

Saab Q3 2021 Presentation

22 October 2021

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SAAB

Strengthened order backlog and continued growth

REPORTED

Q3 Highlights

ADJUSTED*

Orders	Growth
15,605 MSEK	54%
(10,152 MSEK)	

Sales	Growth
7,992 MSEK	32%
(6,064 MSEK)	

EBITDA	Margin
977 MSEK	12.2%
(-314 MSEK)	(-5.2%)

EBIT	Margin
500 MSEK	6.3%
(-663 MSEK)	(-10.9%)

OCF
-1,238 MSEK
(-363 MSEK)

Orders	Growth
15,605 MSEK	54%
(10,152 MSEK)	

Sales	Growth
7,992 MSEK	6%
(7,560 MSEK)	

EBITDA	Margin
977 MSEK	12.2%
(794 MSEK)	(10.5%)

EBIT	Margin
500 MSEK	6.3%
(445 MSEK)	(5.9%)

OCF
-1,238 MSEK
(-363 MSEK)

*Adjusted for items affecting comparability in Q3 2020



Market highlights

Continued positive trend in the defence market

- Strong demand in Sweden, Europe and the U.S.
- Expecting decision from important campaigns in the near future
- Continued weak civil aviation market

Strong order intake in the quarter

- Total order intake 15.6 BSEK, increase of 54% y-o-y
- Driven by large orders, up 106% y-o-y
- Order backlog of 105 BSEK

Key orders

- Large contract to modernize German Navy's F123 Frigates
- Further capability order for the A26 Submarine for Sweden
- Orders for Carl-Gustaf
- Combat training solutions to Poland
- Digital Tower order to the Belgium Air Traffic Control organization



Business area summary

Aeronautics

- Several Gripen campaigns ongoing
- Grand opening of the new U.S. facility in West Lafayette
- T-7A operations impact results negatively
- Lower sales in civil aviation operations

MSEK	Q3 2021	Q3 2020	YTD 2021	YTD 2020
Order intake	299	901	4,662	4,022
Sales	2,479	1,770*	8,626	7,763*
EBITDA	79	-943*	570	-484*
EBITDA margin	3.2%	-53.3%	6.6%	-6.2%
EBIT margin	1.9%	-54.8%	5.6%	-7.2%

*Sales and EBITDA impacted by project estimate adjustment of 1.1 BSEK in Q3 2020.

Dynamics

- Favourable market demand in several product areas
- Large orders for Carl-Gustaf and Combat Training
- Strong profitability in Q3 driven by good project completion – especially in Ground Combat

MSEK	Q3 2021	Q3 2020	YTD 2021	YTD 2020
Order intake	3,190	5,811	7,937	10,197
Sales	1,456	1,480	5,900	4,684
EBITDA	223	133	808	545
EBITDA margin	15.3%	9.0%	13.7%	11.6%
EBIT margin	13.8%	7.6%	12.6%	10.2%

Business area summary

Surveillance

- Increased order intake, large frigates contract in Germany
- Strong interest for GlobalEye
- Sales improvement driven primarily by the radar business
- EBIT margin negatively impacted by increased amortization cost of 102 MSEK and operations in South Africa

MSEK	Q3 2021	Q3 2020	YTD 2021	YTD 2020
Order intake	5,455	3,123	10,378	8,062
Sales	2,978	2,410	9,233	7,886
EBITDA	384	255	1,070	781
EBITDA margin	12.9%	10.6%	11.6%	9.9%
EBIT margin	6.4%	6.8%	5.4%	6.5%

Kockums

- Strengthened backlog driven by A26 submarine order
- Sales growth driven by high activity in business unit Submarines
- Improved margins from sales growth and productivity

MSEK	Q3 2021	Q3 2020	YTD 2021	YTD 2020
Order intake	6,383	198	7,271	938
Sales	707	589	2,260	2,151
EBITDA	41	30	120	99
EBITDA margin	5.8%	5.1%	5.3%	4.6%
EBIT margin	4.7%	3.7%	4.1%	3.4%

The Uniqueness

- Technology leader in the naval domain and strong offering on land systems
- Radar, EW, CS and ATM
- Leveraging the best of Swedish and American innovation

