



ICORD CAPITAL

INVEST - IMPACT



Airbus

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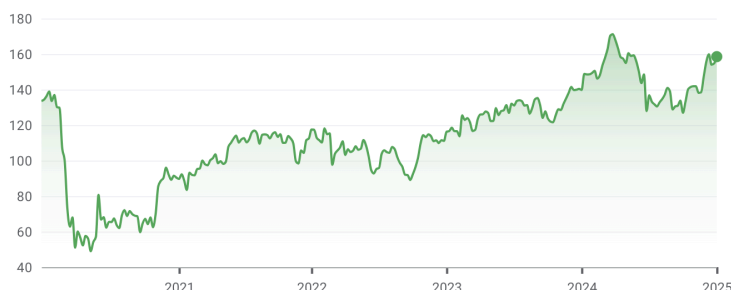
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Investment Summary

Stock Information

Exhibit 1: AIR.PA Share Price, 5 Years (Source: Google Fin)



| | |
|---------------------|--------------------|
| Recommendation | HOLD |
| Stock Price | €158.52 (01/01/25) |
| Target Price | €171.20 |
| Target Price Upside | 7.99% |
| 52-Week Range | €124.72 - €172.78 |
| Market Cap | €125.01 billion |

Recommendation: BUY AIR.PA

Summary of Catalysts

Investment in Sustainable Aviation Fuel (SAF)

Airbus targets 15% SAF usage by 2024, 30% by 2030, and 100% sustainably fueled aircraft by 2030. In 2024, Airbus invested in LanzaJet's \$100M equity funding round to expand ethanol-to-SAF technology, aligning with its decarbonization goals.

Company Growth - M&A Expansions

In 2024, Airbus has actively engaged in an aggressive expansion strategy; remarkably, its merger with infodas, a German cybersecurity firm. The conglomerate acquisition provides Airbus with a competitive edge, enhancing the company's product systems and cyber infrastructure amid rapid digitalisation.

Company Growth - Portfolio Expansions

Airbus is actively expanding its portfolio beyond commercial airliners, protecting its profits from fluctuations in the commercial sector. Particularly, Airbus has been partnering with European space agencies for the production of satellites and military defense systems.

Duopoly with Boeing

Airbus has been successfully using the duopolistic market structure to capitalize on Boeing's underperformance, strengthening revenues in early 2024 despite post-COVID challenges. With a 15% Q3 Gross Profit Margin (vs. Boeing's -20%) and diversification beyond commercial aircraft, Airbus outperformed in financial stability and operational metrics.

Increased Demand for Aerospace and Aero Defense Products

Rising global geopolitical tensions have boosted demand for Airbus' military products, comprising 28.04% of annual revenue. Military divisions saw 5-7% growth in 2024, driven by helicopters, UAS, and Eurofighter jets. Diversified revenues provide Airbus with a buffer against commercial market fluctuations, supporting growth and military R&D.

Company Overview

Company Background

Airbus operates as a leading aerospace corporation headquartered in Europe, specializing in commercial aircraft, helicopters, defense, and space systems. Known for its innovation, Airbus designs and manufactures cutting-edge passenger and military aircraft, satellites, and unmanned systems. Since its inception, Airbus has expanded its global footprint, positioning itself as a pioneer in sustainable aviation and aerospace technology, with a focus on decarbonization and advanced solutions to address the industry's evolving needs.

Products and Strategy

Airbus offers a diverse portfolio across commercial aircraft, helicopters, defense, and space, providing innovative solutions for global mobility, security, and sustainability. Below are the three main lines of its business:

1. Commercial Aircraft

Airbus is a leader in designing and manufacturing cutting-edge passenger and freighter aircraft, such as the A320 and A350 families. With an emphasis on sustainability, Airbus integrates advanced technologies, including fuel-efficient designs and sustainable aviation fuels, to reduce environmental impact while enhancing operational efficiency.

2. Defence and Space

Airbus supplies advanced military aircraft, satellites, and unmanned systems, supporting defense operations and space exploration. Its offerings include secure communication solutions, Earth observation satellites, and future-focused innovations like the Future Combat Air System, ensuring national sovereignty and technological leadership.

3. Helicopters

Airbus provides a comprehensive range of civil and military helicopters, tailored for various missions, including emergency medical services, defense, and corporate transport. Through its HCare services, Airbus ensures lifecycle support, maintenance, and modernization for enhanced mission readiness and operational reliability.

