

# Saab Q2 2021 Presentation

21 July 2021

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# Strong sales growth and positive cash flow Q2

	<b>Sales</b>	<b>Growth</b>	
	<b>10,131 MSEK</b>	<b>15%</b>	
	(8,836 MSEK)		
<b>Orders</b>	<b>Growth</b>		
<b>9,875 MSEK</b>	<b>7%</b>		
(9,247 MSEK)			
	<b>EBITDA</b>	<b>Margin</b>	<b>Operational cash flow</b>
	<b>1,196 MSEK</b>	<b>11.8%</b>	<b>3,152 MSEK</b>
	(1,004 MSEK)	(11.4%)	(1,817 MSEK)
	<b>EBIT</b>	<b>Margin</b>	
	<b>715 MSEK</b>	<b>7.1%</b>	
	(652 MSEK)	(7.4%)	

# Market highlights

## Favourable trend in the broader defence market

- Strong demand in Europe as well as in the US
- European Defence Fund launched
- Several tender offers and campaigns ongoing
- Continued weak civil aviation market

## Continued good order intake in Q2

- Total order intake 9.9 BSEK, an increase of 7% YoY
  - Medium-sized order growth of 14%, small orders up 3%
  - Europe (excl. Sweden) main driver with orders up 125%

## Key orders in the quarter

- Future Development and Support contract for the Gripen C/D fighters and Helicopter 15 support contract from Sweden
- Combat Training Solutions to the Netherlands
- Important orders to the U.S. including Live Training System, Carl Gustaf and radar component's for the G/ATOR system
- Upgrade of EW warning equipment on the German Tornado Aircraft





# Business area summary

## Aeronautics

- Order intake driven by Gripen C/D development contract
- Best and Final offer submitted for Gripen E/F to Finland
- First trainer aircraft T-7A Aft delivered to Boeing
- Large milestone payments in the quarter

MSEK	Q2 2021	Q2 2020	H1 2021	H1 2020
Order intake	1,196	702	2,064	1,073
Sales	2,210	2,054	4,503	4,025
EBITDA	171	189	348	362
EBITDA margin	7.7%	9.2%	7.7%	9.0%
EBIT margin	6.7%	8.4%	6.8%	8.2%

## Dynamics

- High market interest in most product areas
- Important orders secured in Training & Simulation
- Improvement in sales and earnings in Ground Combat and Training & Simulation
- Cost for closure of Barracuda in U.S. of 60 MSEK

MSEK	Q2 2021	Q2 2020	H1 2021	H1 2020
Order intake	3,489	2,663	4,568	3,947
Sales	2,647	1,744	4,145	2,862
EBITDA	393	263	567	372
EBITDA margin	14.8%	15.1%	13.7%	13.0%
EBIT margin	14.0%	13.9%	12.6%	11.5%

# Business area summary

## Surveillance

- Orders on sensors to Germany and the U.S.
- Sales increase from execution in large projects
- Increased amortization costs related to GlobalEye
- Cost for rightsizing in South Africa operations of 21 MSEK
- Large GlobalEye milestone payments in the quarter

MSEK	Q2 2021	Q2 2020	H1 2021	H1 2020
Order intake	2,530	2,300	3,850	3,393
Sales	2,164	2,065	4,549	3,793
EBITDA	292	238	640	534
EBITDA margin	13.5%	11.5%	14.1%	14.1%
EBIT margin	7.6%	7.7%	8.5%	10.0%

## Kockums

- Market activities directed to both Swedish and export opportunities
- Focus on improving productivity and over time support a positive margin development

MSEK	Q2 2021	Q2 2020	H1 2021	H1 2020
Order intake	436	250	888	740
Sales	899	756	1,553	1,562
EBITDA	43	34	79	69
EBITDA margin	4.8%	4.5%	5.1%	4.4%
EBIT margin	3.6%	3.3%	3.8%	3.3%

# Business area summary

## Support and Services

- Contracts for Helicopter 15 in Sweden and aircraft maintenance in Bulgaria
- Increased amortization costs related to GlobalEye
- Large GlobalEye milestone payments in the quarter