US Surveillance business—

a blueprint for the Saab multi domestic strategy

Growth Potential

- Stable customer base – serving five branches of the US military
- Growing radar demand in the US, accounts for ~50% of global demand
- Market expected to grow in airborne, land and maritime domains
- Key U.S. programs and prospects such as the US Army, US Navy, US Air Force Export opportunities out of US

Our Surveillance footprint

- Sales ~200 MUSD
- 9% Sales CAGR last 10Y
- Increased technology work done locally
- Extensive manufacturing and test facilities
- Base in Syracuse, N.Y. with ~500 employees

Key recent wins

- Advanced Digital Radar Technology
- Threat Systems Radars
- Variable Aperture Digital Radar
- MK9 Continuous Wave Illuminator
- AN/ SPN-50 Low Rate Initial Production
- CEROS Demonstrator (for USN)
- Laser Warning Systems Technology Demonstration

SEA GIRAFFE FAMILY ABOARD SIX CLASSES OF US SHIPS

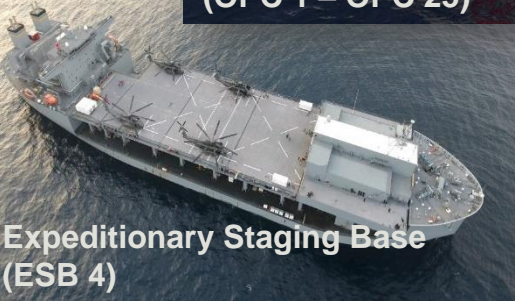
**Independence Class
(LCS 2 – LCS 38)**



**Heritage Class
(OPC 1 – OPC 25)**



**Expeditionary Staging Base
(ESB 4)**



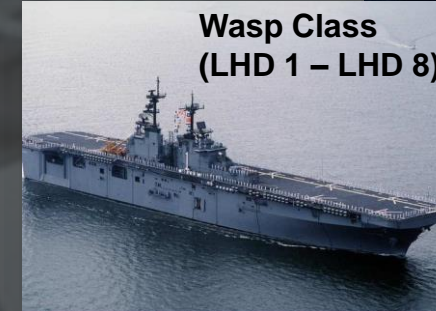
SEA GIRAFFE RADARS

**Ready. Agile.
Focused.**

Multi-role radars for the U.S. Sea Services



**Nimitz Class
(CVN 69 – CVN 77)**



**Wasp Class
(LHD 1 – LHD 8)**



**America Class
(LHA 6 – LHA9)**



SAAB

Accelerating our sustainability efforts

Our commitment to a sustainable society

- A commitment to society has been at the core of Saab's business since its founding, supporting nations to keep people and society safe
- In line with UN Sustainable Development Goal 16 for peace, justice and strong institutions

Highlights during the quarter

- Saab has committed to the "Business Ambition for 1.5°C" campaign, backed by Science-Based Targets
- Saab is now part of the UN Climate Champions and "Race to Zero" initiative, to reach net-zero emissions by 2050
- Saab has conducted stakeholder dialogue, which will constitute input to the company's updated sustainability strategy
- Saab's carbon emission reduction from operations down 15% year-to-date

RACE TO ZERO

Focus going forward

- International growth and M&A in key markets
- Productivity and efficiency improvements
- Focus on major market campaigns
- Execution on our key programmes
- Support ramp-up of Ground Combat
- Accelerating sustainability efforts