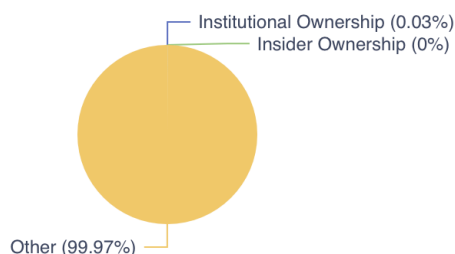
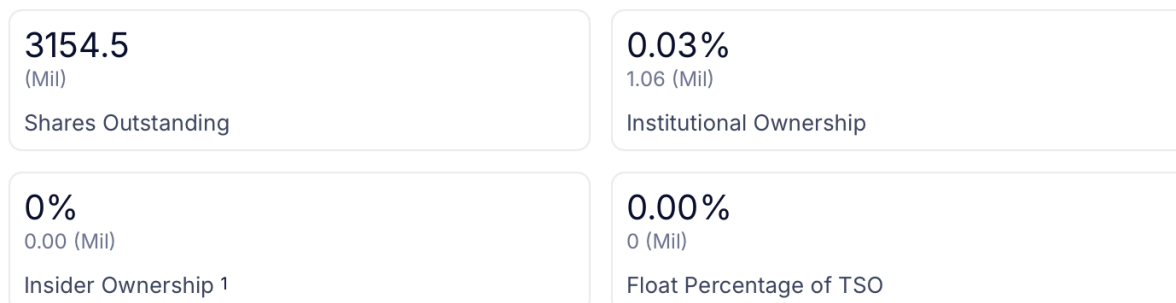
Airbus' strategy focuses on sustainability, innovation, and global connectivity to drive progress in the aerospace sector while meeting the evolving needs of customers worldwide.

Senior Management

| Guillaume Faury CEO | Thomas Toepfer Chief Financial Officer | Sabine Klauke Chief Tech Officer |
|--|--|---|
| Guillaume Faury, Airbus CEO since 2019, oversees its Executive Committee, having previously led its commercial aircraft business. A former CEO of Airbus Helicopters and Peugeot executive, he has expertise in aerospace and automotive innovation. He is also a board member of AXA and GIFAS, with extensive leadership and engineering experience. | Thomas Toepfer became Airbus CFO in September 2023, joining the Executive Committee. Previously, he was CFO and labor director at Covestro AG. A PhD holder in Business Administration, he has held leadership roles at KION Group and Karstadt, and worked as a McKinsey consultant, bringing extensive financial and management expertise. | Sabine Klauke, Airbus Chief Technology Officer since 2024, leads 13,000+ employees in advancing aerospace innovation. Previously Chief Technical Officer and Head of Engineering for Airbus Defence and Space, she also held key roles in customer services and manufacturing. A PhD holder, she contributes to industry boards and sustainability initiatives. |

Shareholder Composition

Exhibit 2: % Breakdown of Airbus's Shareholder Composition (Source: GuruFocus)



Airbus has 3,154.5 million shares outstanding. Institutional ownership accounts for 0.03% (1.06 million shares), while insider ownership is 0%. The float percentage of total shares

outstanding (TSO) is also 0%. The majority of shares (99.97%) fall under the "Other" category, indicating minimal insider or institutional involvement.

Industry Analysis

Market Overview and Growth Forecasts

The Aerospace and Defense market, valued at approximately USD 985.56 billion in 2023, is projected to experience significant growth, expanding at a CAGR of 5-6% through 2028, showing a strong upsurge since the outbreak of various wars since 2022. This segment's growth is mainly driven by increased global tensions and the recovery of commercial aviation.

Catalysts for Market Growth

Resurgence of Travel Demand

The resurgence of travel demand post-pandemic, combined with a growing middle class in emerging markets, fuels the need for expanded air travel options. While passenger numbers are expected to reach 5.2 billion in 2025, the industry revenues are anticipated to exceed USD 1 trillion for the first time, with a record net profit of USD 36.6 billion. Additionally, global passenger numbers are projected to grow by 10.7% year-on-year in 2024, a growth rate reminiscent of the strong performance observed during the 2010-2019 period.

Expansion of Aftermarket MRO Service

Airlines are extending the service life of older engines due to delays in new aircraft deliveries and technical issues with newer engines. This trend is fueling robust demand for MRO services in addition to enhanced efficiency of MRO service delivery due to AI/ML practice. Companies are actively responding to this demand by making significant investments, such as GE Aerospace's \$1 billion expansion of MRO facilities, which underscores strong confidence in the long-term growth potential of the aftermarket segment.

Strategic Spending in Defense

Defense priorities are driving strategic spending in aerospace and defense, with a focus on rocket technology, unmanned systems, and space capabilities. The 2025 US budget allocates \$163.4 million to hypersonic R&D and emphasizes solid rocket motor technologies for missiles and space, continuing a decade-long trend of increased procurement and R&D spending, which has grown 340% since 2015. On the commercial side, drones are finding applications in logistics, agriculture, and construction, with regulatory changes, such as FAA approval for beyond-visual-line-of-sight flights, set to boost growth.

