Y 2021 Earnings Call

Company Participants

- Antonio Garcia, Executive Vice President, Financial and Investor Relations
- Francisco Gomes Neto, President & Chief Executive Officer
- Unidentified Speaker

Other Participants

- Florencia Mayorga Torres
- Geoffrey Kwan
- Josh Milberg
- Marcelo Motta
- Matthias Niemeyer
- Myles Walton
- Noah Poponak

Presentation

Operator

Good morning, ladies and gentlemen, and welcome to the Audio Conference Call for Embraer's 4Q '21 and 2021 Full Year Financial Results. Thank you for standing by. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session, and instructions to participate will be given at the time. (Operator Instructions) 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 which have not occurred. Embraer has based these forward-looking statements largely on its current expectations and projections about future events and financial trends affecting the business and its future financial performance. These forward-looking statements are subject to risks, uncertainties and assumptions, including, among other things, general economic, political and business conditions in Brazil and in other markets, where the company is present. The words believe, may, will, estimate, continue, anticipate, intend, expect and similar words are intended to identify forward-looking statements. Embraer undertakes no obligations to update publicly or revise any forward-looking statements because of new information, future events or other factors. In light of these risks 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. It is important to mention that all numbers are presented in U.S. dollars as it is our functional currency.

Participants on today's conference call are Mr.Francisco Gomes Neto, President and CEO; Mr.Antonio Carlos Garcia, Chief Financial Officer and Procurement; and Mr.Leonardo Shinohara, Director of Investor Relations.

I would like now to turn the conference over to Mr.Gomes Neto, who will proceed with the first remarks of 2021 fourth quarter and 2021 full year's results. Please go ahead, sir.

Francisco Gomes Neto {BIO 19328044 <GO>}

Good morning, and thank you all for joining our fourth quarter and 2021 results call today. I hope that all of you are well and safe, and I thank you for your interest in our company. Before starting this conference, I would like to express our solidarity with the Ukrainian people impacted by the war. What we have been following real time causes huge consternation for all of us at Embraer. At this moment, our thoughts are with the families who have lost their loved ones, and we support everyone who is working directly for the immediate end of this conflict and the restoration of peace in the region.

As you will see later in Antonio's presentation, our results for the quarter were in line with our guidance while cash generation came above expectations. The Q4 and 2021 results continue to show that our strategic planning is bringing tangible positive results for the company. Before we go into more financial details on the fourth quarter, I'd like to recap our key strategic pillars.

First, on growth. Our Commercial Aviation had a rebound and we continued with a good momentum on our Executive Aviation. Our total backlog reached $17 billion on the back of 92 commercial jets sold being 42 E1s and 50 E2s. The book to bill for Executive Aviation is 2-to-1. Services & Support was also a big focus, achieving about $2.5 billion in backlog. On Defense & Security, several sales campaigns are ongoing, with a big driver on industrial cooperation and strategic partnerships for future business, especially with our C-390 Millennium. Overall, the company's total sales reached $6.6 billion in 2021, which also contributed to cash generation, with advance payments from clients.

Second, enterprise efficiency. Our adjusted EBIT improved over $260 million in 2021 compared to 2020, considering 11% revenue increase. Higher adjusted EBIT in 2021 was driven mainly by the increased inefficiency from the Fit for Growth strategic plan initiatives. An example, was 50% improvement on inventory turn in 2021. The footprint optimization with sale of Evora (inaudible), a small plant in Botucatu, the shutdown of our facilities in Bradley, Connecticut, and the spare parts distribution centers consolidation, both in Europe and in the USA. Also significant contributions from our world-class procurement, production lead time and COGS reduction projects. More importantly, this pillar has resulted in a strong evolution on free cash flow and an overall improvement in financial metrics. Our financial net debt reduced by $300 million.

Third, innovation. Innovation is part of our history and a major driver of growth for this company. An example of this is EVE and Zanite signing a partnership to explore the Urban Air Mobility business. Other important investments on new segments are the turboprop new generation and the E-Jets freighter. Future concepts on the study, like the Energia family are all projects we are very excited to talk about. Last, but not least, I would like to emphasize that we have a strong culture of safety, one team spirit and result orientation.

