

Q2 2017 Earnings Call

Company Participants

- José Antônio de Almeida Filippo, Chief Financial Officer, Executive Vice President, Finance & Investor Relations
- Paulo Cesar de Souza e Silva, President & Chief Executive Officer

Other Participants

- Alberto Valerio, Analyst
- Cai von Rumohr, Analyst
- Carlos Louro, Analyst
- Myles Alexander Walton, Analyst
- Pedro Bruno, Analyst
- Peter John Skibitski, Analyst

MANAGEMENT DISCUSSION SECTION

Operator

Good morning, ladies and gentlemen, and welcome to the audio conference call that will review Embraer's Second Quarter 2017 Results. As a reminder, this conference is being recorded and webcasted at ri.embraer.com.br.

This conference call includes forward-looking statements or statements about events or circumstances that have not occurred. Embraer has based these forward-looking statements largely on its current expectations and projections about the future events and financial trends affecting the business and its future financial performance. These forward-looking statements are subject to risk and uncertainties and assumptions, including, among other things, general economic and political and business conditions in Brazil and in other markets where the company is present.

The words believe, may, will, estimates, continues, anticipates, intends, expects and similar words are intended to identify forward-looking statements. Embraer undertakes no obligation to update publicly or revise any forward-looking statements because of new information, future events or other factors. In light of these risk and uncertainties, the forward-looking events and circumstances discussed on this conference call might not occur. The company's actual results could differ substantially from those anticipated in the forward-looking statements.

Participants on today's conference call are Mr. Paulo Cesar de Souza e Silva, President and CEO; Mr. José Filippo, Chief Financial Officer and IRO; and Eduardo Couto, Director of

Investor Relations.

I would now like to turn the conference over to Mr. José Filippa. Please go ahead, sir.

José Antônio de Almeida Filippa

Yeah, thank you. And welcome and thanks for joining Embraer's second quarter 2017 earning results. We're going to go through the presentation, and I'll pass to Paulo Cesar to - some comment and then we will be following the Q&A section.

Okay. So, starting the presentation in page 3 regarding the highlights and we start with the corporate highlights. In June, Embraer attended the Paris Air Show with its largest presence ever. We showed at the actual - with units for each of our business, the E195-E2, the KC-390 and Legacy 450. The E2-195 and the KC-390 not only showed at a static but also did flight demos. Also, in corporate highlights, Embraer was awarded by the most innovative company in Brazil for the second consecutive year.

Moving to next page, in page 4, in terms of highlights for Commercial Aviation, we delivered 35 E-Jets in the second quarter, a growth of 35% when compared to 2016. As far as commercial activity, we announced 51 commitments at the Paris Air Show being 18 firm orders and 33 purchase rights. In terms of firm orders, we sold 22 planes in the year-to-date. Finalizing Commercial Aviation highlights, regarding the E2 development, we advanced with five prototypes, one for 195 and four prototypes of 190, which now reached over 1,000 flight hours there and more than 3,000 ground test hours.

Next page, in page 5, highlights for Executive Jets. We delivered 24 Executive Jets in the second quarter, being 16 light and 8 large aircraft. And those deliveries included the delivery of the Embraer Executive Jet number 1,100 to NetJets customer. An important milestone of our manufacturing U.S. was the first flight of the first Legacy 500 assembled in Melbourne. This plane will be delivered to a corporate private department in Florida this year. And regarding commercial activity, we secured an order of three Legacy 650E to Air Hamburg.

Next page, in page 6, highlights for Defense & Security starting with the information of the launch -successfully launch of the Brazilian satellite which happened in May. And in terms of deliveries of Super Tucanos, we had our final delivery of the U.S. Air Force of six Super Tucanos commissioned to the Lebanon.

In relation to the KC-390 program, we continue to divest a schedule with two prototypes with more than 1,200 flight hours. We are confident on the commercial success of the KC-390. At the Paris Air Show, we had more than 60 delegations visiting the plane, and after that we performed a demo tour visiting places in Europe, Asia, Middle East and Africa.

In terms of commercial opportunity in Defense, we will participate in the U.S. Air Force Capability Assessment for Light Attack Platforms of the Super Tucano, which can be potentially a new program. Also our subsidiary Saviis/Bradar established the partnership with Thales for air traffic control radar solution.

With that, we conclude the corporate highlights, and we're now moving to the financial results.