Porter's 5 Forces Analysis of the Aerospace and Defense Industry

1. Competitive Rivalry – High

The aerospace and defense industry experiences intense competitive rivalry due to its concentration of major global players like Boeing, Lockheed Martin, Airbus, and Northrop Grumman, all competing aggressively for government and commercial contracts. This rivalry is driven by the critical importance of technological innovation, as companies invest heavily in R&D to develop advanced systems like hypersonic weapons, autonomous drones, and next-generation aircraft. Besides, price competition is fierce, particularly in bidding for large-scale government contracts, where cost-effectiveness often determines success.

2. Supplier Power – Moderate

The supplier bargaining power in the aerospace and defense industry varies across tiers but is generally elevated due to current supply chain challenges. Tier 1 suppliers, including Airbus, which produce critical and specialized components, hold high bargaining power because of their essential role and limited alternatives. In contrast, Tier 2 (creating subassemblies for Tier 1 suppliers including airfoils and tires etc.) and Tier 3 suppliers (manufacturing components for subassemblies including hydraulic fittings, hoses, tubings etc.) have lower bargaining power due to their fragmented nature and greater substitutability, though reliable and quality-focused suppliers can strengthen their position. Global labor shortages, geopolitical tensions, and rising shipping costs further increase supplier leverage, especially for those who can ensure timely delivery and quality. However, the industry's growing adoption of digital technologies for supply chain visibility and compliance monitoring may reduce supplier power over the long term by improving OEM oversight and operational efficiency.

3. Buyer Power – High

The bargaining power of buyers in the aerospace and defense industry is high, driven by several industry-specific factors. Key buyers, such as government defense departments, commercial airlines, and leasing companies, wield significant influence due to their large procurement budgets and strategic importance. These buyers often engage in long-term contracts for aircraft, defense systems, and maintenance services, enabling them to demand competitive pricing, cost-sharing arrangements, and performance guarantees. The presence of multiple suppliers, including OEMs like Boeing, Airbus, and defense contractors such as Lockheed Martin and RTX, gives buyers leverage to negotiate favorable terms or switch suppliers if needed. Buyers also exert pressure through stringent regulatory and industry compliance requirements, such as FAA certifications, ITAR (International Traffic in Arms Regulations), and AS9100 quality standards, which suppliers must meet to remain competitive.

4. Threat of Substitution – Low

The threat of substitutes in the aerospace and defense industry is low due to the specialized, highly regulated nature of its products, such as advanced military systems, aircraft engines, and avionics. High switching costs and long product lifecycles make substitutes less viable. Critical applications in national security and commercial aviation prioritize reliability, performance and compliance, limiting alternatives. Emerging technologies, like electric propulsion or unmanned systems, pose potential long-term competition but lack the scale, durability, and certifications needed for widespread adoption. Continuous innovation and R&D further mitigate substitution risks.

5. Threat of New Entrants – Low

The threat of new entrants is low. The aerospace and defense industry is highly capital-intensive, requiring significant investments in engines, technology, facilities, and expertise. New entrants face substantial barriers, including stringent regulatory requirements e.g. export controls, safety certifications, and security clearances, and the inability to match the supplier relationships enjoyed by established players, most notably the U.S. Department of Defense and various international allies, which drive down costs and boost profitability.

Investment Catalysts

Hard Catalysts

1. Investment in Sustainable Aviation Fuel (SAF)

In 2024, Airbus was involved in an early stage VC investment for LanzaJet, a sustainable aviation fuel (SAF) technology and production company. Airbus currently holds a large share in LanzaJet's \$100 million growth equity funding round, aimed to enable the company to continue scaling its ethanol-to-SAF technology, which uses low-carbon ethanol to create SAF which reduces greenhouse gas emissions by over 70% compared to traditional fossil fuel. The current production rate of SAF remains at a mere 3% of the total fuel required for the industry as a whole, and is considered to cost three to five times more than conventional jet fuel. Nevertheless, the investment aligns with Airbus' mission towards decarbonization, aimed at protecting its revenues and profits against strengthened environmental regulations in its countries of operations, particularly the EU, and is said to pay off within the next 10-15 years.

Airbus currently holds a variety of sustainable fuel-related targets, such as reaching 15% SAF in its global mix of fuel by the end of 2024, and at least 30% by 2030. In 2023, the company surpassed its target of 10% use of SAF for the year, employing over 11 million liters of sustainable fuel. Currently, Airbus is leading sustainable efforts in the industry, as its aircraft is able to fly up to 50% on SAF blends, anticipating 100% sustainably fueled aircraft by 2030.

