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# Impact of European Defense Spending Packages on RENK, Hensoldt, Dassault Aviation, and Saab

## Introduction

European nations have launched unprecedented defense spending initiatives in response to heightened security threats since 2022. Germany's landmark €100 billion "Bundeswehr special fund," the EU's multi-billion European Defence Fund (EDF), and major national military budget boosts (e.g. France's 2024–2030 program, Sweden's defense surge) are set to modernize armed forces and benefit Europe's defense industry. This report analyzes how these fiscal packages could translate into revenue and growth for four listed European defense firms – **RENK Group**, **Hensoldt**, **Dassault Aviation**, and **Saab AB** – which are poised to supply critical equipment (from tank transmissions and sensors to fighter jets and air defense systems) under the new spending plans. We break down the funding by category (equipment procurement vs. personnel, R&D, etc.), assess historical conversion of budgets to company revenues, estimate each company's incremental revenue exposure by segment, outline expected timelines for revenue recognition, and discuss implications for profit margins, order backlogs, and export opportunities.

## Major European Defense Funding Initiatives (2022–2025)

### Germany's €100 Billion Bundeswehr Special Fund

In 2022 Germany created a one-time **€100 billion** special fund (Sondervermögen) to upgrade the Bundeswehr's equipment after years of underinvestment [1] [2]. The fund – initially €100 billion but effectively ~€87 billion available after accounting for financing costs [3] [4] – is dedicated almost entirely to **procurement and modernization of military equipment** (major weapons systems, vehicles, aircraft, etc.), with **minimal allocation to personnel costs** (those remain in the regular defense budget). In the original plan, 38 procurement projects across **five domains** were earmarked, covering land, air, sea, cyber/communications, and support [1] [5]. After revisions, funding was concentrated on priority hardware projects. **Table 1** highlights some key programs financed by the special fund and their budgets:

| Major German Special-Fund Projects | Allocation (€ million) | Expected Completion |
|---|---|---|
| 35 F-35A Lightning II fighter aircraft | **8,300** [6] | 2031 [6] |
| 60 CH-47F Chinook heavy lift helicopters (STH) | **7,216** [6] | 2032 [6] |
| Arrow-3 strategic missile defense system | **4,005** [7] | 2030 [8] |
| P-8A Poseidon maritime patrol aircraft (ASW) | **2,803** [9] | 2027 [9] |
| 2nd batch of Puma infantry fighting vehicles | **1,500** [10] | 2028 [10] |
| Puma IFV retrofit (1st lot) | **851** [11] | 2029 [11] |
| IRIS-T SLM ground-based air defense systems | **950** [12] | 2027 [12] |

| Major German Special-Fund Projects | Allocation (€ million) | Expected Completion |
|---|---|---|
| Caracal light utility helicopters (for SOF) | **1,398** [13] | 2030 [13] |
| Digital radios and comms for troops | **33** [14] | 2024 [14] |
| **(Total approved so far)** | **~29,362** [6] | *(N/A)* |

**Allocation by Category:** Nearly **all** of this special fund is for **equipment and capital assets** – fighter jets, helicopters, armored vehicles, missile defense systems, ships, IT systems, etc. [1] [15]. Virtually *no* special-fund money goes to ongoing personnel salaries or routine operations; those remain in Germany's core defense budget (around €50 billion/year) [16] [17]. A small portion covers enabling assets like communications gear, digitalisation, and R&D tied to procurement (e.g. development of the Eurofighter's new AESA radar got €84 m from the fund) [18]. Overall, the **equipment vs. personnel split** is ~**100:0** in this fund, as it's intended as a procurement booster. By contrast, Germany's regular budget covers personnel and maintenance – and in fact, some regular procurement funding was moved into the special fund, effectively making the fund **finance "normal" projects** that otherwise would have been in annual budgets [16] [19].

**Progress and Timeline:** Germany moved quickly to commit much of the fund. By late 2023, over **half (likely two-thirds)** of the €100 billion had been **contractually committed** to specific purchases [20]. However, **contract signing doesn't equal immediate spending or delivery** – large projects have long lead times. For 2023, €8.4 billion from the fund was budgeted to be spent, and €19.2 billion is planned in 2024 [21] [19], but actual outlays will lag if production takes time or if bureaucratic delays occur. Indeed, many big-ticket items (F-35 jets, Arrow-3 interceptors, new helicopters) will see **deliveries spread through 2027–2032**, so the revenue to industry is realized over the coming 5–10 years rather than all at once [22] [6]. Notably, the special fund is helping Germany inch toward NATO's **2% of GDP defense spending** target – the law mandates using the fund so Germany averages 2% over a five-year period [17]. Because the base defense budget has stagnated (~€51 billion), the fund must shoulder an increasing share, and at the current trajectory it could be **exhausted well before 2031**, potentially prompting discussions of follow-on funding [19].

## European Union's European Defence Fund (EDF)

At the EU level, the **European Defence Fund** is a landmark initiative injecting EU budget money into defense research and development. The EDF for 2021–2027 is about **€8 billion** in total, with roughly **€2.7 billion for collaborative defense research** (new technologies, feasibility studies) and **€5.3 billion for co-funded capability development projects** (prototyping and bringing new equipment toward production) [23] [24]. Unlike national budgets, the EDF **does not finance procurement of off-the-shelf equipment or military personnel**; it is **100% focused on R&D and innovation**. The goal is to spur joint European projects, reduce duplication, and strengthen the EU defense industrial base [25] [26]. EDF grants (generally covering 20–100% of project costs) encourage defense companies from multiple member states – including SMEs – to cooperate on new defense technologies [25] [27].

Each year, the European Commission issues EDF **work programs** with priority themes. For example, the **EDF 2024 call** (decided in 2025) awarded **€910 million** to 62 projects focusing on critical areas such as **drones and autonomous systems, counter-hypersonic defenses, next-generation rotorcraft, unmanned ground vehicles, and mine countermeasures** [28] [29]. Flagship projects included a pan-European unmanned minesweeper ("EuroSweep"), a next-gen helicopter demonstrator (ENGRT), and a second phase of a European unmanned ground vehicle program (iMUGS) [30] [29]. This reflects the EU's prioritization of emerging tech: **AI, cyber, space, missile defense, and advanced materiel** are all getting EDF co-funding. By mid-2025, about **half of the EDF's €8 billion budget had been allocated** to

projects, with the remainder to be awarded in 2025–27 calls [29]. Notably, Ukraine's defense industry was allowed to participate starting in 2024, further integrating Ukraine with the EU defense base [31].

**Allocation by Category:** The EDF is essentially **R&D spending**. About one-third is for early-stage research (concepts, basic technology), and two-thirds for development and prototyping [23]. None of it goes to military salaries or buying finished equipment. The fund is **the EU's strategic investment in innovation**, accounting for roughly 15% of all defense R&D in Europe (only France and Germany individually spend more on defense R&D) [32]. The funded projects span many domains – air, land, naval, cyber, space – but always with a technology-development angle. For instance, recent EDF-funded efforts include **hypersonic missile interceptors, swarming drone technologies, space-based surveillance systems, cyber defense tools, and advanced materials**. This R&D focus complements the procurement-heavy national spending: EDF innovations today could lead to the **next generation of European weapons** in the 2030s.

**Relevance and Timeline:** While smaller in scale than national budgets, the EDF can benefit companies like Hensoldt, Saab, and Dassault if they lead or partner in collaborative projects. For example, **Saab and Hensoldt have participated in EDF-funded consortiums** for surveillance, robotics, and missile technology (these specific project details are often proprietary, but both firms have R&D arms well-positioned to win EDF grants). Dassault and Airbus, meanwhile, have leveraged EU defense R&D precursor programs (like EDIDP) for UAV projects. The EDF's impact on revenue is indirect – it funds **partial R&D costs**, reducing companies' self-funded R&D burden and seeding future products. The timeline for EDF projects is typically **short-to-mid term**: a project might run 2–4 years, after which successful technologies could enter full development or attract orders from member states. Thus, the EDF yields a pipeline of prototypes by the late 2020s. By 2027, when the current EDF concludes, many prototypes (unmanned systems, new sensors, etc.) will be ready. **In summary:** the EDF is **entirely R&D category**, and its payoff to companies will come as new products born from EDF funding secure production contracts in the later 2020s and beyond.

## France's 2024–2030 Military Programming Law (LPM)

France has enacted a sweeping **Military Programming Act 2024–2030** ("Loi de Programmation Militaire") that allocates **€413.3 billion** over seven years to strengthen its armed forces [33] [34]. This is **40% higher** than the previous 2019–2025 plan [35] – a massive increase spurred by Russia's war in Ukraine and global tensions. By 2030 France's annual defense budget will reach ~€60 billion (nearly double 2017 levels) [36]. The LPM funds **both personnel and equipment**: it includes a modest increase in troop count and readiness, but is heavily geared toward **modernizing hardware, boosting maintenance, and investing in future capabilities** [34] [37].

