



AIRBUS DELIVERS FULL-YEAR 2016 RESULTS IN LINE WITH GUIDANCE

News / Finance, Manufacturer



© AIRBUS S.A.S, 2013 - computer rendering by FIXION - GWLNSOD

AIRBUS

Airbus reported 2016 financial results with its guidance achieved for all key performance indicators and provided an outlook for 2017.

“We have delivered on the commitments that we gave a year ago and achieved our guidance and objectives, with one exception, the A400M, where we had to take another significant charge totalling 2.2 billion euros in 2016. De-risking the programme and strengthening programme execution are our top priorities for this aircraft in 2017,” said Tom Enders, Airbus Chief Executive Officer. “We recorded a net book-to-bill above one in a year we delivered more commercial aircraft than ever before. The record order backlog is supporting the ramp-up plans and our performance in 2016 shows we can deliver on that. We successfully managed the ramp-up of the single-aisle and A350 programmes while at the same time transitioning to the more efficient version of the A320. Our commercial performance in helicopters was good despite a difficult market environment and we continued to strengthen and reshape the defence and space portfolio. We are taking additional steps to increase efficiency through the integration project, while investments in

digital transformation will further improve our competitiveness. Overall, the progress we made last year gives us confidence that we have the building blocks in place to achieve our earnings and cash flow growth potential.”

Order intake(1) in 2016 totalled € 134 billion (2015: € 159 billion), with the order book(1) valued at € 1,060 billion as of 31 December 2016 (year-end 2015: € 1,006 billion). Net commercial aircraft orders amounted to 731 aircraft (2015: 1,080 aircraft), including 41 A350 XWBs and 83 A330s. The net book-to-bill ratio was above 1 while the order backlog reached a record 6,874 commercial aircraft at the end of the year. Net helicopter orders totalled 353 (2015: 333 net orders), including the H225M for Singapore and the UK Military Flying Training System contract. Defence and Space achieved a book-to-bill above 1 with strong order momentum in military aircraft and in satellites. Key orders included 16 C295W search and rescue planes for Canada and the Eurofighter sustainment and support contracts.

Group revenues increased three percent to € 67 billion (2015: € 64 billion). Revenues in Commercial Aircraft rose seven percent, reflecting the record deliveries of 688 aircraft (2015: 635 aircraft) and a favourable foreign exchange impact. Despite increased deliveries of 418 units (2015: 395 units), Helicopters’ revenues were weighed down by an unfavourable mix and lower commercial flight hours in services. Defence and Space’s revenues decreased nine percent, reflecting a negative impact from portfolio reshaping of about € 1 billion but were broadly stable on a comparable basis.

EBIT Adjusted – an alternative performance measure and key indicator capturing the underlying business margin by excluding material charges or profits caused by movements in provisions related to programmes, restructuring or foreign exchange impacts as well as capital gains/losses from the disposal and acquisition of businesses – totalled € 3,955 million (2015: € 4,108 million).

Commercial Aircraft’s EBIT Adjusted increased to € 2,811 million (2015: € 2,766 million), reflecting higher A320 volumes and a 21% decline in research and development (R&D) expenses due mainly to the planned R&D ramp-down on the A350. EBIT Adjusted was negatively impacted by the lower A330 production rate, higher A350 dilution, transition pricing and ramp-up costs.

On the A320neo programme, 68 aircraft were delivered to 17 customers. Both engine suppliers are committed to deliver in line with customer expectations. Challenges remain with the A320neo ramp-up and delivery profile, which is expected to be back-loaded in 2017.

The ambitious ramp-up target was met for the A350, with 49 aircraft delivered during 2016. Good progress was made during the year in terms of risk management and reduction of the outstanding work in the A350 Final Assembly Line. The focus remains on recurring cost convergence as the ramp-up progresses and the situation remains challenging. The supply chain has improved, although some bottlenecks remain, but the Company is on track to manage the 2017 ramp-up on the way towards the production target of 10 aircraft a month by the end of 2018. Flight testing of the A350-1000 is underway.

In Helicopters, EBIT Adjusted totalled € 350 million (2015: € 427 million), reflecting the unfavourable mix and lower commercial flight hours in services as well as the H225 accident in Norway and some campaign costs. However, the underlying performance continues to be supported by ongoing transformation measures and strong efforts to adapt to market challenges.

Defence and Space’s EBIT Adjusted was € 1,002 million (2015: € 1,051 million). The good underlying performance partially mitigated the perimeter change effect from portfolio reshaping. It was supported by a strong contract mix and risk reduction as well as benefits materialised from

restructuring efforts.