2. M&A Expansion – Acquisition of infodas

In September of 2024, Airbus acquired infodas, a German company that provides IT and cybersecurity solutions in the public sector, particularly defense and critical infrastructure matters. With increasing digitalization, information connectivity, and cyber threats for defense and aerospace systems, cybersecurity is a critical element for Airbus' development. To ensure the confidentiality and safety for its customers, operations and products, Airbus is consistently investing in digital security, which is expected to strengthen with the conglomerate merger with infodas.

Nonetheless, the overall performance of Airbus in terms of revenues and net total income is expected to rise, since the firm gains competitive advantage in the market by acquiring key cybersecurity infrastructure. As global demands for defense aerosystems grows, Airbus is working with infodas (its now subsidiary) on developing new products and cybersecurity capabilities, alongside major military programs (such as the Future Combat Air System) which are projected to give Airbus the upperhand in dominating the aerospace industry.

3. Expansion of the Aerospace Portfolio

Airbus is planning to further expand its portfolio across different strategic industries, particularly focusing on aerospace products. Such portfolio expansions are designed to increase the breadth of the company's operations, meeting diverse client needs and demands, alongside protecting its revenues from fluctuations in the commercial sector.

Recently, Airbus has begun its satellite manufacturing for 'Copernicus Polar Ice and Snow survey mission CRISTAL', aimed to carry multi-frequency altimeters to measure sea ice thickness and ice sheet elevations – key climate change indicators. Airbus has been further partnering with France's Space Agency (CNES) since 2018, carrying working on telecommunication satellites. Working with 19 countries, the company is on a solid mission to diversify its aerospace product portfolio, broadening its operations towards key aerospace missions.

Soft Catalysts

1. Duopoly with Boeing

The duopolistic market dynamics allow Airbus to take advantage of underperformance of its key competitor in the market – Boeing. Late 2023 and early 2024 has marked a significantly decaying position of Boeing in the aerospace industry, with events like two fatal crashes of Boeing 737 MAX 8 aircrafts, a loss of a United Airlines aircraft wheel and door, and the US Federal Aviation Administration announcing mandatory technical inspections for 171 Boeing MAX 9s. Such has reverted clients to Airbus, which significantly strengthened its revenues in the first two quarters of 2024.

While Airbus is still restoring its financial performance in a post-covid aerospace market, its financials are significantly stronger than those of Boeing. Its 2024 Q3 gross profit margin equates to 15% as opposed to Boeing's -20%. This is a 3.7% increase since 2020, when due to Covid-19 the gross profit margin dropped to 11.3%. This demonstrates a strong performance of Airbus against its key competitors in the market, alongside the firm's resistance to downgrading macroeconomic conditions due to a diversified portfolio that focuses on products beyond commercial aircrafts. Airbus' EV/EBITDA ratio equates to 13.69, as opposed to Boeing's negative ratio of -42, indicating a healthy operational performance of the company compared to its competitor.

In addition, Airbus' free cash flows before customer financing equates to EUR -0.8B, as opposed to EUR 4.7B in 2022. The 117% change in free cash flows can be attributed to 2 primary factors: M&A and change in the working capital. As stated in Airbus' 2022 financial report, the number illustrates free cash flows before M&A and consumer financing, suggesting a lower real value of free cash flows, as such was used to finance the M&A transaction. Contrarily, the 2024 value includes the cost of financing the acquisition of infodas, illustrating the reason behind a lower free cash flow value. In addition, the

substantial change between 2022 and 2024 reflects the change in working capital, notably the inventory build-up that supports 2024 Q4 quarter deliveries and the ramp-up across its helicopter, military defense and aerospace programmes.

2. Geopolitical Tensions – Growing Demand for Aero Defense Products

Increasing geopolitical tensions in both European and global landscapes have strengthened demand for Airbus products beyond commercial aircrafts at the core of their business model. European governments have been increasingly demanding Airbus' military aircraft and systems, aimed at protecting NATO's eastern flank and airspace. With increasing geopolitical tensions globally, this surge in demand is expected to be on the rise within the next 5 years. In December 2024, Spain ordered an additional 25 Airbus Eurofighter jets, also delivering highly innovative navigation and mapping systems to France.

Currently, Airbus faces rising demand for its helicopters, Unmanned Aerial Systems (UAS), FCAS, and other forms of military aero defense, which compute a total of 28.04% of the company's yearly revenues. The Helicopter and Defense & Space divisions have each faced 5% and 7% revenue growth since 2023, with Q3 2024 division revenues equating to \$4.9B and \$7.6B, respectively. Furthermore, the recent acquisition of infodas enables Airbus to focus on developing its data collection and intelligence systems, projecting to increase sales to NATO member states. The strong performance of Airbus' military divisions this year signals a diversified revenue stream for the firm, which creates a protective buffer against fluctuations in the commercial aircraft market, and provides margin for growth and R&D investments in the military defense sector.