In ESG, we have many new developments. We have objective targets for the environment. We expect to reach carbon neutrality by 2040 with more efficiency in reduction on emissions as well. We hope to use more SAF, the sustainable aviation fuel, and 100% renewable energy in our Scope 1 plus 2. In Scope 3, we hope to become net zero by 2050, developing new technologies, aircraft, 100% SAF-compatible and more airframe efficiency.

In the social front, we also have clear targets, 50% diverse hires in all new entry-level employee programs and 20% of women in senior leadership positions by 2025. Approval of more than 80% of students at Embraer high schools and public universities, train 1,500 people from minority groups by 2025 on the social tech program, a new professional training in technology.

In governance, we have a robust ethics and compliance program, the highest international standards of governance, and very high safety standards products aligned with international requirements.

I will now hand it over to Antonio to give further details on the financial results, and I will return in the end. Thank you.

Antonio Garcia {BIO 21338149 <GO>}

Thank you, Francisco, and good morning, everyone. I'd like to start with the performance of our business unit. We had a great performance of our business unit despite still being in a recovery year from the pandemic. In Commercial Aviation, we delivered 16 jets in the fourth quarter and 48 jets in 2021, which is an increase, 9%, year-on-year. With the rebound of regional aviation, with 92 aircraft sold in 2021, of which 50 were E2-195. We are seeing strong demand recovery, especially in domestic markets. The book-to-bill for Commercial Aviation is 2-to-1. Adjusted EBIT margin of 0.3% in Q4 and minus 1.7% in 2021.

In Executive Aviation, we are excited with the performance and have delivered 39 jets in the fourth quarter, reaching 92 jets for the year. A strong backlog continues across the entire portfolio. We had a historical quarterly and yearly sales with book-to-bill ratio in excess of 2-to-1. Adjusted EBIT margin of 13.6% in Q4 '21 and 8% in 2021. Another great news is that the Phenom 300 has been the best-selling executive light jet in the last consecutive 10 years.

Continue to our Defense & Security unit. We have finalized an agreement with the Brazilian Air Force, reducing total of KC-390 aircrafts from to 28 to 22, which delivers until 2034. In Q4, we had a one-time adjustment as a result of this agreement and had a backlog reduction of $526 million, and non-cash impact of $43 million on operational results. We are extremely happy with our cybersecurity business, Tempest. Our cybersecurity company broke revenue records posting 40% growth compared to 2020 revenues. We had an adjusted EBIT margin of minus 29.7% in Q4 '21, 40 percentage points year-on-year. Even considering the Brazil Air Force agreement adjustment, we had a yearly adjusted EBIT margin of 3.8% in 2021.

In Services & Support, the event [ph] has reached pre-pandemic levels, and we have signed more than 795 new contracts for Executive Aviation including inspections, aircraft enhancement and special programs. Our backlog rose more than 20% in 2021 as year-on-year basis. Adjusted EBIT margin of 16.7% in Q4 '21, 31 percentage points year-on-year and a strong annual adjusted EBIT margin 14.3% in 2021.

Slide 7, moving to deliveries. Overall, we had a more evenly-spread base of deliveries compared to 2020 because of the pandemic impact on demand. In the fourth quarter, we delivered 16 commercial jets and 39 executives jets for a total of 55 aircrafts during the period. Even with some supplier constraints at the end of the year, we were able to fulfill our customer expectations. The 16 deliveries in Commercial Aviation represents 45% decline on a year-on-year basis, with an atypical [ph] deliveries amounting Q4 2020 due to the pandemic. Of the 16 deliveries, 12 were 175 and four E2s. We have started to see higher sales momentum for both E1 and E2 family of commercial aircraft, which is a positive news.

