



# AIRBUS

## presentation

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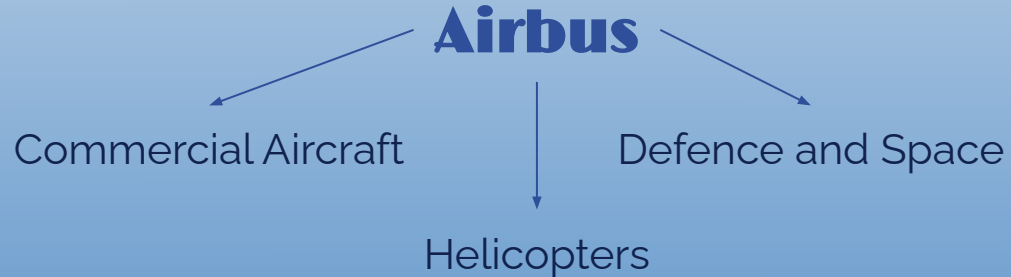
# 01 Company Overview

# Company Overview

## Key facts:

- Multinational aerospace corporation
- Headquarters - Netherlands
- Production - UK, Germany, France, and Spain

## Corporate structure:



Sources: Wikipedia (2022), Airbus (2022)

# Financial Figures

## Net Profit

- €4.2bn in 2021 (Jolly, 2022)
- rise in sales of commercial aircraft
- higher earnings in defence and helicopter divisions

## Revenue

- rise 4 per cent to €52.1bn (Jolly, 2022)
- reflect a higher number of commercial aircraft deliveries.



## Dividend

- a dividend of €1.50 a share (Jolly, 2022)
- restarts dividend after sharply higher profits after 2 years

## Delivery Forecast

- dispatch 720 commercial aircrafts in 2022 (Bugault, 2022)
- the first for the A350 freighter



# 02 Cost of Capital

# Capital Structure

## High Debt-to-Equity ratio

Airbus' Debt-to-Equity ratio - **10.28**

Boeing's Debt-to-Equity ratio - **9.42**

## The ratio can be explained by

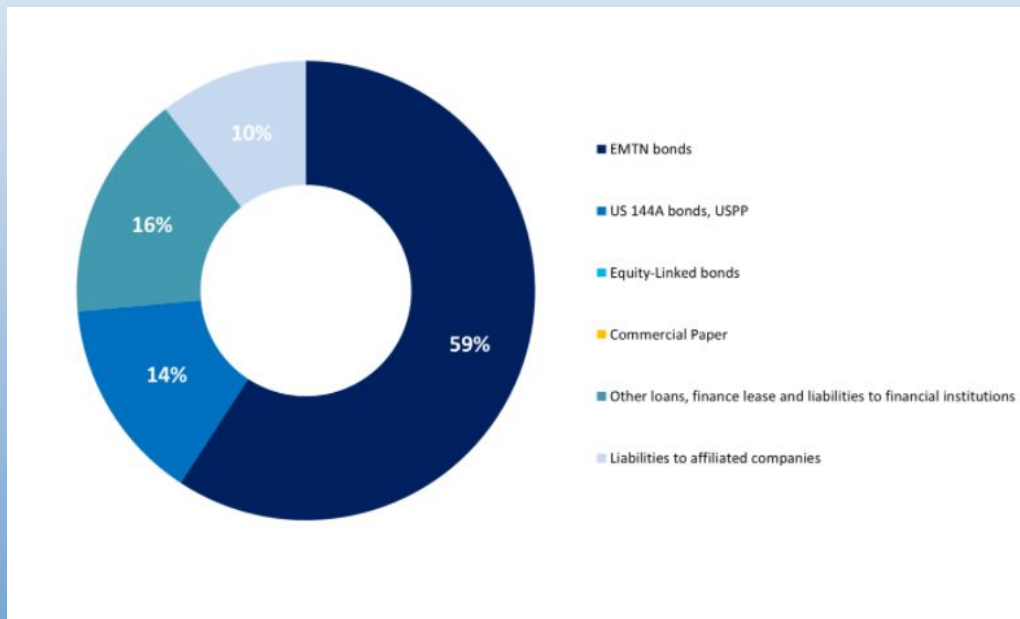
Substantial R&D investments

Low taxes

# Debt Overview

## Debt structure

- **Short-term:** Commercial Paper, accounts for € 18 bn
- **Long-term:** € 29.5 bn
  - Euro medium-term note (EMTN)
  - USD Bond (144A / RegS)
- **Committed Credit Facility:** € 6 bn
  - Bank loans: Pool of 33 banks  
3-tier structure



# Credit Ratings

## Current ratings

Rating Agency	Short Term	Long Term	Outlook	Last Update
Standard & Poor's	A-1	A	negative	10 May 2021
Moody's	P-1	A2	negative	28 May 2021
Fitch Ratings (unsolicited)	F1	BBB+	stable	19 October 2021



