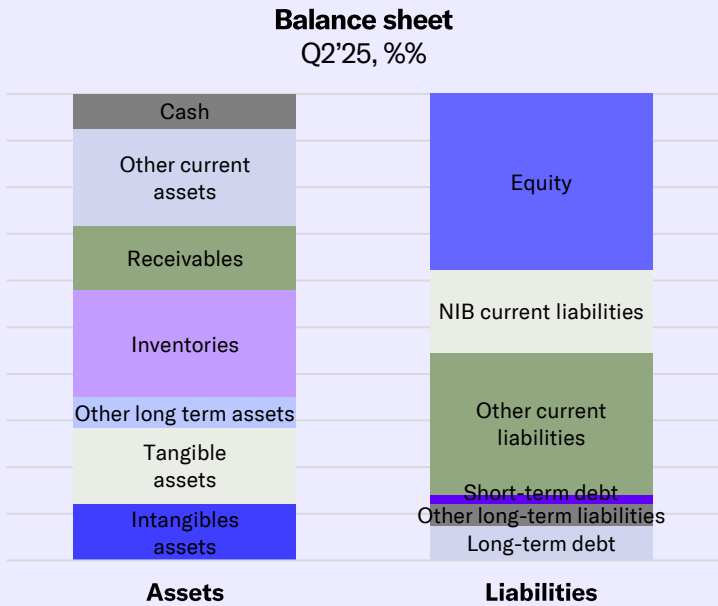
payables are the biggest line item, while contract liabilities make up most of the remaining current liabilities.

Strong balance sheet for flexibility

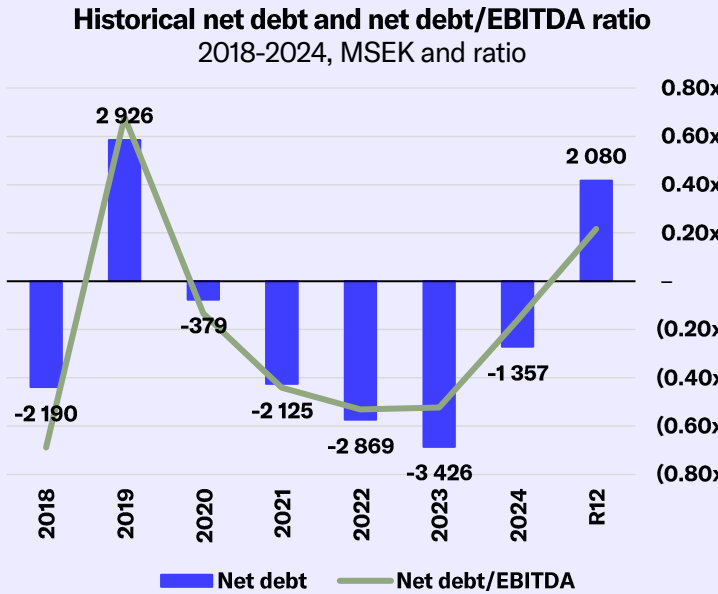
Our assessment of SAAB's leverage is that the net debt/EBITDA levels are good, having ranged between -0.7x and 0.7x in 2018-24. Historically, the company has not relied on borrowing to finance acquisitions or expansion, as it has generally been able to fund investments using its own cash. It does, however, use debt for liquidity management given its heavy working-capital needs.

With the current state of the balance sheet, SAAB has space to make one reasonably large acquisition, but it continues to prioritize small ones that do not burden the balance sheet much. Because the company is focusing on organic expansion, the probability of a large acquisition looks significantly lower. However, over the long term, a large acquisition cannot be ruled out, but the company should have the dry powder to finance it itself, if it continues to run its business as prudently as in the past.

In recent years, the company has increased its capex quite a lot to meet increasing demand and aims to continue on the same path, with an average 6 BNSEK in capex in 2025-27, with 2025 expected to end with 8 BNSEK in capex. During this period of high capex, additional working capital must be tied to meet the growth, which will be a drag on the cash position of the company (as already seen LTM).



Source: SAAB, Inderes



Source: SAAB, Inderes

Estimates 1/4

Estimate model

We expect SAAB to be able to be in line with its 2025 short-term target of 16-20% organic growth and to reach its 2023-27 medium-term target of 18% sales CAGR (both targets paired with EBIT growth greater than sales growth). Our forecasts in the short- and medium-term are based on a bottom-up analysis of revenue growth, operational dynamics, and market fundamentals, for each of the five divisions. We model estimates of revenue, costs and profitability quarterly for 2025, followed by annualized medium-term estimates through 2028.

Over the long term, we expect industry growth (and SAAB's) to normalize, so we model growth and profitability aligned with long-term historical performance, acknowledging the permanent changes that we believe the current cycle will have on the business moving forward. Given the ongoing upcycle and fast technological change in the defense industry, we recognize the inherent volatility and forecasting difficulty.

Unless noted otherwise, all growth we refer to is organic. We do not include potential acquisitions in our estimates, nor do we attempt to model the upside from recent AI/automation-focused acquisitions, as the lead times to see positive effects (if any) from these are long.

Macro anchor of expectations

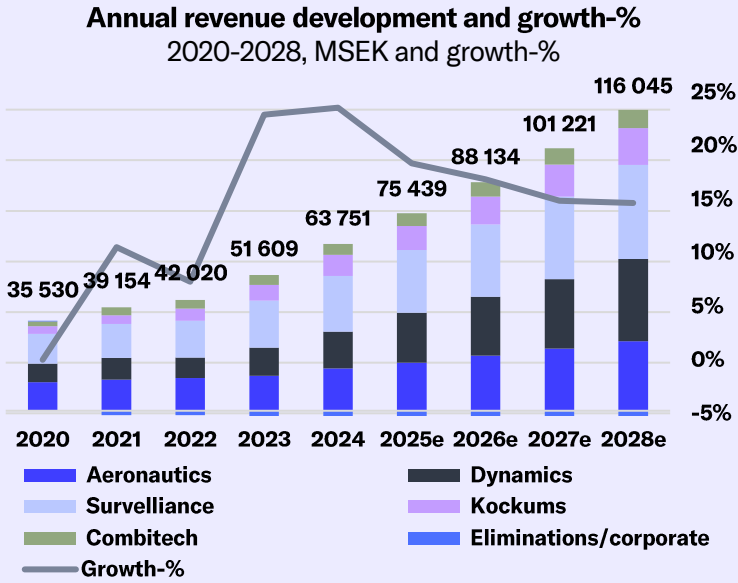
The key macro driver for SAAB's investment case is the increase in NATO allies' defense spending target, expected to increase from the 2% agreed in 2014 to 5% by 2035, including 1.5% of civil-defense investments. Average defense spending among NATO members rose from ~1.7% in 2022 to ~2.7% by mid 2025. Supported by its NATO compatibility, this small uptick has contributed significantly to ~23% sales CAGR for the company in 2022-24. With

roughly 2%+ left to reach the new target, we believe that SAAB can continue to benefit from the European rearmament push and the ongoing Russian war of aggression against Ukraine (as Europe keeps donating war materiel). Any increases in military spending won't necessarily move the needle in the short-term due to capacity constraints but will enable the company to run at capacity for longer, increasing the probability of it reaching its mid-term targets.

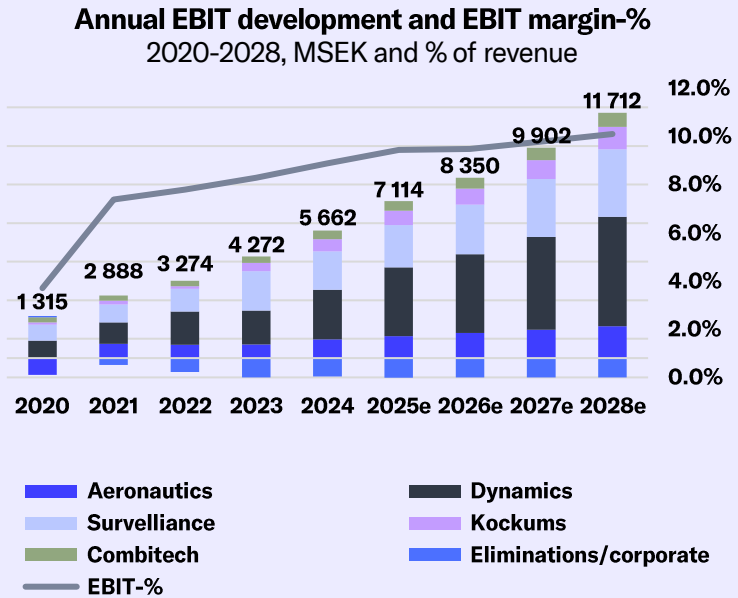
A strong H1'25 with a strong H2 in the cards

For 2025, SAAB guides for 16-20% sales growth, upgraded in Q2 from the previous guidance of 12-16%, to reflect the continued solid demand in the defense sector. In H1'25, SAAB delivered strong growth driven by the continued momentum in the market, which continues driving a robust order intake across all divisions, where project execution has continued to be solid. Group growth continues to be mainly attributable to Dynamics, where strong demand for its shorter-cycle portfolio persists, while the other divisions' order books continue to fill up. Given Dynamics' exceptionally strong comparable order intake from H1'24, we do not see the H1'25 order intake (-54% y-o-y, where Q2'24 intake was ~27 BNSEK and ~7BNSEK in Q2'25) as evidence of a normalizing trend in demand. Russia's war of aggression against Ukraine continues to push the NATO alliance to refill stock and rearm rapidly, in the case that the conflict would expand beyond Ukraine, into Europe. As an ally to Ukraine, Europe provides it with war materiel to defend against the Russian offensive, meaning that short-term demand for shorter-cycle materiel continues to be at elevated levels, which favors particularly Dynamics and parts of the offering at Surveillance.