Quantitative Benefits from the Catalysts

As suggested in their Financial Guidance, Airbus is projected to experience an increase in revenues of up to EUR 2.1 billion in 2024, whilst Earnings Per Share (EPS) is expected to grow by 22% to approximately \$1.30.

Valuation

DCF Model

Using a discounted cash flow (DCF) model, we have determined a target price of €191.24 for Airbus, representing a 17.11% upside from its current share price of €163.30 (as of January 22, 2025). This valuation reflects Airbus's strong revenue growth, with total revenue projected to rise from €74.18 billion in 2024 to €118.76 billion by 2033. The commercial aircraft segment is expected to drive this expansion, increasing from €33.56 billion in 2020 to €100.54 billion in 2033, despite a gradual moderation in year-over-year growth.

Our valuation incorporates a Weighted Average Cost of Capital (WACC) of 8.83%, based on a cost of equity of 9.47% and an after-tax cost of debt of 5.49%. The perpetuity growth rate is set at 3.5%, aligning with Airbus's long-term projections, supported by its forecast of 3.1% CAGR fleet growth and 44,600 aircraft in service by 2033. Airbus's Adjusted EBITDA margin is expected to remain stable, aided by its diversified business model, including helicopters and defense segments, which contribute to consistent cash flow generation.

Compared to market consensus, our forecast presents a more optimistic outlook, particularly for the commercial aircraft segment. Additionally, our higher WACC suggests a more conservative risk assessment than estimates around 6.46%. While we assume stable margins, this may prove conservative given Airbus's recent 39% increase in Q3 2024 adjusted EBIT, despite a downward revision of 2024 adjusted EBIT to €5.5 billion. With Airbus forecasting 42,430 new airplane deliveries over two decades, we see strong potential for higher returns and long-term value creation beyond current market expectations.

Sales Forecasts

The base case revenue forecasts for Airbus are derived from the company's strategic guidance and recent financial performance, as outlined in their 2024 earnings reports. Airbus anticipates revenue growth of approximately 10% in the near term, driven by strong demand for its commercial aircraft, particularly the A320neo family, and recovery in global air travel. In H1 2024, Airbus reported a revenue of €27.4 billion, reflecting a 9% year-over-year increase, which further accelerated to €42.1 billion by Q3 2024, marking a 10% growth compared to the same period in 2023. This growth is attributed to Airbus's operational efficiency improvements, increased production rates, and focus on sustainable aviation solutions, including the development of hydrogen-powered aircraft. Additionally, the company is expanding its global footprint through strategic partnerships and increased sales in emerging markets.

Over the next decade, Airbus's revenue growth is projected to moderate, declining to around 1% by 2033, as the aviation industry stabilizes post-pandemic and faces challenges such as supply chain constraints and heightened competition from Lockheed Martin, Embraer, and COMAC (Commercial Aircraft Corporation of China). Analysts highlight that while Airbus benefits from its strong order backlog and innovative product offerings, factors like

regulatory changes, fluctuating fuel prices, and geopolitical tensions may affect growth trajectories. Additionally, emerging players such as COMAC are gaining traction, particularly in China and other Asian markets, where government support and domestic demand are fueling competition. Despite these potential challenges, Airbus remains well-positioned to capitalize on long-term trends in aviation, including fleet modernization and increasing demand for fuel-efficient aircraft.

Airbus's base case Revenue Forecasts (Data extracted from the Airbus Form 10k and Earnings Presentation)

| Additional Assumption (Breakdown Analysis for Revenue Forecasting) (EUR) | | | | | | | | | | | | | | |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|
| Fiscal Year | 2020A | 2021A | 2022A | 2023A | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 |
| Commercial Aircraft Revenue (bn) | 33.56 | 35.74 | 41.43 | 47.76 | 55.01 | 62.16 | 69.31 | 76.24 | 82.72 | 88.51 | 93.38 | 97.12 | 99.54 | 100.54 |
| YOY (%) | | 6.49 | 15.92 | 15.29 | 15.17 | 13.00 | 11.50 | 10.00 | 8.50 | 7.00 | 5.50 | 4.00 | 2.50 | 1.00 |
| Helicopters Revenue (bn) | 5.98 | 6.28 | 7.05 | 7.37 | 7.76 | 8.15 | 8.51 | 8.86 | 9.17 | 9.44 | 9.68 | 9.87 | 10.02 | 10.12 |
| YOY (%) | | 5 | 12.25 | 4.57 | 5.29 | 5.00 | 4.50 | 4.00 | 3.50 | 3.00 | 2.50 | 2.00 | 1.50 | 1.00 |
| Defense and Space Revenue (bn) | 10.37 | 10.13 | 11.26 | 11.50 | 11.88 | 12.59 | 13.29 | 13.95 | 14.58 | 15.16 | 15.69 | 16.16 | 16.57 | 16.90 |
| YOY (%) | | -2.31 | 11.13 | 2.1 | 3.35 | 6.00 | 5.50 | 5.00 | 4.50 | 4.00 | 3.50 | 3.00 | 2.50 | 2.00 |