# Credit Ratings

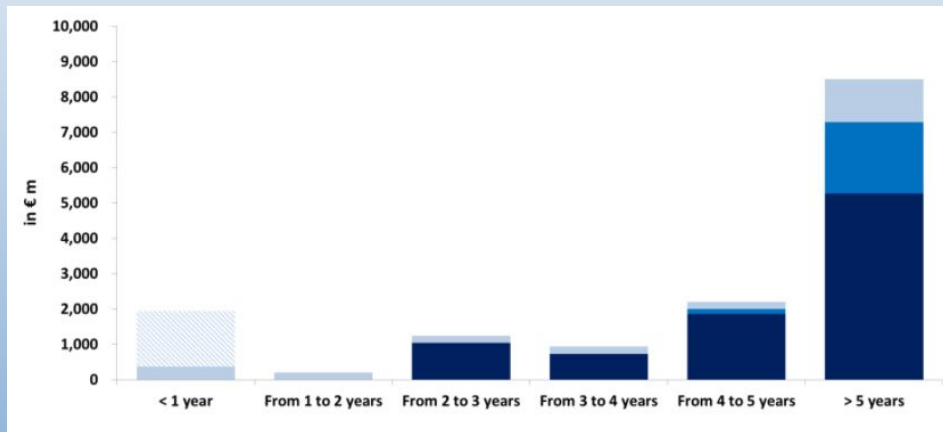
## Rating history



# Debt Term Structure

## Debt profile

- Mostly long-term debt
- Long-term means 10-20 years
- Boeing has the similar profile



Airbus Hedging & Debt Information, 2022

# Cost of Debt

## Methodology

- No specific data is available about the company's bonds
- The cost is derived from the interest expense and total value of debt:
  - $\text{Cost of Debt} = \text{Interest expense} / \text{Total debt}$
- Average cost of debt for 2010-2021 - **0.49%**

# Equity Overview

- Ticker symbol - AIR.PA
- Market price - €109.70 - 115.24 (01.03.2022)
- Market capitalization - €86.475B

# Cost of Equity calculation

## CAPM

- **Risk-Free Rate of Return:**  
0.456% (Netherlands 10 Years  
Government Bond)
- **Beta: 1.92** (5-Year Monthly Beta)
- **Market Risk Premium: 6.04%**  
(S&P 500)
- **Cost of Equity: 12.05%**

## Gordon's Growth Model

- **Dividend (2019): 1.8**
- **Share price (2019): 56.7**
- **Growth rate (10 year): 26.3%**
- **Cost of equity: 30.32%**

# WACC

- Cost of debt derived from the interest expense
- Cost of equity is calculated using CAPM
- The average WACC for 2010-2021 - **10.3%**
- WACC from the Internet - ~8%
- This WACC will be used for flagship project calculation

The image features a blue signpost with a dark blue border. The signpost is supported by two vertical black poles. The background is a light blue sky with several white, stylized clouds. In the bottom right corner, a small blue airplane is shown flying towards the right, leaving two white contrails. The overall style is clean and modern.

**03**

**Flagship Investment  
Project**

# Flagship Investment Project

Flagship project - A350 family:

- A family of wide-body long-range airliners
- Includes three versions: A350-900, A350-1000, A350-F
- First design in 2004
- Produced since 2010
- Operated since 2014
- Expected lifespan until 2040



Sources: Wikipedia (2022), Airbus (2022)



# NPV & IRR

- **Life span:** 27 years
- **Development costs:** \$15.2 billions
- **Unit sale price:**
  - A350-900: \$317,4 millions
  - A350-1000: \$366,5 millions
- **Unit costs:** based on gross margin & unit sale price
  - Gross margin: Airbus' 5 year average
- **Numbers of deliveries:**
  - Available until 2021
  - Build two scenarios for future sales
- **Cost of capital:** 10.3%
- **Case 1:** same yearly deliveries for both variants
  - **NPV: \$26,830,800,649**
  - **IRR: 21%**
- **Case 2:** based on sales of A330CEO, an airplane design that just closed its production
  - **NPV: \$18,597,253,726**
  - **IRR: 19%**

