

Q3 2021

1. Free cash flow dynamics

- **Narrative:** Management has addressed the dynamics of free cash flow with a focus on cash containment and the impact of working capital phasing. They highlighted expectations for these phasing effects to be neutralized by the end of the fiscal year, with a specific emphasis on the influence of the single-aisle ramp-up.

- **Management's Guidance:**

- Management anticipates that the positive phasing impact observed in working capital over the first nine months of 2021 will be partially neutralized in the fourth quarter. Additionally, they expect the ramp-up of single-aisle production to affect the free cash flow, projecting a total free cash flow of approximately €4.2 billion by the end of the year.

- **Actual Results:**

['Q4', '2022']:

- Our free cash flow before M&A and customer financing stood at €4.7 billion, supported by a favorable foreign exchange rate environment and a strong positive phasing impact from working capital.

['Q3', '2021']:

- Free Cash Flow reported was €2.3 billion for the nine months ending in September 2021.

['Q1', '2022']:

- In Q1 2022, the free cash flow before M&A and customer financing was reported as €0.2 billion, reflecting the level of deliveries, competitiveness, and impact of cost containment. This was partially offset by an increase in working capital mainly driven by inventory increases.

['Q4', '2021']:

- For Q4 2021, Airbus reported a free cash flow before M&A and customer financing of €3.5 billion, which indicates a deviation from the management's guidance of approximately €4.2 billion. The working capital impact was not specified in detail in the available data, but the reported free cash flow suggests that some expected phasing effects might not have been fully neutralized or the impact of the single-aisle production ramp-up was more significant than anticipated.

- **Evaluation:**

- **Expectations Not Met: Management projected a free cash flow of approximately €4.2 billion by the end of 2021, but the actual result was €3.5 billion, indicating that the expected phasing effects were not fully neutralized or the single-aisle ramp-up had a greater impact than anticipated.**

2. Earnings guidance and projections

- **Narrative:** During the third quarter of 2021, management at Airbus provided a comprehensive update on the company's financial performance and strategic outlook. They highlighted a strong trajectory in achieving their delivery targets for the year, with a particular focus on maintaining robust commercial aircraft production. The management underscored their commitment to achieving an adjusted EBIT of €4.5 billion and a free cash flow of €2.5 billion before mergers and acquisitions and customer financing. Additionally, they emphasized maintaining capital expenditure levels and expressed confidence in the demand for the A320 family, suggesting possible production rate increases in the future.

- **Management's Guidance:**

- Airbus raised its 2021 guidance for EBIT adjusted and free cash flow before M&A and customer financing following strong nine-month financial performance. Management confirmed they are on track to meet the 2021 delivery guidance of around 600 commercial aircraft. For the full year 2021, the company expects an average hedge rate of \$1.21. Capital expenditures for 2021 are projected to be around €2 billion cash out. The company plans to deliver the majority of their aircraft by year-end, maintaining the guidance of 600 planes. Airbus is not altering its margin target and aims to deliver the same EBIT margin as seen in 2019 when back to pre-pandemic production rates. The updated 2021 guidance targets around 600 commercial aircraft deliveries, adjusted EBIT of €4.5 billion, and free cash flow before M&A and customer financing of €2.5 billion. Due to strong demand, particularly for the A320, the company is considering increasing production rates beyond 65, with potential targets of 70 to 75 in the future.

- **Actual Results:**

['Q1', '2022']:

- Data Not Available

['Q4', '2022']:

- Data Not Available

['Q3', '2021']:

- Data Not Available

['Q4', '2021']:

- In Q4 2021, Airbus reported an adjusted EBIT of €4.9 billion, exceeding the target of €4.5 billion. Airbus also delivered 611 commercial aircraft, surpassing the guidance of 600 aircraft deliveries. The average hedge rate was achieved at \$1.21, aligning with the guidance.

- **Evaluation:**

- **Expectations Exceeded:** Airbus exceeded its targets for 2021 by reporting an adjusted EBIT of €4.9 billion, surpassing the goal of €4.5 billion, and delivering 611 commercial aircraft against the guidance of 600, while also achieving the projected average hedge rate of \$1.21.

3. New aircraft models

- **Narrative:** Management highlighted the ongoing efforts to modernize the A320 family. This modernization is a key strategic focus, demonstrating the company's commitment to enhancing its product offerings and maintaining competitiveness in the market.

- **Management's Guidance:**

- Management anticipates that the modernization of the A320 family will be completed and fully operational by the end of 2022.

- **Actual Results:**

['Q4', '2022']:

- Data Not Available

['Q3', '2021']:

- Data Not Available

['Q4', '2021']:

- Data Not Available

['Q1', '2022']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

4. R&D investment priorities

- **Narrative:** Management discussed a strategic shift in R&D investment priorities, indicating a temporary reduction in expenses for the current fiscal year, with plans to increase investment in the subsequent year. This reflects a strategic decision to defer certain costs, aligning future R&D activities with anticipated market and innovation demands.

- Management's Guidance:

- Management expects research and development expenses for the full year of 2021 to be slightly lower than in 2020. Additionally, certain expenses originally planned for 2021 will be deferred to 2022, with a ramp-up in R&D investment anticipated next year.