Adjusted EBITDA vs Traditional EBITDA

Adjusted EBITDA provides a clearer representation of Airbus's operating performance, reflecting the true cash-generating ability of its core business operations, particularly in its global aerospace and defense markets. For Airbus, Adjusted EBITDA is a vital metric for assessing profitability from its primary activities, including the manufacturing and sale of commercial aircraft, helicopters, and military systems. Given Airbus's extensive operations across diverse geographical regions and currency markets, the company also reports revenue growth using constant currency figures to mitigate the effects of foreign exchange fluctuations. This approach is essential as Airbus conducts business in multiple currencies, and foreign exchange volatility can distort financial comparisons across periods. By utilizing constant currency growth rates, Airbus provides investors with a clearer view of its underlying revenue trends, ensuring that performance evaluations are not influenced by exchange rate changes.

Adjusted EBITDA Margin Forecast

Based on Airbus's historical performance and expected growth trajectory, we project the Adjusted EBITDA margin to stabilize around 10% from FY 2025 onwards, reflecting a consistent trend in profitability as the company continues to expand its operations in the competitive aerospace and defense sectors. This forecast aligns with Airbus's historical Adjusted EBITDA margin, which ranged from 4.06% in 2020, affected by pandemic disruptions, to a peak of 15.48% in 2021, before normalizing to 11.60% in 2023. As Airbus solidifies its position in the commercial aircraft market and capitalizes on increasing demand for sustainable aviation, the Adjusted EBITDA margin is expected to remain steady, supported by operational efficiencies and economies of scale.

Airbus's base case Revenue Forecasts (Data extracted from the Airbus Form 10k and Earnings Presentation)

| Unlevered Free Cash Flow (EUR) | | | | | | | | | | | | | | |
|--------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Fiscal Year | 2020A | 2021A | 2022A | 2023A | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 |
| Adjusted EBITDA (bn) | 2.03 | 8.08 | 8.55 | 7.73 | 8.58 | 8.1 | 8.81 | 9.5 | 10.13 | 10.68 | 11.15 | 11.51 | 11.76 | 11.88 |
| Adjusted EBITDA Margin (%) | 4.06 | 15.48 | 14.31 | 11.60 | 11.57 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 |

WACC Estimate

As of FY 2024, Airbus's cost of debt is estimated at 7.91%, reflecting its borrowing rates and credit profile. After accounting for the effective tax rate of 30.53%, the after-tax cost of debt stands at 5.49%. The market risk premium, calculated using the historical annual return of the Nasdaq index over the past 20 years, is estimated at 6.00%. Meanwhile, the risk-free rate, derived from the yield on 10-year government bonds, is approximately 4.52%, representing the base level of return for low-risk investments.

Airbus's Beta, determined through regression analysis, is 1.15, indicating a moderate level of market volatility. Using the Capital Asset Pricing Model (CAPM), the cost of equity is calculated at 9.47%. Combining the equity and debt components, Airbus's Weighted Average Cost of Capital (WACC) is estimated at 8.83%, reflecting the blended cost of capital based on the company's capital structure, with equity comprising 91.34% and debt 8.66%.

Airbus's WACC Buildup (Data extracted from the Airbus Form 10k and Earnings Presentation)

| Weighted Average Costs of Capital (WACC) | |
|--|-----------|
| Equity (mm) (FY'2024) | 126495.45 |
| Debt (mm) (FY'2024) | 11935.93 |
| | |
| Cost of Debt | 7.91% |
| Tax Rate | 30.53% |
| D/(D+E) | 0.0866 |
| After Tax Cost of Debt | 5.49% |
| | |
| Risk Free Rate (10Y Government Yield) | 4.52% |
| Expected Market Return (Nasdaq 20 year Historical Annual Return) | 8.57% |
| Market Risk Premium | 4.05% |
| Beta (From Regression) | 1.15 |
| Unlevered Beta | 1.05 |
| E/(D+E) | 0.9134 |
| Cost of Equity | 9.47% |
| | |
| WACC | 8.83% |