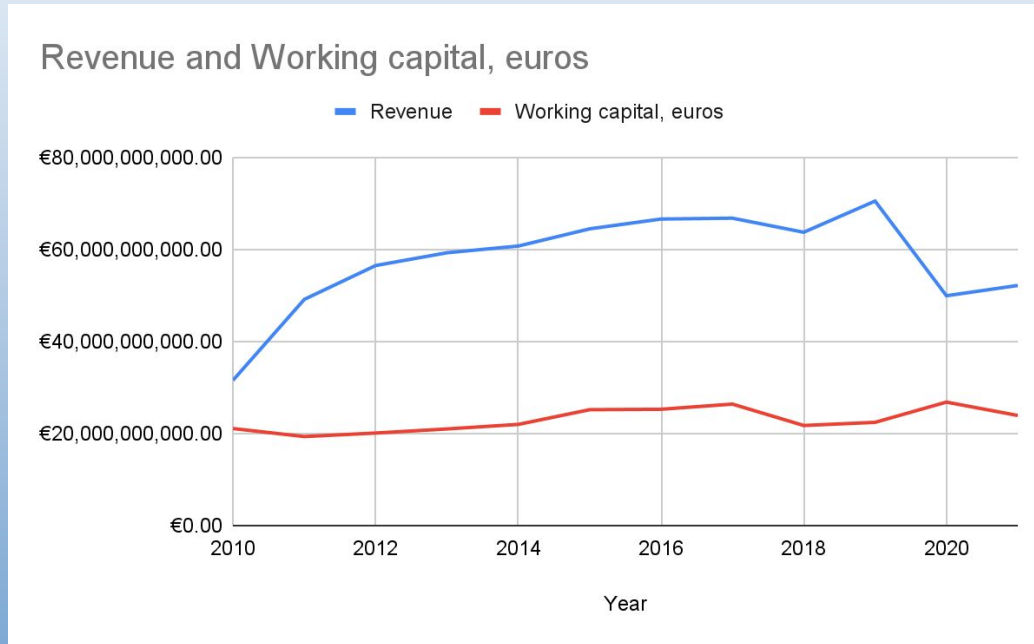


**04**  
**Working**  
**Capital**  
**Policy**

# Working Capital

- Three-element cash conversion cycle (CCC):
  - Inventory
  - Debtors
  - Creditors
- No breakdown of inventory
- Average CCC for 2010-2021 - **168 days**
- Net working capital:
  - $NWC = \text{Inventory} + \text{Accounts Receivable} - \text{Accounts Payable}$
- Average NWC for 2010-2021 - **€22.925B**

# Sales and Working Capital



Aggressive working capital policy



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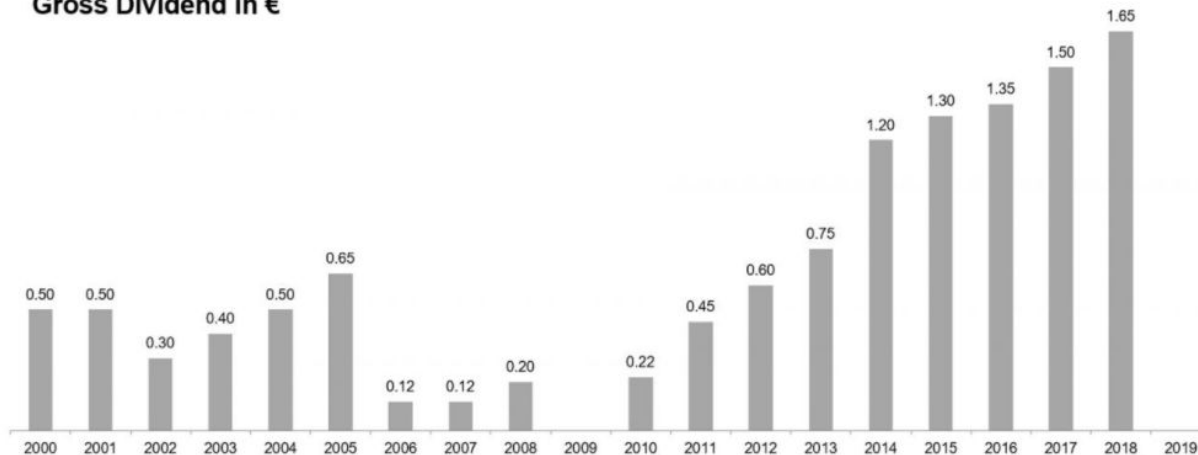
# Dividend Policy

# Dividend Policy

- Strong commitment to shareholders' returns
- Dividend growth within payout ratio of 30%-40%

Dividends and cash distributions paid since the incorporation of the company

Gross Dividend in €



# Share Buyback

- Airbus implements from **time to time** share buyback programmes
  - **Latest share buyback programme:** from 20 to 22 December 2021
  - **Purpose:** cover Airbus' long-term incentive plan in shares
  - **Usage of the repurchased shares:** redistributed to the recipients of long-term incentive plans.
  - **Amount of repurchased shares:** up to 10% of Airbus SE's issued share capital



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# Share Price Valuation



# Dividend Valuation Model

- Estimate current share price:
  - Growth rate: 26.3% (based on dividend payment from 2010-2019)
  - Cost of Equity: 30.32% (Gordon's growth model)
  - Share price: €47.13, off the real price
- Estimate growth rate & cost of equity based on the actual price (€109.4)
  - Growth rate: 28.56%, unchanged cost of equity
  - Cost of equity: 28.03%, unchanged growth rate



# THANKS!

ANY  
QUESTIONS?

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