We have delivered in 2021, 48 aircraft, which is within our 2021 guidance of 45 to 50 aircrafts. Executive Aviation delivered 26 light jets and 13 larger jets for a total 39 aircrafts in the fourth quarter. The deliveries in Q4 represents a 10% decline year-on-year basis due to the same reasons as Commercial Aviation. Overall, we have delivered in 2021, 93 jets, which is also within our guidance of 90 to 95 aircrafts in 2021.

In Slide 8, we start with our backlog. We ended the fourth quarter with a backlog of $17 billion, reaching its highest value since the second quarter of 2018. That is 18% increase with $2.6 billion addition year-on-year.

Turning to net revenue. Fourth quarter net revenue was $1.3 billion, down 41% year-on-year. This year-on-year decrease is due to the pandemic impact in 2020, which concentrated deliveries, enhanced revenues in the fourth quarter of 2020 versus a more normalized delivery flow spread out in the year for 2021. Net revenue in 2021 was $4.2 billion, up 11% from last year. We had solid revenue growth as all business units posted higher revenue compared to 2020 except for Defense.

In Commercial and Executive Aviation, we had better sales mix and more aircraft delivered in 2021. In Services & Support, we had the overall positive revenue contribution increasing for all segments. Important to note, that 92% of our total revenue comes from export, which shows our global outreach. Overall, we reached 2021 guidance with net revenue within the $4 billion and $4.5 billion range.

Moving on to adjusted EBIT and EBITDA, we are very encouraged by the continued improvement in margin performance for the company. For the fourth quarter, on a consolidated basis, our adjusted EBIT margin was 4.3% and our adjusted EBITDA margin was 8.2%, an increase of 0.1 percentage points and 0.3 percentage points on a year-on-year basis, respectively. On a yearly basis, adjusted EBIT margin was 4% and adjusted

EBITDA at 8.6%, both well above last year, and within our outlook range of 3% to 4% for adjusted EBIT and 8.5% to 9.5% to adjusted EBITDA for 2021.

On a dollar basis, adjusted EBIT was $167 million compared to a loss of $101 million in 2020. And adjusted EBITDA was $363 million compared to $82 million in 2020. Our EBIT would have been better, if we did not have additional costs that are treated at corporate level related to integration and ongoing arbitration costs. This improvement in EBIT and EBITDA are results of our Fit for Growth initiatives.

Slide 10, look at SG&A. SG&A as a whole continues to trend favorably over the past years. Yearly SG&A down $360 million or 23% decline compared to 2019 figures. Selling expenses were down from $256 million to $213 million due to our focus on more cost-effective ways to reach our customers. General and administrative expenses were slight [ph] up from $143 million in 2020 to $153 million in 2021. It's important to note that, we remain highly-focused on SG&A efficiencies and apply linked principles to it.

On investment, we had -- we have a more normalized level in 2021, with a 20% increase in combining both CapEx and R&D. We continue to optimize our capital allocation, including divestitures and program prioritization.

Slide 11, I'd like first to highlight our remarkable cashflow [ph] recovery. Adjusted free cash flow in 2021 was $292 million. This is well above our $100 million or better outlook. More efficient inventory management, better production planning and stronger sales in Executive and Commercial Aviation and the down payments associated with these sales have led to our positive cash flow for the year.

Adjusted net result was a loss of $29 million or $0.24 per ADS. Although negative, net results is trending up, driven primarily by revenue growth, and as our top line grows, our fixed cost leverage and financial leverage will improve, providing additional positive impact on earnings. Furthermore, the company is targeting a positive net results for 2022 onwards.

This next slide show our cash and cash equivalents [ph] position. We ended the year with $2.6 billion cash and cash equivalents. Our total debt at the end of 2020 was $4 billion, with a net debt of $1.4 billion. We reduced $300 million debt in 2021. It's important to highlight that our net debt/EBITDA ratio decreased from to -- 5.6x to 3.5x in 2021. This is a 2.1x decline in just two years. Our average debt to maturity decreased to 3.7 years. We remain focused on generating cash, reduce our debt levels and improve our credit metrics, with our recent bond maturing in 2022/'23, buyback of $289 million. With that, our average debt maturity increased above four years.