**Allocation by Category:** Out of the €413 billion, a significant share is for **procurement and R&D of equipment** (fighters, ships, vehicles, missiles), while the rest covers personnel, operations, and maintenance. The law itself doesn't publicly break down every euro, but the Ministry of Defense outlined several priority investment areas [38] [39]:

- **Munitions and Missiles:** €16 billion to stockpile and modernize munitions – from anti-ship missiles and heavy torpedoes to new air-to-air interceptors (e.g. MBDA's ASTER, MICA, METEOR) [40]. This reflects lessons from Ukraine (high expenditure of ammo).
- **Intelligence & Counterintelligence:** €5 billion for ISR capabilities (satellites, drones, SIGINT) [37] [41].
- **Unmanned Systems ("Drones"):** €5 billion for UAVs and remote-operated munitions, including development of the **Eurodrone MALE UAV** (a joint program with Airbus as lead, and Dassault involved) [42].

- **Ground-Based Air Defense:** €5 billion to strengthen surface-to-air defense (likely new SAM batteries, perhaps additional SAMP/T systems and short-range defenses) [42].
- **Innovative Technologies:** €10 billion dedicated to **future tech** like directed-energy weapons (lasers), drone swarms, AI/robotics, and other next-gen capabilities [43]. This is effectively R&D funding to ensure France stays at the cutting edge.
- **Space Defense:** €6 billion for military space assets (surveillance satellites, space situational awareness, and even on-orbit defense projects) [44].
- **Cyber Defense:** €4 billion to bolster cyber warfare and secure networks [44].
- **Force Projection & Overseas Ops:** €13 billion for overseas deployments, infrastructure, and presence (e.g. upgrading French forces in overseas territories) [41].
- **Maintenance & Readiness:** €49 billion earmarked for maintenance of equipment and sustaining operations [45] – a 49% increase over the prior plan, underscoring the need to improve fleet availability.

Personnel will see a "slight increase" – France aims to reach 275,000 MoD personnel by 2030 (including ~8,000 more reservists) [34] [46] – but the **bulk of new money is going into hardware and tech**. Notably, **nuclear deterrence** programs consume about 13% of the LPM (~€54 billion) [47], as France upgrades its SSBN submarines and develops new nuclear missiles. This nuclear slice, plus the €49 billion maintenance, are significant non-procurement categories. Even so, France will still channel well over €150 billion into new equipment and R&D through 2030 under this plan.

**Key Programs and Timeline:** The French LPM funds a mix of **ongoing programs** and **new initiatives**. For example:

- **"All Rafale" Air Force:** France plans to order **32 new Rafale** multirole fighters from Dassault during 2024–2030, to be delivered 2030–2032 [48] [49]. This supports Dassault's production line and moves the Air Force toward an all-Rafale fleet by 2035 (retiring older Mirage jets). These 32 jets (roughly €90–100 million each with support) will likely be ordered in batches around 2025–2027, ensuring continuous revenue for Dassault into the early 2030s.
- **Future Combat Air System (FCAS):** The **FCAS** sixth-generation fighter program (a trilateral project with Germany and Spain, with Dassault as a key industry lead) is slated to produce its **first demonstrator by 2027** [50]. The LPM provides funding to accelerate FCAS R&D, which will give Dassault significant R&D contract revenue in the mid-term. The next phase of FCAS (full-scale development and production in the 2030s) will depend on these demonstrator results.
- **Army "Scorpion" Program:** Modernization of French land forces continues, including deliveries of new armored vehicles (Jaguar EBRC recon vehicles and Griffon VBMR troop carriers). However, budget constraints stretched some timelines – only 200 Jaguars out of 300 planned will be delivered by 2030, with ~100 deferred beyond 2030 [51]. Still, funds are allocated to keep vehicle orders moving and to initiate the Franco-German **Main Ground Combat System (MGCS)** tank project's design studies during this period [52]. MGCS (the Leopard 2/Leclerc replacement) is in early concept stage; meaningful revenue for industry (Krauss-Maffei, Nexter, maybe RENK for engines/transmissions) will come later, but near-term R&D contracts are expected.
- **Naval Programs:** The LPM funds a new generation aircraft carrier (**PANG**), with Naval Group to develop it for commissioning in the late 2030s [53]. It also provides for **15 new frigates by 2030** (including five FDI new-generation frigates) [53] and new support ships. Dassault's naval fighter business (Rafale Marine) may also benefit if France opts to buy Rafale Marine or invest in a carrier version of the future fighter.
- **Other Domains:** Investments in **space and cyber** will create high-tech contracts (e.g. a new military satellites constellation and ground-to-space laser weapons under projects like "Yoda" and "BLOOMLASE") [54] [55]. While these may not directly involve our four focus companies, they indicate broad spending that can spill over to various contractors and technology partners.

In summary, France's plan spreads money across **personnel (modest growth), operations (maintaining deployments), and a heavy dose of procurement and R&D**. For companies: **Dassault Aviation** is a prime beneficiary (Rafale orders, FCAS, possibly Eurodrone), **Hensoldt** and **Saab** less directly but they could participate via subcontracting in joint projects (for instance, Thales and Indra lead many French electronics programs, but Hensoldt might supply components for Eurodrone or FCAS, and Saab's tech could be included via partnerships). The timeline is phased: near-term (2024–2025) budget increases of ~€3 billion/year ramp up activity, mid-term (2025–2027) sees most orders placed, and major deliveries and revenue realizations peak in the **late 2020s** and 2030–32 for big systems like Rafale fighters [56] [57].

## Sweden's Defense Budget Surge (2025–2030)

Sweden, spurred by its NATO accession and regional threats, has committed to **rapidly increase defense spending to 2.6% of GDP by 2028** [58]. The government's 2025–2030 defense resolution boosts funding for both military and civil defense. The **military defense will get over SEK 170 billion** (≈ €15 billion) **in additional funding by 2030** beyond previous plans [59] [60]. As a result, Sweden's annual defense budget for 2025 is **SEK 142 billion** (~€13 billion), almost double the 2022 level [61]. It is slated to rise further to SEK 186 billion (or more) by 2030 [62]. This dramatic increase is targeted at **rebuilding Sweden's total defense** after decades of downsizing.

**Allocation by Category:** A large share of Sweden's boost is going into **equipment procurement, infrastructure, and ammunition.** In 2025, for example, **SEK 60 billion (≈€5.5 billion) is earmarked for procurement of equipment and facilities** – roughly 42% of that year's budget [63]. Significant funds are also devoted to **expanding personnel and units** (Sweden is growing its wartime force structure, adding new regiments and doubling the size of the Home Guard). The resolution explicitly calls for **more troops, more materiel, more units, and accelerated unit production** to reinforce the wartime organization [60]. Another emphasis is on **stockpiling munitions** and **logistics**: Sweden acknowledges it needs ample ammunition and robust supply lines for sustained defense [64]. Key categories receiving extra investment include: **air defense systems**, **ammunition stocks**, **combat vehicle fleets**, and **advanced fighter aircraft and surveillance assets**.

**Key Programs:** Sweden's modernization plans translate into concrete programs that benefit Saab and partners:

- **Fighter Aircraft:** Serial deliveries of the new **JAS-39E Gripen** are ongoing through 2025–2030, finally bringing the latest variant into service [65]. Sweden will also **upgrade its existing Gripen C/D fleet** with new capabilities (e.g. adding long-range strike ability) [66]. Saab, as Gripen manufacturer, gains from both new-build production and upgrade contracts. Notably, Sweden is considering **donating some older Gripen C/Ds to Ukraine** in coming years; if that happens and those jets need replacement, it could mean additional Gripen E orders for Saab (though such decisions are pending). For now, the budget already includes funds to keep **60+ Gripen Es rolling out and to improve Gripen C/D**. In 2023, Sweden placed a SEK 390 million order with Saab for new targeting systems for Gripen fighters to enhance their strike capabilities [67].
- **Missiles and Air Defense:** Sweden is investing in its air and coastal defense. The plan calls for **additional interceptor missiles, precision-guided bombs, cruise missiles, and anti-ship missiles** for the air force (to arm Gripens) [68]. For example, new air-launched cruise missiles are being procured to give Gripen a long-range land-attack punch. On ground-based air defense, Sweden has ordered more systems: e.g. an October 2024 order (SEK 1.3 billion) for Saab's mobile short-range air defense (MSHORAD) system to strengthen army air defense, for delivery 2025–2027 [69]. This likely includes Saab's RBS-70 NG or RBS-98 (IRIS-T SLS) missiles integrated on

vehicles. Longer-range air defenses are also being added – Sweden already bought Patriot batteries from the US, and is improving integration with NATO.

- **Surveillance and AEW:** The air force will acquire **3 Saab GlobalEye airborne early-warning & control (AEW&C) aircraft** by 2030 [70]. This is a major win for Saab's surveillance aircraft line. (Sweden had previously not fielded GlobalEye; this new purchase, enabled by the budget boost, gives Sweden a high-end radar plane. It comes on the heels of Saab selling 2 GlobalEyes to Poland in 2023, another European rearmament-driven deal.) Each GlobalEye is a few hundred million euros; these three will likely be delivered in the latter half of the decade, driving mid-term revenue for Saab.
- **Army Vehicles:** Sweden is expanding its army units. It ordered 44 additional **Stridsvagn 122/123** tanks (an upgraded Leopard 2 variant) in January 2025 [71]. These are essentially Leopard 2A8s co-produced with Germany – a direct consequence of needing more armor (and to replace tanks donated to Ukraine). This order benefits German suppliers (Krauss-Maffei, Rheinmetall) and **RENK**, since Leopard 2 tanks use RENK transmissions [72]. Similarly, BAE Systems Hägglunds (in Sweden) is ramping up production of **CV90 infantry fighting vehicles** for export customers (Slovakia, the Czech Republic, etc.), and Saab in 2025 received a SEK 700 million order from Hägglunds to supply **UTAAS fire-control sights** for new CV90s [73]. While not directly Swedish MoD spending, it exemplifies how ramp-ups in European ground vehicle programs (often involving Swedish industry) trickle business to Saab.
- **Navy and Others:** Saab's Kockums shipyard stands to benefit from naval investments. Sweden is building new **A26 Blekinge-class submarines** (two on order, possibly more funded later) and modernizing surface combatants. The 2025–2030 budget supports expanding the navy and could lead to additional orders for combat boats, mine countermeasure vessels, and submarine technology (all areas where Saab is involved). Additionally, Sweden is increasing its **civil defense and cyber defense**, which might entail contracts for communication systems and encryption (Saab's portfolio includes command & control systems).