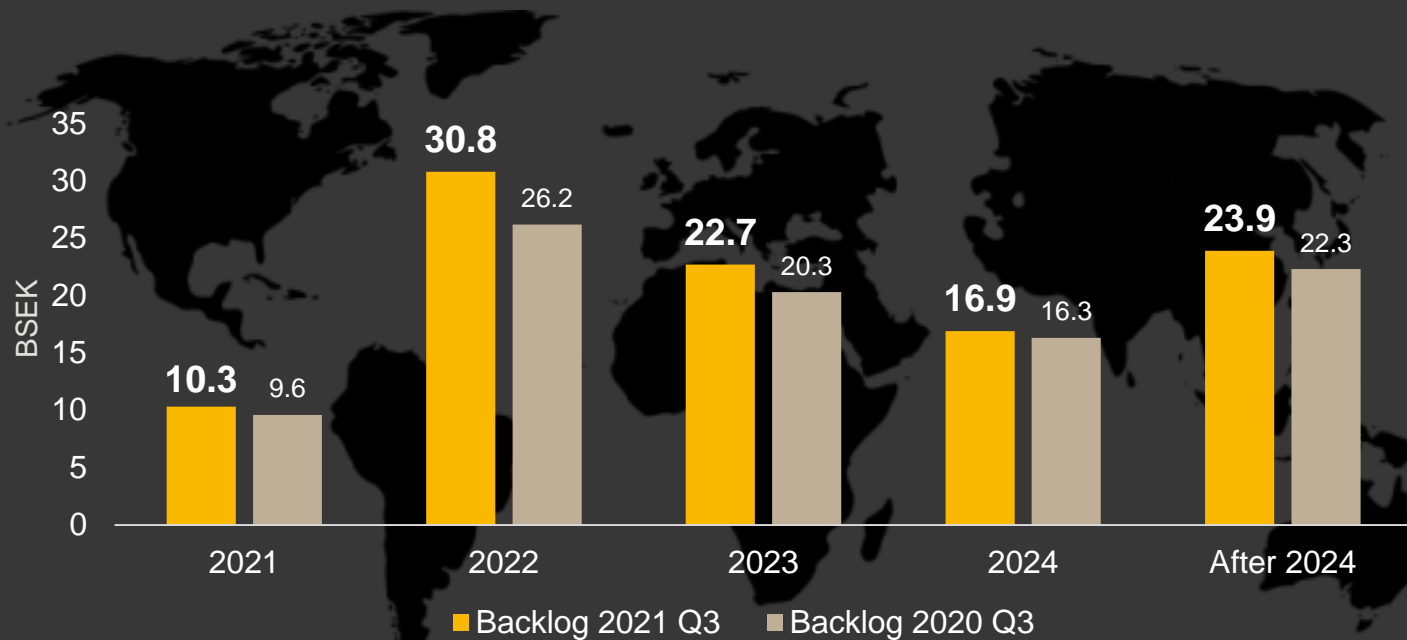
An aerial photograph of an F-35 fighter jet in flight, viewed from a high angle. The jet is white with red and blue markings on the tail. The cockpit is visible, showing two pilots. The aircraft is flying over a landscape with a large body of water and a winding river. The text "U.S. AIR FORCE" is visible on the side of the fuselage. The number "7001" is visible on the tail.

Financial Summary

Christian Luiga, CFO & Deputy CEO

Order backlog support continued growth

Order backlog of 105 BSEK (10% vs Q3 2020)



- Q3 order intake 15.6 BSEK, up 54%
- Large and medium sized-orders, accounting to ~73% of total
- Decline in small-sized orders
- Order backlog of 105 BSEK (+10% vs Q3 2020)
 - 68% of backlog outside Sweden
- 2022 planned backlog to sales conversion up 17.5% y-o-y