Perpetual Growth Rate

Airbus's long-term growth rate (g) is estimated at **3.5%**, derived from key factors, reflecting its strong market position. The target inflation rate of **2%** serves as a baseline for estimating sustainable long-term growth. Airbus's long-term growth rate is expected to exceed global economic expansion, driven by strong demand for aircraft, fleet modernization, and technological advancements, raising its estimate to **3.2%**. Additionally, the aerospace and defense industry is projected to grow, with the global market expanding from \$308.7 billion in 2023 to \$461.9 billion by 2028, reflecting a CAGR of 8.4%, stabilizing at 4.8% by 2033. Airbus also forecasts its air traffic growth of 8.4% annually until 2027, before moderating to 3.6%, reinforcing long-term demand. Furthermore, Airbus anticipates the need for over 42,000 new aircraft by 2043, a 4% increase from prior estimates, fueled by emerging markets, rising global air travel, and growing defense expenditures.

Scenario Analysis *as of January 22, 2025

Base Case Scenario (Baseline)

Under our base case model, Airbus's revenue is projected to reach a **perpetuity growth rate of 3.5%** by 2033. Using a WACC of 8.83%, we estimate the enterprise value at €252.65 billion. After adjusting for cash and debt, the resulting equity value is €151.65 billion, leading to an implied share price of **€191.24**. This reflects a **17.11% upside** from the current share price of **€163.30**.

Airbus Implied Share Price Base Case Scenario (Data extracted from the Airbus Investor Website Form 10k)

| Parameter | Value (in millions EUR) |
|-------------------------------|-------------------------|
| Perpetuity Growth Rate (g) | 3.50% |
| WACC | 8.83% |
| Sum of PV of FCF (2024-2033) | 157,924.50 |
| Terminal Value (2033) | 220,787.05 |
| PV of Terminal Value | 94,729.95 |
| Enterprise Value (EV) | 252,654.45 |
| (+) Cash | 10,700.00 |
| (-) Debt | 16,970.00 |
| (-) Minority Interest | 0.00 |
| Equity Value | 151,654.50 |
| Shares Outstanding (millions) | 793.00 |
| Implied Share Price | 191.24 |
| Potential Upside | 17.11% |

Bullish Scenario

Airbus's Total Revenue Bullish Scenario (Data extracted from the Airbus Investor Website Form 10k)

| Basecase Revenue Breakdown (EUR) | | | | | | | | | | | | | | | |
|----------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|--------|--------|--------|--------|--------|--------|--|
| Fiscal Year | 2020A | 2021A | 2022A | 2023A | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | |
| Total Revenue (bn) | 49.91 | 52.15 | 59.74 | 66.63 | 74.18 | 80.96 | 88.25 | 95.31 | 101.98 | 108.10 | 113.50 | 118.04 | 121.58 | 124.01 | |
| YOY (%) | | 4.49 | 14.55 | 11.53 | 11.33 | 10.00 | 9.00 | 8.00 | 7.00 | 6.00 | 5.00 | 4.00 | 3.00 | 2.00 | |

Under our bullish model, we have revised Airbus's revenue to decline at a slower rate of 0.10% per year compared to 0.125% in the base case, reaching a perpetuity year Revenue growth rate of 2% in 2033. Additionally, the **long-term growth rate has been raised from 3.5% to 4.025%**, increasing the terminal value. This assumption has led to the arrival of a share price of **€219.08**, reflecting a **34.16% upside** from the current price of €163.30.

Airbus Implied Share Price Bullish Scenario (Data extracted from the Airbus Investor Website Form 10k)

| Parameter | Value (in millions EUR) |
|-------------------------------|-------------------------|
| Perpetuity Growth Rate (g) | 3.50% |
| WACC | 8.83% |
| Sum of PV of FCF (2024-2033) | 179,999.00 |
| Terminal Value (2033) | 268,451.61 |
| PV of Terminal Value | 115,180.70 |
| Enterprise Value (EV) | 295,179.70 |
| (+) Cash | 10,700.00 |
| (-) Debt | 16,970.00 |
| (-) Minority Interest | 0.00 |
| Equity Value | 173,729.00 |
| Shares Outstanding (millions) | 793.00 |
| Implied Share Price | 219.08 |
| Potential Upside | 34.16% |

This scenario assumes that Airbus will successfully expand its portfolio by launching new revenue-generating initiatives annually, similar to the early growth strategy of companies like Amazon. This could involve diversifying beyond its traditional aerospace offerings into related industries, such as advanced manufacturing, defense, or sustainable aviation technologies. Additionally, Airbus's commitment to maintaining high standards in aircraft design, production, and customer support will be critical as the aviation market matures and competition intensifies.

