

Q4 2020

1. Free cash flow dynamics

- **Narrative:** Management has provided a comprehensive overview of the company's free cash flow dynamics, highlighting strategic financial management in the context of an evolving market environment. Emphasis was placed on maintaining robust cash flow before mergers and acquisitions (M&A) and customer financing, while also preparing for potential cash outflows due to market conditions. The company is proactively planning to utilize external financing avenues, including support from export credit agencies, to manage expected cash consumption.

- **Management's Guidance:**

- The company anticipates its free cash flow before M&A and customer financing to be at least €2 billion in 2021. Management foresees a low level of customer financing as potentially unsustainable in the current market environment and plans to address this through external financing with export credit agency support. The expectation is set for a cash outflow in the mid-triple-digit millions over the next couple of years, with a tapering effect anticipated in the subsequent years.

- **Actual Results:**

['Q3', '2021']:

- In Q3 2021, the Free Cash Flow before M&A and Customer Financing was reported at €209 million.

['Q4', '2021']:

- FCF before M&A and Customer Financing was €3.5 billion in 2021.

['Q1', '2021']:

- In Q1 2021, Airbus reported a free cash flow before M&A and customer financing of €1.2 billion, exceeding the management's guidance for the period. This positive performance was attributed to a strong phasing impact from working capital.

['Q4', '2020']:

- In Q4 2020, Airbus reported a positive free cash flow before M&A and customer financing of €4.9 billion.

- **Evaluation:**

- **Expectations Exceeded:** The management anticipated a free cash flow of at least €2 billion before M&A and customer financing in 2021, but the actual result was €3.5 billion, surpassing the expected target significantly.

2. Profitability trends

- **Narrative:** During the Q4 2020 earnings call, Airbus management highlighted their focus on achieving sustainable profitability amidst the challenges of the aerospace sector. A significant part of their strategy involves tapping into cost efficiencies and operational optimizations that were temporarily achieved in 2020.

- **Management's Guidance:**

- Management indicated that while they achieved a mid-triple-digit million number in non-sustainable savings in 2020, the focus will be on converting some of these short-term savings into long-term profitability improvements. They are utilizing these insights to navigate the uncertainties and maintain a competitive edge in the market as they move forward.

- **Actual Results:**

['Q3', '2021']:

- EBIT Adjusted for Q3 2021: €666 million; EBIT for Q3 2021: €710 million; Net Income for Q3 2021: €404 million

['Q4', '2021']:

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

['Q4', '2020']:

- Data Not Available

['Q1', '2021']:

- Data Not Available

- **Evaluation:**

- **Expectations Met:** Airbus management aimed to convert temporary cost efficiencies into sustainable profitability, and the EBIT Adjusted for Q3 and Q4 2021 indicates alignment with these goals despite a year-on-year decrease in Q4.

3. Earnings guidance and projections

- **Narrative:** Management has outlined a cautiously optimistic outlook for 2021, with a focus on maintaining stability in aircraft deliveries and financial performance amidst ongoing challenges. The company is targeting to achieve at least the same level of commercial aircraft deliveries as in 2020. Additionally, Airbus aims to achieve an EBIT adjusted of €2 billion and breakeven free cash flow before M&A and customer financing. Management has also highlighted plans to maintain a strong liquidity position to navigate the current crisis and position the company for future growth when the situation improves.

- **Management's Guidance:**

- The company targets to at least achieve the same number of commercial aircraft deliveries in 2021 as in 2020. Airbus expects EBIT adjusted of €2 billion and breakeven free cash flow before M&A and customer financing in 2021. CapEx for 2021 is expected to be at a similar level compared to 2020. The ramp-up of the A220 is deferred, requiring a low triple-digit million increment, with full year cost reduction benefits expected in 2022. Management anticipates a slower improvement in unit margin, impacting breakeven targets. Airbus plans to maintain a strong liquidity position to support growth post-crisis.

- **Actual Results:**

['Q1', '2021']:

- Data Not Available

['Q3', '2021']:

- Data Not Available

['Q4', '2021']:

- In 2021, Airbus reported an EBIT adjusted of €4.9 billion, significantly exceeding the original guidance of €2 billion. Additionally, they achieved 611 commercial aircraft deliveries, surpassing the target set for 2020. The company's fiscal year earnings per share adjusted stood at €4.33 per share.

['Q4', '2020']:

- Data Not Available

- **Evaluation:**

- **Expectations Exceeded:** Airbus significantly exceeded its 2021 financial guidance by achieving an EBIT adjusted of €4.9 billion against the original target of €2 billion and surpassing the commercial aircraft delivery target set for 2020 with 611 deliveries.

4. New aircraft models

- **Narrative:** Management highlighted their focus on advancing new aircraft models, with a specific emphasis on the strategic development of next-generation fighter jets and remote carrier aircraft. The company is actively working to progress these projects into the preliminary demonstrator development phase in the upcoming year.

- **Management's Guidance:**

- The goal for 2021 is for the Future Combat Air System (FCAS) to enter the preliminary demonstrator development phase for the next-generation fighter and the remote carrier aircraft.