MSEK	Q2 2021	Q2 2020	H1 2021	H1 2020
Order intake	1,276	2,152	2,850	3,029
Sales	1,236	1,353	2,693	2,663
EBITDA	175	170	387	307
EBITDA margin	14.2%	12.6%	14.4%	11.5%
EBIT margin	9.5%	12.1%	10.0%	11.1%

## Industrial Products and Services

- Combitech good order intake and improved profitability
- Activity in civil aviation market remains weak
- Traffic Management profitability improvement from project execution

MSEK	Q2 2021	Q2 2020	H1 2021	H1 2020
Order intake	1,420	1,638	2,561	2,834
Sales	1,477	1,372	2,779	2,971
EBITDA	41	-61	85	-15
EBITDA margin	2.8%	-4.4%	3.1%	-0.5%
EBIT margin	1.6%	-5.9%	1.8%	-1.8%

# Training & Simulation

## *T&S in nutshell*

### **The uniqueness**

- High realism with Ballistic simulation
- Scalability through Modular design
- Standardization and interoperable world-wide
- Deployable in several combat setups
- Leads IUC\* - interoperability and standards within 16 countries

### **Our offering**

- Equipment and solutions for Army forces to practise live combat exercises
- Core capabilities in Live training, Virtual training, Live fire training and Services
- Supports many weapon types
- Combat Training Centres (CTC)
- Full-service support of training sites, 22 sites globally with 700 employees





# Training & Simulation

## The market potential

- Large growing market in Europe
- Training will be more important in future defence operations
- Increased multinational exercises
- Growing interest in analytics
- Follow army forces around the world
- T&S has a large installed base
- After-market opportunities

## How we are driving growth in T&S

## T&S positioned for growth

- More than 40 customers worldwide
- Dominate in Europe and 25% market share in the US with one global product portfolio
- Recent large contracts: MCTC to Netherlands (supply and 10 years support) and USMC Force on Force
- Increasing focus on after-market
- Sustainable business model

*Jan-Jun 2021*  
*Sales growth 37%*





# Way forward

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- **Implementation of new organisational structure**
- **Ensuring productivity and efficiency improvements**
- **Strengthening our position in key markets and accelerating international growth**
- **Focus on executing on our projects, Gripen/T-7/GlobalEye/A26**
- **Increased focus on Sustainability**



