

Q4 2021

1. Free cash flow dynamics

- **Narrative:** Management provided insights into the expected challenges affecting free cash flow dynamics, with a specific focus on cash conversion impacts. They highlighted factors that would influence the transition from EBIT adjusted figures to free cash flow, indicating a strategic awareness of financial headwinds.

- **Management's Guidance:**

- Management anticipates a headwind in cash conversion calculation amounting to approximately half a billion euros for the year 2022. This is a key factor contributing to the reduction from €5.5 billion in EBIT adjusted to €3.5 billion in free cash flow.

- **Actual Results:**

['Q2', '2023']:

- FCF before M&A and Customer Financing was €2,463 million in Q2 2023.

['Q4', '2022']:

- Free cash flow reported was plus €4.3 billion. Our free cash flow before M&A and customer financing stood at €4.7 billion, supported by a favorable foreign exchange rate environment as well as a strong positive phasing impact from working capital.

['Q1', '2022']:

- In Q1 2022, Airbus reported a free cash flow before M&A and customer financing of €0.2 billion.

['Q4', '2021']:

- For the full-year 2021, the free cash flow before M&A and customer financing was reported as €3.5 billion, consistent with management's guidance of targeting €3.5 billion.

- **Evaluation:**

- **Expectations Exceeded:** Despite anticipating a headwind in cash conversion impacting free cash flow, Airbus reported €4.7 billion in free cash flow before M&A and customer financing for 2022, surpassing the expected €3.5 billion, aided by favorable forex and strong working capital phasing.

2. Profitability trends

- **Narrative:** Management expressed optimism about gradually improving their profit margins over a five-year planning horizon. This strategic approach indicates a focus on consistent growth and efficiency improvements to enhance overall profitability.

- **Management's Guidance:**

- Management anticipates opportunities to incrementally increase margins over the next five years.

- **Actual Results:**

['Q1', '2022']:

- Data Not Available

['Q2', '2023']:

- Data Not Available

['Q4', '2022']:

- Data Not Available

['Q4', '2021']:

- EBIT Adjusted Q4 2021: 1,496; Q4 2020: 1,831

- **Evaluation:**

- Insufficient Info: Data not available.

3. Earnings guidance and projections

- **Narrative:** Management has outlined a clear strategy for 2022, focusing on significant growth and financial stability. They are aiming for substantial commercial aircraft deliveries and robust financial performance, while also preparing for long-term strategic decisions. The company is set to resume activities with an eye on accelerating growth, reintroducing dividend payments, and maintaining strong capital expenditure management.

- **Management's Guidance:**

- Management targets to achieve around 720 commercial aircraft deliveries in 2022. The expected EBIT adjusted for 2022 is set at €5.5 billion. The company aims for a free cash flow before M&A and customer financing of €3.5 billion in 2022. CapEx is anticipated to be around minus €2.4 billion in 2022. Dividend payments are expected to be reintroduced, amounting to €1.5 per share for 2021. Guidance indicates mid-double digit potential in terms of deliveries over the next two to three years. Freighters are expected to enter service in 2025, following the current investment phase. There is a strategic timeline to conclude decisions for the years 2024 and 2025 by mid-2022.

- **Actual Results:**

['Q1', '2022']:

- Data Not Available

['Q4', '2022']:

- Dominik Asam stated that "we now exceeded the initial guidance by €1.2 billion."

['Q2', '2023']:

- Data Not Available

['Q4', '2021']:

- Dominik Asam reported that the EBIT adjusted in 2021 was €4.9 billion, which is below the original management guidance of €5.5 billion for 2022. Guillaume Faury mentioned that the actual commercial aircraft deliveries were 611, which is below the target of 720 units for 2022.

- **Evaluation:**

- **Expectations Exceeded:** The actual results showed that Airbus exceeded its initial EBIT guidance by €1.2 billion, surpassing the target of €5.5 billion, indicating that the financial performance expectations were exceeded.

4. New aircraft models

- **Narrative:** Management highlighted their commitment to advancing product development with a focus on the A321XLR. The aircraft has entered the final assembly line and is set to begin flight testing and type certification within the year. This is part of a broader strategy to introduce this new model into service by 2023, with expectations of significant contributions to the company's growth in the subsequent years.

- **Management's Guidance:**

- Management anticipates commencing the flight testing and type certification program for the A321XLR this year, with service production and entry into service planned for 2023. They foresee the benefits of this introduction starting to materialize in the 2024-2025 timeframe.

- Actual Results:

['Q4', '2022']:

- Data Not Available

['Q2', '2023']:

- Data Not Available

['Q4', '2021']:

- Guillaume Faury On the A321XLR, the first of the development aircraft to enter the FAL in Hamburg in November.

['Q1', '2022']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

5. R&D investment priorities

- **Narrative:** Management has emphasized a significant increase in R&D investments, indicating a strategic focus on enhancing innovation capabilities. This includes stepping up the Digital Design Manufacturing and Services (DDMS) initiative which is perceived as a critical area of expenditure over the next few years.