Management expects the Dynamics capacity to reach 4x (pre-2022 levels) by the end of this year, which we believe



Source: SAAB, Inderes



Source: SAAB, Inderes

Estimates 2/4

will support outperformance during the second half of 2025, as the capacity gradually comes online. We also expect the other divisions, with more long-cycled projects, to continue good project execution backed by the momentum. Against this backdrop, we forecast mid-teens growth in Q3-Q4, with Dynamics leading the pack, and estimate 2025 revenue of ~75 BNSEK, corresponding to ~18% growth.

Management expects EBIT to outpace sales growth, as has been the case historically. In H1'25, SAAB's EBIT rose year-on-year on strong project execution across all divisions and volume-driven scale efficiencies, led by Dynamics. For the remainder of 2025, we expect the same demand forces to persist, keeping Dynamics' EBIT margin elevated by way of the volumes, supporting a good development of group profitability. We forecast SAAB's 2025 EBIT to be 7.1 BNSEK, corresponding to an EBIT margin of 9.4% (8.8% in 2024) and EBIT growth of 26%.

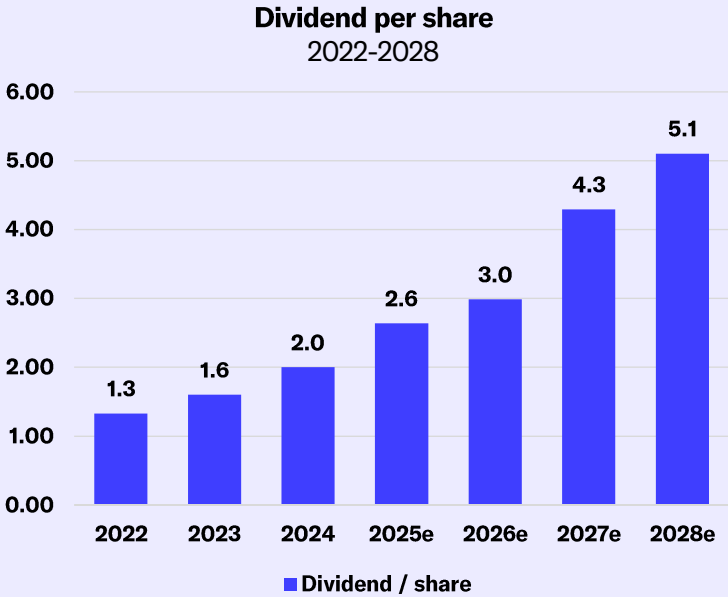
In Q1-Q2'25, the net financials were volatile due to revaluation effects on currency hedges in the tender portfolio. For Q3-Q4, we expect the interest component of leases to gradually increase as capacity expansion adds leased assets, while interest on debt should decline as rates normalize (assuming stable debt levels). On this basis, we keep 2025 financial expenses in line with 2023 levels (which saw no big impact from revaluations). On the financial income side, we expect the interest from cash and other interest-bearing investments to be slightly lower in Q3-Q4 y-o-y, reflecting a smaller cash balance, but for 2025 to finish above 2024 due to a strong Q1 revaluation gain. Given these offsetting moves, and limited visibility into the tender-hedge book, we keep the level of net financials broadly in line with recent history. We also keep the tax rate in line with previous year's levels (closely aligned with

Sweden's corporate tax rate), yielding a net profit for 2025 of ~5.6 BNSEK, corresponding to an EPS of SEK 10.56. As the company has historically been consistent with growing its dividends, and on the back of a solid increase in profitability, we forecast the dividend to increase to SEK 2.6 in 2025, equivalent to a payout ratio of 25% (versus SEK 2.0 in 2024 → payout ratio 25%).

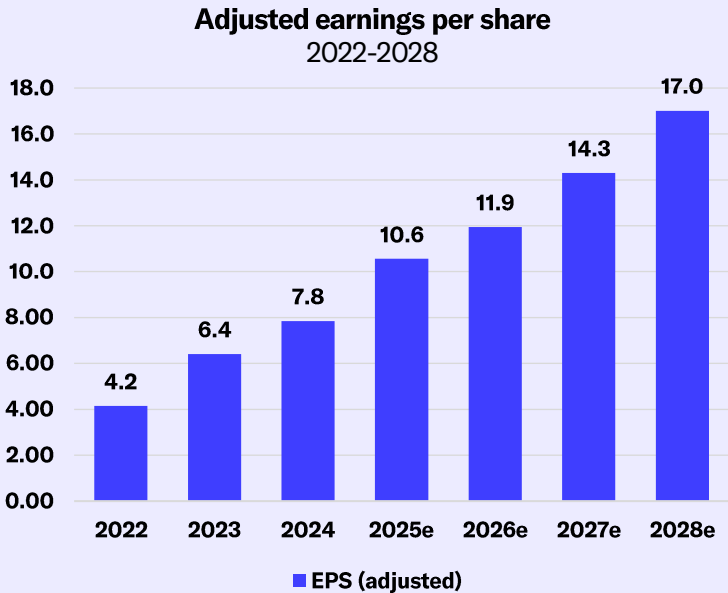
The party will continue in 2026

We expect the strong market dynamics to persist in 2026, but momentum to begin tapering toward the end of the year. In our view, orders for short-cycle stockpiling and long-cycle capability upgrades among NATO members are likely to peak in 2026, which will show up as a slower pace of order intake thereafter. With average defense spending among NATO members around 2.7% of GDP (and some high-urgency countries near ~4%), paired with fiscal constraints across members, it is reasonable to anticipate cooling momentum. We assume any further increases in strictly defense spending will be spread through 2035, with risks of a significant slowdown due to fiscal constraints, or an abrupt decline if the war ends.

Throughout 2026, we expect all divisions to benefit from continued favorable industry dynamics, reflected in still-healthy but declining order intake and a corresponding slowdown in order book growth. In our view, Dynamics will face the biggest drag from a normalization trend, as a lot of the military build-out and stockpiling has already been front-loaded into the order books. As the order intake gradually normalizes, it is rational to expect management to want to match output to the new demand run-rate. Therefore, we expect 2026 growth levels to be similar to our 2025 forecasts, across all divisions except Dynamics.



Source: SAAB, Inderes



Source: SAAB, Inderes

Estimates 3/4

Although we still expect Dynamics to be a key growth driver, it will be so at a lower rate than in 2022-25. Based on this, we forecast 2026 annual revenue growth of ~17% to 88 BNSEK.

On the profitability side, we believe that the company can continue delivering solid project execution and that additional capacity coming online across divisions will embed the more efficient manufacturing practices implemented in recent years. This will be positive for the margins across all divisions. We also expect new manufacturing facilities to be built on a more modern digital and physical infrastructure that boosts efficiency. We see Dynamics remaining a main profitability driver, supported by positive effects from efficiencies from newer, more modern facilities. At the group level, we expect profitability to be supported by scale from the still-high volumes and operational and digitalization synergies across divisions. Against this backdrop, we forecast 2026 EBIT of ~8.4 BNSEK, with divisional margins broadly in line with our prior-year, implying a group EBIT growth of ~17% and a 9.5% margin.

We expect the 2026 lease component of the interest expenses to tick up versus 2025 as capacity expansion continues to add leased assets. With debt levels still stable and interest rates trending lower, we expect financial expenses to trend a tad above 2025. On the financial income side, we expect the interest from cash and other interest-bearing investments to decline further, reflecting a lower cash position compared to 2025 and lower rates. Overall, for 2026 net financials, we forecast -273 MSEK driven by a lower financial income versus 2025. Further down, we expect a tax rate in line with 2025, and an EPS of SEK ~12. Consistent with the past, we also expect SAAB to raise its dividend to SEK 3, corresponding to a dividend

payout ratio of 25%.