Financial summary YTD 2021

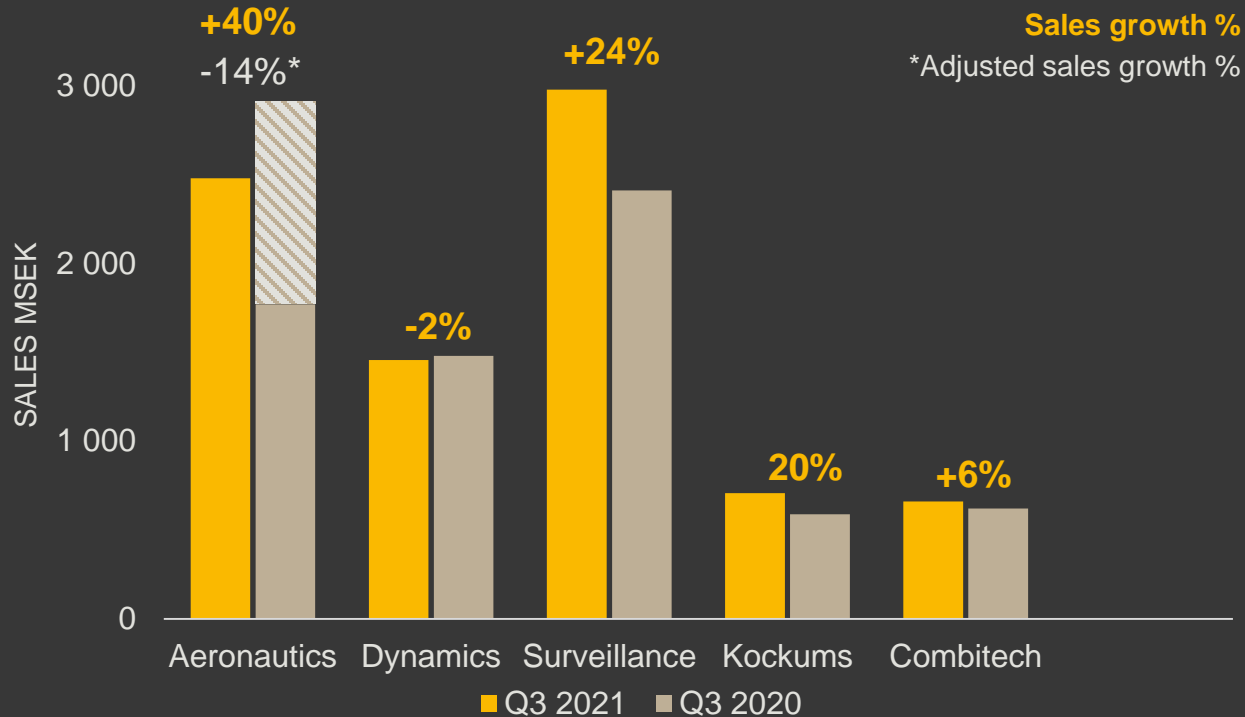
MSEK	YTD		Change	
	2021	2020	Rep	Adj*
Sales	27,211	22,940	19%	11%
Gross income	5,793	3,537	64%	12%
Gross margin, %	21.3	15.4		
EBITDA	3,239	1,604	102%	19%
EBITDA margin, %	11.9	7.0		
EBIT	1,812	549	230%	9%
EBIT margin, %	6.7	2.4		
Net income	1,234	489	152%	
EPS (SEK)	8.95	3.55	152%	

*Adjusted for items affecting comparability in Q3 2020.

P&L comments

- Sales growth of 11%, adjusted for items affecting comparability in Q3 2020, driven by all BAs except Aeronautics
- Gross margin improvement as a result of higher sales
- EBIT improvement of 9% vs adjusted EBIT in Q3 2020
- Increased depreciation/amortization cost of 372 MSEK
- Right-sizing measures of SEK 111m
- Net income and EPS improvements