I will now guide you through our outlook for 2022 without EVE. We have an increase -- our range of deliveries for 2022 due to the uncertainties that we are seeing in recent events. We are working very closely with our suppliers to overcome the current challenging situation. For Commercial Aviation, we forecast 60 to 70 aircrafts, and for Executive, 100 to 110 jets deliveries. For revenue, we forecast $4.5 billion to $5 billion. For adjusted EBIT margin, 3.5% to 4.5%. For adjusted EBITDA margin 8% to 9%. And for free cash flow, we forecast $50 million or better.

With that, I conclude my presentation and hand it back to Francisco for his final remarks. Thank you very much.

Francisco Gomes Neto {BIO 19328044 <GO>}

Thanks, Antonio. The fourth quarter and year-end results reinforce our confidence in our strategy. Before we do a quick recap, I would like to briefly highlight about our Urban Air Mobility, EVE. The listing at New York Stock Exchange in closing is expected for this second quarter with total investments of about $500 million, which includes SPAC and strategic investors. The anticipated pro forma enterprise value is $2.4 billion. EVE has a strategic support from Embraer with access to infrastructure, extensive aircraft certification and manufacturing experience, and already-established global network of services and support, intellectual property and engineers as major differentiators from other projects.

Finally, we have strategic partners such as SkyWest, Republic Airways, BAE Systems, Rolls Royce, Azorra, Falco and Thales, who know very well our capabilities. I think it is also important to mention that the Russia/Ukraine conflict should not bring supply disruption in the midterm, because we have worked on stocking some strategic items.

Our 2022 guidance shows another positive free cash flow for the full year based on the good momentum of the company with a mix of recovery and growth, keeping our strong focus on the top line and higher profitability.

We hope to deliver net profit in 2022. We also expect that our strategic projects generate free cash flow so they can finance their growth. On liability, we seek the best capital structure with liquidity enhanced.

Finally, our focus are our pillars of growth: efficiency; innovation; and ESG; safety-first, result-oriented culture and one team spirit. Thank you to our great team for their focus and passion on creating disruptive and sustainable technologies and executing our strategic planning. And thank you for your interest and confidence in our company.

Questions And Answers

Operator

(Question And Answer)

Thank you. We will now start the question-and- answer session. (Operator Instructions) Our first question comes from Myles Walton, UBS.

Q - Myles Walton {BIO 6802513 <GO>}

Thanks, good morning. I was hoping on the guidance for 2022 that if you could perhaps give a little bit more color by segment. And in particular, given the margin pressure you had in 2021 in defense, I would have expected the margins to do at the midpoint, be better than 2021. So maybe if you can just give some color there.

A - Antonio Garcia {BIO 21338149 <GO>}

Hello Myles, this is Antonio speaking. Thanks for your question. So basically what we're seeing with regards to guidance for 2021 by the way, we know that you guys maybe don't like too much and we don't like either, but we have effects in our number that's not helping us for 2022, as we would like to see. But basically what we are seeing here is margin by segment. It's starting with Commercial Aviation we closed 2021 with minus 1.7%, and we do see a black zero for 2022 with more volumes but we do have a little bit cost or the pp that we are spending money, and not capitalizing, okay, that's why we do see a black zero here. As active -- we still continue at the higher single digital level for 2022 with those services. Okay.

Defense that's one issue, that's concerned us right now. We closed 2021 with 3.8%, and we are going to serve a little bit in 2022 and we do see a zero in 2022 because our budget were cut especially from the Brazilian government here therefore, we are going to serve for in 2022. That's one of our headwinds we have in our guidance.

Service and support, we do see I'd say constant margin, the level we closed for 2021 14%. If you put all together it's more than our guidance but please take into account, we do have costs on the corporate level, which more or less eaten up 1.5% more or less 1.5% margin with the integration of Commercial Aviation arbitration cost that we are not adjust to you guys. But if you want to make an adjustment in your math, then you are going to see that we are in the range of 6% of the business we have, a part of this extraordinary effects that is going to hit our numbers for 2022.

