

NOTE AB

Sweden | EMS | MCAP SEKm 4,825

6 July 2026

Buy

Target price: SEK 285

Current price: SEK 169

Upside 66%

Making Swedish Tech for the World

NOTE AB ("NOTE" or "the Company") is a Nordic electronics manufacturing services (EMS) provider transitioning from a cyclical, industrially-focused contract manufacturer into a key defense subcontractor with structurally higher margins. The defense and security segment is expected to grow at approximately 30.0% annually through 2030. Driven by tailwinds in European defense spending, while the segment's 15.0-20.0% margins materially exceed the ~10.0% margins of NOTE's legacy civil segments. Simultaneously, the civil segments (Industrial, Communications, MedTech, Greentech) are recovering from a post-Covid inventory destocking cycle, with demand bouncing back as customers restock. The recently announced acquisition of STI Enterprises accelerates this shift, granting an additional entry into a high-growth market while filling capacity at NOTE's newly expanded production facilities (+16.0% production area). Using an equally weighted DCF and relative valuation, where an EV/EBIT multiple of 12.1x is applied to a forecasted 2027E EBIT of SEK 756m, implies a potential upside of 66.0%, making NOTE a compelling buy opportunity.

Key takeaways

- Defense and Security as the Core Growth Engine:** The defense and security segment is forecasted to grow at roughly 30.0% annually through 2030, transforming NOTE from an industrial EMS company into a Nordic key defense subcontractor. This segment carries 15.0-20.0% EBIT margins versus the 10.0% margins of the legacy civil segments, meaning the accelerating defense mix is the primary driver of the expected group EBIT margin expansion from 10.1% (2025A) to 12.6% (2027E). European defense spending tailwinds underpin the durability of this growth trajectory.
- The Market is Underpricing the Margin Mix Shift:** NOTE currently trades broadly in line with civil-heavy, lower-margin peers (Scanfil, Hanza), reflecting the market's anchoring to 2025 trough margins (13.2% EBITDA margin) and an underweighting of the ongoing mix shift toward defense. As the converging margin profile and accelerating defense exposure become evident, the analysts argue NOTE warrants a valuation closer to Kitron, the Nordic EMS leader with high defense exposure. The 2025 margin compression reflects a temporary post-Covid demand drop rather than a structural deterioration.
- STI Acquisition Accelerates the Transition:** The acquisition of STI Enterprises provides entry into a high-growth defense market while filling capacity at NOTE's recently expanded plants. STI is expected to contribute approximately SEK 720m in 2026E, understating a full year run rate closer to SEK 840m since the late-March closing excludes most of Q1, rising to SEK 1,109m in 2027E and supporting the path from SEK 3,814m (2025A) toward SEK 6,017m (2027E). Robust supplier relationships also let NOTE deliver on time despite industry-wide lead-time pressures delaying competitors.

Analysts

Erik Lennvald	Financial Analyst
Axel Carluis	Financial Analyst

Market Data, SEK

Exchange	Nasdaq Stockholm	
Shares (m)	28.5	
MCAP (m)	4,825	
EV (m)	6,103	

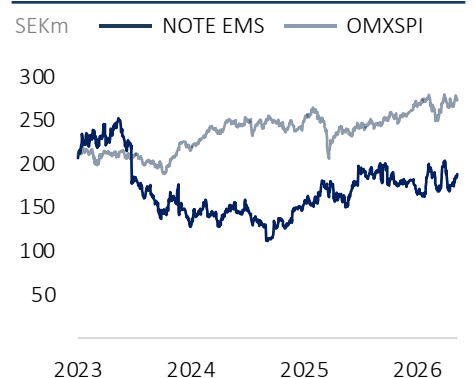
Metrics & Drivers	25A	26E	27E
EV/EBIT	15.1x	9.7x	8.1x
EV/EBITDA	11.5x	8.3x	7.0x
EV/S	1.6x	1.2x	1.0x
P/E	17.2x	11.9x	9.8x
ND/EBITDA	2.7x	1.9x	1.6x