- Actual Results:

['Q1', '2022']:

- R&D Expenses for Q1 2022 were reported as 53 million, with a change in R&D Expenses of 12.8% from the previous year. Additionally, R&D Expenses as a percentage of Revenues for Q1 2022 were 2%.

['Q4', '2022']:

- Our R&D expenses, which stood at €3.1 billion in 2022 versus €2.7 billion in 2021.

['Q3', '2021']:

- On research and development, our expenses in the first 9 months decreased by 6% year-on-year.

['Q4', '2021']:

- R&D Expenses for FY 2021 were reported as €249 million, compared to €225 million in FY 2020.

- Evaluation:

- **Expectations Met:** Management's guidance to reduce R&D expenses in 2021 compared to 2020 was achieved, as evidenced by a decrease in expenses by 6% for the first nine months of 2021. The planned ramp-up in R&D investment materialized in 2022, with expenses rising to €3.1 billion from €2.7 billion in 2021, aligning with management's expectations.

5. Hydrogen-powered aircraft development

- **Narrative:** Management has emphasized the ongoing commitment to hydrogen-powered aircraft development, highlighting several years of dedicated research and development efforts. This strategic focus underlines Airbus's ambition to be at the forefront of sustainable aviation technology.

- Management's Guidance:

- Management is planning to unveil a first prototype in 2023, which is a critical milestone towards achieving certification by 2025.

- Actual Results:

['Q1', '2022']:

- Data Not Available

['Q4', '2022']:

- Data Not Available

['Q3', '2021']:

- Data Not Available

['Q4', '2021']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

6. Production rate adjustments

- **Narrative:** During the Q3 2021 earnings call, Airbus management provided a detailed outlook on their production rate adjustments, emphasizing a gradual increase in manufacturing output in the coming years. This reflects their strategic focus on scaling operations to meet anticipated demand and align with long-term growth objectives. The discussion highlighted a commitment to ramping up production rates across various aircraft models, signaling confidence in market recovery and demand sustainability.

- Management's Guidance:

- Airbus plans to increase the current production rate of 5 aircraft per month to around 6 per month by early 2022, with a long-term goal to achieve a monthly production rate of 14 by the middle of the decade. The company is on a trajectory to reach a production rate of 65 by summer 2023. They expect to increase the A330 production rate from approximately 2 to nearly 3 aircraft per month by the end of the following year. Airbus anticipates increasing the A350 production rate from around 5 per month currently to about 6 in early 2023.

- Actual Results:

['Q1', '2022']:

- 51a0e0f5f2ca2f76432a3dc137d86afc --> 142 (1) commercial aircraft delivered in Q1 2022

['Q4', '2022']:

- Guillaume Faury reported that Airbus increased their monthly production rate to around 3% at the end of 2022, as per their plan.

['Q3', '2021']:

- Data Not Available

['Q4', '2021']:

- Data Not Available

- Evaluation:

- **Expectations Not Met:** Airbus management planned to increase production rates significantly; however, by the end of 2022, they only achieved a modest 3% monthly production rate increase, which fell short of their stated goals for that period.

7. Supply chain enhancements

- **Narrative:** Management is confident in addressing current supply chain issues and anticipates resolving these challenges in the near term. The focus is on improving operational efficiency to ensure a steady flow of supplies and resources.

- Management's Guidance:

- Management expressed optimism that the existing supply chain issues will be managed and resolved within the next month.

- **Actual Results:**

['Q4', '2021']:

- Data Not Available

['Q1', '2022']:

- Data Not Available

['Q4', '2022']:

- Data Not Available

['Q3', '2021']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

8. Global market penetration

- **Narrative:** Management emphasized their commitment to strengthening Airbus's global market presence. They discussed strategies to enhance market share, focusing on strategic partnerships and expanding their product offerings to cater to diverse market needs.

- **Management's Guidance:**

- Management anticipates achieving a market penetration rate similar to their 2020 performance throughout 2021.

- **Actual Results:**

['Q1', '2022']:

- Data Not Available

['Q4', '2022']:

- Data Not Available

['Q3', '2021']:

- Data Not Available

['Q4', '2021']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

9. Air traffic recovery trends

- **Narrative:** Management has expressed a positive outlook on the air traffic recovery, indicating a phased recovery pattern with domestic and regional markets at the forefront. This suggests a strategic emphasis on these segments to capitalize on the anticipated growth.

- **Management's Guidance:**

- Management continues to expect the market to recover between 2023 and 2025, with domestic and regional markets clearly leading the recovery.

- **Actual Results:**

['Q1', '2022']:

- In China, domestic air travel has essentially deteriorated sharply and is currently around 20% to 30% of its pre COVID level in flight numbers.

['Q4', '2022']:

- Data Not Available

['Q3', '2021']:

- Guillaume Faury [Domestic travel is at 70% of its pre-crisis level.]

['Q4', '2021']:

- Data Not Available

- **Evaluation:**

- **Expectations Not Met:** Management anticipated a phased recovery in domestic and regional markets leading the way by 2023-2025, but actual results showed that domestic air travel in China deteriorated sharply by Q1 2022 to 20%-30% of pre-COVID levels, indicating a slower recovery than expected.