Overall, Sweden's surge is **equipment-centric** (with over 40% for procurement in 2025, likely similar through 2030 [63]) but also entails recruiting and training thousands of new soldiers, which means personnel costs will rise. By 2030, Sweden will have a much larger active-duty force to equip. For companies, **Saab AB** is the clear beneficiary domestically – virtually every major Swedish-made system (Gripen, GlobalEye, Carl-Gustaf anti-tank weapons, RBS-70 air defense, naval ships) is receiving investment. **RENK** indirectly benefits via the tank orders. **Timelines:** Many of these programs are already underway (Gripen E deliveries each year, GlobalEye contracts expected by mid-decade, etc.). The **short-term (2023–2025)** saw initial orders (like the Gripen upgrades, SHORAD, tank order), the **mid-term (2025–2028)** will see peak production (fighter deliveries, new missiles rolling out, ships completing), and the **long-term (2028–2030)** will likely include final deliveries and possibly follow-on orders if threats persist.

## Other European Initiatives and Context

Beyond these major packages, **other European countries and multilateral efforts** are contributing to a defense spending boom:

- Several NATO countries in Europe are **raising defense budgets to or beyond 2% of GDP**. For instance, **Poland** is spending over 3% of GDP and undertaking a huge military modernization (tanks, aircraft, air defenses). While Poland's big-ticket buys have favored U.S. and South Korean suppliers, there are spillovers to European firms: e.g. Poland's purchase of 2 Saab GlobalEye AEW planes (noted above) and hundreds of Saab Carl-Gustaf recoilless rifles (Poland placed a record order for Carl-Gustaf munitions in 2024) [74]. Eastern European nations (Baltics, Finland,

Romania, etc.) are likewise buying artillery, sensors, and vehicles – sometimes from Western European suppliers – under accelerated timelines.

- The **European Sky Shield Initiative**, launched by Germany with 17 nations, is pooling procurement of **air defense systems**. Germany's own special fund committed €950 million to IRIS-T SLM air defense batteries and €4 billion to Arrow-3 interceptors [75] [7], which will form part of this pan-European air and missile defense network. While Arrow-3 is an Israeli-U.S. product, European industry (like Hensoldt for radar components or system integration) could get subcontracts. The IRIS-T SLM system, developed by Diehl with radars by Hensoldt, is likely to see **wider European orders** via Sky Shield – good news for Hensoldt's radar business.
- The EU has also launched **joint procurement schemes** to help members buy equipment together. A **€500 million "EDIRPA" fund** (European Defence Industry Reinforcement through common Procurement Act) was created for 2022–24 to incentivize **collective purchases** of urgent-needed assets (e.g. air defense, ammunition). Additionally, in 2023 the EU approved the **ASAP initiative (Act in Support of Ammunition Production)**, another €500 million to bolster European manufacturing of artillery shells and missiles. These efforts, though modest in funding, aim to shorten lead times and expand industrial capacity for munitions – which could indirectly benefit companies like Saab (which co-produces the NLAW anti-tank munition and other ordnance) and Hensoldt (which may see more orders for fire-control electronics in munitions).
- Finally, NATO and EU countries are coordinating to refill equipment stockpiles depleted by aid to Ukraine. The **European Peace Facility (EPF)** has reimbursed EU states billions for weapons sent to Ukraine, and those states are now re-ordering replacements. For example, when Germany donated self-propelled howitzers and Leopard tanks to Ukraine, it created demand for new production of those systems [76]. This dynamic is boosting orders for armored vehicle makers (and suppliers like RENK) and for munitions (benefiting Saab's ground combat products among others).

In summary, Europe's defense "Zeitenwende" is continent-wide. Germany and France provide the largest budgets, but many others are scaling up as well. The net effect is **record order intake across the European defense industry**, as seen in 2023–2025 results. Global defense spending hit an all-time high in 2024, with Europe seeing one of the steepest rises [77]. Next, we assess how these big-budget plans actually convert into company revenues and what history tells us about the lag between budget announcements and business results.

## From Budget to Revenue: Converting Procurement Plans into Company Income

Major defense procurement programs typically follow a cycle: **Appropriation → Contract Awards → Order Backlog → Production → Revenue Recognition**. There is often a multi-year lag between funding announcements and when defense contractors actually book sales from those programs. Several factors contribute: lengthy tendering and contracting processes, engineering development time, and production lead times. Historically, defense companies first see the impact in their **order backlog** (a rise in signed orders) and only later in **revenues** as they bill for delivered milestones or units.

For example, Germany's special fund was announced in early 2022, but initial contract awards only ramped up in late 2022 and 2023 after parliamentary approvals [78] [79]. Even once contracts are signed, **cash outflow and equipment deliveries are spread over years** – as the Euro-SD defense journal noted, a contract's "conclusion…does not lead to an immediate outflow of funds, nor an immediate inflow of equipment" [21]. In 2023, €8.4 billion from the German fund was planned to be spent, but it

was unclear if the full amount would actually be disbursed that year due to absorption capacity and supply chain timelines [21]. This underscores that budgeted funds often roll over if industry cannot deliver fast enough.

Despite the lag, companies have already experienced a surge in orders as these new budgets translate into procurements:

- **Hensoldt's backlog growth:** Hensoldt AG (defense electronics) saw its order book swell to a **record €5.36 billion** by early 2023 [80]. By 2024, its backlog grew further – reports indicate it reached ~€6.9 billion by the end of 2024, an 18% jump [81]. This was driven by initial special-fund orders and other NATO country orders. The CFO noted Hensoldt expects **"high single-digit billions"** of euros in new orders just from Germany's €100 billion fund in the coming years [82] [83]. In the short run, 2023's order intake was buoyed by **€2 billion+ of anticipated contracts** as Berlin accelerated procurements in late 2023 [78] [84]. These orders included radar systems (like Hensoldt's TRML-4D air defense radars) and optronics for vehicles (e.g. sights for Leopard 2 tanks) – all now in backlog awaiting delivery [76].
- **RENK's backlog and orders:** RENK Group (armored vehicle transmissions) similarly has its **order books "bloated" to 4–5× annual revenue** – a huge uptick attributed to European rearmament [85] [86]. In Q1 2025 alone, RENK's order intake more than **doubled (+163%) to €549 million**, taking its backlog to a record **€5.5 billion** [87] [88]. That backlog is equivalent to about 5 years of sales, providing excellent visibility. Many of these orders trace back to European programs: in late 2024 RENK won a **€200+ million contract for tank transmissions (likely for new Leopard 2 tanks)** to be delivered through 2030 [89], and an €85 million order for other vehicle transmissions [89]. These wins are directly tied to the German-led push to procure more tanks and replace those given to Ukraine. In Reuters' words, "Leopard 2 is experiencing a renaissance" – and RENK's CEO expects significant orders as Germany and Norway refuel their tank fleets [76] [90]. The backlog data shows the announced budgets are indeed converting to firm industry orders.
- **Saab's record orders:** Sweden's Saab AB reported **orders up 24% in 2024 to SEK 96.8 billion** (~€8.9 billion), bringing its backlog to an all-time high of SEK 187 billion [74]. Notably, Saab's 2024 orders included **Gripen fighters for Hungary, GlobalEye AEW aircraft, air-defense systems, and a record order for Carl-Gustaf munitions from Poland** [74] [91] – all demand fueled by European security concerns. This pattern – Eastern Europe buying Swedish weapons, Sweden ordering new kit, etc. – reflects new budgets flowing into contracts. For Saab, domestic Swedish orders (which come faster due to the political consensus on rearmament) plus export orders have together filled its production queue for years ahead.

