

Daniella Finn VP Investor Relations

Hello everyone, and welcome to our fourth quarter 2025 Earnings Call. On the call with me today are Butzi Machlis, President and CEO, Kobi Kagan CFO and Myself Daniella Finn VP Investor Relations.

Earlier today, we held an investor conference at the Tel Aviv Stock Exchange. A full recording of the event is available in the Investor Relations section of our website at www.elbitsystems.com.

Before we begin, I would like to point out that the Safe Harbor Statement in the Company's press release issued earlier today also refers to the contents of this conference call. I would like to remind all listeners that the conference call today may contain forward-looking statements regarding the Company and its subsidiaries' business. Actual future results may differ materially from these forward looking statements.

As usual, we will provide you with both GAAP financial data as well as certain supplemental non-GAAP information. We believe that this non-GAAP information provides additional transparency to better understand the performance of the ongoing business. You can find all the detailed GAAP financial data, as well as the non-GAAP information and the reconciliation, in today's press release.

Kobi will begin by discussing the financial results, followed by Butzi who will elaborate on the main events during the quarter and beyond. We will then turn the call over to a Q&A session.

With that, I would like now to turn the call over to Kobi.

Kobi – please go ahead

Kobi Kagan CFO

Thank you, Daniella,

Hello everyone and thank you for joining us today.

We are closing another strong year and quarter, delivering double-digit growth in revenues, operating profit, EPS, and backlog, which grew by 5 and a half billion dollars. In 2025. We also generated record free cash flow, surpassing the half-billion-dollar mark. We are extremely proud of these results and of the outstanding execution by our global teams.

Taking a closer look into the fourth quarter results:

Fourth quarter revenues increased by 11% to two billion, one hundred and forty-nine million dollars compared to one billion, nine hundred and thirty million dollars in the fourth quarter of 2024. This is the first time our quarterly revenues surpassed the 2 billion dollar mark. Full year 2025 revenues increased by 16% to seven billion, nine hundred and thirty-nine million dollars compared to six billion, eight hundred and twenty-eight million dollars in the 2024.

In terms of quarterly revenues by segment:

C4I and Cyber revenues increased by 19% in the fourth quarter of 2025, as compared to the fourth quarter of 2024 mainly due to sales of radio and command and control systems in Europe and Israel.

ISTAR and EW revenues increased by 39% mainly due to increased sales of Laser, Maritime and Electro-Optic systems which include, Electronic Warfare and C-UAS solutions.

Land revenues increased by 22% mainly due to ammunition and munition sales in Israel and Europe.

Elbit Systems of America revenues increased by 9% mainly due to the increase in sales of Warfighter systems and Maritime systems partially offset by the decrease in sales of medical devices.

Aerospace revenues decreased by 14% mainly due to training and simulation in Europe and higher sales of PGM in fourth quarter of 2024.

We take great pride in our diverse global customer base, which is a key differentiator for Elbit and ensures we are not reliant on any single country's

defense budget.

For the full year of 2025, Europe contributed 27% of revenues, North America 21%, Asia-Pacific 16% and Israel contributed 32% of revenues. We expect Europe to be a meaningful growth engine going forward, followed by Asia Pacific.

GAAP gross margin in the fourth quarter was 24.7% of revenues compared to 24.1% in the fourth quarter of 2024. GAAP gross margin for the full year 2025 was 24.4%, compared to 2024 at 24%.

Non-GAAP gross margin for the fourth quarter was 25%, compared to the fourth quarter of 2024 at 24.5%. Non-GAAP gross margin for the full year 2025 was 24.7%, compared to the fourth quarter of 2024 at 24.5%.

GAAP operating income in the fourth quarter was 192.5 million dollars or 9.0% of revenues, as compared to 141.4 million dollars or 7.3% of revenues in the fourth quarter of 2024.

Non-GAAP operating income was 210.8 million dollars or 9.8% of revenues in the fourth quarter of 2025, as compared to 157.5 million dollars or 8.2% of revenues in the fourth quarter of 2024.

GAAP operating income for the full year 2025 was 671.4 million dollars or 8.5% of revenues, as compared to 489.1 million dollars or 7.2% of revenues in 2024.

Non-GAAP operating income for 2025 was 737.8 million dollars or 9.3% of revenues, as compared to 550.4 million dollars or 8.1% of revenues, in 2024.

I am happy we have reached our internal targets for operating profit margins.