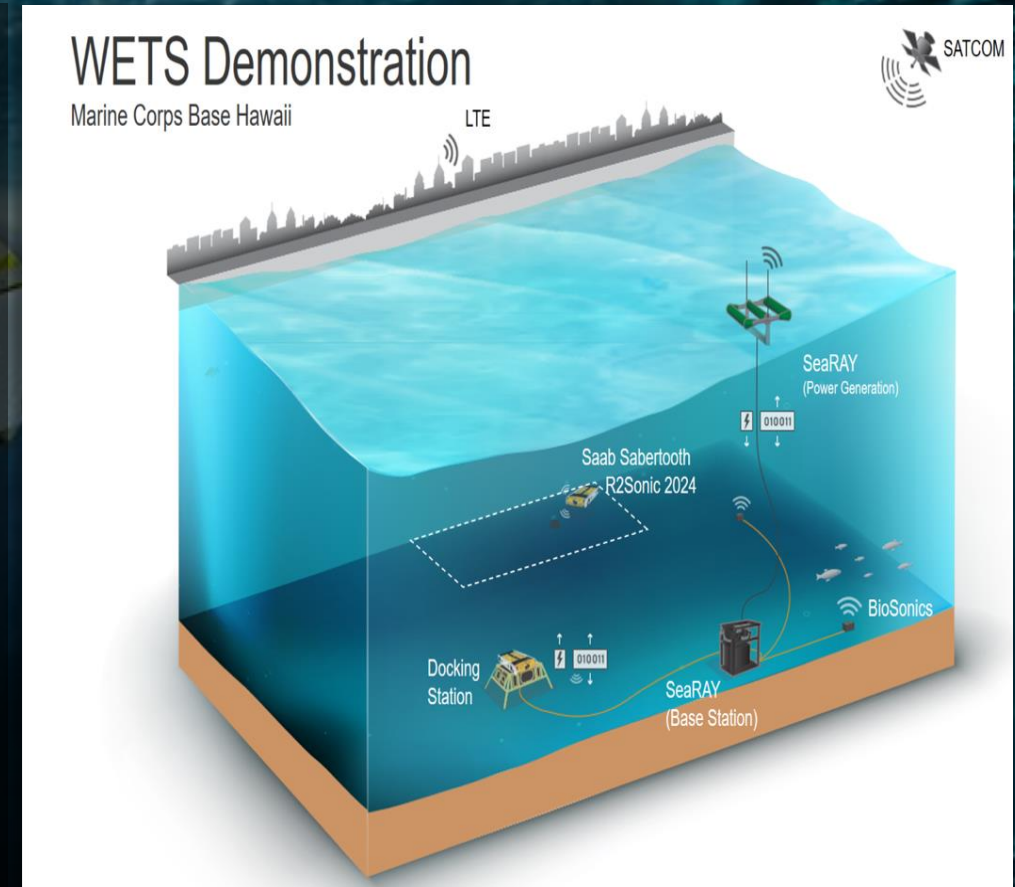
# Saab's Sustainability Commitment

- ➔ Commitment to society at the core of Saab's business since its founding, supporting nations to keep people and society safe
- ➔ Saab focuses on the UN's Sustainability Development Goals and has identified five goals where Saab can contribute and with a connection to the business strategy
- ➔ We are proud of the robust processes and management of sustainability risks within our operations
- ➔ Supporting our customers by developing environmental friendly products and solutions
- ➔ New Head of Sustainability appointed
- ➔ Saab's sustainability work in 2021 is to further develop our sustainability strategy and climate action
- ➔ To visualize our progress in our sustainability work, we will as of Q2 start to describe our sustainability progress



# Driving sustainable solutions with Sabertooth

- Sabertooth - autonomous under water multi-role vehicle
- Renewable energy - converted from waves powering the Sabertooth = zero emissions
- Eliminates support vessels, and enables customers to reduce dependency on grid and logistics
- CO<sub>2</sub>e reductions of approx. *180+ tonnes* per system and year, equal to 1,000 short-haul air passenger trips
- Zero emission operation, is important in many under water sectors such as marine, research, defence and security, aquaculture and offshore energy



\*U.S. Navy's Wave Energy Test Site (WETS)