On the A400M programme, deliveries increased to 17 aircraft in 2016 (2015: 11 deliveries) with two delivered year-to-date in 2017. The propeller gearbox (PGB) crisis was addressed in the second half of the year with the interim fix to increase the time between inspection intervals. Capability was stepped up with the aircraft now being delivered including some tactical capability. During the second half of 2016, further challenges were encountered to meet military capability enhancements and management reassessed the industrial cost of the programme, now including an estimation of the commercial exposure. As a result of these reviews a total charge of € 2.2 billion was recorded in 2016 (including € 1.2 billion in the fourth quarter). Cash retentions by customers will continue to weigh significantly in 2017 and 2018 in particular. Challenges remain on meeting contractual capabilities, securing sufficient export orders in time, cost reduction and commercial exposure, which could be significant. Given the size of the cumulative A400M programme loss, the Board of Directors has mandated management to re-engage with customers to cap the remaining exposure.

Group self-financed R&D expenses declined to € 2,970 million (2015: € 3,460 million).

EBIT (reported) of € 2,258 million (2015: € 4,062 million) included Adjustments totalling a net € -1,697 million. These Adjustments in 2016 comprised:

A total net charge of € 2,210 million related to the A400M programme, including the incremental charge in the fourth quarter;

A negative impact of € 930 million related to the dollar pre-delivery payment mismatch and balance sheet revaluation;

A provision of € 182 million related to restructuring and transformation programmes;

A net charge of € 33 million related to portfolio adjustments at Commercial Aircraft and Defence and Space;

A net capital gain of € 1,175 million linked to the creation of Phase 2 of the Airbus Safran Launchers Joint Venture;

A € 385 million charge on the A350 programme booked in the first half of 2016;

A net capital gain of € 868 million booked in the first half of 2016 related to the disposal of shares in Dassault Aviation and a mark-to-market of the remaining shares.

Net income(2) totalled € 995 million (2015: € 2,696 million) after the EBIT Adjustments. It was also significantly impacted by negative foreign exchange effects. Earnings Per Share were

€ 1.29 (2015: € 3.43). The finance result amounted to € -967 million (2015: € -687 million).

The Board of Directors will propose to the Annual General Meeting the payment of a 2016 dividend of € 1.35 per share on 20 April 2017 (2015: € 1.30 per share). The date of record is 19 April 2017. "We intend to honour our commitment of increasing dividend per share on a sustainable basis by proposing this payment, which is about four percent higher than in 2015. The value is outside the range of the dividend policy exceptionally. It is based on our 2016 underlying performance and it demonstrates our confidence in our future operational cash generation," said Airbus Chief Financial Officer Harald Wilhelm.

Free cash flow before M&A and customer financing amounted to € 1,408 million (2015: € 1,325 million), reflecting the strong delivery performance and cash generation potential.

Free cash flow of € 3,181 million (2015: € 2,825 million) included around € -250 million in aircraft financing. The aircraft financing environment remains healthy with a high level of liquidity available in the market at good rates for Airbus' product portfolio. Support did not materialise in the fourth

quarter from European Export Credit Agencies (ECAs) but Airbus continues to work with them to resume ECA-backed financing. Also included in the free cash flow is € 1.2 billion in proceeds from the sale of Dassault Aviation shares and around € 750 million from the implementation of Phase 2 of the Airbus Safran Launchers JV. In addition, around € 1.7 billion were spent on shareholder returns through the Dividend payment and the final tranche of the Share Buyback. The net cash position on 31 December 2016 was € 11.1 billion (year-end 2015: € 10.0(3) billion) with a gross cash position of € 21.6 billion (year-end 2015: € 19.1(3) billion).

Outlook

As the basis for its 2017 guidance, Airbus expects the world economy and air traffic to grow in line with prevailing independent forecasts, which assume no major disruptions.

Airbus' 2017 earnings and free cash flow guidance is based on a constant perimeter:

Airbus expects to deliver more than 700 commercial aircraft.

Before M&A, Airbus expects mid-single-digit percentage growth in EBIT Adjusted and EPS Adjusted compared to 2016.

Free cash flow is expected to be similar to 2016 before M&A and customer financing.

22 FEBRUARY 2017

ARTICLE LINK:

<https://ids.50skyshades.com/news/finance/airbus-delivers-full-year-2016-results-in-line-with-guidance>