Starting page 8, our firm backlog, we reached a total of \$18.5 billion at the end of June. This amount reflects the strong deliveries of Commercial Aviation in the second quarter. In terms of sales activity in 2017, we are positive with a campaign of the KC-390 with a book-to-bill above 1 in Executive Jets and for Commercial Aviation, we expect to reach a book-to-bill of 1 this year.

Next page, page 9, as far as deliveries, starting with Commercial Aviation, we delivered a total of 35 aircraft in the second quarter and 53 year-to-date. We are maintaining our estimate of the range of 97 to 102 aircraft for 2017.

In terms of Executive Jet deliveries, we had a total of 24 deliveries in the second quarter, broken by 16 light and 8 large planes. In the year, we already delivered 39 aircraft, being 27 light jets and 12 large jets. Also for Executive Jets, we are maintaining our guidance of 105 to 125 aircraft in the year, being 70 to 80 light jets and 35 to 45 large jets.

Next page, page 10, we show our net revenues. We reached \$1.77 billion in the second quarter, which is a growth of 30% when compared to last year. All three segments of business reported growth from last year with revenues reaching \$1.09 billion for Commercial Aviation, \$340 million for Executive Jets and \$335 million for Defense. For all business units, we are confirming our expectation for the year.

Next page, as far as SG&A expenses, we reported total of \$125 million in the second quarter, broken by \$40 million in G&A expenses and \$85 million in selling expenses. The reduction of total SG&A expenses when compared to last year reflect our focus on cost control.

Next page, page 12 regarding operating results, excluding non-recurring items listed in the highlighted box, our adjusted EBIT reached \$165 million in the second quarter, with 9.3% margin, reflecting the level of deliveries of Commercial Aviation. For the six months of 2017, we had a total of \$196 million with 7% margin. The 9.3% operating margin in the second quarter can be broken by positive 15.1% in Commercial Aviation, positive 3.5% in Defense and negative 2.7% in Executive Jets. We are maintaining our guidance range for 2017 of \$450 million to \$550 million, with margins from 8% to 9%.

In page 13, the adjusted EBITDA, we reported total of \$245 million in adjusted EBITDA for the second quarter, with 13.9% margin. For the six months of 2017, the total adjusted EBITDA was \$349 million, with 12.5% margin. For the full year of 2017, we are maintaining our guidance of the range of \$770 million and \$890 million and margins between 13.5% to 14.5%.

In page 14, adjusted net income, excluding the extraordinary items, which includes primarily deferred income tax, we reached the total of \$123 million in the second quarter of 2017, with 6.9% net margin. The total of 2017 year-to-date reached \$146 million, with 5.2% margin on adjusted net income.

FINAL

In next page, page 15, in terms of investments, for 2017 year-to-date, we had a total of \$244 million, being \$18 million for research, \$148 million for development, and \$78 million for capital spending. For full year, we are estimating the total investments of \$650 million.

Next page, in page 16, adjusted cash flow, we had a positive cash generation of \$220 million in the second quarter due to the positive results combined with improvement in working capital requirements, mainly related to the reduction of inventories. Our estimates for 2017 is maintained of a consumption of \$150 million or better.

Next page, finalizing the presentation before I turn it to Paulo, our debt at the end of June was \$4.2 billion with cash of \$3.5 billion. We've turned it to net debt of \$662 million better than the previous quarter. Regard to our debt profile, the average terms of debt reached 6.2 years with 93% maturity after 12 months.

So with that, we conclude the presentation, and I'd turn it to Paulo's comments before we go into the Q&A section.

Paulo Cesar de Souza e Silva {BIO 17023173 <GO>}

Thank you, Filippo. Good morning to all. So, thank you for joining us this morning for this call. Few comments I'd like to make. I believe, as you can see so, we have a very strong quarter. We continue to see improvements on our cost. So this is the result of the Mission 200 that we implemented last year, and more and more, so we are seeing the benefits of this program.

I'd like to make few comments on the business units. On Executive Aviation. I believe we are seeing some improvements. Of course, the market is still under big pressure. However, we are seeing some signs of improvement on the used markets. There are some stability in prices, no further deterioration in general in the value of the aircraft. For us here at Embraer, we had the a good improvement in cash operation, generation of cash for the business jet unit. So it's more stable as well.

And the strategy that we adopted for two quarters already of having more discipline in terms of price and emphasizing more value in our business, is started to generating improved margins. So we can see all of that probably in the next quarters. These will be even more evident, so we will see even more in the next quarters.