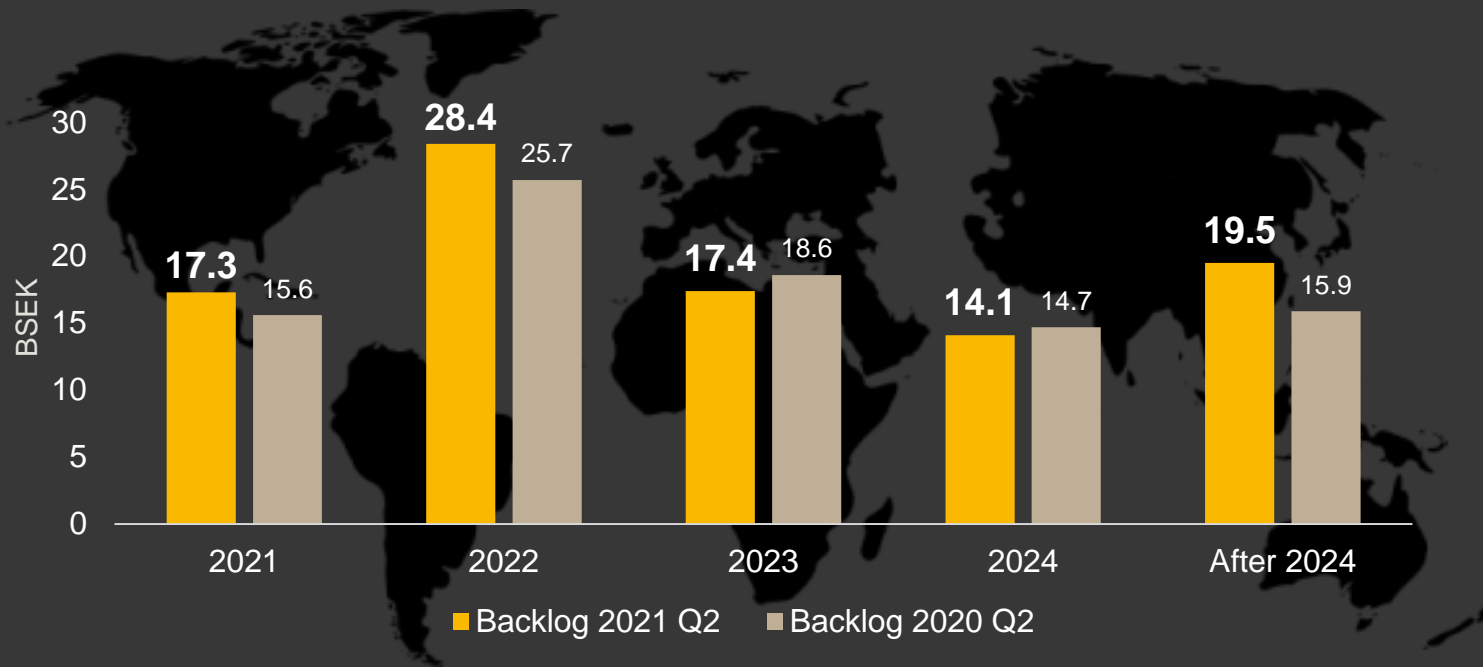
# Financial Summary

Christian Luiga, CFO & Deputy CEO

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# Order backlog supports growth

## Order backlog of 96.7 BSEK (+7% vs Q2 2020)



- Q2 order intake 9.9 BSEK, up 7%
- Large and medium sized-orders, accounting to ~60% of total
- Small orders at 3.8 BSEK, 3% growth
- Strong Order backlog
  - 70% of the backlog outside Sweden
- Current year planned backlog to sales conversion
  - Up 11% Y/Y

# Financial summary Q2 2021

MSEK	Q2 2021	Q2 2020	Change
Sales	10,131	8,836	15%
Gross income	2,113	1,831	15%
Gross margin, %	20.9	20.7	
EBITDA	1,196	1,004	19%
EBITDA margin, %	11.8	11.4	
EBIT	715	652	10%
EBIT margin, %	7.1	7.4	
Net income	514	518	-1%
EPS after dilution (SEK)	3.78	3.90	-3%

## P&L comments

- Organic sales increase of 15%
- Positive sales contribution in 5 of 6 business areas
- Gross margin in line with last year. Positive impact from IPS partly offset by closure of Barracuda US of 60 MSEK
- Earnings improvement driven by higher sales volumes and good activity level
- Increased amortization and depreciation of SEK 129m in Q2
- Net income and EPS comparison negatively impacted by positive currency hedges in Q2 2020