Thus, **historically, we observe a 1–3 year lag** from budget announcement to noticeable revenue uptick, but a more immediate impact on order backlogs. The "translation rate" – how much of announced spending ends up as revenue for a given company – depends on the company's share of relevant programs. A useful gauge is companies' own forecasts and past conversion:

- Hensoldt, for example, forecasts that out of Germany's €100 billion fund, it could capture on the order of **€7–10 billion in orders** (CFO's "high single-digit billions" comment) [82] [83]. If we assume ~€8 billion orders over, say, 8 years, that averages €1 billion/year of potential revenue added for Hensoldt. Given Hensoldt's 2022 revenue was €1.7 billion [92], the special fund alone might eventually boost its annual revenues by ~50% when fully translated. Historical data from 2014–2020 (when German defense spending was flat) showed Hensoldt's growth was modest; but post-2022, Hensoldt is raising its long-term sales outlook by billions to reflect this influx [93].
- For platform makers like Dassault, translation is more lumpy. A single Rafale squadron order (e.g. 12 aircraft) might be ~€1–2 billion, which then gets built over 3–4 years – meaning revenue

is recognized in tranches each year. If France orders 32 Rafales under the new LPM, Dassault will book those perhaps in two contracts and then log revenue from them roughly 2027–2032. Historically, Dassault's revenues spike when multiple Rafale orders overlap (e.g. the late 2010s saw revenue surges from simultaneous Egypt, Qatar, and India orders). We can expect a similar surge around 2030 when French and export Rafale deliveries converge – direct result of the French budget enabling the domestic order.

In summary, **announced budgets do translate to industry revenue, but not 1:1 immediately**. There's often a ramp: first year mostly planning, second year contracts, then several years of production. The **"translation rate"** also depends on execution – sometimes governments under-spend their budgets if procurement is slow. (Indeed, Germany historically struggled to fully spend its procurement funds even when they were lower [94], a trend they are trying to fix with faster contracting.) The current defense boom, however, is marked by urgency: as Hensoldt's CEO noted, the government submitted an **"absolute record" 70–80 procurement orders to parliament by end of 2023** in Germany [95] [79]. That bodes well for high conversion of budget to orders. For our four companies, it means robust backlogs now in 2024–2025, and progressively rising revenue from 2025 onward as those orders turn into delivered products.

# Company-by-Company Impact Analysis

## RENK Group: Armored Vehicle Drive Systems

**Core Exposure:** RENK Group AG is a key supplier of **transmissions and mobility systems for tanks and armored vehicles**, as well as gear systems for naval vessels. Its fate is closely tied to European heavy land systems like the **Leopard 2 main battle tank**, **Puma infantry fighting vehicle**, **PzH 2000 self-propelled howitzer**, and others – all of which feature RENK transmissions. The recent defense packages strongly emphasize **tracked armored vehicles and artillery** (for replacing losses and expanding NATO fleets), which is RENK's sweet spot.

**Incremental Revenue Potential:** The German €100 billion fund directly includes programs that benefit RENK:

- The **Puma IFV second batch (€1.5 billion) and upgrades (€851 m)** [10] [11] : RENK supplies the HSWL 256 transmission for the Puma. For the 50 new Pumas being procured, RENK will deliver transmissions (each Puma uses one ~1100 hp RENK gearbox). A transmission can cost on the order of a few hundred thousand euros; if we estimate ~€300k each, 50 Pumas would yield ~€15 million for RENK. The retrofit of existing Pumas to the new standard may involve overhauling or replacing transmissions as well. Thus Puma programs likely mean **tens of millions of euros** in RENK revenue over 2025–2029 (deliveries through 2029 [11] ).
- **Leopard 2 tank orders and replacements:** Germany and other European nations are ordering new or upgraded Leopards to backfill tanks sent to Ukraine and equip their forces. Norway, for example, ordered 54 new Leopard 2A7 tanks in 2023, and Germany itself plans to procure additional Leopards (the Bundeswehr is eyeing Leopard 2A8 variants). Each Leopard 2 uses a RENK HSWL 354 transmission. RENK's CEO confirmed *"The Leopard 2 is currently experiencing a renaissance,"* expecting short-term orders as Germany replaces tanks given to Ukraine and Norway's order kicks in [76] . Indeed, RENK secured a **major €200 million+ order in Q4 2024 for HSWL 354 transmissions** (the Leopard variant) to be delivered by 2030 [89] . This suggests roughly **100+ tank transmissions** (if one assumes ~€2 million per unit including spares/ support). That alone could add ~€25 million revenue per year for RENK from now till 2030. As more countries (e.g. Poland, Hungary, Denmark) consider modernizing their Leopard fleets, RENK stands to capture a significant portion of those deals.

- **Self-Propelled Artillery:** The German fund and allied nations plan to buy more artillery like the PzH 2000 howitzer (or its successors). RENK produces the HSWL 284C transmission for the PzH 2000. In 2023, RENK received an order to produce a batch of these transmissions for the Bundeswehr and foreign users [96]. If Germany follows through on "follow-up procurement of the self-propelled howitzer" as hinted [97], that could mean dozens of new howitzers (each using a RENK gearbox). Similarly, **CV90 infantry fighting vehicles** made by BAE/Hägglunds (purchased by several European countries recently) often use RENK powerpacks in newer models. For instance, Slovakia's and Czech's CV90 orders (total ~345 vehicles) likely involve RENK transmissions, which would be delivered through 2026–2030.

Beyond Germany, **Eastern European rearmament** benefits RENK: Poland's ambitious tank acquisitions include K2 Black Panthers (South Korean) – initially those had domestic Korean transmissions, but due to reliability issues Poland is reportedly interested in **licensing RENK transmissions for its K2PL tanks**. If that happens, RENK could tap into the ~800 K2 tanks Poland wants (a huge potential, albeit uncertain). Additionally, many European navies are ordering new ships (frigates, support vessels) where RENK's marine gear division won recent orders – e.g. in early 2025 RENK got €50 million in marine gearbox orders for European patrol vessels [98] [99], complementing its defense vehicle business.

**Timeline:** RENK is already seeing revenues climb from these initiatives. In Q1 2025, RENK's sales rose +14.7% YoY, reflecting ramp-up of defense orders [87] [100]. **Short-term (2023–2025):** revenues get a boost from urgent orders like spare transmissions and initial batch deliveries (e.g. RENK's U.S. order for Bradley Fighting Vehicle transmissions – $150 million in Q1 2025 – contributes near-term [101], though that's U.S.-driven). **Mid-term (2025–2028):** as the new Leopard, Puma, and artillery orders move into production, RENK's annual revenue should climb further. The bulk of German tank and IFV transmission deliveries will occur in this window. **Long-term (2028–2032):** RENK will still be delivering on some contracts (e.g. that Leopard transmission order through 2030 [89]). By then, new programs like MGCS (next-gen tank) might start, offering another wave of business (RENK would likely develop the transmission for MGCS late in the decade, funded by Franco-German R&D).

**Margin & Backlog:** RENK's high backlog (5.5 billion) gives it production visibility for years [87] [100]. The company has been **scaling production** by adding shifts and retooling assembly lines to digest orders, without needing new factories [102]. This volume growth has improved efficiency – RENK's Q1 2025 EBIT margin rose to **14.1% (from 11.7% a year prior) on higher output** [103] [104]. Defense orders are generally profitable for RENK; with a stable cost base, more throughput raises margins. One caution is managing supply chain and labor to fulfill the big orders on time, but so far RENK's management expresses confidence in meeting demand [102].

**Export Leverage:** The renewed adoption of Western armor across Europe (versus older Soviet gear) puts RENK in a strong position globally. Every European-made tank or IFV exported likely carries a RENK transmission. The German-led tank and IFV projects funded now can serve as reference for other countries – e.g. Finland or Spain upgrading tanks, new customers in Asia or the Middle East for Leopard 2s or CV90s. RENK's increased production capacity and government-backed R&D (for future drivetrains, hybrid drives, etc.) will let it capture such export contracts without huge new investment. In essence, the current European spending spree is solidifying RENK's role as the **go-to transmission supplier** for NATO armor, which will pay dividends in both NATO orders and foreign military sales.

## Hensoldt: Sensors, Radars and Defense Electronics

**Core Exposure:** Hensoldt AG specializes in **sensor solutions** – including airborne and ground radars, electro-optical sights, electronic warfare systems, mission avionics, and secure communications. Many modernization programs in Europe involve upgrading sensing and detection capabilities, which directly

maps to Hensoldt's portfolio. Germany's defense boost, in particular, has a strong high-tech emphasis (radar, electronic self-protection, signal intelligence, etc.), and Hensoldt (based in Germany) is a prime contractor for many of those needs.