On the Commercial Aviation, we had soft first half in 2017, few orders were announced. We are seeing very strong sales activity. I'm very confident that we can make big progress in the second half of this year. As you can see, the margin in Commercial Aviation is quite good, and we continued to see also in Commercial Aviation the continuation of the E2 program on time, on budget. And then we continue to be very bullish that the first delivery will indeed happen in the first half of next year, in 2018.

On Defense, the KC-390 program also continues to move very well. I will make some comments on the Paris Air Show, but after the Paris Air Show, the KC-390 went for a demo tour. We covered 18 countries in Europe, Africa, Asia and Oceania. We had the 52

Bloomberg Transcript

FINAL

landings in 18 different countries and that we covered 50,000 nautical miles in 40 days. So, you can appreciate that the KC-390 is already a mature great product, not yet certified, right? It's in the process of the certification, however, showing already signs of a very good maturity for - in a aircraft like this one, so 40 days, 50,000 nautical miles flight program without any problem, completely flawless. So we are very happy and satisfied with the performance of the KC-390.

We are starting the discussions with the government of Portugal to negotiate the contract. The Minister's Counsel approve this transaction so Embraer in Portugal now, so we have 90 days to negotiate the contract.

Last but not least, few comments on the Paris Air Show. For those who were there, I think you could see our very strong presence, was the best ever show for Embraer. So we brought two new programs still under certification, in the final stage, the E2 and the KC-390. The Legacy 450 already certified. So I believe Embraer has shown its force and its important presence in the three units, showing that Embraer has prepared for the future with the state-of-the-art very up-to-date aircraft that we will compete going forward as we start to deliver the E2 and the KC-390.

So with that, I believe we can move to the questions, please.

Q&A

Operator

Thank you. Our first question comes from the line of Myles Walton of Deutsche Bank. Your line is now open.

Q - Myles Alexander Walton {BIO 6802513 <GO>}

Thanks, good morning.

A - José Antônio de Almeida Filippo

Good morning, Myles.

Q - Myles Alexander Walton {BIO 6802513 <GO>}

I was hoping you could talk a bit about the order activity, you're sounding incrementally positive as it relates to the Commercial Aviation business. Obviously, you had about 20 orders in the first half, but 80 implied orders to get to your 1 times book-to-bill seems - seems like a pretty higher hurdle. But probably you sound pretty darn bullish. So, can you talk either specifically or about relative geographic areas of strength that you're seeing that could come in closed deals that quickly?

A - Paulo Cesar de Souza e Silva {BIO 17023173 <GO>}

Well, it's a little bit spread out. It's a little bit spread out. We have North America, we have Europe, we have Asia, I wouldn't like to go into the details at this stage. I feel very good

on the key things that we are involved. Of course, it's not a guarantee that we will close them. But with our experience in this market, I feel very good that we have a very good opportunity here to do a one-to-one in terms of book-to-bill.

Q - Myles Alexander Walton {BIO 6802513 <GO>}

Is that E1 or E2? Obviously, the E1 is where you need to cover a lot of ground for next year in terms of production, but are you seeing the E2 traction now that you are getting closer to first enter into service or?

A - Paulo Cesar de Souza e Silva {BIO 17023173 <GO>}

Yeah, that's the beauty of what we are seeing. It's a combination of E1, E2s. It's a combination of the smaller aircraft and also the bigger one. So it's really a mix. So this is, it is quite positive.

Q - Myles Alexander Walton {BIO 6802513 <GO>}

Okay. And just one other one, Filippo. On cash flow, you are in a pretty good position relative to your full year guidance. You are usually not in quite this good a position half way through the year. Is there actually upside pressure to your full year targeted guidance or any other, or how are you feeling relative to the greater than \$150 million burn?

A - José Antônio de Almeida Filippo

Yes, Myles, I think that you are right, I think we had a very good second quarter. The accumulated year is also something that probably in the past we never saw that situation. But that is a combination that I think that mostly you have to remember that we have some contributors from suppliers in the beginning of the year. But the good working capital improvement I think helped. I believe that really at this point, we don't have a position to review that in terms of how we see. There is still a lot of investment to be made, especially in the E2 program at the second half of the year. But the \$150 million or better, I think we have some space to that improvement there. But again, it's too early to commit with that. But I understand we're well positioned to really put in place a strategy to benefit in terms of cash generation this year.

Q - Myles Alexander Walton {BIO 6802513 <GO>}

Okay. All right. Thanks.

Operator

Thank you. Our next question comes from the line of Pete Skibitski of Drexel Hamilton. Your line is now open.