Forecast, SEKm	25A	26E	27E
Total revenue	3,814	5,098	6,017
Rev. growth y/y	(2.2%)	33.7%	18.0%
Gross Profit	678	943	1,113
Gross Margin	17.8%	18.5%	18.5%
EBITDA	504	744	872
EBITDA Margin	13.2%	14.6%	14.5%
EBIT	381	635	756
EBIT Margin	10.1%	12.4%	12.6%

Major Shareholders

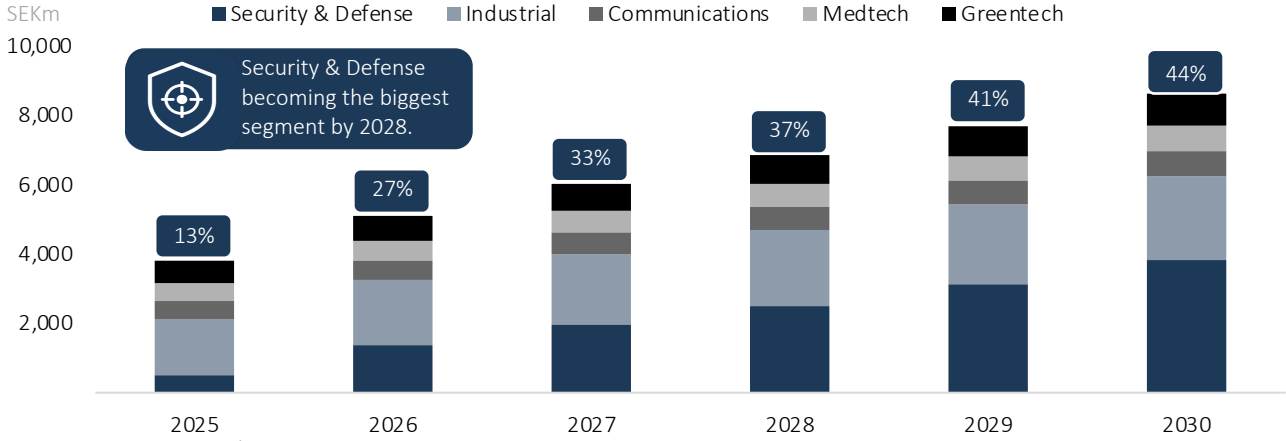
Johan Hagberg	19.5%
Egil Dahl	6.5%
Cervantes Capital	5.1%
Nordea Funds	4.0%

Price Development, SEK

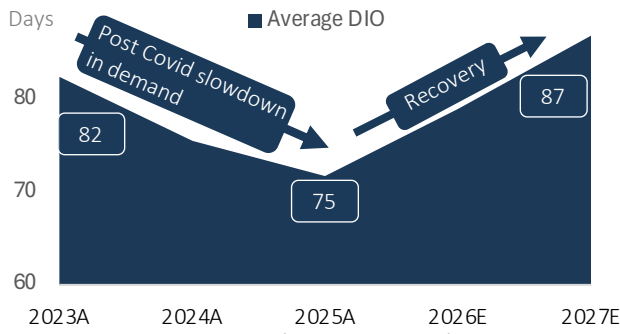


Investment Thesis in Charts

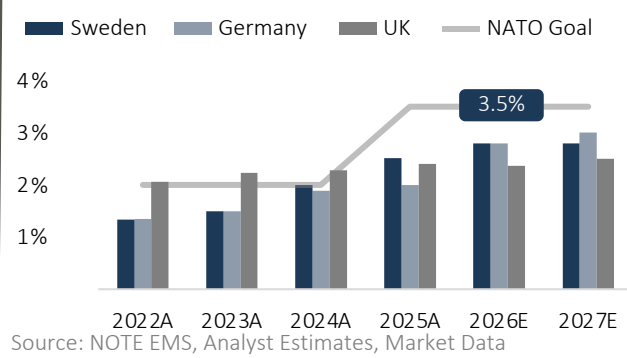
Security & Defense Rapidly Outpace Civil Segments