**Incremental Revenue Potential:** Hensoldt stands to gain from numerous funded projects:

- **Air Defense Radars:** Germany and other European nations are investing heavily in air defense. Hensoldt's **TRML-4D active radar** has been a star performer – Germany purchased TRML-4D units to accompany IRIS-T SLM air defense batteries, including providing some to Ukraine [105]. As Germany uses the special fund to buy more IRIS-T SLM systems (€950 m allocated [12]), Hensoldt will supply the radar sensors for each battery. Each TRML-4D radar sale can be ~€10–15 million; dozens may be acquired (for both Germany and partner countries in the European Sky Shield). Already in Q1 2023, Hensoldt recorded significant orders for TRML-4D to **equip Ukraine's air defense and German Puma/Leopard platforms** [105]. Beyond IRIS-T, if Germany upgrades its Patriot systems or fields new short-range air defenses, Hensoldt's radars (like the Twinvis passive radar or newer AESA radars) could be used.
- **Eurofighter & Aircraft Sensors:** A notable special-fund project is **€84 m for development of an E-Scan (AESA) radar for the Eurofighter Typhoon** [18]. Hensoldt leads the German share of this Eurofighter radar upgrade (the new CAPTOR-E radar). This R&D contract (to be completed by 2025) yields near-term revenue and positions Hensoldt for the production phase: Germany is expected to retrofit ~110 Eurofighters with AESA radars, likely a contract in the high hundreds of millions. Similarly, the Eurofighter is getting a **EW/Self-protection upgrade** (the Praetorian system), another opportunity for Hensoldt. The German fund also covers **Pegasus** – a signals intelligence (SIGINT) aircraft program (based on Bombardier jets) – where Hensoldt provides the electronic surveillance suite. As those aircraft are built by 2028, Hensoldt will book revenues from delivering the sensor payloads.
- **Optronics for Ground Vehicles:** The "renaissance" of Leopard 2 tanks and other armor benefits Hensoldt's optronics division. Hensoldt makes periscopes, day/night sights, and fire control electronics for tanks. CFO Christian Ladurner noted Hensoldt would be *"kitting out the optronics for Germany's Leopard 2 tanks"* that are being procured [106] [76]. Each new or upgraded Leopard 2 can include Hensoldt's optics (periscopes, laser rangefinders, thermal imagers). The firm also provides the **gunner sights and periscopes for the Puma IFV**, so Puma orders/upgrades (funded as noted) mean fresh optronics orders. If Germany proceeds with new IFV designs or the MGCS tank, Hensoldt will likely be a supplier there too (they have a pedigree from Leopard 2 and Franco-German MGCS will solicit their input).
- **Night Vision, Soldier Systems, and Communications:** Part of the budget is also going to modern soldier gear – e.g., improved night vision goggles, encrypted radios, battlefield management systems. Hensoldt has product lines in all these areas (e.g. they acquired the French night vision firm NVLS, and produce secure radios and datalinks). The special fund approved €33 m for new **handheld and vehicle radios** [14] and €51 m for "IdZ" command & control equipment for soldiers (IdZ is the German infantryman system) [107]. Those are likely contracts where Hensoldt is involved (for encryption and comms integration). While relatively smaller in value, they add up and are recurring as tech gets refreshed periodically.
- **High-End Electronics R&D:** The European Defence Fund (EDF) and national R&D are also feeding Hensoldt's pipeline. Hensoldt has taken part in EDF projects (for instance, cutting-edge **counter-UAV systems** and next-gen radar materials). Also, Germany's push for defense innovation (e.g. a program for **new counter-drone lasers or AI-enabled sensors**) could bring R&D contracts to Hensoldt's research units. As an example, Hensoldt is working on **quantum technology for sensors** in defense, which might get funded under innovation budgets.

Hensoldt's management estimated that from Germany's fund alone, they foresee **"new orders worth in the high single-digit billions of euros"** flowing to the company [82] [83]. Let's approximate that: ~€7–9 billion in orders over the next several years, much of which would convert to revenue by 2030. This is on top of baseline business. So we could see Hensoldt's annual revenue rise by an additional €500 m+ in a few years compared to pre-Zeitenwende trajectory. Indeed, Hensoldt raised its long-term outlook, adding about **€1 billion to its 2030 revenue target** in light of the stronger demand [93].

**Timeline:** Hensoldt is already recognizing some revenue from the initial contracts (e.g. Ukraine-related rush orders were delivered in 2022–2023). **Short-term (2023–2024):** The impact is mainly in order intake and backlog. The company's revenue grew ~16% in 2022 [92] and 2023 is expected up ~7–10%, partly due to early special-fund orders. Margins also ticked up (Adjusted EBITDA margin Q1 2023 improved to 9.0% from 6% prior) [108] [109] thanks to operating leverage as production begins to scale. **Mid-term (2025–2027):** This is when many of the larger programs hit manufacturing: Eurofighter radar retrofits, new radar units for air defense, sensor integration on new vehicles, etc. We should see Hensoldt's revenues climb steadily through this period, potentially reaching ~€2.5 billion by 2025–26 (from €1.85 billion in 2023) if orders execute as planned. **Long-term (2028–2032):** Some projects like the full Eurofighter and Pegasus deliveries complete by ~2028 [110], but new ones like FCAS (if it proceeds to full development) will ramp up at that time. Hensoldt could be a subcontractor on FCAS for avionics or sensors – providing another revenue stream in the 2030s. Also, maintenance and upgrades of all the newly delivered kit (radars, optronics) will start generating service revenue late in the decade.

**Margin & Backlog:** Hensoldt's backlog (over €5 billion) is healthy and expected to expand as more special-fund orders are signed [80]. High backlog gives pricing power and production optimization. We've already seen an **improvement in profitability**: e.g., Q1 2023 adjusted EBITDA margin was 9.0%, up from 5.9% a year prior [108], due largely to higher volume absorption. As volumes increase, Hensoldt's margins should continue to strengthen, possibly moving into low double-digits EBIT margins. However, one must consider that inflation and supply pressures could slightly offset gains (many defense contracts are negotiated with cost-escalation clauses). Still, the trend is positive – high volume sensor production tends to yield economies of scale. Also notable: the German government owns 25.1% of Hensoldt [111], likely ensuring a stable domestic support pipeline (and perhaps cushioning any export regulatory hurdles).

**Export Leverage:** By developing and fielding new systems at home, Hensoldt can much more easily market them abroad. For instance, once the Eurofighter E-Scan radar is integrated for Germany, other Eurofighter operators (Spain, UK, Saudi, etc.) could upgrade their fleets with that radar – a future export opportunity for Hensoldt/Eurofighter consortium. The TRML-4D radar, proven in Ukraine's defense, is now a **showcase product**; more countries in Europe (e.g. Lithuania just ordered NASAMS batteries – they could later add TRML radars) or elsewhere will consider it. Additionally, Hensoldt's new **TwInvis passive radar** (which detects stealth targets) and other innovative sensors, initially funded by German/EU R&D, can be sold globally. Europe's spending also helps Hensoldt invest in capacity (new production lines for radars, etc.), so it can take on more export orders without lengthy backlogs. Finally, as Western countries push to equip Ukraine and others, Hensoldt may directly get foreign-funded orders – e.g. the EU or U.S. might finance Hensoldt sensors for Ukraine's air defense. In sum, Hensoldt's alignment with Europe's funded priorities (air defense, fighter electronics, ground vehicle optics) is boosting its near-term business and positioning it for **strong export growth** with battle-tested products.

## Dassault Aviation: Fighter Aircraft and Future Air Systems

**Core Exposure:** Dassault Aviation is the manufacturer of the **Rafale multi-role fighter** and a partner in Europe's next-gen combat aircraft projects, as well as a producer of business jets (Falcon series). Its defense revenue hinges on **fighter aircraft production and development**. Key opportunities for

Dassault from the new budgets are: French Rafale orders, the France-Germany-Spain **FCAS (Future Combat Air System)** project, and possibly pan-European UAV programs. Unlike the other companies, Dassault doesn't benefit much from Germany's fund (Germany is buying F-35s, not Rafales), but benefits strongly from **France's LPM** and from overall European defense cooperation that funds new aircraft R&D.

**Incremental Revenue Potential:**

- **Rafale Orders – France and Exports:** The French 2024–2030 LPM calls for **32 new Rafale fighters** for the French Air & Space Force [49]. These are in addition to the 180 Rafales France originally planned (most delivered). The funding increase allowed France to top up its Rafale fleet instead of pausing production. These 32 aircraft represent roughly **€3–4 billion** in revenue for Dassault over the coming decade (assuming ~€100 m per fully equipped jet with support). We expect contract placement in the next couple of years (likely split into two tranches). As France finances these domestically, it keeps Dassault's assembly line busy through 2032. This domestic order also avoids a production gap between export contracts – important since Dassault has major export backlogs (e.g. 80 Rafales for UAE, 42 for India/Indonesia) scheduled into the late 2020s. Now, with French orders in 2027–2030, Dassault can maintain continuous output. Historically, France had slowed orders and relied on exports; now the national budget stepping up ensures **long-term production stability**.
- **FCAS / Next-Gen Fighter Development:** The Future Combat Air System is Europe's ambitious 6th-gen fighter and drone system, with Dassault as the prime contractor for the core jet (France leads the project, partnering with Airbus in Germany and Indra in Spain). After some delays, **Phase 1B of FCAS – building a demonstrator – was funded at around €3.2 billion** (split among nations) and kicked off in 2023/24. Under the French LPM and German special funds, **FCAS R&D is fully financed through 2030**, including the target to fly a demonstrator around 2027 [50]. For Dassault, this means significant R&D contracts: it could be getting on the order of **€1 billion+ over 2024–2027** just from this demonstrator work (since the costs are shared with partners). If the demonstrator succeeds, FCAS will move to a full development program post-2030 (much larger contracts). So in the near/mid-term, Dassault's incremental revenue is from R&D billings (lower margin than production) but strategically vital. France's budget increase was crucial to keep FCAS on track – without the extra funds, this costly program might have stalled.
- **Eurodrone MALE UAV:** Dassault is a partner (with Airbus and Leonardo) in the Eurodrone program – a twin-engine Medium Altitude Long Endurance drone for Europe. This program, budget ~€7 billion, got its contract finalized in 2022 and is funded by Germany, France, Italy, Spain. The EU's EDF is also indirectly supporting it (some funds for its development). While Airbus is lead contractor, Dassault likely builds components (possibly the mission systems or ground segment for France). Eurodrone will yield some revenue to Dassault from 2024–2030 as the drones are developed and enter production (first delivery ~2028). The scale for Dassault is smaller than manned fighters, but still meaningful (hundreds of millions over the program duration). This is enabled by the collective European budgets – particularly Germany's willingness (via its special fund) to finance Eurodrone procurement for the Bundeswehr.
- **Upgrades and Munitions Integration:** Increased budgets mean more funds to upgrade aircraft and integrate new weapons. France is paying for **Rafale F4/F5 standard upgrades** (adding improvements like better radar, helmet displays, and ability to fire new weapons). That is ongoing work for Dassault and partners (Thales, MBDA) through late 2020s. Also, as France develops new missiles (ASN4G nuclear cruise, new SCALP stealth cruise) [48], Dassault will handle flight integration on Rafale – funded by these budgets. These are incremental development revenues.
- **Falcon-based Military Programs:** France's budget also supports specialized aircraft like the **Archange** strategic ELINT aircraft based on Falcon business jets, and potentially future maritime

patrol aircraft (if Dassault's Falcon 10X is chosen to replace ATL2 planes). Increased defense spending makes these programs more likely, which could throw additional contracts to Dassault's Special Missions Falcon division in the late 2020s.