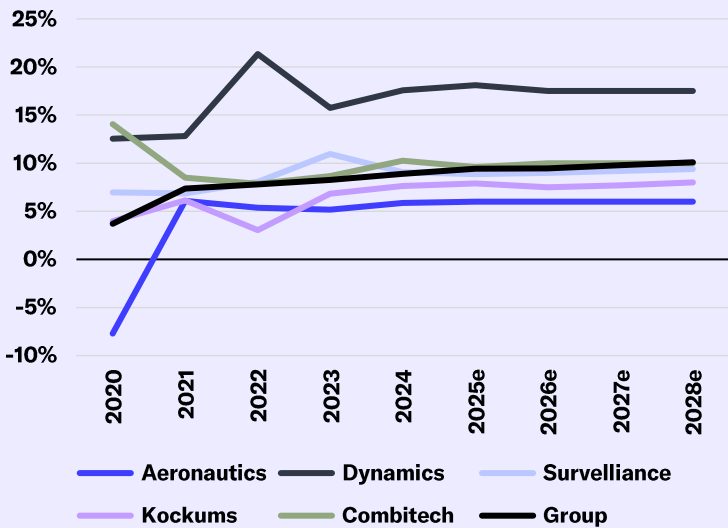
The 2027-28 after-party and the long-term

In 2027, we expect sales to grow ~15% with order intake momentum slowing but still well-filled order books. Although the macro backdrop is uncertain, some of today's orders will remain in the backlog, and others will be moving through production. We also expect fresh orders in 2027, alongside orders from a continued European rearmament toward the 3.5% NATO target. Across divisions, we forecast growth to be more evenly distributed, with Dynamics still an important contributor. On the profitability side, we forecast an EBIT margin of 9.8% (~16% EBIT growth), a tad higher than the prior year on the back of higher volumes and efficiency effects.

For 2028, we expect lingering tailwinds from previous years' order momentum to drive ~15% sales growth y-o-y. Demand drivers should remain similar to 2027, underpinned by ongoing European rearmament. We forecast an EBIT margin of ~10.1%, slightly above 2027, supported by higher volumes and operational efficiencies. In 2027-28, we expect EPS of 14.3-17 with a dividend payout of 30%.

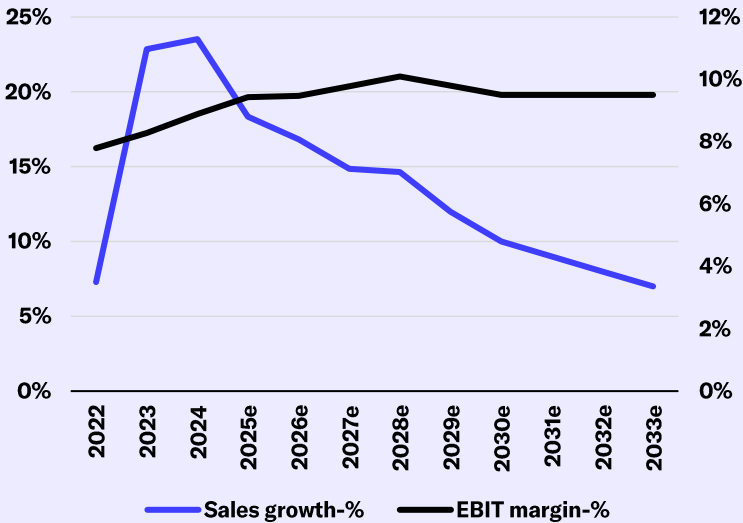
In the medium-term (2029-33), we forecast SAAB to grow revenues at ~10% CAGR, mainly on the fact that the NATO alliance will continue its rearmament through 2035 and reflecting the company's historical outperformance versus the industry. We find it reasonable to believe that the current industry momentum, which is currently stacked up in SAAB's order book, will keep the company's factories busy through 2029-30, after which we see volumes tapering more definitely, with EBIT margin compressing toward 9.5% (in 2033) as scale benefits normalize. In the long term, we assume that SAAB's growth

Historical and projected EBIT margin development
2020-2028, % of revenue



Source: Statista, SAAB, Inderes

Relationship between growth (Left) and EBIT margin-% (Right)
2027-2033, % of revenue and growth-%



Source: SAAB, Inderes

Estimates 4/4

drops to 3%, reflecting long-run growth of the defense sector. For the terminal period, we model an EBIT margin of ~9.5%, structurally higher than the long-term (2000-24) average of 7.5% and more stable, in line with our estimated 2025-27 average of 9.6%. The perpetuity uplift reflects 1) modernized facilities that will improve profitability and working capital management, and 2) digitalization efforts that raise administrative and operational efficiency.

A strong balance sheet, but growing capital needs limit free cash flow generation in the short-term

SAAB's net debt/EBITDA has been negative in recent years (net cash) but based on our projections, leverage rises modestly to 0.4x-0.5x in 2025-26 and settles around 0.3x by 2028. The shift to a net debt position reflects more capital tied up during the forecast period (smaller cash position), on the back of higher inventories for strategic stockpiling, rising receivables and payables, and larger contract assets and liabilities. This is largely explained by SAAB's ongoing intense growth phase.

Management guides for ~8 BNSEK capex in 2025 (mostly tangible), which will be the main drag of free cash flow. In 2026-27, capex is expected to run ~5 BNSEK (to match the company's expectation of 6 BNSEK average in 2025-27), with FCF improving as manufacturing ramps up, profitability increases, and working capital management improves. On our forecasts, the average cash conversion in 2025-28 is ~63%, which is not far from management's guidance of 60% average over 5 years (noting that the company's definition of operational cash flow differs slightly from our model).

Higher capital efficiency means more value created

SAAB's ROIC rose from ~9% in 2021 to ~16% in 2024, driven by higher profitability. For 2025, our projections

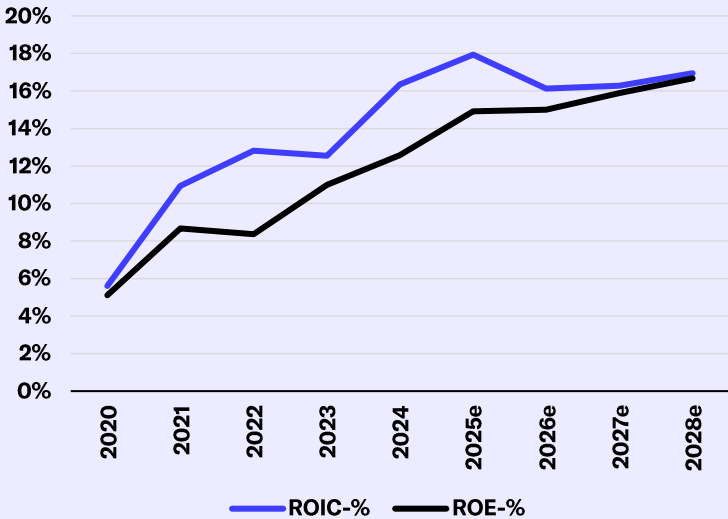
point to a ROIC of ~18%, remaining around that level through 2028. We also expect ROE to reach ~15% in 2025 (up from 9% in 2021) and to increase slightly in subsequent years. Together, ROE and ROIC show that SAAB's capital efficiency is improving, leading to a period of higher value creation compared to previous years. This period should persist for as long as the company can maintain high growth levels compared to history, which supports higher profitability.

Short-term forecast risks are high

None of SAAB's divisions has historically enjoyed smooth sailing. Accordingly, the primary risks to our forecasts stem from the inherent short-term volatility in this type of project business, in terms of timing of revenue recognition, and variability in profitability and cash-flow stability. We see in particular downside risks in the short-term forecasts of Dynamics. The division has seen exceptional performance in recent years on the back of the Russian war of aggression against Ukraine and NATO's rapid military build-up, but the timing of a peak in the momentum remains highly uncertain. Conversely, the risks are on the upside as well, because the Ukraine war could escalate with more countries getting involved, prolonging the strong demand for Dynamics' short-cycle offerings and accelerating the build-out of NATO's military forces.