The operating expense breakdown for the full year was as follows:

- Net R&D expenses were 517.1 million dollars or 6.5% of revenues, as compared to 466.4 million dollars or 6.8% of revenues, in 2024. This increase is mainly due to investment in expanding our portfolio of precision guided munition, as well as increased investment in Night Vision Solutions. Elbit continues to invest heavily in disruptive R&D initiatives, including advanced AI capabilities, to drive future profitable growth and reinforce the company's position as a market leader in the years ahead. Our strategy focuses on the development of advanced solutions, funded both internally and, in some cases, partially supported

by the Israel Ministry of Defense, ensuring sustainable growth today and well into the future.

- Marketing and selling expenses were 399.4 million dollars or 5.0% of revenues, in 2025, as compared to 375.4 million dollars or 5.5% of revenues, in 2024.
- G&A expenses were 347.3 million dollars or 4.4% of revenues, in 2025, as compared to 311.0 million dollars or 4.6% of revenues, in the same period last year.

Financial expenses were 138.6 million dollars in 2025, as compared to 151.1 million dollars in 2024. The decrease in financial expenses, net in 2025, is mainly due to lower interest expenses and lower level of debt.

We recorded a tax expense of 55.5 million dollars, in 2025, compared to 39.1 million dollars, in 2024.

The effective tax rate in 2025 was 9.9% compared to 11.4% in 2024. The decrease in the tax rate in 2025 was as a result of the valuation allowance releases and adjustments to deferred taxes related to prior years following tax settlements in some of the Company's subsidiaries in Israel.

GAAP diluted EPS for the fourth quarter of 2025 was 3 dollars and 52 cents compared to 2 dollars in the fourth quarter of 2024. Once again a significant double digit EPS growth in the quarter.

Our Non-GAAP diluted EPS was 3 dollars and 56 cents in the fourth quarter of 2025 compared to 2 dollars and 66 cents in the fourth quarter of 2024.

GAAP diluted EPS for 2025 was 11 dollars and 39 cents compared to 7 dollars and 18 cents in 2024.

Non-GAAP diluted EPS was 12 dollars and 75 cents in the full year of 2025 compared to 8 dollars and 76 cents in 2024, well ahead of our internal targets.

Our backlog of orders as of December 31, 2025 was 28.1 billion dollars, approximately 5.5 billion dollars higher than the backlog at the end of 2024.

Approximately 72% of the current backlog was generated from outside of Israel. Approximately 54% of the backlog at the end of December is scheduled to be performed during 2026 and in 2027, while the rest is scheduled to be performed during 2028 and beyond. Backlog growth was driven by international customer demand.

Net cash provided by operating activities in the year ended December 31, 2025 was 778 million dollars, as compared to 535 million dollars in the year ended December 31, 2024. Operating cashflows in 2025 were affected mainly by the increase in contract liabilities offset by the increase in inventories and trade receivables.

During 2025 we also delivered 553 million dollars of Free Cash Flow up 73% from the 320 million dollars free cashflow generated in 2024.

The Board of Directors has declared a dividend of one dollar per share, yet another dividend increase for 2025 on the back of our strong results.

I will now turn the call over to Mr. Machlis, Elbit's President & CEO.

Buzi, please go ahead.

Buzi Machlis CEO

Thank you, Kobi.

I want to begin by acknowledging the remarkable dedication of our global workforce. Despite the challenging realities of wartime here at home, our teams around the world continue to demonstrate exceptional focus and professionalism. Their consistent efforts, especially during this period of intensified demand for our advanced systems, are a testament to their resilience and commitment to our mission.

As Kobi just outlined, our Q4 and full year 2025 results are very strong. We achieved double-digit growth across all key metrics: sales, operating profit, earnings per share, and backlog. In addition, during 2025 we generated record free cash flow, surpassing the half-billion-dollar mark.

During 2025, Elbit Systems achieved significant milestones, most notably securing contracts from the IMOD for an Airborne High-Power Laser (HPL) combat jet fighter pod and for a High-Power Laser (HPL) solution for helicopters.

These contracts further strengthens Elbit's position as the world's leading supplier of next-generation directed-energy weapons, including state-of-the-art, military-grade High-Power Laser solutions.

This has been a remarkable year for Elbit winning large scale contracts. We received our largest ever contract from an international customer for a strategic solution worth approximately 2.3 billion dollars,. Earlier in the year, we won another large contract worth \$1.6 billion to deliver a range of defense solutions to a European country.

Our PULS Rocket Artillery System continues to be a high runner for Elbit especially in Europe, our backlog for this product surpassed the 2 billion dollar mark as more countries select our agile and technologically advanced system. In December we reported that the Hellenic Parliament had approved a budget for the purchase of these systems for the Hellenic Armed Forces.

Numerous contracts have been secured for our leading Electronic Warfare (EW) systems and our DIRCM Self-Protection solutions. We continued winning contracts for our Active Protection System, the Iron Fist, for NATO European CV90 fleets as well as follow on contracts for the US army Bradley IFV upgrades.