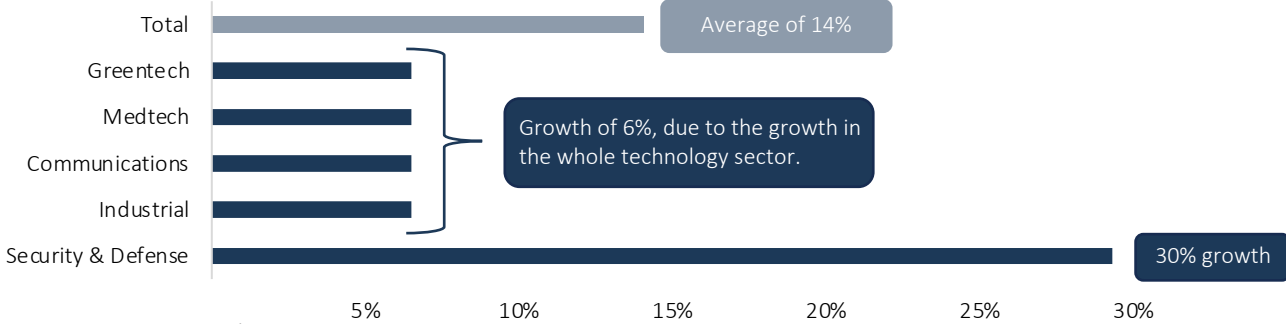
Average Days of Inventory Among Potential Customers



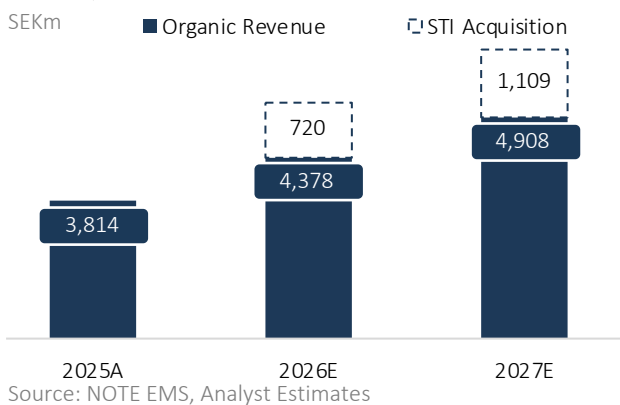
European Defense Spending to GDP



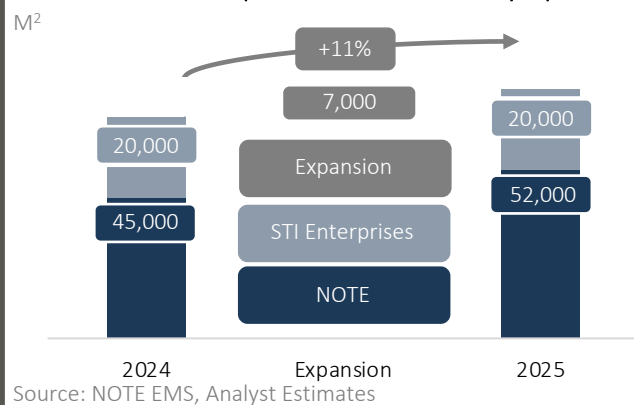
Projected CAGR 2026-2030



STI Enterprises Addition to Revenue



Increase of Production Space Post STI and The Torsby Expansion



Investment thesis

Defense and Security Segment Drives Structural Re-rating

European rearmament and Sweden's NATO accession have made defense electronics one of the fastest growing segments in the Nordics, where management expects approximately 30% annual growth in Security & Defense through 2030. Sweden's formal NATO entry in March 2024 accelerated procurement across the Nordic defense industrial base, pulling forward multi-year programs previously contingent on alliance membership. The market underestimates this exposure, focusing on delayed quarterly deliveries while overlooking that these revenues are deferred rather than lost: primes cannot finish assembly until every parallel-sourced component arrives, so NOTE's completed units sit uncalled in backlog under non-cancellable, long-term framework agreements. More importantly, management guides defense EBIT margins of 15-20%, versus the approximately 10% in NOTE's civil business, a differential that reflects the qualification requirements, security clearances, and limited approved supplier base that insulate defense EMS from conventional pricing pressure. As Security & Defense scales from 13% of group revenues in 2025 to over 44% by 2030, the product mix shift drives a material expansion in group profitability. This justifies a valuation in line with more defense-exposed peers like Kitron rather than civil-heavy EMS players such as Hanza and Scanfil, expanding the 2027E EV/EBIT applied from 8.1x to 12.1x.