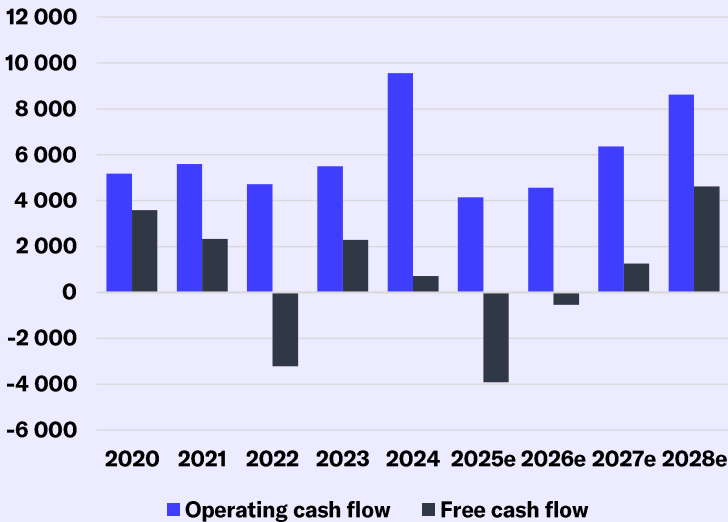
Over the medium- to long-term, the upside from current R&D projects is difficult to measure given the lengthy development cycles for defense technologies and limited disclosure on the SAAB's research programs. Similarly, it is difficult to measure the potential upside from the small, complementary acquisitions that SAAB has made recently within AI and automation. Against this backdrop, we do not include any estimations on such potential upside.

ROE and ROIC
2020-2028, in %



Source: SAAB, Inderes

Operating and free cash flow development
2020-2028, MSEK



Source: Statista, SAAB, Inderes. Operational cash flow per the company's definition is not used in our model

Valuation and recommendation 1/3

We use the traditional valuation approach

SAAB is an established company with a long record of growth and profitability in a mature industry with established peers, so DCF, balance sheet multiples and earnings-based multiples are appropriate valuation tools. However, divisional performance has been volatile in the short term, which introduces modeling risk. The company's post-2022 surge in growth and profitability further compromises the accuracy of the short-term DCF inputs, given the uncertain duration of the industry momentum.

For our peer comparison, we use EV/EBIT and P/E to provide a broader view, where the former is capital-structure-neutral, while the latter reflects SAAB's capital structure. That said, these multiples embed short-term expectations and may not fully capture the value of long-cycle performance. We think that SAAB is best assessed over multi-year horizons.

Factors influencing the valuation

We see the following as key factors that support or depress the valuation of the company:

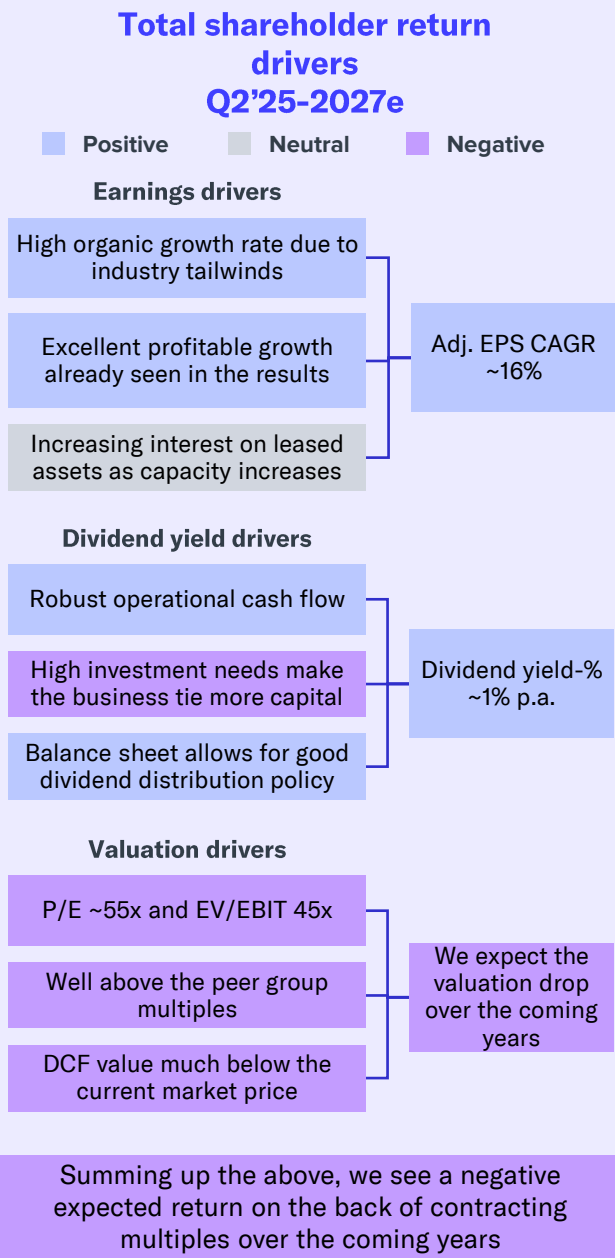
- Growth and profitability are key drivers of SAAB's valuation. While they clearly support the short term, the medium and long term are more uncertain. Growth and profitability have historically been volatile, driven by industry mechanics, contract frequency/structure and delivery timing, making year-to-year forecasts (e.g., 2029 vs. 2030 or 2028) inherently uncertain.
- As the current upcycle passes, normalizing working capital needs and lower capex should become key drivers of free cash flow from 2028 onward in our forecasts.

- Over the medium to long term, technology investments in AI and automation made in the past 5-10 years should, in our view, strengthen the company's competitive position by opening new and larger revenue channels. Accordingly, we do not expect growth to drop immediately to a steady state as the terminal period approaches in our model. Although pricing power will still be limited due to industry fundamentals, these investments should enhance earnings potential beyond the terminal horizon.

High multiples on a strong medium-term outlook

We expect SAAB to deliver a strong revenue CAGR of ~16% over Q2'25-27, higher than its pre-2022 10-year CAGR of ~5%. On this backdrop, we forecast per-share earnings and EBIT CAGR over the same period at ~16% and ~18%, respectively (explained in part by the operating leverage that we discuss extensively in earlier parts of this report). We expect the excellent earnings growth and cash flow generation to weigh on the valuation multiples, driving them down over time.

On our forecasts, SAAB trades at ~51x P/E and ~41x EV/EBIT for 2025, well above historical averages. We expect multiples to compress as earnings grow: P/E of ~45x in 2026, ~37x in 2027, and ~32x in 2028, and EV/EBIT of ~35x, ~30x, and 25x over the same years. Since 2008, SAAB's multiples have swung widely, largely reflecting profitability volatility, with recent valuation levels elevated on strong European defense tailwinds. Given that SAAB is a key beneficiary of current conditions, a valuation premium may be warranted. Even so, the multiples for 2025-27 are, in our view, too high and fall outside the range we consider acceptable. In a more normal market, we would accept long-term, value creation multiples, a tad lower than



Valuation and recommendation 2/3

today’s peer P/E and EV/EBIT levels, e.g., ~20-22x and ~15-18x, respectively. These ranges will likely be reached by 2031-33 and are acceptable provided that SAAB turns out to be a much better company than its historical self, in terms of growth and returns on capital, as we forecast.

On the free cash flow side, we expect -535 MSEK, 1.3 BNSEK and 4.6 BNSEK in 2026-28, respectively. That implies <0%, <1%, and ~2% FCF yields, which is very thin. At these levels, SAAB is being priced as a growth equity and is not cheap on cash metrics. Even so, combined with our growth outlook for the same years, this supports an expected return above our required rate, assuming a stable valuation. That said, we expect the valuation to contract, rendering the expected return negative. The premium the market is currently paying for capacity build-out and backlog conversion later can only work if 1) the ramp turns into cash via lower working capital tie-ups, and 2) capex eases.

Relative valuation is higher but partly justified

Because SAAB competes at a global scale in most domains of the defense industry, we use a global peer group with multi-domain operations, except for Fincantieri with operations only in the maritime domain. The group combines companies from Europe, the U.S. and RoW, all with similar offerings, compete for the same contracts, and sometimes, team up for bids. We believe this peer set offers a solid framework of reference for valuing SAAB. That said, regional demand dynamics skew valuations: Rheinmetall, Hensoldt, Rolls Royce, Kongsberg, and Elbit currently trade beyond the median multiples for 2025-26, while large American peers trade in line or below. Notably, Rheinmetall’s 2025 60x P/E is attributable to a broad ground-combat portfolio, including tanks and tank guns,

infantry vehicles, and handheld weapon systems, which are highly exposed to Europe’s rearmament and in providing support to Ukraine.

Regarding the 2025 P/E, SAAB is expensive compared to peers, trading at ~51x versus ~26x group median, likewise, for 2026 at ~45x versus ~22x. EV/EBIT tells a similar story, with 2025-26 multiples well above peers. While current industry dynamics warrant a premium for companies benefiting most from the European rearmament, SAAB’s current multiples are far above levels we view as acceptable/sustainable. We believe a meaningful portion of today’s valuation reflects speculative positioning by investors. With profit and cash flow expectations high, investors’ attention is drawn to the shares, even if only for the short-term. Over the medium term, as demand growth tapers and earnings growth contracts the multiples, we expect SAAB’s valuation to converge toward the peer-group median and closer to its historical valuation range.