I am very proud with all these contract wins which are translated into the exceptional financial performance we present today.

The Iron Swords war continued for the most part of 2025. But, as in the Middle East, as one conflict ends, another begins. In the past two weeks Israel has played a major role in the Roaring Lion, operation. As always Elbit continued to support the IDF during these times scaling up production to meet elevated demands. Last week the Israeli government approved a further addition to the defense budget of 39 billion Israeli Shekels, about 13 billion dollars.

As we told you on the previous call at the end of Q3, we continued to expand our production facilities globally and specifically in Europe. We are making significant strategic CAPEX investments to address growing global capacity constraints, recognizing that capacity is a critical element of our long-term strategy. These include, among others, the continued investment in the Ramat Beka facility in Israel as well as expanding our production facilities in Germany, Sweden, Romania in Europe and in Talladega in the US.

Europe accounted for 27% of Elbit's sales in 2025, surpassing the \$2 billion mark. We believe Europe will remain our primary growth engine going forward, with Germany playing a central role. This momentum was evident throughout the year, reflected in the numerous contracts awarded across a wide range of systems, including our PULS rocket launchers, Iron Fist active protection solutions, and multiple DIRCM programs, among others. We expect strong revenue growth from Europe as countries continue to rearm, supported by Elbit's well established presence on the continent through our subsidiaries and joint ventures with leading local partners.

During 2025, Elbit continued to invest heavily in disruptive R&D programs, including AI enhancements across multiple platforms, as part of its strategy to develop advanced solutions, self-funded or partially funded by the IMoD, ensuring both current and future growth. Dedicated cross-functional AI teams are integrating intelligent capabilities across defense systems and core operations, strengthening decision-making, operational agility, and scalability as global demand continues to grow.

In closing, Elbit enters 2026 stronger, more resilient, and better positioned than ever. With a record backlog, breakthrough technological achievements, expanding capacity, and a global team that delivers under the most demanding conditions, we are confident in our ability to sustain our growth and continue creating long-term value for all our stakeholders.

And with that, we will be happy to take your questions.

Kristine Liwag – Morgan Stanley

Good afternoon, Butzi, Kobi, and Daniella. You highlighted the company's record backlog today, but against the backdrop of ongoing global conflicts, something you referenced in your prepared remarks, Butzi, noting that as one conflict ends, another begins in the Middle East.

Given the strong growth in global demand, could you elaborate on how your capacity expansion and CapEx investments translate into potential revenue growth? Specifically, what do incremental capacity increases mean in terms of maximum revenue potential? When should we expect these investments to begin contributing to revenue, and how should we think about this in light of ongoing supply-chain challenges, including disruptions in the Red Sea? Any color on your ability to meet this unprecedented level of demand would be very helpful.

Kobi Kagan CFO

Thank you, Kristine, for the question. There are several elements to address. I'll start with CapEx.

In 2025, the company increased its capital expenditure to approximately \$225 million. Over the past five years, our annual CapEx has consistently been around \$200 million, and in 2026 we are planning to increase that further to around \$300 million. Importantly, these increased investments are being made alongside stronger free cash flow. We are very pleased to see both rising free cash flow and increased CapEx simultaneously.

The planned \$300 million investment will be deployed both in Israel and internationally. Our investments are not limited to Israel, we are also expanding manufacturing facilities abroad, particularly for the Land Systems segment. We have tripled the size of our ammunition and munitions factory in southern Israel. Additional investments are planned primarily to address the strong demand for ammunition and munitions.

We are also increasing investments in electronic assembly facilities, both in Israel and outside Israel. Based on these actions, we are confident in our ability to meet the strong demand reflected in our record backlog and the robust pipeline we see ahead.

Buzi Machlis CEO

Thank you, Kobi. I would like to add a few points.

In addition to our own investments, several of our customers are co-investing with us - both in Israel and abroad - to create additional production capacity. In effect, for every dollar we invest, our customers are often investing alongside us.

This year, we also expect to begin deliveries from the Ramat Boker facility, which should occur quite soon. At the same time, the Israeli government has approved continued operations at our existing facility in central Israel. As a result, we will be operating two production facilities in parallel, significantly enhancing our ability to meet growing demand.

I would also emphasize that our new facilities are highly advanced, incorporating robots and cobots and extensive AI capabilities to improve efficiency and productivity. We are using cutting-edge manufacturing technologies and, in some cases, operating three shifts to meet demand. Several new factories are already active, while others will become operational in the near future.