Recovery of Civil Segments Will Impact Revenues More Than Market Expects

The market interprets NOTE's 2025 revenue decline as evidence of structural weakness in the civil business. The analysts' research indicates the contraction reflects post-Covid inventory destocking among customers in Industrial, MedTech, Communications and Greentech, not a deterioration in underlying demand as the average Days of Inventory has decreased by 9%. The 2021 to 2022 component shortage induced customers to overbuild safety stock well beyond normalized run-rates, compressing NOTE's civil revenues below their underlying trend. This dynamic is already reversing, with organic order intake growing 11% in each of the two most recent quarters, signaling that inventories are normalizing and that restocking will materialize during the second half of 2026 due to economic growth in Europe. Civil revenues are therefore expected to recover from 1,633 SEKm in 2025 to 2,047 SEKm by 2027, representing a 25.4% rebound and providing a stable base that absorbs fixed costs and supports the expanded production footprint. The recovery is a mean-reversion back to pre-distortion run-rates, largely uncorrelated with the defense story, meaning NOTE benefits from two independent growth engines rather than a single thesis dependent on European defense budgets.

The Acquisition of STI Enterprises Will Increase Security & Defense Revenue Exponentially

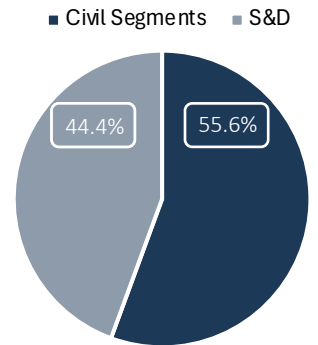
In March 2026 NOTE acquired STI Enterprises, the UK's leading defense electronics manufacturer, for GBP 72.5m at an estimated EV/EBITDA of 10x. A transaction the market initially interpreted negatively given the suspension of the dividend used to finance it. This reflects a misreading of capital allocation priorities: the entry multiple is reasonable for a high-quality defense asset with an established customer base in one of Europe's best-funded defense markets. Because STI was consolidated only for ten days in Q1 2026, reported quarterly revenue will step up materially through the year as the full run-rate post growth of SEK 720m is phased in. Strategically, the acquisition provides immediate entry into one of Europe's largest defense markets, diversifies the customer base away from Nordic concentration, and adds approximately SEK 1,109m in defense-weighted revenue by 2027. STI also adds an estimated 20,000 m² of production area, and with a fast-growing backlog we will see high utilisation of newly added capacity as well as the Torsby expansion. Combined with NOTE's existing relationships with Saab, Kongsberg and Rheinmetall, the acquisition positions the company as a pan-European defense subcontractor able to meet demand that incumbent suppliers cannot fill.

Company Overview

A Nordic EMS Leader Repositioning Toward Defense

NOTE AB is a Swedish electronics manufacturing services (EMS) company. It designs, sources and assembles printed circuit boards, subassemblies and complete box-build products for its customers. The company also helps them with everything from early design and prototyping to full-scale production and aftermarket support. NOTE works with customers in five sectors: Defense, Industrial, Communication, MedTech and Greentech. NOTE is listed on Nasdaq Stockholm and is one of the largest EMS companies in the Nordics, with production sites in Sweden, Finland, Estonia, the UK and China. Having plants in several countries lets NOTE build each product where it makes the most sense, whether that means staying close to the customer or keeping costs down. In March 2026, NOTE acquired STI Enterprises, a leading UK defense electronics manufacturer. The deal increased NOTE's presence in the growing European defense market, added production capacity, and made the company less dependent on its Nordic customers. Taken together, these moves mark a clear shift for NOTE, from a mainly civil, industrial EMS provider toward becoming an important defense subcontractor in the Nordics.