DCF valuation is much lower than the current price

Given SAAB’s long track record of growth and profitability, the DCF is an appropriate valuation tool, in our view. For 2027-34, we model growth tapering from ~15% to a terminal rate of 3%, with a terminal EBIT of 9.5%.

We expect the intense capacity investment phase in 2025-27 to be sufficient to meet elevated demand levels over the next 3-5 years. In the medium term, we see capex/revenue normalizing to ~3%, comprising mostly maintenance capex, but including a larger share of intangible investments as the company continues to advance its digitalization agenda. While SAAB ties up considerable capital to grow, decent returns on capital should support solid cash flow generation.

Valuation	2025e	2026e	2027e
Share price	537	537	537
Number of shares, millions	534	534	534
Market cap	286 762	286 762	286 762
EV	292 696	294 507	294 793
P/E (adj.)	50.9	44.9	37.5
P/E	50.9	44.9	37.5
P/B	7.2	6.4	5.6
P/S	3.8	3.3	2.8
EV/Sales	3.9	3.3	2.9
EV/EBITDA	28.4	24.8	21.7
EV/EBIT (adj.)	41.1	35.3	29.8
Payout ratio (%)	25.0 %	25.0 %	30.0 %
Dividend yield-%	0.5 %	0.6 %	0.8 %

Source: Inderes

Valuation and recommendation 3/3

Further value creation could be unlocked through the use of more leverage, but the company has not communicated any such plans.

We use a WACC of 8%, and a cost of equity of 8.2%, which we view as reasonable for an established company in a mature industry. In our model, 81% of the value is realized in the terminal period, which is unusually high and suggests the market is pricing a much stronger cash flow profile than we expect. We obtain an enterprise value of ~166 BNSEK and an implied equity value of ~163 BNSEK, corresponding to SEK 310 per share.

Total expected return

Combining the earnings growth, dividend yield and valuation contraction, we arrive at a negative expected return. The current elevated multiples already discount rapid earnings growth in the coming years and increase the risk of multiple contraction if expectations slip. In our view, industry conditions should allow SAAB to deliver robust earnings growth over the next few years, supporting a premium relative valuation and lowering the risk of a sharp near-term de-rating. That said, with its valuation unsustainably high in both absolute and relative terms, SAAB's stock is highly sensitive to shifts in the industry dynamics and to market commentary or negative news about the company or the sector.

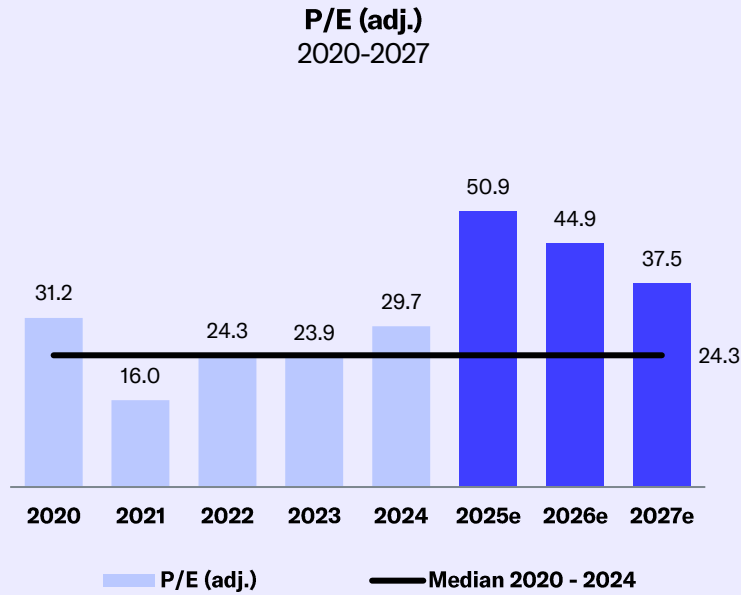
Balance sheet-based valuation

SAAB's balance sheet is relatively asset-light, though working capital is substantial. On our estimates, SAAB's 7.2x 2025 P/B reflects high expectations for profitable growth versus a peer group median of 5.1x. We expect ROE

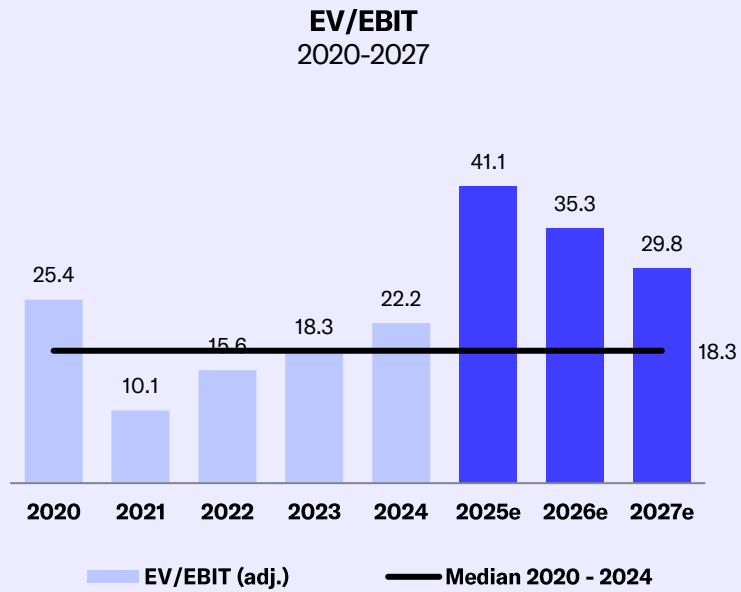
to be ~16-17% in 2025-28, while P/B trends toward ~5x as growth expectations normalize. For context, SAAB's average P/B in 2018-24 was 2.1x, making today's valuation level look stretched even from a balance sheet perspective. For the current valuation to be sustainable, growth must remain elevated (or accelerate) for long and/or returns on capital should be much higher, but none of these alternatives can reasonably be argued for.

Valuation summary, target price and recommendation

We initiate coverage of SAAB with a Sell recommendation on valuation grounds, a target price of SEK 310, and a fair value range of SEK 290-340. While current fundamentals support strong sales and earnings growth, high returns, and backlog visibility, justifying a premium multiple, we feel a substantial portion of today's is driven by speculative positioning and unjustified expectations of the growth continuing for a long time. Consequently, it is our view that this makes the valuation sensitive in the short term, uncertain in the medium term and unsustainable in the long term, despite the strong momentum right now and in the following couple of years.



Source: SAAB, Inderes

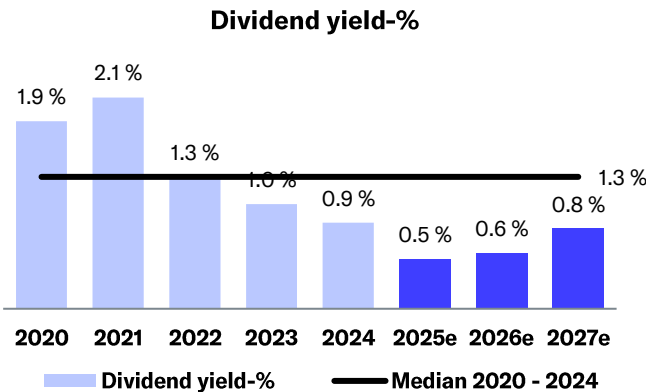
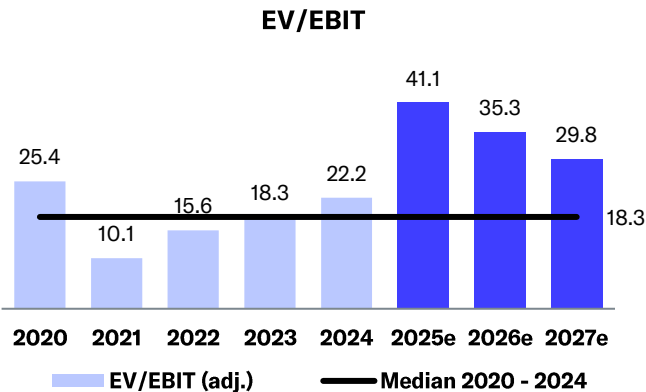
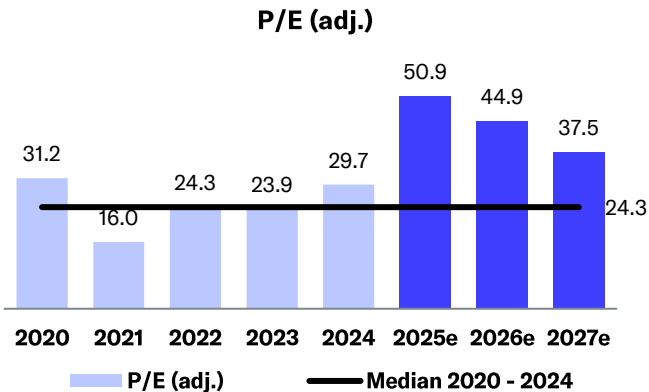