Q - Myles Walton {BIO 6802513 <GO>}

That's great color, Antonio. Yeah that was good color. So on the one is Embraer costs, are --- I think you implied something like $65 million in '22, does that go too zero in '23 or are we done in '22?

A - Antonio Garcia {BIO 21338149 <GO>}

We cannot comment too much, but I would say we do expect to finish in 2023, and but as always assuming that you cannot tell too much about the arbitration process and that's -- the timeline should the end of in '23, that's our hope. But I would say, let's see.

Q - Myles Walton {BIO 6802513 <GO>}

Okay. Thank you. I'll leave to one question. Thanks again.

A - Antonio Garcia {BIO 21338149 <GO>}

Excellent. Thanks, Myles.

Operator

Our next question comes from Florencia Mayorga, MetLife.

Q - Florencia Mayorga Torres {BIO 20102233 <GO>}

Hi, guys. Congratulation on the results. I have two questions. One is a follow up regarding guidance, and I am more focused on free cash flow. If you can comment on working capital assumption on how you get the ZAR50 million? And the other one is regarding ESG, particularly, if you have any update on MSCI comments a couple of months ago, that's very complex on the name, if you have any answers from the agency or any comment on that. Thank you.

A - Francisco Gomes Neto {BIO 19328044 <GO>}

For Russia, I think Antonio can help you with the guidance. But I'd like you to repeat the question about ESG that I wasn't able to understand. We have a Griner with us here to help, but we need to understand better your question.

A - Antonio Garcia {BIO 21338149 <GO>}

Yes, we got here Francisco. I'm going to answer the question. Florencia with regard to the cash flow, we do see our working capital stable in 2022. And free cash flow guidance is a result of the -- includes the -- we are seeing ZAR50 million or better, because it includes also the thing out of the divestor we are doing in Portugal that should contribute with ZAR150 million for 2022. It's important to mention our outlook does not include any cash inflow from out of this business. Okay. It's just the legacy business we have. Working capital fixed and the divestor is going to help us in the free cash flow. And the MSCI Lowe [ph] is going to answer you.

A - Unidentified Speaker

Hi Florencia. About MSCI, we actually just got a message stating that they have taken -- they have took everything in consideration so, we don't have any flagged items on MSCI. So our ratings should reflect that. So, no more cluster bomb ammunition issues whatsoever.

Q - Florencia Mayorga Torres {BIO 20102233 <GO>}

Okay. Thank you.

A - Antonio Garcia {BIO 21338149 <GO>}

Thanks Lowe.

A - Francisco Gomes Neto {BIO 19328044 <GO>}

Thank you.

Operator

Our next question comes from Josh Milberg, Morgan Stanley.

Q - Josh Milberg {BIO 19336060 <GO>}

Good morning, Francisco and Antonio, and thank you guys very much for the detailed presentation. I also had a follow-up on the guidance and your indication that a breakeven EBIT margin could be a reasonable simple expectation for the commercial division this year and was specifically just hoping that you could comment a little further on the mix, pricing and other key variables, driving that indication.

I think on the Portuguese call today with respect to pricing, you've suggested that you expected to keep pace with inflation for your overall operations. But any additional color there would be great.

A - Francisco Gomes Neto {BIO 19328044 <GO>}

Okay. Let's start with last question, Josh. And then I will ask Antonio to help with the guidance. So regarding the price I mean we have followed very closely the movements of prices and costs, to make sure that we are keeping a healthy situation for our margins. So we will continue with our initiatives to reduce costs internally. We have this COGS reduction project, we have the production, the aircraft production needed time reduction. We'll continue to focus a lot on those initiatives.

And of course, if we see an impact in one of our commodities that are higher or products we buy that are higher and we're able to compensate, then you have to pass on to the price. This is the way we are doing. We are monitoring very closely these movements in price and costs of our -- from our suppliers, and the price to our customers and internal costs as well. Antonio, would you like to clarify something about the guidance please?