Estimated Revenue Split 2030

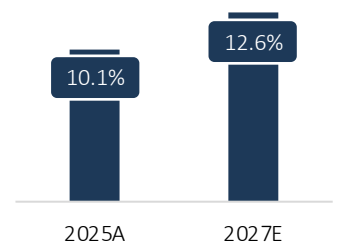


Business Model

Early Design Involvement Creates High Switching Costs

NOTE uses an asset-light EMS model with three steps. First, it improves its customers product designs to make them cheaper and easier to manufacture. This gets NOTE involved early in the development process and makes customers less likely to switch supplier in a later stage. Second, it buys components and builds the products at the most suitable production site in its network, weighing cost, lead time and supply security against each other. Third, it assembles the finished systems and handles the logistics out to the end market, which brings in steady, recurring revenue once a product goes into serial production. Margins vary a lot between segments: the civil business generates EBIT margins of roughly 10.1%, versus 15–20% for defense electronics. What makes NOTE stand out from their competition is their ability to produce in small batches which is especially sought after in the Security & Defense segment, but in medtech as well. Smaller batches also lead to superior margins compared to peers and ensure that the high-quality requirements are met with each batch.

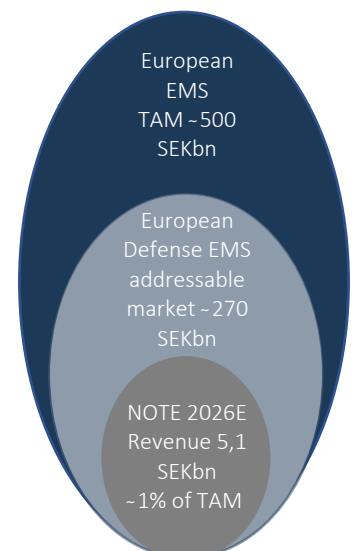
EBIT margin



Market Overview

Defense Ramp and Civil Restocking Drive a Dual Recovery

The European EMS market is worth around SEK 500bn, of which defense accounts for roughly SEK 270bn, and with 2026E revenue of about SEK 5.1bn, NOTE holds only around 1% in this very fragmented market with more than one hundred competitors. Two structural shifts are driving demand. The first is defense: at the 2025 NATO summit members agreed to lift spending to 5% of GDP by 2035, more than double the previous 2% target. This step-change has outpaced the in-house capacity of primes such as Saab, Kongsberg and Rheinmetall, who increasingly outsource electronics manufacturing rather than absorb the capex of scaling internally. This is creating a capacity shortage through the value chain that specialized EMS partners like NOTE are positioned to fill. The second is the civil recovery, as customers reshore to Europe and work down post-Covid safety stock. Competing with Nordic peers such as Kitron, Scanfil and Hanza and a fragmented base of smaller suppliers, NOTE's wide production network, added capacity from STI and Torsby, and established defense relationships underpin a projected group revenue CAGR of roughly 14% over 2026-2030, around 30% in Security & Defense and about 6% civil, in a structurally undersupplied market.



Valuation

Peer Valuation

SEKm	MCAP	EV	Sales CAGR	EBIT Margin		EV/EBITDA		EV/EBIT	
Company	SEKm	SEKm	2025A - 2027E	2025A	2027E	2025A	2027E	2025A	2027E
Peer group 1									
Kitron	21,958	22,455	30.0%	8.7%	9.9%	15.3x	11.8x	19.6x	14.2x
Peer group 2									
Scanfil	8,965	10,347	16.8%	6.8%	6.9%	10.1x	7.5x	14.7x	10.6x
Hanza	8,575	10,186	35.1%	6.9%	8.2%	10.6x	6.0x	17.5x	9.2x
Average	8,770	10,267	26.0%	6.9%	7.6%	10.4x	6.8x	16.1x	9.9x
NOTE	4,825	6,103	25.6%	10.1%	12.6%	11.5x	7.0x	15.0x	8.1x

NOTE currently trades at a discount to both peer groups on forward EV/EBIT, at 8.1x 2027E versus a peer group 2 average of 9.9x, despite delivering superior EBIT margins of 12.6% in 2027E compared to the peer average of 7.6%. On sales growth, NOTE is broadly in line with peer group 2 at 25.6%, further underlining the valuation gap. Kitron, the closest pure-play EMS comparable and classified separately in peer group 1 given its higher defense revenue exposure, trades at 14.2x 2027E EV/EBIT. As NOTE's Security and Defense segment continues to scale and the civil segment recovers from the 2024 and 2025 destocking trough, NOTE's margin profile and revenue visibility increasingly resemble Kitron's, supporting a re-rating toward peer group 1 multiples over the forecast horizon representing an upside of 63%.