Source: SAAB, Inderes

Valuation table

Valuation	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Share price	63.0	58.4	101.0	153.0	233.0	537.0	537.0	537.0	537.0
Number of shares, millions	532.0	528.7	528.6	531.5	534.0	534.0	534.0	534.0	534.0
Market cap	33519	30847	53392	81325	124424	286762	286762	286762	286762
EV	33417	29089	51229	78729	124150	292696	294507	294793	292436
P/E (adj.)	31.2	16.0	24.3	23.9	29.7	50.9	44.9	37.5	31.6
P/E	31.2	16.0	24.3	24.1	29.3	50.9	44.9	37.5	31.6
P/B	1.6	1.3	1.8	2.5	3.5	7.2	6.4	5.6	5.0
P/S	0.9	0.8	1.3	1.6	2.0	3.8	3.3	2.8	2.5
EV/Sales	0.9	0.7	1.2	1.5	1.9	3.9	3.3	2.9	2.5
EV/EBITDA	11.8	6.0	9.5	12.0	14.8	28.4	24.8	21.7	18.8
EV/EBIT (adj.)	25.4	10.1	15.6	18.3	22.2	41.1	35.3	29.8	25.0
Payout ratio (%)	58.5 %	33.8 %	32.0 %	25.2 %	25.1 %	25.0 %	25.0 %	30.0 %	30.0 %
Dividend yield-%	1.9 %	2.1 %	1.3 %	1.0 %	0.9 %	0.5 %	0.6 %	0.8 %	1.0 %

Source: Inderes



The market cap and enterprise value in the table consider the expected change in the number of shares and net debt for the forecast years.

Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	MEUR	MEUR	2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e	2025e
Leonardo	27 323	30 606	19.7	16.7	13.4	11.8	1.6	1.5	25.6	21.7	1.2	1.4	2.8
BAE Systems	62 190	70 445	18.6	17.1	14.4	13.4	2.0	1.9	23.9	21.4	2.0	2.2	4.3
Airbus	148 585	152 046	21.5	18.3	15.3	13.4	2.0	1.8	29.1	23.8	1.5	1.7	6.6
Rolls-Royce	105 754	104 035	27.6	24.8	21.9	20.0	4.6	4.2	39.9	34.5	0.8	1.0	87.7
Lockheed Martin	90 960	108 302	16.5	13.6	13.7	11.8	1.7	1.6	20.9	15.7	2.9	3.1	20.7
RTX Corporation	173 147	206 594	22.4	20.2	17.4	15.9	2.8	2.7	25.5	22.9	1.7	1.9	3.2
Northrop Grumman	69 769	81 542	21.3	19.5	16.3	15.0	2.3	2.2	22.5	19.8	1.5	1.7	5.3
General Dynamics	73 679	79 807	17.7	16.3	15.2	14.1	1.8	1.8	21.1	18.9	1.9	2.0	3.6
L3Harris Technologies	43 174	53 142	18.2	16.8	15.7	14.5	2.9	2.7	25.7	22.0	1.8	1.9	2.6
Rheinmetall AG	81 424	83 495	42.4	28.6	33.8	24.0	6.6	4.9	61.2	40.8	0.7	1.0	15.7
Elbit Systems Ltd.	19 270	19 131	33.3	27.1	25.5	20.7	2.9	2.6	41.5	34.6	0.5	0.7	
Dassault Aviation	21 355	11 906	19.2	13.8	14.5	11.1	1.7	1.4	20.5	15.9	1.7	2.1	3.1
Leidos	19 579	23 107	12.7	12.5	11.6	11.5	1.6	1.5	15.6	15.1	0.9	1.0	5.0
Huntington Ingalls Industries	8 933	10 945	19.8	17.2	13.1	12.0	1.1	1.0	17.9	15.6	2.0	2.2	2.1
Hanwha Aerospace	29 929	38 809	18.0	14.6	15.1	12.4	2.3	2.1	29.4	20.4	0.4	0.5	5.2
Kongsberg Gruppen	22 170	21 245	29.8	25.4	24.4	21.5	4.2	3.6	36.0	31.7	1.7	2.4	11.4
Hensoldt	10378	11502	36.8	28.9	25.0	20.6	4.5	3.9	52.8	41.1	0.7	0.9	10.6
SAAB (Inderes)	286 762	292 696	41.1	35.3	28.4	24.8	3.9	3.3	50.9	44.9	0.5	0.6	7.2
Average			23.3	19.5	18.0	15.5	2.7	2.4	29.9	24.5	1.4	1.6	11.9
Median			19.8	17.2	15.3	14.1	2.3	2.1	25.6	21.7	1.5	1.7	5.1
Diff-% to median			108%	106%	86%	76%	71%	60%	99%	107%	-67%	-68%	40%

Source: Refinitiv / Inderes

Income statement

Income statement	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25	Q2'25	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
Revenue	51 609	14 185	15 170	13 546	20 850	63 751	15 792	19 786	15 590	24 271	75 439	88 134	101 221	116 045
Aeronautics	13 664	4 047	3 726	3 322	5 594	16 689	4 525	4 424	3 787	6 321	19 057	21 725	24 550	27 496
Dynamics	10 943	2 622	3 312	3 056	5 615	14 605	3 143	5 714	3 820	7 019	19 696	23 280	27 471	32 416
Surveillance	17 897	4 989	5 406	5 115	6 504	22 014	5 274	6 544	5 627	7 284	24 729	28 655	32 667	37 240
Kockums	6 188	1 966	2 197	1 584	2 617	8 364	2 253	2 388	1 837	3 062	9 540	10 971	12 617	14 510
Combitech	2 627	1 049	1 082	877	1 298	4 306	1 182	1 340	1 009	1 519	5 049	5 706	6 447	7 285
Eliminations/corporate	290	-488	-553	-408	-778	-2 227	-585	-624	-490	-934	-2 632	-2 203	-2 531	-2 901
EBITDA	6 558	1 819	1 961	1 888	2 734	8 402	2 140	2 831	2 076	3 247	10 294	11 875	13 586	15 571
Depreciation	-2 286	-628	-630	-701	-781	-2 740	-686	-854	-800	-840	-3 180	-3 525	-3 684	-3 858
EBIT (excl. NRI)	4 294	1 191	1 331	1 187	1 895	5 604	1 454	1 977	1 276	2 407	7 114	8 350	9 902	11 712
EBIT	4 272	1 191	1 331	1 187	1 953	5 662	1 454	1 977	1 276	2 407	7 114	8 350	9 902	11 712
Share of profits in assoc. compan.	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net financial items	146	-182	-23	60	-228	-373	167	-12	-64	-31	61	-273	-231	-214
PTP	4 418	1 009	1 308	1 247	1 725	5 289	1 621	1 965	1 212	2 376	7 174	8 077	9 671	11 498
Taxes	-975	-225	-296	-275	-283	-1 079	-344	-429	-245	-480	-1 498	-1 696	-2 031	-2 415
Minority interest	-62	14	12	6	7	39	-9	-10	-10	-10	-39	0	0	0
Net earnings	3 381	798	1 024	978	1 449	4 249	1 268	1 526	957	1 886	5 637	6 381	7 640	9 083
EPS (adj.)	6.40	1.49	1.92	1.83	2.60	7.85	2.37	2.86	1.79	3.53	10.56	11.95	14.31	17.01
EPS (rep.)	6.36	1.49	1.92	1.83	2.71	7.96	2.37	2.86	1.79	3.53	10.56	11.95	14.31	17.01

Key figures	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25	Q2'25	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
Revenue growth-%	22.9 %	0.0 %	0.0 %	0.0 %	-59.6 %	23.5 %	11.3 %	30.4 %	15.1 %	16.4 %	18.3 %	16.8 %	14.8 %	14.6 %
Adjusted EBIT growth-%	31.2 %				-55.9 %	30.5 %	22.1 %	48.5 %	7.5 %	27.0 %	26.9 %	17.4 %	18.6 %	18.3 %
EBITDA-%	12.7 %	12.8 %	12.9 %	13.9 %	13.1 %	13.2 %	13.6 %	14.3 %	13.3 %	13.4 %	13.6 %	13.5 %	13.4 %	13.4 %
Adjusted EBIT-%	8.3 %	8.4 %	8.8 %	8.8 %	9.1 %	8.8 %	9.2 %	10.0 %	8.2 %	9.9 %	9.4 %	9.5 %	9.8 %	10.1 %
Net earnings-%	6.6 %	5.6 %	6.8 %	7.2 %	6.9 %	6.7 %	8.0 %	7.7 %	6.1 %	7.8 %	7.5 %	7.2 %	7.5 %	7.8 %