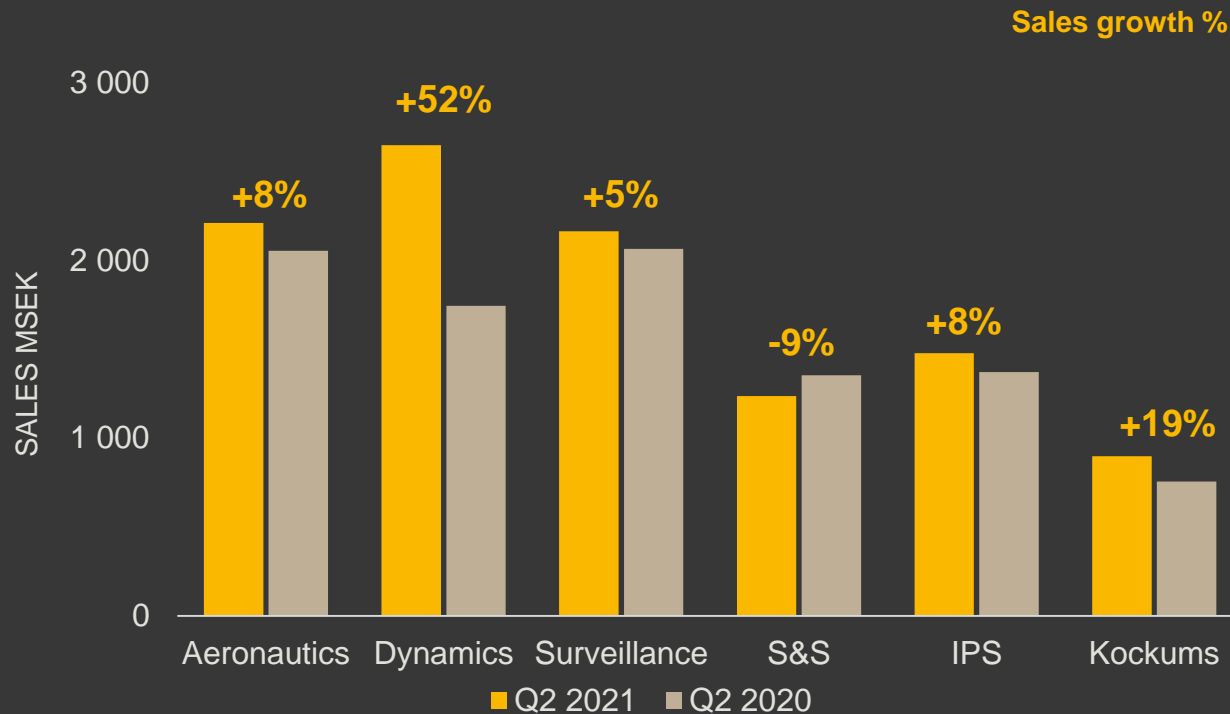
# Financial summary H1 2021

<b>MSEK</b>	<b>H1 2021</b>	<b>H1 2020</b>	<b>Change</b>
Sales	19,219	16,876	15%
Gross income	4,047	3,711	9%
Gross margin, %	21.1	22.0	
EBITDA	2,262	1,918	18%
EBITDA margin, %	11.8	11.4	
EBIT	1,312	1,212	8%
EBIT margin, %	6.8	7.2	
Net income	910	860	6%
EPS after dilution (SEK)	6.73	6.40	5%

## **P&L comments**

- Organic sales growth mainly driven by Aeronautics, Dynamics and Surveillance
- Gross income improvement from higher sales volumes
- Gross margin decline mainly due to Aeronautics, from project estimate adjustments in Q3 2020 and T-7A ramp-up
- Earnings improvement driven by higher sales volumes
- Increased depreciation & amortization cost of 244m
- Net income and EPS comparison negatively impacted by positive currency hedges in H1 2020

