

Q1 2021

1. Free cash flow dynamics

- **Narrative:** During the Q1 2021 earnings call, management indicated a conservative outlook regarding the company's free cash flow for the initial quarter. They conveyed a cautious stance, suggesting that despite operational efforts, a significant positive free cash flow was not anticipated.

- **Management's Guidance:**

- Management communicated that they are not expecting a very strong positive free cash flow for Q1.

- **Actual Results:**

['Q3', '2021']:

- FCF before M&A and Customer Financing for Q3 2021: €209 million

['Q1', '2022']:

- Free cash flow before M&A and customer financing was reported as €0.2 billion for Q1 2022.

['Q4', '2021']:

- In Q4 2021, the Free Cash Flow before M&A and Customer Financing was reported as €3.5 billion.

['Q1', '2021']:

- Free Cash Flow before M&A and Customer Financing in Q1 2021 was reported at €1.2 billion, indicating a significant positive performance contrary to the conservative outlook initially suggested by management.

- **Evaluation:**

- **Expectations Exceeded:** Management had a conservative outlook for free cash flow in Q1 2021, not expecting a strong positive result; however, the actual free cash flow was reported at €1.2 billion, significantly exceeding these expectations.

2. Earnings guidance and projections

- **Narrative:** Management has articulated a cautious yet strategic approach for 2021, focusing on maintaining stability amidst a challenging business environment. They aim to sustain cost savings to bolster earnings and cash flow growth beyond 2021. The company maintains its guidance from earlier in the year, despite the complexities in the market.

- **Management's Guidance:**

- 1. Airbus aims to sustain their 2021 guidance, which includes achieving the same number of commercial aircraft deliveries as in 2020, an EBIT adjusted of €2 billion, and breakeven free cash flow before M&A and customer financing. 2. The company plans a modest ramp-up of single-aisle aircraft production in Q3 and Q4 of 2021, which is a significant strategic focus. 3. For the full year 2021, Airbus expects an average hedge rate of \$1.21, slightly higher compared to \$1.19 in 2020. 4. Capital expenditures for 2021 are expected to remain at similar levels to those in 2020. 5. Management foresees a significant negative impact from the overall balance throughout 2021.

- **Actual Results:**

['Q1', '2022']:

- Data Not Available

['Q1', '2021']:

- Dominik Asam: "Our Q1 earnings per share adjusted stands at €0.58 per share based on an average of 784 million shares." The resulting net income is €0.4 billion, with earnings per share reported at €0.46.

['Q3', '2021']:

- Data Not Available

['Q4', '2021']:

- In Q4 FY21, Airbus reported an EBIT adjusted of €4.9 billion, significantly exceeding the guidance of €2 billion. The company delivered 611 commercial aircraft, surpassing the target of maintaining the same number of deliveries as in 2020. The average hedge rate for 2021 was reported at \$1.20, which is slightly better than the guidance of \$1.21.

- **Evaluation:**

- **Expectations Exceeded:** Airbus significantly exceeded its 2021 guidance by achieving an EBIT adjusted of €4.9 billion against a target of €2 billion, delivering 611 commercial aircraft surpassing the previous year's number, and achieving a better-than-expected hedge rate of \$1.20.

3. R&D investment priorities

- **Narrative:** During Q1 2021, management articulated that the R&D investment priorities will remain consistent, with the overall expenditure for the full year expected to mirror that of 2020. This indicates a strategic focus on maintaining a steady level of investment in research and development activities.

- **Management's Guidance:**

- Management stated that the full-year 2021 R&D expenses are anticipated to be on par with 2020 levels, suggesting a stable investment approach. They also noted that the spending in Q1 was under proportionate compared to the annual plan, implying an increase in spending in subsequent quarters to meet the annual target.

- **Actual Results:**

['Q1', '2022']:

- R&D Expenses for Q1 2022: 53 million

['Q1', '2021']:

- Dominik Asam: "Our research and development expenses decreased by 6% year-on-year." R&D Expenses Q1 2021: €47 million, Q1 2020: €51 million, Change: -7.8%

['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: €249 million, FY 2020: €225 million

- **Evaluation:**

- **Expectations Met:** Management anticipated R&D expenditures for 2021 to be consistent with 2020 levels, and the actual expenses for FY 2021 were €249 million compared to €225 million in 2020, aligning with their guidance for stable investment.

4. Production rate adjustments

- **Narrative:** In the Q1 2021 earnings call, Airbus management highlighted their focus on adjusting production rates, particularly for the A320 family. They emphasized a strategic plan to gradually increase production rates in the latter half of the year, aligning with their long-term operational goals. Management also shed light on efforts to bolster the Airbus industrial system by establishing new aerostructure entities in Europe. This initiative is aimed at preparing the company for future production demands while optimizing current lower production rates to streamline operations and reduce inventory levels.

- **Management's Guidance:**

- Management plans to gradually increase the A320 production rate to 43 aircraft per month in Q3 and 45 aircraft per month in Q4 of 2021, with a continued ramp-up anticipated into 2022. They are preparing the Airbus industrial system for future demands by incorporating aerostructure assembly into the core production system and creating three new aerostructure entities in Europe. The company aims to maintain production levels similar to the previous year, with an emphasis on reducing inventory.

- **Actual Results:**

['Q1', '2022']:

- Data Not Available

['Q1', '2021']:

- Data Not Available

['Q3', '2021']:

- Data Not Available

['Q4', '2021']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

5. Air traffic recovery trends

- **Narrative:** Management discussed the anticipated recovery trajectory of the air traffic market, highlighting the expected timeline and the segments likely to lead the resurgence. The focus was on the recovery potential and the strategic positioning necessary to capitalize on the expected market dynamics.

- **Management's Guidance:**

- Management continues to expect the market to recover, with a full recovery anticipated between 2023 and 2025, led by domestic and regional markets.

- **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.

['Q1', '2021']:

- 125 commercial aircraft delivered in a market environment that remains uncertain

['Q3', '2021']:

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

['Q4', '2021']:

- Data Not Available

- **Evaluation:**

- **Expectations Not Met: The anticipated recovery trajectory between 2023 and 2025 was not on track, as actual results indicated a significant deterioration in domestic air travel in China and uncertainty in the market environment by Q1 2022, contrary to management's expectation of recovery led by domestic and regional markets.**