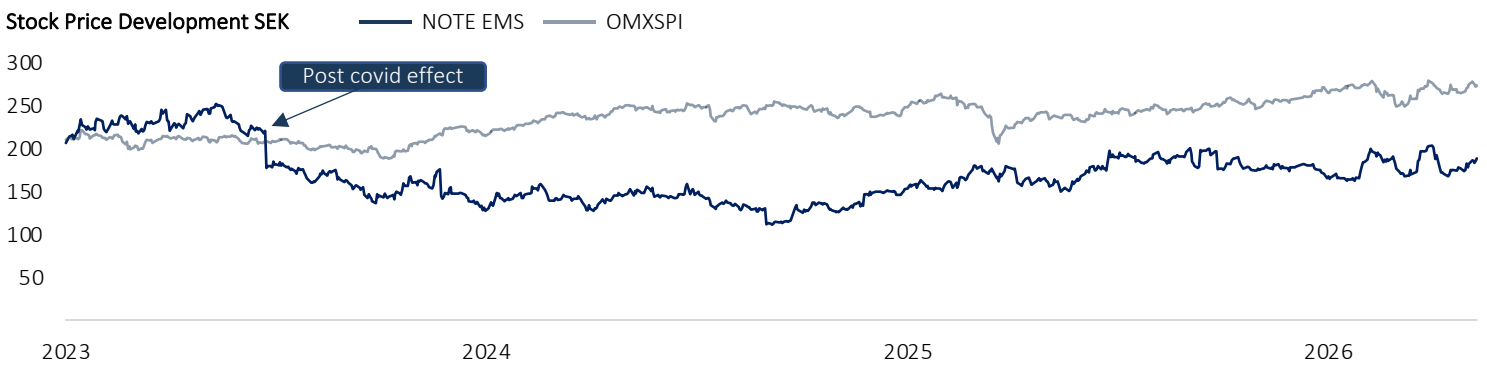
DCF Valuation

The DCF valuation, based on a 9-year explicit forecast period (2025 to 2034), implies a share price of SEK 285 using a discount rate of 9.5% and a terminal growth rate of 2.0%, representing a 68.6% upside to the current share price. The valuation is supported by strong and increasingly visible cash flow generation, driven by margin expansion in the Security and Defense segment and a recovering civil order backlog that was up 11% organically at year-end 2025. The terminal value accounts for 58% of enterprise value, with the remaining 42% derived from the present value of forecast FCFF, reflecting a balanced split and moderate sensitivity to terminal assumptions. This is illustrated in the sensitivity table, where NOTE shows meaningful upside across a wide range of WACC and growth rate combinations. In contrast, the valuation is more sensitive to near-term profitability assumptions, underscoring the importance of the margin expansion thesis central to this case. The net debt position of SEK 1,278m reflects the STI Enterprises acquisition completed in March 2026, which is already embedded in the forecast and expected to contribute meaningfully to FCFF generation from 2026 onwards as integration progresses and the Torsby facility reaches full utilization.