Q - Peter John Skibitski {BIO 6760095 <GO>}

Hey, good morning, guys. Just to go further on both those themes, I thought last quarter you talked about your 2018 expectations for commercial deliveries be around 85 to 90

aircraft. Is that no longer the case, and whatever your expectation is, how many of those slots are filled and how many will be E2s would you expect?

A - José Antônio de Almeida Filippo

Yes, Pete. We still have the working, still working on 2018 and the following years. As you know, 2018, we'll start the develop transition of the current model to the new one, and the E190 and that will be entered into service. So, I still that this is important for us to not to review that at this point. So we still see some challenges. I think sales campaigns are underway. Like Paulo mentioned, we are positive the way we see. It's a little bit different dynamic. We see more spread in geographic those activities, but we feel confident that we can this year to have you a number about the book-to-bill of 1. That's what we're working these days. But we still have, of course, challenges because of the transition that we have next year.

Q - Peter John Skibitski {BIO 6760095 <GO>}

Okay. Okay. And can I - I don't know how sensitive this is, but can I ask about Iran? I mean, I see Airbus and Boeing have locked in commercial deals with Iran. Embraer has not. It was kind of in the press, but then there is also some reports out there that maybe Brazil is not willing to finance any deals with Iran. I was wondering if you could validate any of that and give us a sense of, is Iran completely off the table or not?

A - Paulo Cesar de Souza e Silva {BIO 17023173 <GO>}

Well, of course, Iran is a very important country in aviation, very good opportunities there for the manufacturers. And we see this market as an excellent opportunity also for our segment. We continue to work with the OFAC office. So of course, as we know, Airbus and Boeing has gotten their approval. In general it takes 9 to 11 months as I understand to go through the process. So we are still within this period. So we are expecting that OFAC will approve our request after they have approved more recently the Boeing order. So let's see. So there is no news as of yet. We continue to be engaged with the opportunities, but of course we have to wait for the clearance of the OFAC office to move forward.

A - José Antônio de Almeida Filippo

And Pete, let - just adding, we don't think it's an issue of financing. I think the Brazilian government is ready to support all the exporters that can sell its products to Iran. So it's more a question like Paulo said about the clearance from OFAC.

Q - Peter John Skibitski {BIO 6760095 <GO>}

Okay. Okay. That's very helpful. Thank you very much. And my last question, I feel like I hit on this theme every quarter in terms of the slope of the potential improvement in free cash flow over the next few years as E2 development winds down. Is it - are you confident - is that development spending going to come down pretty linearly over the next few years as E2 enters service and does the visibility seem pretty good that free cash flow can then become pretty nicely positive over the next few years?

FINAL

Bloomberg Transcript

FINAL

A - Paulo Cesar de Souza e Silva {BIO 17023173 <GO>}

Yes. We still look for the same projection. However, just to make sure that we have the enter into service in phasing. We're starting with E190, then we have the E195 in 2019, and then to E175 in 2021. So we still have investments to be made in these programs. I would say that by 2020, definitely it's going to go down, because we end up most of the development of the major pieces of this project. But that's exactly the way we'll used to be. I think we are on track on that and on schedule.

Q - Peter John Skibitski {BIO 6760095 <GO>}

Okay. Great. Thanks so much, guys.

Operator

Thank you. Our next question comes from the line of Cai von Rumohr of Cowen & Company. Your line is now open.

Q - Cai von Rumohr {BIO 1504358 <GO>}

Yes. Thank you very much. So, what is your lead time on EIs for delivery in 2018? I mean, I assume you still have slots to sell, when do you have to sell them or and if you don't, because I assume you do 15 to 20 E2s, you really kind of locked in to doing under 100 planes?

A - Paulo Cesar de Souza e Silva {BIO 17023173 <GO>}

Well, as Filippo mentioned, so we are still work for 2018, so we don't have yet the final numbers. We have lead time of about nine months that we can work, give or take, so it's not a fixed number of months. But depending on the type of aircraft, we can go a little bit more aggressive. So we feel good that we still have right time this year to close more deals and take the commitment to deliver this aircraft next year.

Q - Cai von Rumohr {BIO 1504358 <GO>}

Got it. Can you give us - you mentioned the pickup in demand and really if we go back to earlier in the year, there was not a lot of interest. What's changed?

A - Paulo Cesar de Souza e Silva {BIO 17023173 <GO>}

It's the dynamics of the market in general, all right? So you have airlines that they have need to upgrade the fleet, replace old aircraft, so we have others that are startups like in Asia, Big Asia. So, you have airlines that want to replace smaller jets. So it's a combination. And there is not only one reason, I think it depends on the region, depends on the type of the airlines and the needs of the airlines.