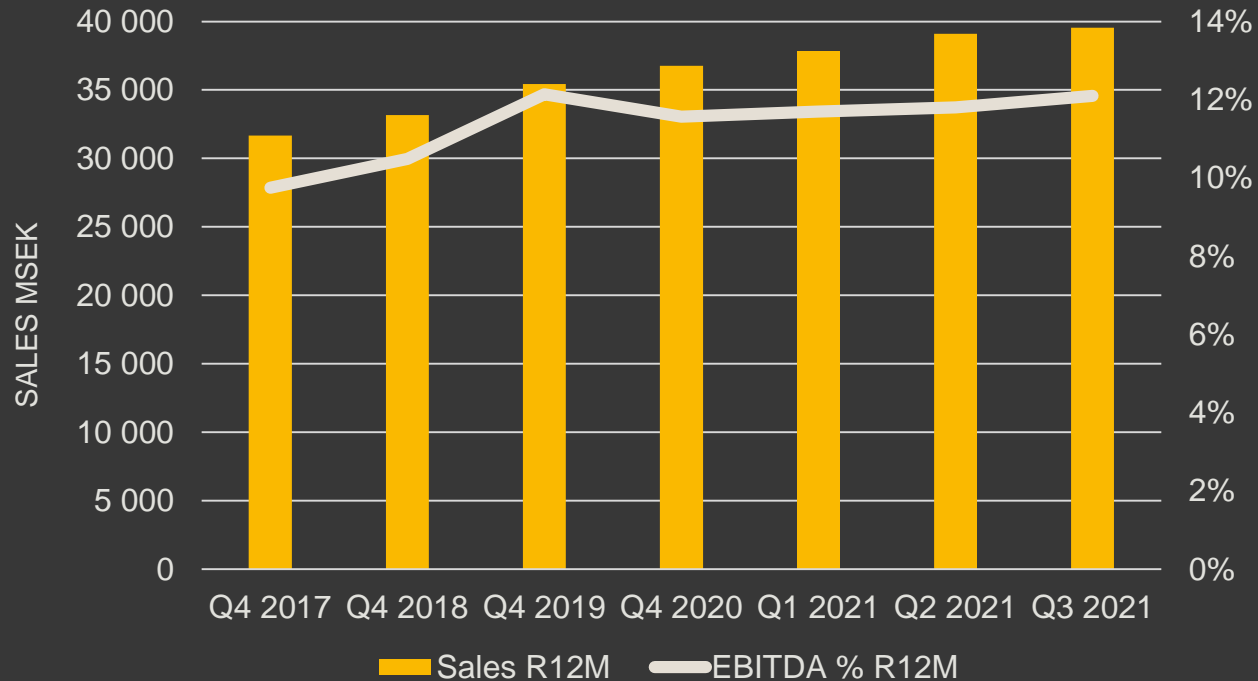
Sales per business area



Business area comments

- Aeronautics sales affected by significant decline in the civil aviation operations
- Dynamics sales in line with last year, negatively impacted by the closure of Barracuda in the U.S.
- Surveillance sales driven by the business unit Radar Solutions
- Kockums increase driven by high activity in business unit Submarines