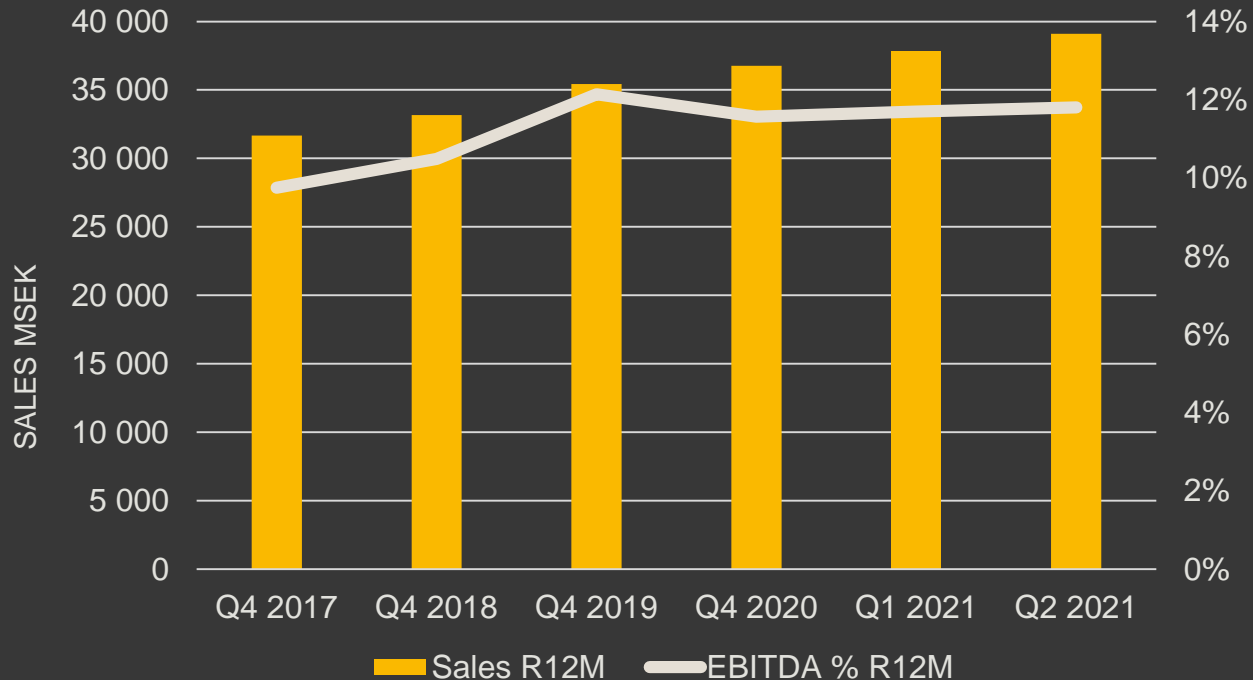
# Sales per business area



## Business area comments

- High project activities and increased deliveries drives sales growth
- Aeronautics - high activity level in the Gripen E/F to Sweden and Brazil
- Strong growth in Dynamics driven by most business units
- IPS growth driven by Combitech and Traffic management partly offset by decrease in civil aviation
- Ongoing high activity level in Kockums

