

Q1 2026 Elbit Systems Transcript

Operator

Ladies and gentlemen, thank you for standing by.

Welcome to the Elbit Systems' first quarter 2026 results conference call. All participants are at present in a listen-only mode. Following management's formal presentation, instructions will be given for the question-and-answer session. As a reminder, this call is being recorded.

I would now like to hand over the call to Daniella Finn, Elbit Systems' VP of Investor Relations.

You may begin.

Daniella Finn

Thank you, operator.

Hello everyone, and welcome to our first quarter 2026 Earnings Call. On the call with me today are Butzi Machlis, President and CEO, Kobi Kagan CFO and Myself Daniella Finn VP Investor Relations.

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

Thank you, Daniella,

Hello everyone and thank you for joining us today.

We are pleased to report another strong quarter, delivering double-digit growth in revenues, operating profit and EPS. Our backlog reached a new record, surpassing 30 billion dollars for the first time, and we exceeded a 10% Non-GAAP operating margin, in line with our internal targets. These results reflect the strength of our execution, and the outstanding performance of our global teams.

Taking a closer look into the first quarter results:

First quarter revenues increased by 15.5% to two billion, one hundred and eighty-nine million dollars compared to one billion, eight hundred and ninety six million dollars, in the first quarter of 2025. This is the first time first quarter revenues were higher than those of the preceding fourth quarter representing the strong demand we are witnessing from our key markets.

For the first quarter of 2026, Europe contributed 23% of revenues, North America 20%, Asia-Pacific 16% and Israel contributed 37% of revenues. Europe continues to be a meaningful growth engine. The shift in Europe is profound, and we are seeing strengthening demand trends.

In terms of quarterly revenues by segment:

C4I and Cyber revenues increased by 17% in the first quarter of 2026, as compared to the first quarter of 2025, mainly due to sales of radio systems and command and control systems sales, in Europe.

ISTAR and EW revenues increased by 17% mainly due to increased sales of airborne and land High Power Laser and Electronic Warfare systems.

Land revenues increased by 27%, mainly due to ammunition and munition sales in Israel and Europe.

Elbit Systems of America revenues increased by 5%, mainly due to the increase in sales of Night-Vision Systems, which were partially offset by a decrease in sales of medical devices.

Aerospace revenues increased by 2% in the first quarter of 2026, as compared to the first quarter of 2025, mainly due to project mix.

GAAP gross margin in the first quarter was 25.2% of revenues compared to 24% in the first quarter of 2025.

Non-GAAP gross margin for the first quarter was 25.5%, compared to the first quarter of 2025 at 24.3%. Gross margins have expanded due to scale and product mix.

GAAP operating income in the first quarter was 205.1 million dollars, or 9.4% of revenues, as compared to 149.7 million dollars, or 7.9% of revenues in the first quarter of 2025.

Non-GAAP operating income was 222 million dollars or 10.1% of revenues in the first quarter of 2026, as compared to 165.1 million dollars or 8.7% of revenues in the first quarter of 2025.

The operating expense breakdown for the first quarter of 2026 was as follows:

- Net R&D expenses were 150.4 million dollars or 6.9% of revenues, as compared to 114.3 million dollars or 6.1% of revenues, in the first quarter of 2025. Elbit continues to prioritize investment in advanced R&D initiatives, including AI capabilities, to support sustainable, profitable growth and strengthen our leadership position, in the years ahead. Elbit is focusing its R&D on cutting edge battlefield technologies. Key initiatives include C-UAS solutions spearheaded by high power laser, advanced autonomous airborne, naval and land platforms, multi spectral sensing and advanced precision and standoff munitions.
- Marketing and selling expenses were 100.9 million dollars or 4.6% of revenues, in the first quarter of 2026, similar to 100.9 million dollars or 5.3% of revenues, in the first quarter of 2025.

- G&A expenses were 95.7 million dollars or 4.3% of revenues, in the first quarter of 2026, as compared to 89.4 million dollars or 4.7% of revenues, in the same period last year.

Financial expenses, were 32.2 million dollars in the first quarter of 2026, as compared to 39 million dollars in the first quarter of 2025. The decrease in financial expenses, in the first quarter of 2026, was mainly due to a reduction in the average debt.

Taxes on income were \$22.8 million in the first quarter of 2026, as compared to \$16.1 million in the first quarter of 2025.

The effective tax rate in the first quarter of 2026 was 13% compared to 13.9% in the first quarter of 2025.

GAAP diluted EPS for the first quarter of 2026 was 3 dollars and 34 cents, up 42% as compared to 2 dollars and 35 cents, in the first quarter of 2025.

Our Non-GAAP diluted EPS was 3 dollars and 87 cents, in the first quarter of 2026, up 51% as compared to 2 dollars and 57 cents, in the first quarter of 2025.