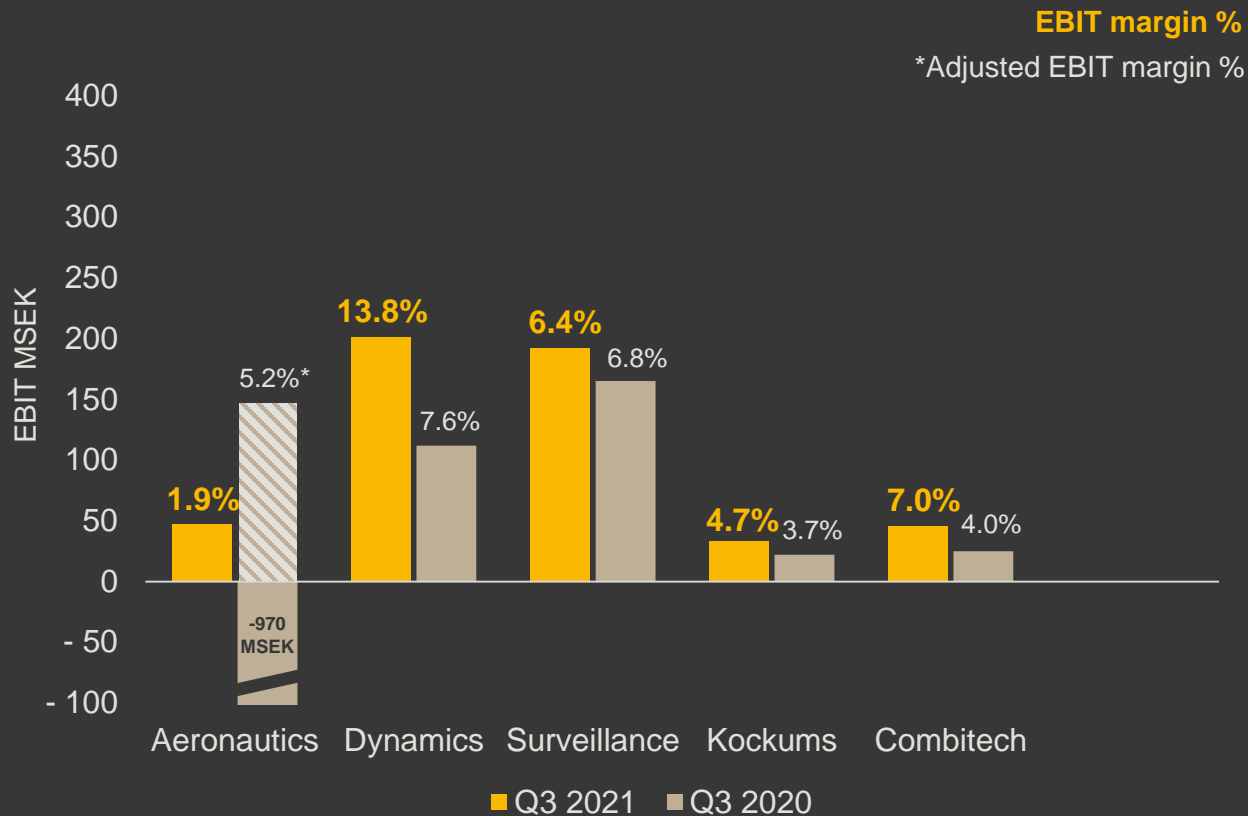
Adj. Sales and EBITDA margin trend



EBITDA comments

- Sales R12M up 13% year-over-year
- Sales R12M CAGR of 6% since 2017
- EBITDA margin trend driven by Dynamics and Surveillance
- In 2020 the civil aviation market turned negative and still impacts profitability

EBIT and margins per business area



Business area comments

- Aeronautics negatively impacted by T-7A and by the civil aviation operations
- Strong improvement in Dynamics driven by several project completions and deliveries
- Improved operating income in Surveillance, partly offset by higher amortization cost and negative South Africa operations
- Higher margins in Kockums driven by sales growth and productivity

Business summary - Combitech



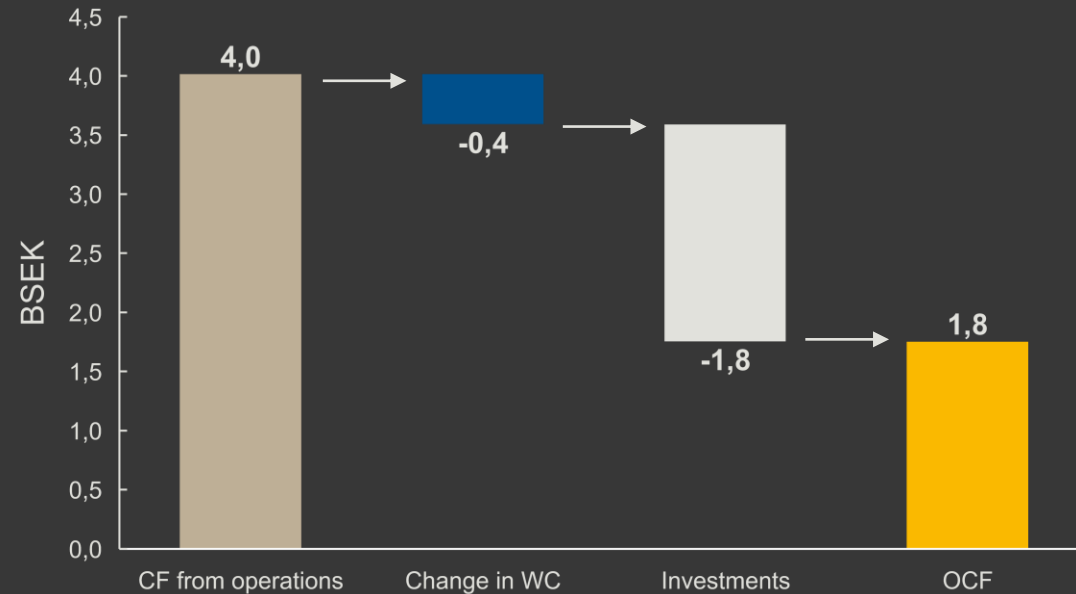
Comments

- 2,100 employees in 4 Nordic Countries
- Core expertise in Defence, Cyber Security and Digitalization
- No 1 in Cyber Security Services in the Nordics with 270 consultants
- Strong in Industry 4.0, Public 4.0 and Civil & Military Defense
- Sales up 6% y-o-y in Q3, from strong growth in Public Sector and Defence
- EBIT margin improvement y-o-y primarily from higher sales and cost control
- Strong market situation with high demand