- **Actual Results:**

['Q1', '2021']:

- Data Not Available

['Q3', '2021']:

- Data Not Available

['Q4', '2021']:

- Data Not Available

['Q4', '2020']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

5. R&D investment priorities

- **Narrative:** Management emphasized the importance of maintaining and increasing R&D investment as a strategic priority to protect and enhance Airbus's competitive position in the aerospace sector. The focus is on sustaining current levels of R&D investment in the short term, with a planned increase in the following year to bolster innovation and product development capabilities.

- **Management's Guidance:**

- Management plans to increase R&D spending by 10% in 2022. They also aim to maintain R&D at a similar level in 2021 to protect competitive positioning going forward.

- **Actual Results:**

['Q1', '2021']:

- Dominik Asam: "Our research and development expenses decreased by 6% year-on-year."

['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

['Q4', '2020']:

- Dominik Asam stated, "Our 2020 R&D decreased by €0.5 billion and stands at €2.9 billion."

- **Evaluation:**

- **Expectations Not Met: Management aimed to maintain R&D levels in 2021 and increase spending by 10% in 2022, but actual results showed a 6% decrease in R&D expenses year-on-year for 2021, indicating that expectations were not met.**

6. Production rate adjustments

- **Narrative:** During the Q4 2020 earnings call, Airbus management discussed their strategic approach toward adjusting production rates in response to market conditions. They outlined a cautious yet deliberate plan for scaling production, particularly for their A320 and A220 aircraft lines. The strategy includes a gradual increase in output, reflecting a measured response to demand forecasts and potential supply chain constraints.

- **Management's Guidance:**

- Airbus plans to increase the A320 production rate from 40 aircraft per month to 43 in the third quarter and 45 in the fourth quarter of 2021, indicating a slower ramp-up than the previously anticipated target of 47 aircraft per month from July. The production rate for the A220 is set to increase from 4 to 5 aircraft per month by the end of the first quarter of 2021. Management also noted that maintaining low production rates for the wide-body A350 and A330 aircraft is anticipated, given the prolonged recovery expected in this market segment. They emphasized the importance of identifying and addressing potential bottlenecks in the production ramp-up process.

- **Actual Results:**

['Q1', '2021']:

- In Q1 2021, Airbus delivered 9 A220 aircraft and 105 A320 aircraft, which includes 46 A321 models. This aligns with the management's guidance of a gradual increase in production rates for these models.

['Q3', '2021']:

- In Q3 2021, Airbus delivered 341 A320 Family aircraft, surpassing the management's guidance of increasing the A320 production rate to 43 aircraft per month. However, management commentary indicated that monthly deliveries were below the production rates, with specific mention of 40 units in August and September.

['Q4', '2021']:

- Data Not Available

['Q4', '2020']:

- Data Not Available

- **Evaluation:**

- **Expectations Met:** Airbus's production adjustments for the A320 and A220 aligned with management's guidance, as deliveries in Q1 2021 matched expectations, and the overall gradual increase in production rates was achieved throughout the year.

7. Competitive landscape overview

- **Narrative:** Management emphasized a cautious approach regarding order forecasts for 2021 and 2022, attributing this to current market uncertainties. They highlighted the strength of their existing backlog as a strategic advantage in navigating the competitive landscape.

- **Management's Guidance:**

- Management does not anticipate betting on new orders for 2021 and 2022 due to perceived risks, and instead, aims to leverage their strong backlog to maintain

market position.

- **Actual Results:**

['Q3', '2021']:

- Data Not Available

['Q4', '2021']:

- Data Not Available

['Q4', '2020']:

- Data Not Available

['Q1', '2021']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

8. Emission reduction strategies

- **Narrative:** Management has articulated a clear commitment to reducing carbon emissions, aligning with broader sustainability goals. The company is actively pursuing measures to achieve significant reductions in CO2 emissions as part of its long-term decarbonization strategy.

- **Management's Guidance:**

- Management is targeting a 15% reduction in CO2 emissions by the end of 2025.

- **Actual Results:**

['Q1', '2021']:

- Data Not Available

['Q3', '2021']:

- Data Not Available

['Q4', '2021']:

- Data Not Available

['Q4', '2020']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

9. Air traffic recovery trends

- **Narrative:** During the Q4 2020 earnings call, Airbus management discussed the anticipated recovery in air traffic trends. They highlighted that while current demand remains subdued, there are expectations for a gradual increase in air traffic demand, projected to gain momentum in the years 2023 and 2024. This outlook is predicated on the assumption of a progressive easing of travel restrictions and a rebound in passenger confidence.

- **Management's Guidance:**

- Management indicated that there is potential for increasing demand, which they expect to materialize more significantly in 2023 and 2024.

- **Actual Results:**

['Q1', '2021']:

- Data Not Available

['Q3', '2021']:

- Data Not Available

['Q4', '2021']:

- Data Not Available

['Q4', '2020']:

- Overall passenger air traffic, measured in RTK, declined by 66% in 2020 versus 2019, according to IATA.

- **Evaluation:**

- Insufficient Info: Data not available.