Our backlog of orders as of March 31st, 2026 was 30.2 billion dollars, more than 7 billion dollars higher than the backlog at the end of March 31st, 2025.

Approximately 71% of the current backlog was generated from outside of Israel. Approximately 49% of the backlog, at the end of March, is scheduled to be performed during the remainder of 2026 and in 2027, while the rest is scheduled to be performed during 2028 and beyond. The increase in backlog during the quarter came mainly from Israel.

Net cash provided by operating activities in the quarter, was 281 million dollars, as compared to 184 million dollars in the quarter ended March 31st, 2025. Cash flow in the first quarter of 2026 was affected mainly by the strong increase in net income and an increase in contract liabilities.

During the first quarter of 2026 we delivered 210 million dollars of Free Cash Flow, up 30% from the 161 million dollars Free Cash Flow generated in the first quarter of 2025.

The Board of Directors has declared a dividend of one dollar, per share to be paid on July 6th, 2026.

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

Butzi, please go ahead.

Butzi Machlis CEO

Thank you, Kobi.

Following our strong financial performance, as Kobi just highlighted, the quarter was also characterized by a high level of new business and contract awards for Elbit totaling over \$4bn, almost double the quarterly revenues. Hence, our backlog reached a record level, exceeding the \$30 billion mark, for the first time.

This morning we announced that Elbit was awarded a new contract valued at approximately \$1.4 billion from a European customer for extensive military modernization programs.

The modernized programs will provide improved maneuverability and survivability, spanning the entire battle domain. The state-of-the-art solutions to be delivered include a variety of uncrewed autonomous solutions, advanced networked land electronic warfare (EW), precision-guided munitions (artillery and air-to-ground), coupled with electro-optical designating and reconnaissance systems, all networked by software-defined radios (SDR). These solutions will improve the nation's operational effectiveness towards becoming an advanced and modern army.

The contract will be performed over a period of five years. This contract reflects the breadth and attractiveness of Elbit Systems' defense portfolio, as well as our ability to deliver both highly capable, best-in-class systems and comprehensive, integrated solutions tailored to evolving operational needs.

With demand rising well above historical levels, we continue to focus on execution via expanding our production capabilities. We are scaling production capacity and investing in innovation to convert this strong demand into sustained revenue growth.

As previously mentioned, we are increasing our CAPEX investment as we continue to build

additional capacity, mainly in Israel and in Europe. The increase in CAPEX is driven by a disciplined and careful ROI analysis.

The production facility in southern Israel is advancing well. We recently announced the launch of a new Unmanned Aerial Systems facility in Chitila, Romania, marking another milestone in the company's ongoing expansion across Europe and its long-standing partnership with Romania's defense industry. We also completed the acquisition of UTACS, the UAS facility in the UK. We are further expanding our production facilities in other locations across Europe.

"Operation Roaring Lion" has highlighted rising demand for advanced defense solutions across Elbit's portfolio, including precision guided munitions, Unmanned Aerial Systems, ISR solutions, electronic warfare, and protection systems. It is also creating a growing pipeline of opportunities as customers accelerate procurement and modernization efforts.

Elbit started the year with numerous announcements. These included two important contracts for our APS solution, the Iron Fist. The first contract was an order for the US Bradely armored vehicles, this tranche for a sum of over \$200 million. The second APS contract was for the CV90 combat vehicle to a NATO country. In January we secured a contract to equip an Asian customer with advanced EW and DIRCM self-protection solutions for helicopters worth \$275 million. Additionally, an award for \$277 million was received for 30mm turrets and munitions by an international customer. In April we were awarded a \$750 million contract for PULS rocket launchers to the Hellenic Armed Forces.

Order environment in Europe continues to be especially strong followed by Asia. Our backlog provides increased visibility to a continued strong revenue growth momentum.

During the quarter we continued to receive new orders from the IMOD. These include integrated advanced command and control systems, avionics, EW systems and advanced anti-missile DIRCM systems for the 12 CH-53k new helicopters valued at \$130 million. An additional multi-year order was received for supplying air munitions to the IDF for \$183 million, strengthening the IDF's capabilities during challenging times. We also secured over \$100 million in contracts for the Next Generation Digital Army Program "Tzayad" system and border defense capabilities for the IMOD. Elbit was also awarded a contract to supply

Helmet Displays and Tracking Systems – the HDTS - for the Israeli Air Force's Black Hawk Helicopter fleet, to enhance operational capabilities and flight safety.

In May we signed a contract with the IMOD for the development of an extended-range capability for the F-35 fighter jet, manufactured by Lockheed Martin. The new capability is expected to extend the aircraft's operational range, reduce reliance on aerial refueling, and enhance operational flexibility across long-range missions. This contract could create additional opportunities for Elbit in the area of F-35 range extension worldwide.