A - Antonio Garcia {BIO 21338149 <GO>}

Yes, Josh, good morning. In regards to the mix for the Commercial Aviation, that's important to highlight that we do have more events in 2022 compared with 2021. It's more or less 50% more events, where we do have just 28 more -- we choose means have a different mix which impacts revenue because we have a lower ticket or lower average price for the -- the ones comparatively choose, and also impact a bit the markings.

With regards to the price, the price increase effect, we do have in those platforms something like 2% to 3% I would say normal condition this condition having our contracts for our suppliers and customers. And that's more or less the premises we have, passed through as long are not able to offset.

However, there is a risk within the market with hyperinflation, war impacting commodities and just that we are quantifying right now. At least no risk, but it could change next week or the next 10 days, we don't know. But I would say for the Commercial Aviation, it's more events that bring the revenue a little bit down, and (inaudible) And on top of it when I mentioned the margin, we are investing $50 million for the pre-develop of TP [ph] which is also impacted a margin for 2022.

If you validate the business case you may capitalize it for the time being we are booking as a cost. It's more or less what you do see in the aviation coming to black zero and we hope throughout the year, we are able to improve a bit the margin.

Q - Josh Milberg {BIO 19336060 <GO>}

Okay. Great color Antonio. Thank you, Francisco as well. Have a nice day.

A - Francisco Gomes Neto {BIO 19328044 <GO>}

Thank you. You too Josh.

Operator

Our next question comes from Marcelo Motta, JPMorgan.

Q - Marcelo Motta {BIO 16438725 <GO>}

Hi everyone. Just a follow-up on the guidance for 2022. And just to understand you always talk about, adjusted margin, adjusted EBITDA, EBIT margin. But it seems that this year you guys are commenting about a negative impact of 1.5 percentage points on these adjusted margins coming from reintegration cost, as well as arbitrage cost.

However, I mean I have the impression that every year you guys have been adjusting the margin for that. So maybe the -- I don't know if the guidance is including this 1.5, that is not really comparable to the margins that we were seeing in the previous year? So just want to make sure that they were getting this correct?

A - Antonio Garcia {BIO 21338149 <GO>}

Marcelo we never and I am just two years in the company and I took a look back whenever I just the carve out or carving cost it's more or less what you're talking about, it is including this EBIT margin and the same for the arbitration, it's in there.

If you would -- you want to do a math, without considering that, we will see Embraer in a better margin what you're seeing today, but you are not adjusting this through cost. It is included in our adjusted B&P. Okay?

Q - Marcelo Motta {BIO 16438725 <GO>}

Okay. And do you think it's fair to say that most of those costs will happen during the first quarter?

A - Antonio Garcia {BIO 21338149 <GO>}

No, for the integration yes but for the arbitration cost it will be spread out the whole year more or less exactly.

Q - Marcelo Motta {BIO 16438725 <GO>}

Perfect. Thank you very much.

A - Antonio Garcia {BIO 21338149 <GO>}

Thank you.

Operator

Our next question comes from Matthias Niemeyer, BLUE Bay Asset.

Q - Matthias Niemeyer {BIO 18495350 <GO>}

Hi, thank you. Thank you very much. Just wanted to double check which ties up with your margins, but also the deliveries, given the impact or given the effect that we're seeing on higher commodity prices, how do you think you can handle that again? I presume a fair bit of that is already factored in your expected deliveries, and your margins, which are roughly flat to this year. But if you can comment a little bit more on what do you think the impact could be or how you would handle again higher commodity prices, and also some of the challenges that other manufacturing companies are facing such as semiconductor shortages. Thank you.

A - Francisco Gomes Neto {BIO 19328044 <GO>}

Matthias, thanks for the question. I think Antonio already clarified at this point of cost and price, right? We are monitoring very closely this moment. We have internal programs to offset some price increase but if they the cost increase is above of what we are able to offset, then there's no alternative then to pass it through the price. We have already some escalation established in our contracts, either with suppliers and with customers, that is a kind of protection.

If anything out of this, then we have to discuss how to offset, but we believe we are in a good position for the guidance. And again as Antonio said I mean it's considering the situation right, I mean we believe we might have opportunities, but we prefer to have a commitment with you that we will deliver at the end of the year.