- Management's Guidance:

- The R&D expenses are expected to increase to around €2.9 billion in 2022. The DDMS project is set to receive heightened investment, marking the highest expenditure rates expected in 2023 and 2024. An overall increase in R&D efforts is projected, with an increment of a couple of hundred million euros, aiming to reach €2.9 billion. The management anticipates a shift towards collecting improved Product Development Programs (PDPs), potentially turning these efforts into neutral or slightly positive outcomes.

- Actual Results:

['Q1', '2022']:

- R&D Expenses for Q1 2022 were reported as €53 million, an increase from €47 million in Q1 2021, representing a change in R&D Expenses of 12.8%. R&D Expenses as a percentage of Revenues for Q1 2022 were 2%, compared to 2.2% in Q1 2021.

['Q4', '2022']:

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

['Q2', '2023']:

- f8ffc500776f3fb7de78dbc8955c1239 --> Capitalised R&D: € 62 m in H1 2023 and € 66 m in H1 2022

- a7fc0fe5032f73b6cd8adde8399c5114 --> Capitalised R&D: € 163 m in H1 2023 and € 103 m in H1 2022

- 571d1e87f24d403e5d88c9980a79f094 --> [R&D Expenses 1,196]

- 571d1e87f24d403e5d88c9980a79f094 --> [R&D Expenses 1,020]

- 509e119de7c27fe43a31e219b2901d6c --> Capitalised R&D: € 163 m in H1 2023 and € 103 m in H1 2022

['Q4', '2021']:

- R&D Expenses for FY 2021: €249 million, FY 2020: €225 million

- Evaluation:

- **Expectations Exceeded:** The management's guidance for R&D expenses was to reach around €2.9 billion in 2022, but the actual R&D expenses surpassed this expectation, reaching €3.1 billion, indicating a higher than anticipated investment in innovation.

6. Production rate adjustments

- **Narrative:** Management has been focusing on enhancing operational efficiency and improving supply chain management through strategic production rate adjustments. They have been actively increasing production rates for various aircraft models to meet growing demand and ensure a robust supply chain. This involves securing necessary resources and providing greater visibility to suppliers, which is crucial for maintaining the ramp-up trajectory.

- Management's Guidance:

- Management has provided additional visibility to suppliers, securing the production rate for the A320 family up to summer 2023. They are on track to achieve a production rate of 65 by summer 2023. They expect to increase the A350 production rate from around five per month to around six in early 2023.

- Actual Results:

['Q1', '2022']:

- Data Not Available

['Q4', '2022']:

- Data Not Available

['Q2', '2023']:

- Data Not Available

['Q4', '2021']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

7. Strategic alliances

- **Narrative:** Management highlighted the strategic launch of Airbus Atlantic, a new wholly-owned subsidiary in France, and an agreement with social partners in Germany to establish a fully integrated aerostructure assembly company. This move is aimed at strengthening the company's operational capabilities in Europe.

- Management's Guidance:

- The new subsidiary and the integrated assembly company in Germany are expected to become operational by July 1, 2022, enhancing Airbus's production and strategic footprint in the region.

- Actual Results:

['Q2', '2023']:

- Data Not Available

['Q4', '2021']:

- Guillaume Faury [We launched, there was a launch of our new wholly owned subsidiary Airbus Atlantic in France and the agreement with our social partners in

Germany to establish a fully integrated similar aerostructure assembly st company, which will be operational on the first of July this year, 1 of July 2022.]

['Q1', '2022']:

- Data Not Available

['Q4', '2022']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

8. Emission reduction strategies

- Narrative: Airbus management has emphasized the critical role of decarbonization in their sustainability strategy. The company is deeply committed to leading the aviation industry's efforts toward achieving net-zero emissions by 2050. This commitment aligns with the broader industry goals and reflects a renewed focus on sustainable practices within their operations and product development.

- Management's Guidance:

- Management has articulated the importance of decarbonizing air travel as a central component of their strategy and highlighted the industry's collective commitment to reaching net-zero emissions by 2050.

- Actual Results:

['Q2', '2023']:

- Data Not Available

['Q4', '2021']:

- Data Not Available

['Q1', '2022']:

- Data Not Available

['Q4', '2022']:

- Last year, we defined near-term reduction targets for Scope 1, Scope 2, and Scope 3 emissions. I'm happy to announce that our targets have now been approved by the SBTi, the Science Based Targets initiative.

- Evaluation:

- Insufficient Info: Data not available.

9. Air traffic recovery trends

- Narrative: In the fourth quarter of 2021, management emphasized their outlook on air traffic recovery trends, indicating that they anticipate a gradual recovery of the market. They highlighted that domestic and regional markets are expected to spearhead this recovery process. This narrative aligns with their strategic focus on adapting to the current market challenges and planning for a phased recovery in air travel demand.

- Management's Guidance:

- Management stated that they expect the market to recover between 2023 and 2025, with domestic and regional markets playing a leading role in this recovery trajectory.

- Actual Results:

['Q1', '2022']:

- Data Not Available

['Q4', '2022']:

- Data Not Available

['Q2', '2023']:

- Data Not Available

['Q4', '2021']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.