Elbit Systems America continued to win significant contracts. In March the US Army awarded ESA a contract to establish a new class of soldier capability, the Soldier Borne Mission Command or SBMC. This is a crucial night vision system for the modern battlefield which will be won by warfighters who are able to decide and act in milliseconds. The contract valued at \$120 million will enable ESA to develop the SBMC that will redefine how soldiers operate, connect and dominate in complex battle environments.

We believe this could be a revolution in soldier lethality built for the speed and complexity of modern combat.

In May, we received a delivery order valued at approximately \$212 million for the continued production of Enhanced Night Vision Goggle – Binocular (ENVG-B) systems for the U.S. Army, with deliveries expected through 2028. While the Army has historically split ENVG-B production among multiple vendors, Elbit Systems of America was selected as the sole prime supplier for this award.

Elbit has always prided itself on its strong partnerships. I was honored to take part recently in two significant signing ceremonies in Germany. The first for our new JV with KNDS which will enable the two companies to deliver the advanced EuroPULS rocket launcher, not only to Germany, if awarded, but across Europe. The second signing ceremony was with TKMS. We have now announced two separate cooperations with TKMS, a German based submarine shipyard, which will further expand our reach across Europe. In the recent agreement with TKMS Elbit was once again chosen due to our strong EW capabilities across platforms and for maritime vessels in particular.

During the quarter Elbit Systems has continued to advance its innovation agenda,

prioritizing investment in next-generation R&D initiatives, with a growing focus on AI-driven capabilities. These efforts, supported through a combination of internal funding and strategic partnerships, are driving the development of advanced solutions and strengthening our ability to address evolving operational requirements.

Elbit's employees are the driving force behind this innovation and these results, shaping the company's future with passion and commitment every day and for this I am very grateful.

Elbit enters 2026 with strong momentum and a solid foundation for the future. With a record backlog, ongoing technological progress, expanding capacity, and a highly committed global team, we are well positioned to sustain our growth trajectory and create lasting value for our stakeholders.

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

Q&A Session

The first question comes from Seth Seifman of J.P. Morgan. Please go ahead.

Seth Seifman:

Thanks very much. Good morning and nice results. I wanted to start off asking about how your expectations for orders have changed for the year, especially perhaps as a result of the current conflict. We saw a lot of growth out of Israel in the quarter, and perhaps the outlook for that segment has changed. If you could speak to that, that would be great.

Butzi Machlis:

Thank you, Seth.

Our opportunity pipeline is very strong and continues to expand across multiple regions. In the U.S., demand remains robust. In Europe, we are experiencing strong momentum, particularly in Germany, Scandinavia, and the Baltics, as well as across the broader continent.

We are also seeing rising demand in Israel, the Gulf countries, and parts of Asia. Each

region has its own requirements, and our strength lies in our broad and highly integrated portfolio.

Our strategy is built on two pillars. First, our vertically integrated and diversified portfolio allows us to address a wide range of operational needs. Second, our strong local presence, through subsidiaries worldwide, positions us as part of each country's ecosystem. We leverage our capabilities from Israel while creating local value through job creation and technology sharing.

In summary, we see continued growth potential and expect our backlog to keep expanding.

Seth Seifman:

Okay, excellent. And then maybe just as a follow-up, if we think about the balance sheet and capital deployment, a very healthy net cash position at this time, even with a conservative amount of leverage that would still leave a fair amount of cash for the company to deploy, how are you thinking about the opportunities to use the balance sheet a bit more?

Kobi Kagan:

Thank you, Seth.

We maintain a disciplined approach to capital allocation. Our first priority is continued investment in R&D, where we allocate close to 7% of revenue to self-funded programs.

Second, we are increasing CapEx to support the rising demand across our markets.

Third, we recently doubled our annual dividend from \$0.50 to \$1.00 per share.

At the same time, M&A remains an important strategic tool for strengthening our portfolio and expanding our capabilities. We are actively evaluating opportunities, as demonstrated by the UTACS acquisition, a UAS company in the UK during the first quarter, and expect to continue executing on strategic acquisitions to strengthen our portfolio.

Operator:

The next question comes from Kristine Liwag of Morgan Stanley. Please go ahead.

Kristine Liwag:

Hey, good morning, Butzi, Kobi, and Daniella. I guess good afternoon for you guys. You talked about the conflict, we're seeing anti-UAS systems is even more critical. In addition to the developments you're making in directed energy, can you talk about what else is in your anti-UAS portfolio? And also, in this kind of conflict that we're seeing, how relevant or cost-competitive are your platforms versus what's available? And as demand materializes for something like this, when can you start delivering incremental ones if you were to get some orders?

Butzi Machlis:

Thank you, Kristine.