# Adj. Sales and EBITDA margin trend

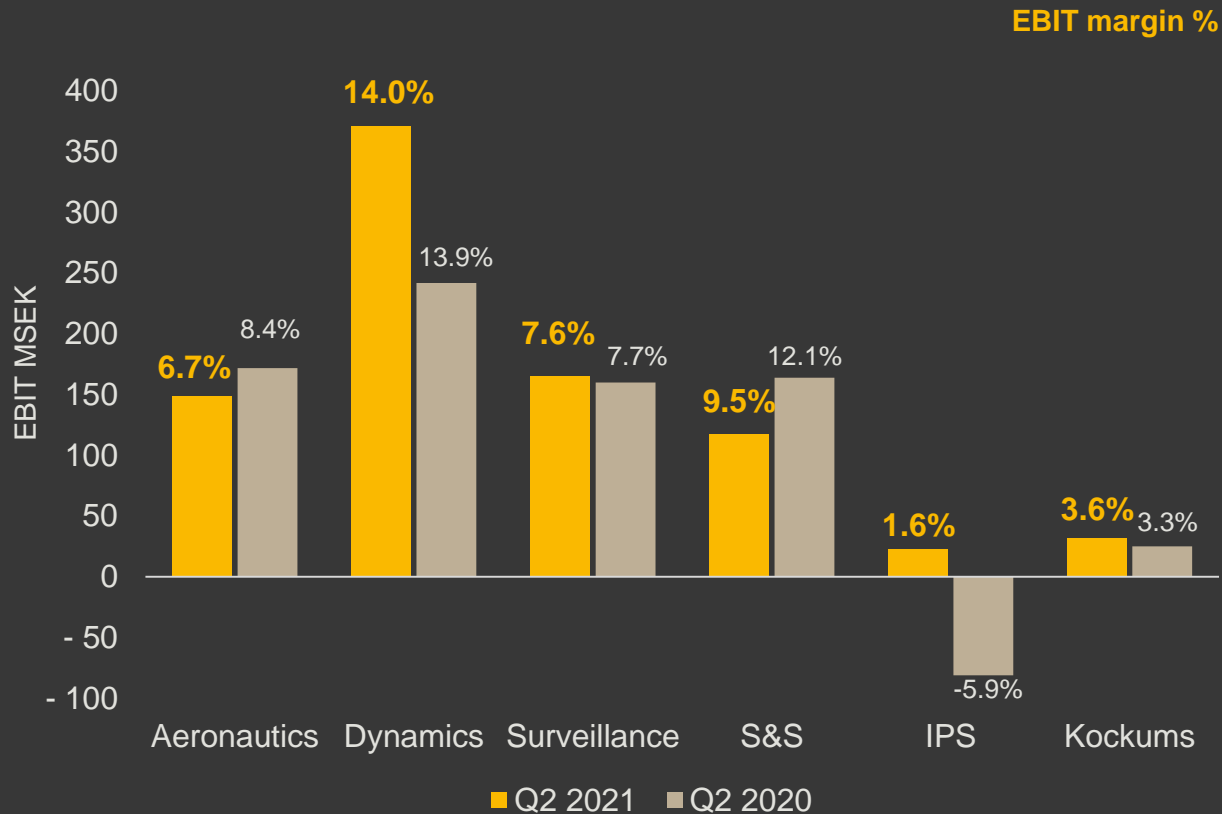


## EBITDA comments

- R12M Sales CAGR of 6% since 2017
- R12M sales up 3% compared to previous quarter
- EBITDA R12M trend driven by Dynamics, Surveillance and IPS compared to previous quarter
- In 2020 the civil aviation market turned negative and still impacts profitability negatively