All told, Dassault's defense segment could see **many billions in incremental orders**: e.g. €4 billion from French Rafales, €1–2 billion from FCAS Phase1/B, a share of Eurodrone, plus various smaller upgrades. However, being a prime contractor, Dassault shares programs with partners – so its capture of the total pie is partial. Still, its **annual revenues, which have been ~€5–6 billion in recent years, could climb toward €8 billion by around 2030** once French Rafale deliveries peak and FCAS development is in high gear.

**Timeline: Short-term (2023–2025):** Dassault's production is currently full with exports (India, Qatar, etc.), so near-term revenue growth comes mostly from those and not yet from new European budgets. The French Rafale order is expected perhaps in 2025; until then, Dassault's backlog already covers work. FCAS demonstrator funding started in 2023, so R&D revenue from that will reflect in 2024–2027 results (incremental but modest in scale initially). **Mid-term (2026–2029):** This is when the new French Rafales will likely start being assembled (once ongoing export deliveries wind down by ~2026, the line can shift to the new domestic batch). So from ~2027 onward, Dassault's fighter manufacturing for France contributes significant revenue. In parallel, FCAS R&D ramps up to deliver the prototype in 2027, peaking R&D revenue around 2025–2027. Eurodrone prototype first flight around 2026 means deliveries 2028+, so late decade some revenue. **Long-term (2030+):** The tail end of the LPM (2030) sees Rafale deliveries to French Air Force completing [49]. By 2030, FCAS may enter its next phase – potentially a mega-contract for full development, which would be beyond current budgets but a result of them. In essence, Dassault's big payday from these budgets is a bit later than for others, heavily around 2027–2032.

**Margin & Backlog:** Dassault traditionally enjoys high margins on export fighters (thanks to economies of scale and favorable pricing). Domestic French orders are less profitable (priced at closer to cost), and R&D contracts like FCAS are typically on a cost-plus basis (not huge margins). Thus, as domestic work rises, Dassault's **margin mix may shift** – more R&D and French production could temper margins compared to the export-fueled highs. However, higher volume can still keep profits strong. The French government covering big development costs (FCAS, etc.) is actually beneficial, as it spares Dassault from self-funding next-gen tech. Also, the backlog is very healthy: at the end of 2022, Dassault's backlog was 164 Rafale aircraft (mostly exports) – worth around €32 billion, plus business jets backlog. With new French orders and potential additional exports (e.g. India Navy or Indonesia follow-ons) the backlog will remain large through the decade. A large backlog underwritten by government orders also lowers business risk. We might see Dassault's **defense backlog extend well into 2035** once FCAS full contracts are signed.

**Export Leverage:** European funding of advanced fighters and tech definitely enhances Dassault's export prospects. A few angles:

- By keeping Rafale production going at a steady rate, unit costs come down and Dassault can offer better terms to export customers. Plus, a larger French Rafale fleet (adding 32 jets) signals strong domestic confidence, which helps convince buyers. We've already seen Greece and Croatia buy Rafales recently; others like **Indonesia, India (additional), Egypt (additional)** are in play. Every new capability funded by France (e.g. Rafale F4 with improved sensors) is something Dassault can market to export clients (either as new jets or upgrades).
- The **FCAS program**, while primarily domestic in early stages, is meant to produce a fighter that could be exported in the 2040s. Even before that, spinoff technology might yield exports: for instance, "remote carrier" drones developed under FCAS could be sold to allied nations earlier.

And if FCAS falters, Dassault having a flush order book and tech from it could allow a Plan B export-oriented fighter (this is speculative, but the point is the investment in R&D increases future flexibility).

- European collaboration also strengthens Dassault's ability to compete globally. However, note that the UK-Italy-Japan **GCAP (Tempest) fighter** is a rival project. Saab is involved on the periphery of that via Sweden's links to UK (though Sweden hasn't formally joined Tempest, Saab has been collaborating). If budgets allow, France/Germany will want FCAS to produce a superior product to Tempest – that race in itself drives innovation at Dassault, with plenty of government funding to support it.

In conclusion, **Dassault Aviation's gains from the European spending boom are substantial but somewhat longer-term and R&D-heavy**. French budget growth secures its flagship programs (Rafale and FCAS), providing stability and growth into the next decade. While Germany's fund doesn't directly buy from Dassault (aside from possibly some contribution to Eurodrone or FCAS), the overall European push for high-end air capabilities reinforces a **favorable environment for Dassault** – politically and financially – to thrive as Europe's premier fighter manufacturer.

## Saab AB: Multi-Domain Defense Systems (Air, Land, Naval)

**Core Exposure:** Saab AB of Sweden has a broad defense portfolio spanning **fighter jets (Gripen)**, **airborne sensors (GlobalEye AEW&C)**, **missile systems and infantry weapons (e.g. RBS-70 air defense, NLAW anti-tank, Carl-Gustaf recoilless rifle)**, **naval systems (submarines, ships, radars)**, and more. The surge in European defense spending benefits Saab across multiple product lines, both from Sweden's own rearmament and from increased demand by other countries for which Saab has relevant offerings.

**Incremental Revenue Potential:** Saab has already seen a dramatic rise in orders, indicating strong revenue tailwinds:

- **Fighter Aircraft (Gripen):** Sweden's decision to proceed with completing **JAS-39E Gripen** deliveries and upgrading older Gripens is fundamental. Saab is delivering 60 new Gripen Es to Sweden (the program was stretched but now fully funded). Also, Sweden is considering ordering more Gripen Es later to replace or augment the fleet (especially if some C/D are given to Ukraine). Furthermore, **Hungary, a NATO ally, has decided to procure additional Gripen aircraft** (beyond those leased) – Saab's 2024 orders included "Gripens for Hungary" [74], suggesting an order or extension was made as Hungary increases defense spending. This could mean perhaps a sale of new Gripen Es or a longer lease of current ones with upgrades. In any case, Central European air forces that cannot get F-35s quickly (or afford them) are now considering Gripen as a readily available, NATO-compatible jet. With the heightened threat, **Gripen's relative affordability and quick delivery** is attractive. Saab is targeting new export deals (they are in talks with countries like **Thailand, the Philippines, and Colombia**). We can attribute some of this export potential to the overall European push – for example, **if Sweden donates jets to Ukraine, EU/NATO might fund Sweden to buy new Saab jets, effectively an indirect sale for Saab with European support**. Every 12 Gripen sale is roughly $1–2 billion; even one or two such deals would be a huge boost. So beyond Sweden's own ~€2 billion Gripen E program, Saab could gain *additional billions* if new European customers for Gripen emerge thanks to geopolitical shifts.
- **GlobalEye AEW&C and Surveillance:** Airborne early warning has become a priority for countries worried about Russian air activity. Saab's **GlobalEye AEW&C** (a Bombardier business jet with Erieye ER radar) is one of the few modern AEW solutions available outside the U.S. Sweden's budget now includes 3 GlobalEyes (valued around $750 million total) for delivery by around

2027–2030 [70]. Moreover, **Poland's record defense budget allowed it to order 2 GlobalEye** aircraft in 2023 (worth approx. $550 million) – a major export win [74]. Other NATO members like **Latvia and Finland** have also shown interest in Saab's Erieye radar systems to improve situational awareness. Each additional GlobalEye sale (e.g. if NATO sets up a pool, or other nations buy) would mean hundreds of millions for Saab. The European emphasis on joint surveillance (there's talk of an "NATO AEW&C replacement" by 2035) could further involve Saab's technology. Right now, the known incremental revenue is: ~SEK 8–10 billion from Sweden's 3 jets, ~SEK 6 billion from Poland's 2 – together ~SEK 14–16 billion (≈ €1.3–1.5 billion). This is significant for a company whose 2022 revenue was ~€3.5 billion.