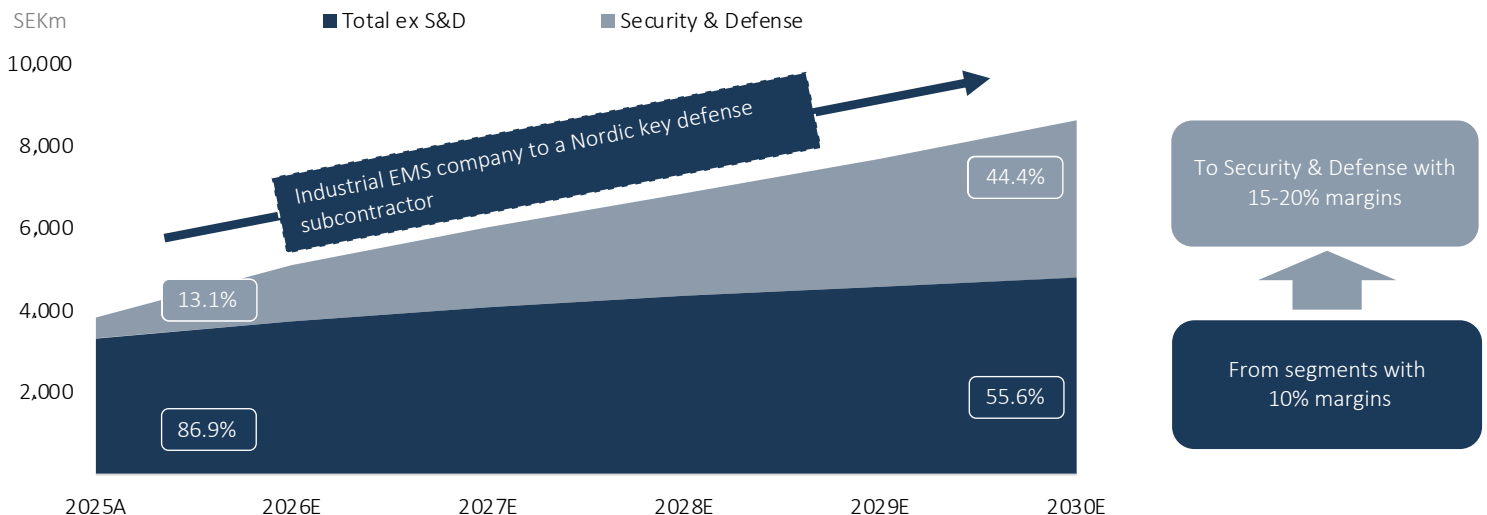
		Terminal Growth Rate					DCF, SEKm	
		1.0%	1.5%	2.0%	2.5%	3.0%		
WACC	285	311	327	346	367	393	PV of FCFF (2025–2034)	3,961
	8.5%	285	298	313	331	351	PV of terminal value (2035–)	5,436
	9.0%	261	272	285	300	317	Net present value	9,397
	9.5%	206	213	221	230	239	Net debt	1,278
	11.0%	166	171	176	181	188	Implied equity value	8,119
	12.5%						NOSH (m)	28.5
							Implied share price, SEK	285.0
							Current share price, SEK	169.0
							Implied upside	68.6%

Appendix – Income Statement

Income statement, SEKm	2023A	2024A	2025A	2026E	2027E	2028E	2029E	2030E
Total revenue	4,243	3,901	3,814	5,098	6,017	6,838	7,678	8,607
<i>y/y growth</i>		(8.1%)	(2.2%)	33.7%	18.0%	13.7%	12.3%	12.1%
COGS	(3,681)	(3,260)	(3,162)	(4,155)	(4,904)	(5,573)	(6,258)	(7,015)
Gross profit	562	641	652	943	1,113	1,265	1,421	1,592
<i>Gross margin</i>	13.2%	16.4%	17.1%	18.5%	18.5%	18.5%	18.5%	18.5%
Cost of sales	(11)	(81)	(75)	(97)	(120)	(137)	(154)	(172)
Administration costs	(66)	(74)	(72)	(97)	(114)	(130)	(146)	(164)
Other operating costs	57	(12)	(1)	(5)	(6)	(7)	(8)	(9)
EBITDA	542	474	504	744	872	992	1,113	1,248
<i>EBITDA margin</i>	12.8%	12.1%	13.2%	14.6%	14.5%	14.5%	14.5%	14.5%
D&A	(112)	(122)	(123)	(110)	(116)	(129)	(143)	(172)
EBIT	430	352	381	635	756	862	971	1,076
<i>EBIT margin</i>	10.1%	9.0%	10.1%	12.4%	12.6%	12.6%	12.6%	12.5%
Net financial items	(40)	(42)	(29)	(46)	(54)	(62)	(69)	(77)
Result before tax	390	310	352	589	702	801	901	998
Tax	(70)	(62)	(71)	(87)	(102)	(116)	(131)	(146)
Net income	320	248	281	502	600	684	771	852
<i>Net income margin</i>	7.5%	6.4%	7.4%	9.8%	10.0%	10.0%	10.0%	9.9%



Security & Defense Driving Margin Expansion



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Other

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