# EBIT and margins per business area

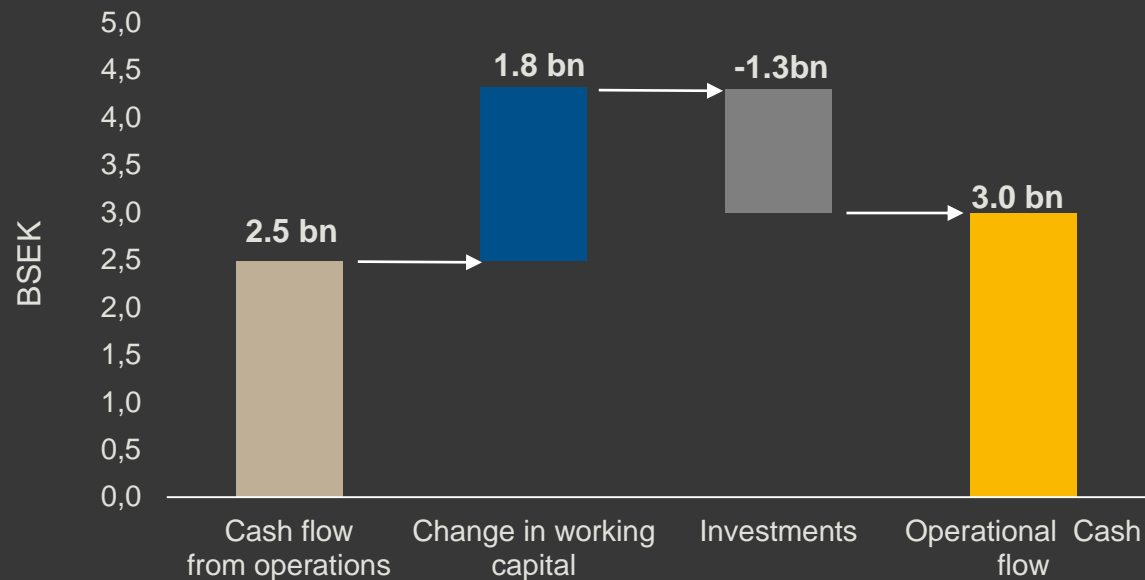


## Business area comments

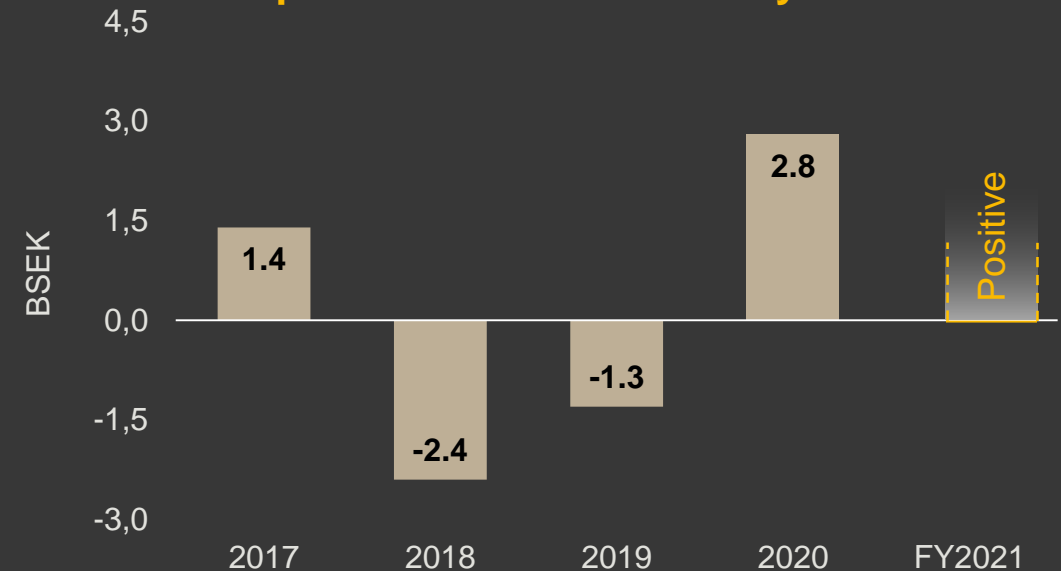
- Decline in Aeronautics from project estimate adjustments related to Covid-19 in Q3 2020 and T-7A ramp-up
- Improvement in Dynamics as a result of strong volume increase
- Surveillance flat and impacted negatively by operations outside of Sweden
- GlobalEye amortization cost impacted Surveillance and Support & Services
- Improvements in Combitech and Traffic management partly offset by decline in IPS from civil aviation

# Cash flow improving

## Operational cash flow H1 2021

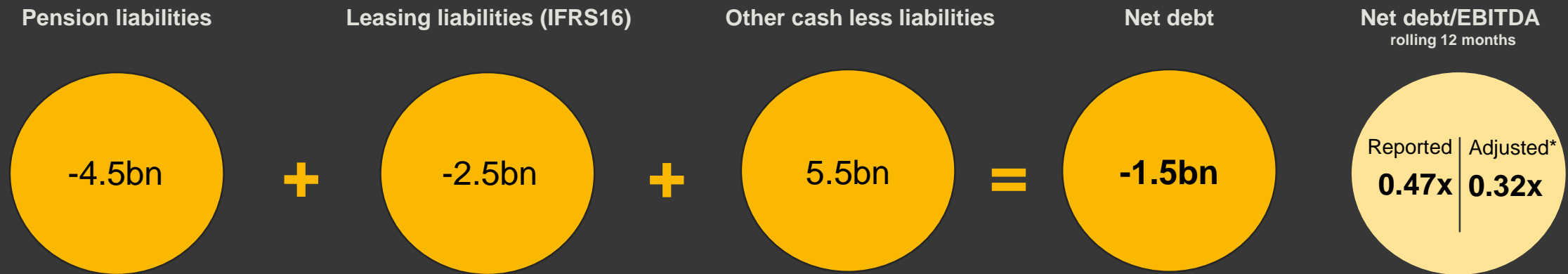


## Operational cash flow full year 2021



- Strong operational cash flow of SEK 3.0 bn in H1 2021
- Improvement from decreased working capital due to deliveries and timing of milestone payments
- Majority of this year's large milestone payments received in H1
- Investments lower vs last year, mainly due to GlobalEye development project completed
- Free cash flow amounted to SEK 2.8 bn

# Net debt Q2 2021



- Debt with maturity less than 12 months equals 1.3 BSEK
- Unutilized Revolving credit facilities 10 BSEK
- Maturity 6 BSEK in 2023 and 4 BSEK in 2022
- Equity / Asset ratio of 36.3% (36.2)

# Outlook 2021\*

## ORGANIC GROWTH

Organic sales growth for the full year to be around 10 per cent

Previously: Organic sales growth in line with long term target (5%)

## EBIT MARGIN

EBIT-margin in line with adjusted EBIT-margin for 2020 (7.4%)\*\*

## OPERATIONAL CASH FLOW

Positive

\*The uncertainty surrounding Covid-19 and its future effects remains high

\*\*Adjusted for items affecting comparability



# Important information

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



# Q&A