Source: Inderes

Balance sheet

Assets	2023	2024	2025e	2026e	2027e
Non-current assets	27 762	34 421	39 296	40 871	42 287
Goodwill	5 424	5 572	5 572	5 572	5 572
Intangible assets	7 517	7 426	7 308	7 674	8 008
Tangible assets	12 469	15 779	20 772	21 981	23 063
Associated companies	1 355	3 078	3 078	3 078	3 078
Other investments	0	1 610	1 610	1 610	1 610
Other non-current assets	515	435	435	435	435
Deferred tax assets	482	521	521	521	521
Current assets	54 997	65 402	72 829	81 991	90 732
Inventories	16 786	21 825	26 404	31 728	36 440
Other current assets	15 255	16 993	20 021	22 060	22 914
Receivables	9 487	14 843	18 105	21 152	24 293
Cash and equivalents	13 469	11 741	8 298	7 051	7 085
Balance sheet total	82 759	99 823	112 125	122 862	133 019

Source: Inderes

Liabilities & equity	2023	2024	2025e	2026e	2027e
Equity	32 362	35 812	40 398	45 353	51 398
Share capital	8 273	8 273	8 273	8 273	8 273
Retained earnings	22 164	27 035	31 604	36 576	42 621
Hybrid bonds	0	0	0	0	0
Revaluation reserve	0	0	0	0	0
Other equity	1 598	195	195	195	195
Minorities	327	309	326	309	309
Non-current liabilities	15 395	14 296	14 332	14 548	14 680
Deferred tax liabilities	1 432	1 070	1 070	1 070	1 070
Provisions	2 888	2 238	2 238	2 238	2 238
Interest bearing debt	8 993	9 465	9 501	9 717	9 849
Convertibles	0	0	0	0	0
Other long-term liabilities	2 082	1 523	1 523	1 523	1 523
Current liabilities	35 002	49 715	57 395	62 961	66 941
Interest bearing debt	1 050	919	2 399	3 111	3 533
Payables	14 095	17 915	19 614	22 915	24 293
Other current liabilities	19 857	30 881	35 382	36 934	39 115
Balance sheet total	82 759	99 823	112 125	122 862	133 019

DCF-calculation

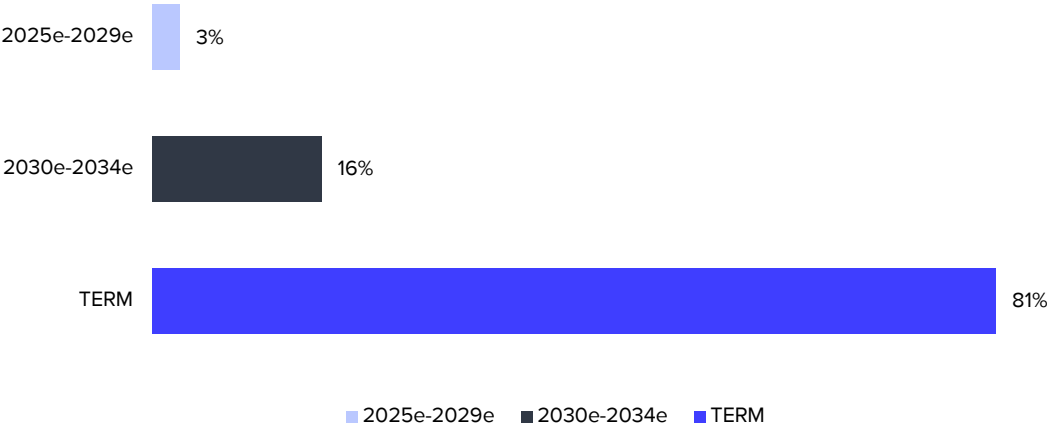
DCF model	2024	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	TERM
Revenue growth-%	23.5 %	18.3 %	16.8 %	14.8 %	14.6 %	14.0 %	13.0 %	12.0 %	10.0 %	9.0 %	3.0 %	3.0 %
EBIT-%	8.9 %	9.4 %	9.5 %	9.8 %	10.1 %	9.8 %	9.5 %	9.5 %	9.5 %	9.5 %	9.5 %	9.5 %
EBIT (operating profit)	5 662	7 114	8 350	9 902	11 712	12 965	14 202	15 906	17 496	19 071	19 643	
+ Depreciation	2 740	3 180	3 525	3 684	3 858	4 114	4 335	4 575	4 817	4 921	4 790	
- Paid taxes	-1 480	-1 498	-1 696	-2 031	-2 415	-2 694	-2 968	-3 342	-3 661	-3 961	-4 128	
- Tax, financial expenses	-191	-134	-162	-138	-153	-166	-167	-172	-180	-182	-159	
+ Tax, financial income	115	146	105	89	108	137	154	174	167	138	162	
- Change in working capital	2 711	-4 669	-5 557	-5 148	-4 496	-4 744	-5 019	-4 955	-5 498	-4 516	-2 167	
Operating cash flow	9 557	4 139	4 565	6 359	8 615	9 612	10 535	12 185	13 141	15 471	18 141	
+ Change in other long-term liabilities	-1 209	0	0	0	0	0	0	0	0	0	0	
- Gross CAPEX	-7 637	-8 055	-5 100	-5 100	-4 000	-4 000	-4 100	-4 100	-4 100	-4 100	-4 700	
Free operating cash flow	711	-3 916	-535	1 259	4 615	5 612	6 435	8 085	9 041	11 371	13 441	
+/- Other	0	0	0	0	0	0	0	0	0	0	0	
FCFF	711	-3 916	-535	1 259	4 615	5 612	6 435	8 085	9 041	11 371	13 441	275 234
Discounted FCFF		-3 828	-484	1 054	3 578	4 027	4 275	4 972	5 147	5 992	6 556	134 246
Sum of FCFF present value		165 535	169 362	169 846	168 792	165 214	161 186	156 912	151 940	146 793	140 802	134 246
Enterprise value DCF		165 535										
- Interest bearing debt		-10 384										
+ Cash and cash equivalents		11 741										
-Minorities		-2 333										
-Dividend/capital return		-1 068										
Equity value DCF		163 491										
Equity value DCF per share		306										