Regarding the supply chain, vertical integration is a core element of Elbit's strategy. We are actively reducing our reliance on external suppliers. For example, we develop our own diodes, detectors, and many other critical components in-house. During the war, we further increased investments, together with the Israeli Ministry of Defense, to deepen vertical integration and strengthen supply-chain security. Where material shortages exist, we have built sufficient inventories to support both current and future demand.

Kobi, would you like to add anything?

Kobi Kagan CFO

Yes, just to build on what Butzi said, we are also streamlining operations at the Ramat Beka facility in southern Israel. These process improvements will enhance yields and overall efficiency.

From a financial perspective, our backlog grew by 24% in 2025, while revenues increased by 16%. As you know, Kristine, these figures tend to converge over time. This implies a very strong growth trajectory ahead, with continued double-digit growth potential.

Kristine Liwag – Morgan Stanley

That's wonderful, very helpful. Thank you.

If I may ask one follow-up question: you mentioned recent contract wins in directed energy, particularly High-Power Lasers. Could you expand on the technological breakthrough you achieved? And more broadly, how does this

capability address the challenge of countering low-cost drone swarms? How is Elbit positioned in this space?

Buzi Machlis CEO

Certainly. Today, many countries are defending against drones and cruise missiles using interceptor missiles, which is an extremely expensive and ultimately unsustainable approach. That was the backdrop for our decision to develop airborne High-Power Laser solutions, creating a new asymmetric advantage. We are offering to flip the asymmetry.

Deploying high-power lasers on airborne platforms allows us to overcome several challenges associated with ground-based systems, such as weather, dust, and turbulence. Operating above cloud base cover increases engagement range and overall effectiveness, enabling threats to be neutralized farther from national borders.

From a technical standpoint, this is a very complex challenge. It requires significant miniaturization, exceptionally precise target tracking, and stabilization while in motion. We have successfully overcome these challenges and are now at an advanced stage of development. Once fully mature and operational, this capability will represent a true breakthrough in how countries counter drone swarms and other emerging threats.

There is substantial global demand for such solutions, and Elbit is a leading player in this domain. We control the entire technology stack in-house, and we believe this will generate meaningful new revenue and profit streams in the near future.

It's also important to note that High-Power Laser technology is not solely defensive; it has additional applications as well. This program is just one example of the unique technologies we develop through our R&D efforts.

Elbit invests over half a billion dollars annually in R&D, supplemented by additional customer-funded R&D. Approximately 6.5% of our revenues are invested in R&D to ensure we anticipate future market needs. By combining deep operational understanding with technological opportunity, we continue to bring innovative solutions to market. This is only one example, there are others we will share in the future.

Kristine Liwag – Morgan Stanley

Great. Thank you very much.

Ellen Page - Jefferies

Hi everyone, thank you for taking the question. Regarding recent media reports about your PULS system in Europe, and the budget approval for an order from Greece, how should we think about the opportunity there? And what differentiates this solution versus competitors?

Buzi Machlis CEO

First, regarding Greece, this is not yet a signed contract. The budget has been approved by the parliament, and we hope to receive the contract soon, but it is not currently included in our backlog. The same applies to Germany. We have received an initial contract for a limited quantity, which represents a potential stepping stone toward broader deployment in the future.

Our solution is highly differentiated. At its core is a generic launcher capable of firing multiple types of rockets and missiles across a wide range of distances, with various guidance options, all provided by Elbit. The system features open architecture, allowing customers to integrate additional munitions or solutions if desired.

Beyond that, we have established joint ventures and partnerships with KNDS and Diehl in Germany, as well as with other European partners, to develop and manufacture both launchers and rockets locally in Europe. We refer to this solution as "EuroPULS" - a European system designed specifically to address the operational lessons learned from the war in Ukraine.

The system is already operational with several European forces, including Denmark and the Netherlands, as well as other countries beyond Europe. We believe it is the leading solution currently available in the market, and we continue to enhance it. You will hear more about this system going forward.

Ellen Page - Jefferies

Thank you. If I may add one more question: profitability was very strong this quarter at 9.8%, with margin expansion across most segments except C4I. How should we think about margin dynamics going forward?

Kobi Kagan CFO

Thank you, Ellen. We have now achieved margin expansion for the fourth consecutive year, with an average increase of nearly one percentage point annually. We are very pleased with this trend, which we expect to continue.

Margin expansion is supported by strong revenue growth, operational leverage, and an increasingly profitable backlog. As Butzi mentioned earlier, our continued investments in self-funded R&D will not come at the expense of

profitability. We expect to maintain growth at both the operating profit and EPS levels going forward.

Ellen Page - Jefferies

Great. Thank you.

Buzi Machlis CEO

Thank you to everyone who joined us today for your continued interest and support. Have a good day and goodbye.