And also, Antonio also mentioned that in case of Commercial Aviation will have this $50 million impact because of initial costs of the turboprop that if we approve the business case by the end of this year, beginning of next year this will be -- will become investments. But at this point of time we are catabolizing as costs.

Operator

Our next question comes from Noah Poponak, Goldman Sachs.

Q - Noah Poponak {BIO 16071528 <GO>}

Hey, good morning, everybody.

A - Francisco Gomes Neto {BIO 19328044 <GO>}

Good morning.

Q - Noah Poponak {BIO 16071528 <GO>}

It was decent quarter year, last year and commercial, seems like there is a lot of replacement potential. Maybe you could just speak to how heavy the campaigning activity is? Maybe where you expect orders to come in Commercial in 2022? And then I guess how sort out, how much visibility do you have for the delivery profile beyond this year?

A - Antonio Garcia {BIO 21338149 <GO>}

Well, I mean for the delivery -- deliveries this year, we are facing some difficulties with the supply chain, but we are working very hard to anticipate the issues, and mitigate those risks, as we did last year. Last year we did a good job, we also faced some issues with the supply chain, but we were able to deliver all the aircraft plants. So same way we are going this year in order to mitigate the issues and to deliver the aircraft.

Regarding sales, I mean we have a lot of our sales campaigns ongoing in Commercial Aviation. And yes, we have to -- we have this potential impact of the war, the oil price increase but also maybe some upside because, maybe the domestic market will be less affected than the long flights and we have the most efficient aircraft in the market. So, maybe this will be an upside for our sales during this year.

Q - Geoffrey Kwan {BIO 7413168 <GO>}

And where do you think the adjusted EBITDA margin can go over time, once you've recovered pre-pandemic commercial volumes?

A - Francisco Gomes Neto {BIO 19328044 <GO>}

No, we do see in our -- in the midterm. The mid to single-digit margin, it's important to mention without services, and if we include services, it'll be much higher and the same we did 1.7 if I would add the services side it would be positive mid-single digits already in 2021. With only aircraft sales we do see midterm, mid-single-digit margin.

A - Antonio Garcia {BIO 21338149 <GO>}

And Noah, just to give you more medium term perspective. In our plan, we have the potential to double the revenue, revenues of the company in five years from now. So we are pushing a lot of these internal programs, to increase efficiency. This year, we have -- we had some growth we could see the levers in the guidance but we are too suffering from the impact of some extraordinary costs.

So again, as soon as we overcome this difficult, short-term difficulty, I think the perspective is very positive for the following years. We're enjoying the growth of our revenues and the growth in the market.

Q - Noah Poponak {BIO 16071528 <GO>}

What kind of total company adjusted EBITDA margin would you expect if you were to achieve that doubling of the revenue?

A - Antonio Garcia {BIO 21338149 <GO>}

Noah, we -- our dream here should be higher single digital margin and also COVID kept across in the mid-term. And EBIT, higher single digit margin that's our dream. And I hope that you're going to see not too far away in our opinion.

Again, if we would accept off this cost that we needed to face here, we would be already in the range of 6%. 2020 on we closed with 4% without using it from Brazil air force it would at above 5% already. That's why we are still face in this I would say impact from the past transaction with this joint venture. A part of it, the business is showing that resilience. I would say close to about 8% in the mid-term that's our plan, that's our dream. And we should see --

Q - Noah Poponak {BIO 16071528 <GO>}

Okay. EBITA or EBITDA number?

A - Antonio Garcia {BIO 21338149 <GO>}

EBIT.

Q - Noah Poponak {BIO 16071528 <GO>}

Okay. Great. Okay. Thank you so much. I appreciate it.

A - Francisco Gomes Neto {BIO 19328044 <GO>}

Welcome.

A - Antonio Garcia {BIO 21338149 <GO>}

Thank you, Noah.

Operator

Thank you. This concludes today's question-and-answer session, and also Embraer's audio conference call for today. Thank you very much for your participation. Have a good day.