WACC

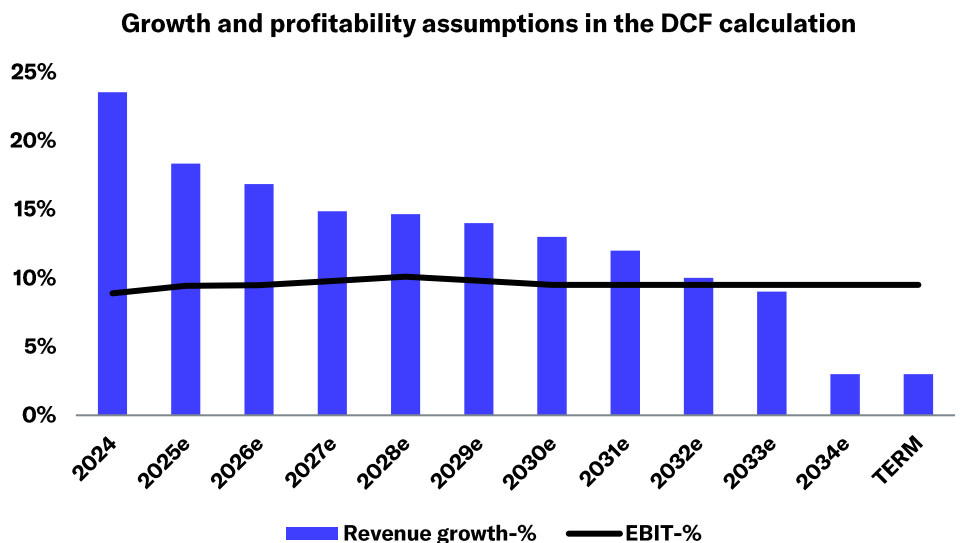
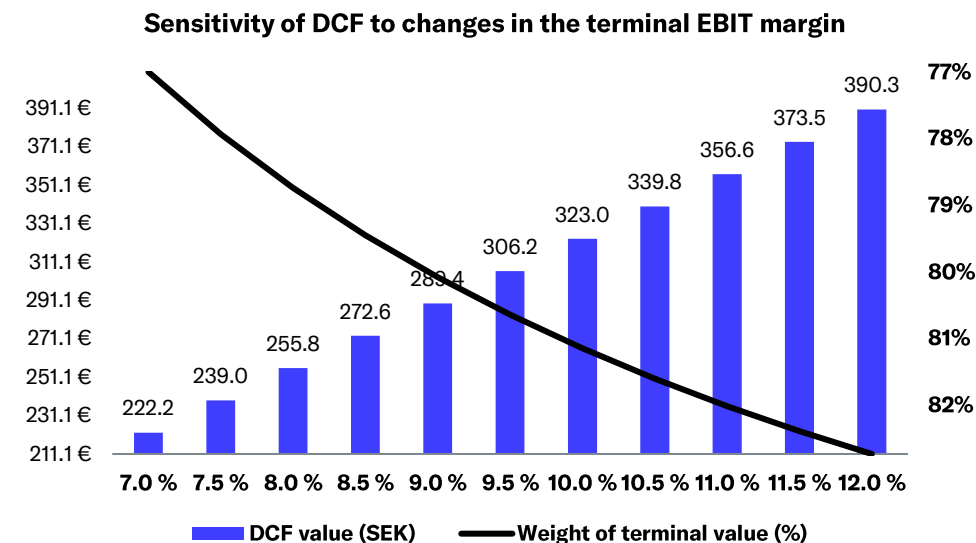
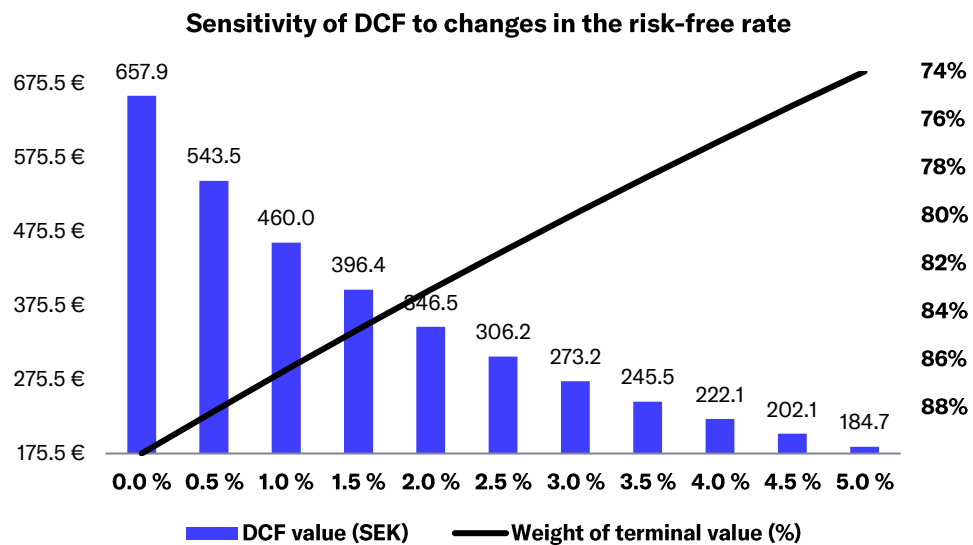
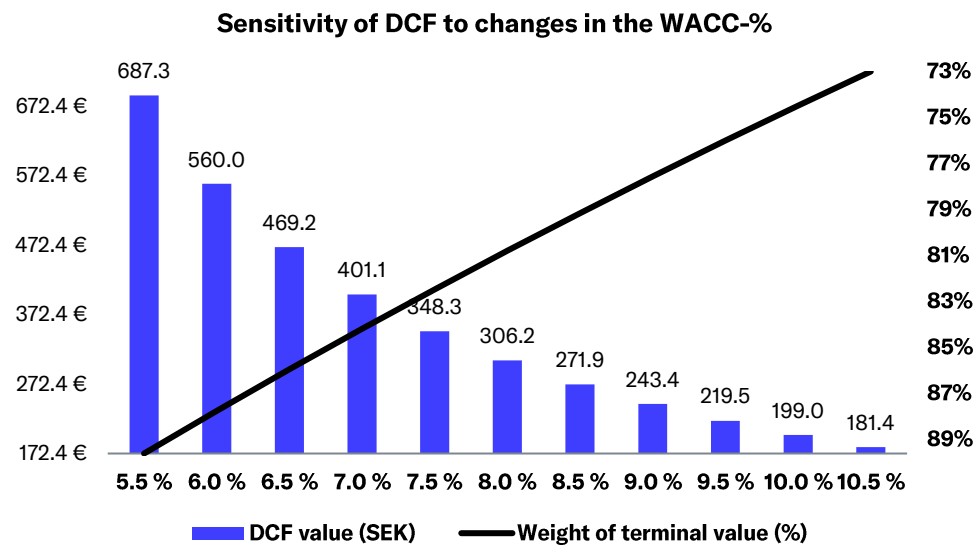
Tax-% (WACC)	21.0 %
Target debt ratio (D/(D+E))	4.0 %
Cost of debt	5.0 %
Equity Beta	1.20
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
Cost of equity	8.2 %
Weighted average cost of capital (WACC)	8.0 %

Source: Inderes

Cash flow distribution



DCF sensitivity calculations and key assumptions in graphs



Source: Inderes. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.

Summary

Income statement	2022	2023	2024	2025e	2026e	Per share data	2022	2023	2024	2025e	2026e
Revenue	42006.0	51609.0	63751.0	75439.4	88134.4	EPS (reported)	4.15	6.36	7.96	10.56	11.95
EBITDA	5401.0	6558.0	8402.0	10293.6	11875.3	EPS (adj.)	4.15	6.40	7.85	10.56	11.95
EBIT	3274.0	4272.0	5662.0	7113.6	8350.0	OCF / share	8.93	10.34	17.90	7.75	8.55
PTP	2819.0	4418.0	5289.0	7174.1	8077.5	OFCF / share	-6.08	4.32	1.33	-7.33	-1.00
Net Income	2195.0	3381.0	4249.0	5637.1	6381.2	Book value / share	55.78	60.27	66.48	75.04	84.35
Extraordinary items	0.0	-22.0	58.0	0.0	0.0	Dividend / share	1.33	1.60	2.00	0.00	0.00
Balance sheet	2022	2023	2024	2025e	2026e	Growth and profitability	2022	2023	2024	2025e	2026e
Balance sheet total	72365.0	82759.0	99823.0	112124.6	122861.6	Revenue growth-%	7%	23%	24%	18%	17%
Equity capital	29876.0	32362.0	35812.0	40398.1	45353.0	EBITDA growth-%	12%	21%	28%	23%	15%
Goodwill	5384.0	5424.0	5572.0	5572.0	5572.0	EBIT (adj.) growth-%	13%	31%	31%	27%	17%
Net debt	-2869.0	-3426.0	-1357.0	3601.2	5777.5	EPS (adj.) growth-%	14%	54%	23%	35%	13%
Cash flow	2022	2023	2024	2025e	2026e	EBITDA-%	12.9 %	12.7 %	13.2 %	13.6 %	13.5 %
EBITDA	5401.0	6558.0	8402.0	10293.6	11875.3	EBIT (adj.)-%	7.8 %	8.3 %	8.8 %	9.4 %	9.5 %
Change in working capital	-963.0	-331.0	2711.0	-4669.3	-5556.6	EBIT-%	7.8 %	8.3 %	8.9 %	9.4 %	9.5 %
Operating cash flow	4720.5	5497.2	9556.9	4138.9	4565.3	ROE-%	8.4 %	11.0 %	12.6 %	14.9 %	15.0 %
CAPEX	-3364.0	-4213.0	-7637.0	-8055.0	-5100.0	ROI-%	9.5 %	12.3 %	14.1 %	15.9 %	16.0 %
Free cash flow	-3211.5	2294.2	710.9	-3916.1	-534.7	Equity ratio	41.3 %	39.1 %	35.9 %	36.0 %	36.9 %
						Gearing	-9.6 %	-10.6 %	-3.8 %	8.9 %	12.7 %
Valuation multiples	2022	2023	2024	2025e	2026e						
EV/S	1.2	1.5	1.9	3.9	3.3						
EV/EBITDA	9.5	12.0	14.8	28.4	24.8						
EV/EBIT (adj.)	15.6	18.3	22.2	41.1	35.3						
P/E (adj.)	24.3	23.9	29.7	50.9	44.9						
P/B	1.8	2.5	3.5	7.2	6.4						
Dividend-%	1.3 %	1.0 %	0.9 %	0.5 %	0.6 %						

Source: Inderes

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
2025-09-15	Sell	310	537



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