- **Ground Combat and Air Defense Weapons:** The war in Ukraine demonstrated the effectiveness of systems like Saab's **NLAW** (Next-generation Light Anti-tank Weapon, developed with UK) and **Carl-Gustaf** recoilless rifle. European armies are now **ordering these en masse** to build their stocks. In 2022–2024, Saab received its **largest-ever orders for Carl-Gustaf ammunition** (Poland placed a huge order in 2024) [74] [91]. Many nations also joined the user list for Carl-Gustaf M4. Similarly, the UK and others expanded orders for NLAW (which Saab co-produces; though exact values aren't disclosed, the UK announced hundreds of millions for replenishment). On air defense, Saab's **RBS-70 short-range SAM** has seen renewed interest: e.g., **Lithuania ordered Saab's Mobile SHORAD (RBS-70 on vehicles) for SEK 1.3 billion in 2024** [69], and Brazil (not Europe, but influenced by global trends) also bought RBS-70 NG recently. European armies looking to bolster close-range air defense (against drones, helicopters) often choose RBS-70 or its vehicle-mounted variant. Each national order might be ~€50–100 million; cumulatively, these could add a few hundred million Euros to Saab's revenue over the next 3–5 years.
- **Naval Systems:** With more spending, Sweden is ramping up naval construction (Saab's Kockums shipyard builds advanced submarines and corvettes). The two new **A26 submarines** already on order (around SEK 8 billion) could be followed by more if the budget allows. Saab is also delivering **anti-ship missiles (RBS-15)** to Sweden and export clients; Finland and Sweden are jointly upgrading their RBS-15 missiles. The budget growth ensures those naval projects (visby corvette upgrades, new surface ships) proceed, feeding Saab's naval division. While smaller in scale than the aerospace side, naval orders are still in the billions of SEK.
- **Advanced Projects and EU R&D:** Saab is involved in Europe-wide projects too. It's a contributor to the **GCAP (Tempest)** next-gen fighter led by the UK – Sweden has expressed interest. If Sweden formally joins, Saab could get a share of that development (some Swedish budget likely earmarked for it, given the "increased innovation and cooperation" strategy [112]). Also, Saab participates in EDF projects (for instance, Saab leads an EDF project on **electronic attack drones** under the EU Drone portfolio). These R&D collaborations, funded by EU and partners, supplement Saab's innovation pipeline at lower cost. In 2023, Saab opened a new UK office and talked up opportunities in GCAP and other collaborations. This is more long-term, but being at the table for Tempest/GCAP (scheduled for 2035 entry) could yield a new fighter development revenue stream if Sweden commits funds.

All together, Saab's order inflows give a sense of scale: **2024 orders were SEK 96.8 billion (+24%)** [74], far outpacing annual revenue (~SEK 49 billion in 2024). Its backlog at end 2024 hit **SEK 187 billion** [74] – nearly four years of sales. And that backlog doesn't yet include the Swedish 2025–2030 new programs that haven't been contracted (like GlobalEye; those will add when signed). This indicates Saab could substantially increase output if it can ramp up production capacity.

**Timeline: Short-term (2023–2025):** Saab's revenue is already growing (2023 saw 16% sales growth, 2024 likely similar). Deliveries of anti-armor and small defense systems have quick turnaround – e.g., Carl-Gustaf ammo orders are delivered within months. So Saab saw a near-term bump from rush orders to Ukraine and European armies (some in 2022–23). However, big items like aircraft take time: Poland's GlobalEye deliveries will happen around 2027–28, Sweden's Gripen Es are delivered annually through

2030. **Mid-term (2025–2028):** This is a high-growth period for Saab: multiple fighter customers (Sweden, Gripen export if any new deals), GlobalEye deliveries to Poland and start for Sweden, likely heightened production of NLAWs and RBS-70 to refill NATO stocks, plus initial output of new naval units (the first A26 sub delivery ~2027). We'll also see new product introductions (Saab working on **ground-launched missiles, new radars** etc., funded by current contracts). **Long-term (2028–2035):** Late in the decade, if Saab participates in a new fighter (Tempest/GCAP), development enters high gear then. Also, if more countries sign on for GlobalEye (e.g. a second batch for Sweden or a NATO purchase), those would deliver in this timeframe. Gripen E production for Sweden ends ~2030; if Sweden or others order more, Saab would continue beyond that. Essentially, Saab's pipeline is full through 2030, and by then new lines of business (Tempest, maybe a future EU fighter UAV, etc.) could kick in to carry momentum.

**Margin & Backlog:** Saab's profitability has traditionally been moderate (EBIT margin ~7-10%) due to a mix of products. With higher volume, Saab can improve margins, but it also needs to invest in hiring and production capacity. Indeed, the CEO and Swedish officials have noted that **increasing production tempo is crucial** [113] [114]. Saab has been expanding its workforce and supply chain to meet demand. There could be short-term cost pressures (overtime, supply chain strain) which might dampen margins slightly, but overall, more volume should help absorb overhead. Saab's Q3 2023 results, for instance, showed solid growth but also noted supply chain constraints. Over time, as it scales and if efficiency improves, Saab could see margin uptick. The huge backlog gives confidence to invest in new facilities or suppliers. Saab also indicated they're developing a "new defense industrial strategy built around increased production [and] innovation" with government support [112], which could streamline processes. One other factor: some of Saab's growth is in partnership (NLAW with Thales UK, for example, or missiles with other firms), meaning revenue is shared. But even then, the net effect is positive.

**Export Leverage:** Saab is perhaps the prime example of a company leveraging European defense needs into exports:

- **Poland's massive defense spend** (over $100 billion this decade) would ordinarily go mostly to U.S. or domestic suppliers, but Saab managed to secure a chunk (GlobalEyes, anti-tank weapons). The visibility of Saab's systems in Ukraine's success (NLAW, Carl-Gustaf, RBS-70 used in conflict) has boosted its export appeal – and those systems were originally funded by Sweden and partners. Now, other NATO countries are comfortable buying Swedish kit, knowing Sweden is joining NATO and its gear is NATO-compatible. The integration of Sweden into NATO (thanks to increased budgets and alignment) directly **opens new markets** for Saab. E.g., Finland (now NATO) might consider Saab for certain systems where previously they might have hesitated due to neutrality politics.
- **Product improvement funded by Sweden** can then be marketed. For instance, Sweden adding long-range strike to Gripen (with new cruise missiles) [66] makes Gripen more attractive to export users – those upgrades are paid by Sweden's budget, but benefit all operators. Similarly, Sweden's funding of GlobalEye ensures the platform's continued development; Saab can pitch an even more advanced GlobalEye to, say, Canada or NATO AWACS replacement, since it will have a larger user base and ongoing enhancements.
- Saab's broad portfolio allows cross-selling: a country buying Gripen might also get Saab's Ground-Based Air Defense or C4I systems. With European funding enabling new versions (like Saab's **MSHORAD vehicle system, first bought by Sweden and Lithuania**), Saab can then sell that integrated system elsewhere (it's proven and paid for).

Finally, Saab's participation in multi-nation projects (like GCAP fighter if confirmed) could secure its place in future export consortia (the Tempest fighter might be sold to various air forces in Europe/Asia down the line, with Saab tech onboard).

In summary, Saab is experiencing a renaissance due to Europe's defense awakening. It has moved from a niche Scandinavian supplier to a **key player meeting Europe's urgent needs**, translating into rapid order and backlog growth [74] . Provided Saab can execute (scale up production and deliver on time), it stands to substantially increase its revenues and global footprint over the next decade, with solid support from its home country's largest defense budget in modern history.

## Timelines for Revenue Realization

Given the procurement cycles discussed, we can summarize the expected **timeframes over which these initiatives convert to revenues for the companies**:

- **Short-Term (2023–2025):** Initial budget impacts are seen in **order intake and selective early deliveries**. Companies secure contracts (boosting backlog) and begin work. Revenue flows from items that can be delivered quickly (spare parts, munitions, incremental upgrades). For example, in this period Hensoldt delivered some TRML-4D radars for urgent air defense needs [105] , Saab delivered anti-tank weapons and received sight orders for CV90s [73] , and RENK started booking transmission orders. Revenues rise modestly as ramp-up begins. Margins may start improving as factories get busier, though some setup costs occur.
- **Mid-Term (2026–2029):** This is the **peak execution phase** for most programs. Major equipment enters production and delivery:
- RENK will be shipping large quantities of Leopard/Puma transmissions annually (e.g. the €200 m Leopard transmission order delivers through 2030 [89] , heavily in these years).
- Hensoldt will be retrofitting Eurofighters with radars (target by ~2027 [18] ), delivering dozens of air defense radars, and equipping new platforms (like Pegasus SIGINT planes by 2028).
- Dassault will transition to producing Rafales for France (likely starting ~2027) and continuing export deliveries; plus intense activity on FCAS prototype and Eurodrone development during these years.
- Saab will be at full throttle: completing Gripen E orders for Sweden (through 2030), possibly starting on any new export orders; delivering GlobalEyes to Poland (c. 2027–28) and then Sweden (c. 2028–30); and fulfilling numerous smaller orders (missiles, SHORAD, naval units).
- **Revenue recognition in this mid-term window is substantial** – many programs hit milestones that allow billing. We can expect the companies' revenues to grow significantly year-on-year. For instance, Hensoldt might see double-digit % annual growth as special-fund projects deliver [92] , and Saab likewise given its record order backlog [74] .
- Margins likely improve further due to volume and learning curve effects by this stage. Backlogs will remain high but start converting to deliveries (perhaps stabilizing or slightly declining if orders slow after initial surge).
- **Long-Term (2030 and beyond):** By 2030, several funded projects conclude deliveries:
- The last German F-35s and Chinooks arrive ~2030–32 (those are U.S. programs, but it marks the end of the special fund horizon).
- French Rafale deliveries from this LPM finish by 2032 [49] .
- Arrow-3 missile defense will be operational by 2030 [7] .
- Many replacement cycles (like new tanks IFVs, etc.) will be complete or well underway.
- **Revenue for our companies in 2030** will reflect maintenance/upgrades for all the new kit and possibly new rounds of procurement if threats persist. For example, maintenance of systems (spares, MRO) becomes a steady business (Hensoldt servicing radars, RENK doing spare parts, Saab supporting Gripens, etc.).
- New big programs might kick off, funded by the next wave of budgets: e.g., full-rate development of FCAS (benefiting Dassault/Hensoldt), a second batch of GlobalEyes or new fighters for others (Saab, Dassault), or the MGCS tank program (RENK transmissions again). These would generate **new backlogs in the 2030s**. In essence, the current spending packages

not only boost present revenue but also set the stage for follow-on programs that sustain industry in the long run.