Q - Cai von Rumohr {BIO 1504358 <GO>}

Thank you. And can you refresh our memory in terms of your rough margin targets for the three businesses for the full year?

Bloomberg Transcript

FINAL

A - José Antônio de Almeida Filippo

Hey, Cai, we don't give guidance for margin for specific business units. But some color on this, I think, the Commercial Aviation like low-double digits, in terms of the Commercial Aviation; and Defense maybe mid-single digit is what could be an information for you.

Q - Cai von Rumohr {BIO 1504358 <GO>}

And for biz jet also mid-single digit?

A - Paulo Cesar de Souza e Silva {BIO 17023173 <GO>}

Yes.

A - José Antônio de Almeida Filippo

Yes.

Q - Cai von Rumohr {BIO 1504358 <GO>}

And you had mentioned, Philippe, that next year you have the transition to the E2, so I assume if deliveries are flattish to down, there is more pressure on Commercial. Can you just talk directionally about what should we look? I would assume, for example, that the Executive Jets would be considerably stronger because you would be building closer to the delivery rate and the market might be stronger, but any color you could offer would be great.

A - José Antônio de Almeida Filippo

Yes. Again, I think it's too early for us to give the guidance for next year. But as we've been saying related to next year, maybe we should think about, of course, if the lower level of deliveries expected for Commercial Aviation with historical average, I think we can be more like in the high-single digit. But it's - I think it's not a moment now to anticipate how Executive Jets will work.

But we believe that with some sentiment about positive of the market that we can have some improvements and that can partially if not improve, like offset that. I will believe that Executive Jets definitely is going to be a better year next year compared to the previous one, and that could help to be in that level. So this basically what I really can say at this point. But some time we - closer to the end of the year, we'll be releasing more specific information about next year's expectation.

Q - Cai von Rumohr {BIO 1504358 <GO>}

Thank you very much.

Operator

Thank you. Our next question comes from the line of Alberto Valerio of Citibank. Your line is now open.

Bloomberg Transcript

FINAL

Q - Alberto Valerio {BIO 20009178 <GO>}

Hi. Thank you for taking my questions. Today I listened from one of your competitors that their series can be used longer and thinner rows, rows that are not dense enough for Boeing and Airbus and to launch service by regional jets, as in the same potential for E2?

A - Paulo Cesar de Souza e Silva {BIO 17023173 <GO>}

Yes. I think the E2, the 195-E2 has a - we have announced in Paris an extended range. We are going up to 2,600 nautical miles. So this is enough to cover maybe 98% of the narrow body mission worldwide. So I think we are in very good shape in this regard and with excellent economics very appealing operational cost. So, we are definitely very bullish.

Q - Alberto Valerio {BIO 20009178 <GO>}

Okay. Thank you very much. And at Embraer and Boeing in concerning charters regarding what seems to be a common complaint about C Series pricing?

A - Paulo Cesar de Souza e Silva {BIO 17023173 <GO>}

As we announced already back in December of last year, so we ask the Brazilian government to go to the WTO and challenge the Canadian programs and help us to support our case against Bombardier. We are always looking to have a level playing field in both in development and financing of aircraft. Financing of aircraft, we already dealt with that many years ago among all the manufacturers and we have a program that has been working very well. But regarding development, so we are not happy at all with the situation and that we have to be sure that everybody will be operating in level playing fields. So the Brazilian government is supporting Embraer and we are supporting the Brazilian government of course in this action and hopefully, this will pay right benefits going forward.

Q - Alberto Valerio {BIO 20009178 <GO>}

Okay. Thank you very much for the answers.

A - Paulo Cesar de Souza e Silva {BIO 17023173 <GO>}

Sure.

Operator

Thank you. Our next question comes from the line of Pedro Bruno of Santander. Your line is now open.

Q - Pedro Bruno {BIO 19082978 <GO>}

Good morning, everybody. My question is on the Defense margin for the rest of the year, because we saw a very low margin or a highly negative margin in the first quarter because of the satellite delay which happened in the second quarter now, and we saw quite big improvement in revenues, but not so much in margins. The mid-single digit that was mentioned for the year implies close to 15% margin for the second half of the year in the

Bloomberg Transcript

Defense. Is that what we should be expecting? And what would trigger that since the satellite program has been launched on the second quarter? Thank you.