We are making significant investments in energy-based weapons, including high-power laser systems. We have already delivered High Power Laser ground-based systems in Israel and are also advancing the airborne High Power Laser capabilities, supported by hundreds of engineers. Initial sub-system deliveries are expected in the near term.

We believe these technologies will fundamentally transform how drones, UAVs, and other threats are addressed.

Beyond directed energy, our counter-UAS offering is comprehensive. It includes advanced sensing capabilities including radar, signal intelligence capabilities, and electro-optics, combined through AI-driven systems to create a precise operational picture.

On the effector side, we provide a range of solutions, including jammers, kinetic systems, and directed energy, all integrated under a unified, AI-enabled framework. These systems are already being deployed in Israel and Europe, and we expect this segment to remain a key growth driver.

Kobi Kagan:

Good Morning, Kristine, on cost competitiveness, this is a core focus for us. We are committed to delivering cost-effective solutions that meet evolving customer requirements.

To support demand, we are expanding capacity through increased CapEx, ensuring that

we are well positioned to support the significant growth in demand we are seeing across markets.

Kristine Liwag:

Great. Super helpful. Following up on Seth's question on the significant orders that you've received, you've got a record backlog now, when we look at the growth profile of Elbit, you guys have been very consistent about having a reasonable growth that's sustainable. As we look at geopolitical trends today, it seems like the cost of sovereignty globally is going up. How do you think about what the company's size in terms of revenue could be three to five years from now, especially as you look to deliver on this record backlog and as you increase your capacity. Could we see revenue potentially double? That's kind of what you did over the past five years, revenue almost doubled. So just want to see if those are possible based on what you have in the pipeline in front of you.

Kobi Kagan:

As you know, Kristine, we do not provide long-term guidance. Our focus remains on delivering steady, sustainable growth. For this year, We remain focused on delivering solid growth this year, supported by backlog and demand trends, and based on current execution, we see a similar trajectory into next year. Beyond that, visibility is more limited.

Butzi Machlis:

I would add that we are seeing a very strong opportunity funnel. Our focus is on converting this into backlog, and we believe the company will continue to secure meaningful new orders, including large strategic awards, significant new orders, such as the one we announced this morning. We expect continued order flow and revenue growth, alongside ongoing improvement in profitability.

Kobi Kagan:

Margin expansion remains a top priority for us, alongside disciplined growth and continued investment, and we are committed to delivering on that.

Operator:

The next question comes from Sheila Kahyaoglu of Jefferies. Please go ahead.

Sheila Kahyaoglu:

Good morning, guys, and thank you so much for the time and great quarter. Maybe just on Q1, off to a great start, up 16% on revenues. Between land ISR and EW, all of double digits, I guess, how do you think about the demand environment evolving for the rest of the year? Where are you seeing trends better than your expectation?

Kobi Kagan:

We expect continued strong performance across our segments. The Land segment will remain the primary growth driver, supported by strong demand for land projects and products.

We also see robust demand in ISTAR & EW and in the C4I segments. We are very pleased with the performance of Elbit Systems of America, with both revenue growth and consistent margin expansion.

Sheila Kahyaoglu:

Got it. And maybe just to continue on the backlog and CapEx comments a little bit. Kobi, I don't know if you could elaborate a bit more on the capacity. Elbit has been investing a decade plus in advance. Can you talk about the capacity investments today and how we should think about the medium-term outlook for CapEx.

Kobi Kagan:

We have made significant investments in our company-wide ERP system over the past several years, which is now fully implemented and supporting our operational performance.

We continue to invest heavily in AI capabilities, as well as in land-domain production facilities. In parallel, we are expanding the use of robotics and automation to improve efficiency and cost competitiveness.

Going forward,

We currently expect CapEx to trend at around 3% of revenues, subject to demand and capacity requirements.

Operator:

The next question comes from Ron Epstein of Bank of America. Please go ahead.

Ron Epstein:

Hey, good afternoon, guys. I hope you're doing well.

If you could talk to maybe the supply chain. As you ramp, you've got a pretty aggressive ramp ahead of you. Where are you seeing any choke points, shortages? Can you get enough energetics, materials, labor?

Butzi Machlis:

Thank you, Ron, and good morning. We have largely resolved the supply chain challenges we experienced over the past couple of years. At present, we do not see any material bottlenecks, including in critical areas such as materials and energetics.

Our vertical integration strategy, combined with multiple sourcing and strategic inventory investments, supports supply continuity.

Overall, we do not see supply chain constraints limiting our growth.

Ron Epstein:

Got it. And then how about on the labor front?

Butzi Machlis:

We continue to successfully recruit talent. We added approximately 2,000 employees last year and expect to add a similar number this year, both in Israel and internationally.

With around 24,000 employees globally, including roughly 7,000 engineers, we are able to offer meaningful, high-impact work and career mobility across domains.

At this stage, we are not facing significant hiring challenges.

Closing Remarks:

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