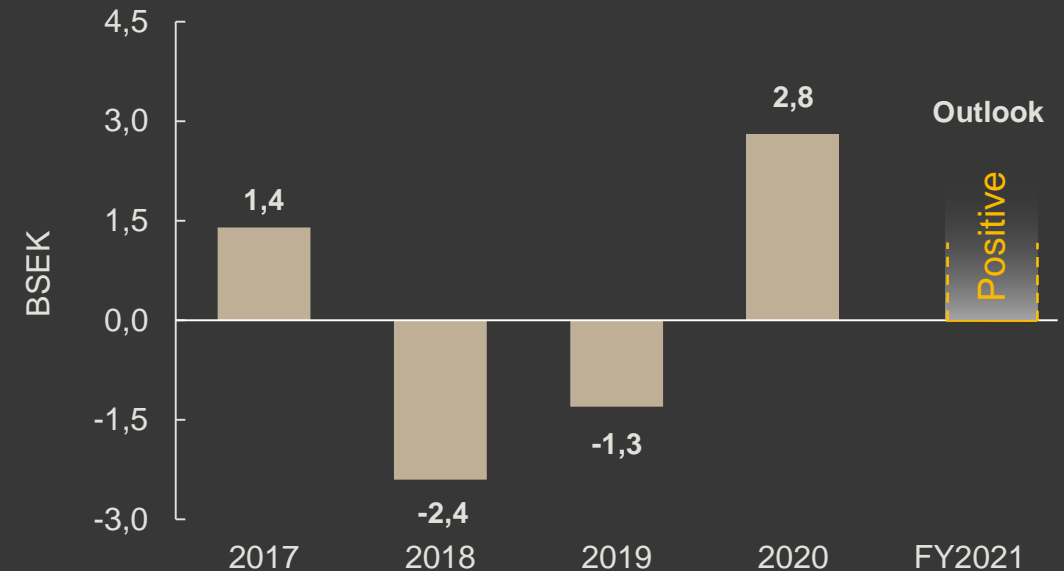
MSEK	Q3 2021	Q3 2020	YTD 2021	YTD 2020
Order intake	520	555	2,342	2,289
Sales	660	621	2,336	2.173
EBITDA	50	26	222	165
EBITDA margin	7.6%	4.2%	9.5%	7.6%
EBIT margin	7.0%	4.0%	9.0%	7.4%

Cash flow improving from operations

Operational Cash Flow YTD 2021



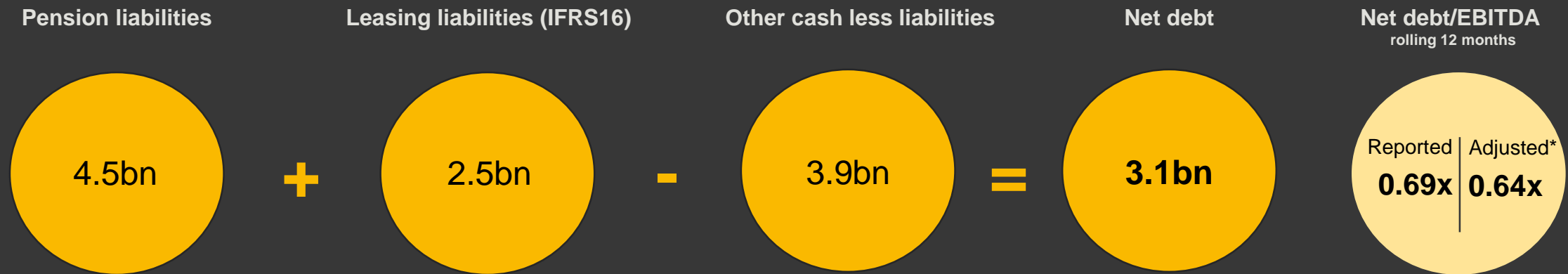
Operational cash flow full year



- Positive operational cash flow of 1.8 BSEK YTD
- Q3 operational cash flow -1.2 BSEK (-0.4)
- Temporary inventory build-up in Dynamics and Surveillance
- Majority of this year's large milestone payments were received in H1

- Investments lower, due to lower capitalized development costs
- Total Internally funded R&D at 1.5 BSEK (1.8)
- Free cash flow amounted to 1.4 BSEK YTD (0.7)

Net debt Q3 2021



- Debt with maturity less than 12 months equals 1.8 BSEK
- Unutilized Revolving credit facilities 6 BSEK
 - Maturity 2 BSEK in 2023 and 4 BSEK in 2026
- Net Debt / Adjusted EBITDA at 0.64x comp to 1.0x at Dec 2020
- Equity / Asset ratio of 36.4% (35.5)

*Adjusted for items affecting comparability.

Outlook 2021*

ORGANIC GROWTH

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

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 remain.

**Adjusted for items affecting comparability.

Important information

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

Q&A



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