- The timeline shows a cascade: the 2022–2025 budget decisions yield a revenue peak in the late 2020s, but keep defense firms busy well into the 2030s, after which next-gen systems take over.

In all, the revenue impact is not a one-off spike but a multi-year elevation of the defense companies' business levels. Each company transitions from a relatively lower base in 2021 to a much higher steady-state by 2027+, thanks to these funding streams.

## Implications: Margins, Backlogs, and Export Leverage

**Profit Margins and Economies of Scale:** The influx of orders is allowing these firms to produce at higher volumes, which generally improves cost efficiency and margins. Fixed costs (engineering teams, factories) are spread over more units; suppliers give better pricing on larger batch orders. We've seen this already: RENK's adjusted EBIT margin jumped to 14% with its higher output [103] [104], and Hensoldt's EBITDA margin improved year-on-year as volumes rose [108] [109]. As long as the companies manage growth (avoid major bottlenecks), we expect **sustained or rising margins** in the mid-term. One caveat: a lot of contracts for militaries are "cost-plus" or fixed margin, meaning companies won't necessarily gouge profit from urgent demand. Also, ramping up production might require overtime, new hiring (with training costs), and capital investment (new machinery) which can **temporarily dent margins**. For example, if Saab must invest to expand missile production lines for NLAW, that cost hits now while revenue comes later. But governments are conscious of this and, in some cases, providing support (grants or advance payments) to expand capacity – effectively mitigating margin impact. Over the long run, a larger installed base of equipment will also produce profitable support contracts (typically aftermarket services have higher margins than initial sales). On balance, these defense companies should see healthy profitability, with possibly a **1–3 percentage point margin improvement** industry-wide compared to the pre-2022 era, barring any abnormal cost inflation.

**Backlog Growth and Visibility:** One clear outcome of the spending packages is **record-high order backlogs**, which give companies visibility and confidence to plan ahead. All four firms discussed have backlogs covering several years of production (e.g. Hensoldt ~3 years, Saab ~4 years, RENK ~5 years of sales in backlog). This backlog growth (e.g. +54% for Kongsberg and similarly for others in 2024 [115]) makes the defense sector an outlier of stability in an uncertain economy. It also allows the companies to **secure financing on good terms** for expansion, since future revenues are assured by government contracts. A potential challenge is executing such large backlogs on schedule – there's risk of delays if supply chains struggle or if skilled labor is insufficient. We see companies and governments addressing this by streamlining procurement and investing in workforce (Sweden is adding training programs for defense manufacturing, for instance). Backlogs may actually **normalize** slightly after initial contract surge – e.g., once Germany's special fund is fully contracted by ~2025, new orders might plateau. But by that time, companies will likely have new export orders or next-gen programs to backfill.

**Export Leverage:** Perhaps one of the most significant effects of Europe's defense splurge is the boost it gives to **export potential**: - When European governments fund the development of advanced systems (like new radar, fighters, subs), they essentially underwrite R&D that the companies can then leverage to sell variants abroad *without the buyer needing to pay R&D*. This makes European offerings more competitive internationally. For example, the Rafale's latest F4 upgrade (funded by France) is something Dassault can offer to export clients like the UAE as part of their orders, increasing the jet's appeal [49]. Similarly, Hensoldt's new AESA radar for Eurofighter (funded by Germany) could be pitched to export users or even for other aircraft retrofits globally.
- Having a strong domestic order book also enhances credibility and economies of scale. Many countries prefer to buy equipment that is in production for a major army, for assurance of support and

upgrades. Now that Sweden is expanding Gripen and GlobalEye usage, other nations see those systems as well-supported. The **Poland GlobalEye sale** is a prime example: it likely came to fruition partly because Sweden signaled commitment to the platform (and because global demand for AEW soared and the US E-7 Wedgetail line is busy, so Saab's offering got a chance) [74] . We might see similar ripple effects – e.g., if Germany ends up adopting a new tank via MGCS, other European armies might join that program rather than buy off-the-shelf foreign tanks. - There's also an **export-enabling effect** in terms of used equipment. As European militaries upgrade, older but serviceable equipment can be donated or sold to allies, creating follow-on sales for upgrades and parts. For instance, if Finland or Germany retire older Leopard 2s when they buy new ones, those could be refurbished by Rheinmetall/RENK and sold to, say, Czech Republic – with RENK getting upgrade revenue. Or as France builds new frigates, it might sell older ones to Greece, with upgrade roles for French industry. This churn, greased by new procurement, indirectly helps defense contractors keep business across high-end and mid-tier markets.
- Moreover, Europe's assertive stance on defense could lead to more coordinated export promotion. Countries might do **team exports** (like Eurofighter consortium selling as a group). With greater investment at home, European governments are keen to support their industries in global competitions (for political and economic returns). We've seen renewed European cooperation in arms development; this may extend to joint marketing abroad, which can challenge US dominance in some markets.

In practical terms for our companies: - **RENK**: European funding cements its position in NATO vehicles, which likely leads to more sales in Asia (countries buying Leopard 2 tanks or European howitzers often get RENK gearboxes – e.g., Qatar's Leopard 2, Australia's AS21 IFVs could use RENK systems). Also, RENK's increased production capacity in Europe can be used to fulfill US or other foreign orders faster (they just won >$150 m from the U.S. Army for Bradley/AMPV transmissions [101] , showing they are globally competitive in part due to ramp-ups at home).
- **Hensoldt**: With cutting-edge reference projects (e.g. German integrated air defense), Hensoldt can export similar systems. Perhaps NATO's new joint ground sensing or a Middle East country looking for air defense radars will choose Hensoldt because the German military's endorsement is a quality stamp. Also, Hensoldt's products like the UAV detect/track systems or passive radar can now be marketed with proven performance from domestic deployment.
- **Dassault**: A strong European market for Rafale/FCAS helps in big international fighter competitions. India is considering more Rafales; Dassault can now promise long-term support since Rafale is the backbone of France and likely to be augmented by FCAS (rather than replaced entirely – meaning Rafale will serve alongside FCAS for decades). Some countries wary of depending on the US (due to ITAR or geopolitics) may find a European alternative more attractive given Europe's united front on defense now. The UAE's huge Rafale buy in 2021 and Indonesia's in 2022 arguably were influenced by the perception of Rafale as a long-term solution backed by a coalition of nations. Continued European funding reinforces that perception.
- **Saab**: Possibly the biggest winner on export leverage. Saab historically had to battle perceptions of being from a small neutral country. With Sweden in NATO and upping defense, Saab's systems become NATO-standard. Already, a NATO country (Poland) gave Saab its largest-ever order for Carl-Gustaf munitions [74] . If Sweden contributes Gripens to NATO (via Baltic air policing or aid to Ukraine), that could demonstrate Gripen's value and lead to sales to nations seeking affordable fighters. Saab's GlobalEye in NATO service will be a strong case to sell a few more to other NATO members that can't afford Wedgetail. Additionally, the EU ammo initiative (ASAP) might benefit Saab's munitions factories (they have a stake in shoulder-fired munitions through partnerships). Saab, collaborating on Tempest, could also find itself in the next-gen fighter supply chain beyond Sweden's relatively small needs, serving global customers of that fighter.

**Risks and Mitigations:** One should note potential risks: defense budget increases could plateau if political winds change or if economies strain under deficits. There's also execution risk – delays in programs can push revenue out (we saw that with some pre-2022 programs). However, the current

geopolitical environment makes a sharp reversal in defense spending unlikely in the short term. Many of these funds (like Germany's and France's) are legally committed over multi-year periods, providing certainty. Additionally, companies have become more agile post-2022, learning to expedite procurement (e.g., using multi-year bulk orders to avoid slow annual contracting). This should help sustain momentum.

In conclusion, the recent and planned European defense packages are **transformative** for RENK, Hensoldt, Dassault, and Saab. They shift these companies into a higher gear of output with broad benefits: multi-year revenue growth, improved profit margins from scale, deep order backlogs ensuring stability, and enhanced global competitiveness of European defense products. As Europe re-arms, these firms are not only executing record domestic orders but also riding a reputational and capacity boost into international markets [74] [82]. Barring unforeseen downturns, each company is positioned to significantly increase its annual revenues over the coming 5–10 years relative to pre-2022 levels, making Europe's "Zeitenwende" a commercial boon for its defense industry as well as a strategic investment in security.

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