A - José Antônio de Almeida Filippo

Yes, Pedro. Of course, the launch of the satellite that was captured in the second quarter helped the result of Defense in this quarter. We still have to deal with some cost associated to the KC-390 development program, although it's in the end of the development phase, and that sometimes can impact. I believe that we should look in a annual basis the Defense results, so it'll be more easy for us to identify. There's still some deliveries of Super Tucanos expected for this year that can impact that. We still think that the target for the mid-single that I just mentioned, I think it's the best guess for the year. I think we're still confident that, that should be the results for 2017 in Defense.

Q - Pedro Bruno {BIO 19082978 <GO>}

Okay. Thank you.

Operator

Thank you. Our next question comes from the line of Carlos Louro of JPMorgan. Your line is now open.

Q - Carlos Louro {BIO 17325073 <GO>}

Good morning. Thank you. I have one question regarding the studies for the potential cost reductions going forward. I'd just like to know if you could provide a little bit more detail on this, and whether such cost reductions could help smooth out results for 2018?

A - José Antônio de Almeida Filippo

Carlos, last year we announced the plan of cost reduction specifically a program that we called Mission 200 which was primarily focused on the overhead and head count reduction through a voluntary dismissal plan, and also some expenses reduction in travel and other general expenses. We get there. The program of the reduction of head count already, was already concluded in the first quarter of this year. And the other expense is already adjusted. And then all the leaders of the company that have their budget, adjusted for this new standard.

I think that opportunities of cost reduction, we still have. I don't think we're going to have like a step like we announced before of a Mission 200 plan, but opportunities may have. And the focus on continuing to improve maybe more like slowly, but that's still on. We have to take into account as well that the company has the activity for the year that we have to deliver aircraft, we have to manufacture and produce aircraft, so it's important that we have the certain level of support for that to happen. So cost reduction is still associated to that. But we understand we got a level which has efficiency now and that we have a lower level of expenses.

And again, I don't believe there is going to be a dramatic drop in the future, but we still will be able now I think to build a structure to benefit from the dilution of those costs as we have opportunities for revenue growth. That's basically how we see this. But we continue to see opportunities of efficiencies. This is a permanent problem that we have and that we'll be capturing whatever opportunity we may have in terms of cost reduction and efficiency.

Q - Carlos Louro {BIO 17325073 <GO>}

Perfect. Thank you.

Operator

Thank you. And our next question comes from the line of Pete Skibitski of Drexel Hamilton. Your line is now open.

Q - Peter John Skibitski {BIO 6760095 <GO>}

Yeah. Just a follow-up. I wanted to ask another question kind of qualitatively about 2018. It sounds like Commercial deliveries will be down in 2018. Is it fair to think that Defense revenue will be down in 2018 as well, just on less satellite revenue and maybe you haven't ramped fully on the KC-390 yet, but that in 2019 and beyond, you kind of start to ramp on the KC-390 and that's maybe kind of a multi-year growth story for you at that point?

A - Paulo Cesar de Souza e Silva {BIO 17023173 <GO>}

No, I don't think so. I don't think so, Pete. I think we don't have the numbers yet for the Commercial Aviation as what Filippo already indicated. For the Defense, we are expecting good activity for the KC-390 and maybe for the Super Tucano as well, so the two main products of the unit. We're seeing very strong activities on the KC-390, a lot of interest. In the Paris Air Show, we received the visit of 65 delegations and this worldwide tour now, almost worldwide tour also is being showing that the KC-390 has a tremendous acceptance in the market. So we're very bullish on the discussions that are going on now.

And on the business jet, as I said, we might have a better year next year than this year. So I believe we have reached the bottom now in the business jet, and we're counting on improvements step-by-step, not a big improvement, but we may see a better year in 2018 than 2017 for business aviation as well.

Q - Peter John Skibitski {BIO 6760095 <GO>}

Okay. Fair enough, appreciate it. Thank you.

A - Paulo Cesar de Souza e Silva {BIO 17023173 <GO>}

Sure.

Operator

Thank you. And I'm showing no further questions at this time. I'd like to hand the call back over to Mr. José Filippo for any closing remarks.

A - José Antônio de Almeida Filippo

Okay. Thank you in my name and Paulo and all the team here. I'd like to thank you again for participate in this, and as usual, we - our IR team is open and ready for you to access whatever need for additional information. So, thank you very much, and have a nice day.

Operator

This concludes today's question-and-answer session. That does conclude Embraer's audio conference for today. Thank you very much for your participation, and have a good day.

This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP. © COPYRIGHT 2022, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.

FINAL

Bloomberg Transcript