Bearish Scenario

Airbus's Total Revenue Bearish Scenario (Data extracted from the Airbus Investor Website Form 10k)

| Basecase Revenue Breakdown (EUR) | | | | | | | | | | | | | | |
|----------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|--------|--------|--------|--------|--------|--------|
| Fiscal Year | 2020A | 2021A | 2022A | 2023A | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 |
| Total Revenue (bn) | 49.91 | 52.15 | 59.74 | 66.63 | 74.18 | 80.96 | 88.08 | 94.78 | 100.84 | 106.09 | 110.33 | 113.42 | 115.24 | 115.70 |
| YOY (%) | | 4.49 | 14.55 | 11.53 | 11.33 | 10.00 | 8.80 | 7.60 | 6.40 | 5.20 | 4.00 | 2.80 | 1.60 | 0.40 |

For the bear case we agreed on a scenario where the revenue growth rate of Airbus falls more quickly at 1.2% a year towards the long term CAGR of the data center sector as earlier discussed. **The long-term growth rate is adjusted to 2.975%**, leading to an implied share price of **€182.28**, but still reflecting a **11.62% upside** from the current share price of €163.30.

Airbus Implied Share Price Bearish Scenario (Data extracted from the Airbnb Investor Website Form 10k)

| Parameter | Value (in millions EUR) |
|-------------------------------|-------------------------|
| Perpetuity Growth Rate (g) | 3.50% |
| WACC | 8.83% |
| Sum of PV of FCF (2024-2033) | 150,817.81 |
| Terminal Value (2033) | 203,487.75 |
| PV of Terminal Value | 87,307.58 |
| Enterprise Value (EV) | 238,125.39 |
| (+) Cash | 10,700.00 |
| (-) Debt | 16,970.00 |
| (-) Minority Interest | 0.00 |
| Equity Value | 144,547.81 |
| Shares Outstanding (millions) | 793.00 |
| Implied Share Price | 182.28 |
| Potential Upside | 11.62% |

This scenario adopts a bearish outlook, suggesting that Airbus may face significant challenges in the coming decade. It posits that, compared to its competitors, Airbus could struggle to capitalize on key technological advancements, such as cloud computing and artificial intelligence, which are reshaping the aerospace industry. The analysis indicates that if Airbus fails to effectively integrate these innovations into its operations and product offerings, it risks falling behind in a rapidly evolving market. Additionally, the company may face increasing competition in its commercial aircraft business, particularly from emerging market manufacturers and established players focused on cost-efficient models. Similarly, in the defense segment, competition from technologically advanced firms could pressure Airbus's market share and profitability. This pessimistic view highlights concerns that Airbus could encounter difficulties in maintaining its competitive edge, especially in a market increasingly focused on cost efficiency, sustainability, and digital transformation.

Trading Comparables

When evaluating Airbus's market position and potential investment value, it is essential to consider its trading comparables within the broader aerospace and defense sectors. Key competitors include major players such as Boeing, Lockheed Martin, and Northrop Grumman. These companies provide a wide range of commercial aircraft, defense systems, and space technologies, competing directly with Airbus's portfolio of commercial aircraft, defense, and space offerings.

Airbus's financial metrics can be compared against these competitors to assess relative valuation. For instance, while Airbus reported a revenue of €58.77 billion with a price-to-sales ratio of 1.4, Boeing generated €76.56 billion in revenue but has a higher price-to-sales ratio of 2.0. This suggests that while Airbus may be perceived as more reasonably priced on a sales basis, Boeing is valued higher, likely due to its larger market share and higher growth expectations from investors.

In addition to traditional aerospace giants, Airbus faces competition from new entrants and alternative technologies in the aviation sector. Companies focusing on electric or hybrid aircraft, such as Joby Aviation and Vertical Aerospace, are emerging as potential disruptors, alongside increasing competition from the global defense and space sectors. The competitive landscape highlights both challenges and opportunities for Airbus as it navigates an industry facing increased pressure to innovate, reduce carbon emissions, and adapt to evolving market demands. By analyzing these comparables, investors can gain insights into Airbus's positioning relative to its peers and make informed decisions about its growth potential in a rapidly changing aerospace environment.

Airbus P/S Trading Comps (Data extracted from the Airbus Investor Website Earnings Presentation)

| Scenario | P/S Ratio | Sales (mm) | Equity Value (mm) | Outstanding Shares (mm) | Implied Share Price (EUR) | Current Share Price (EUR) | Upside |
|-----------|-----------|------------|-------------------|-------------------------|---------------------------|---------------------------|--------|
| Base Case | 1.72 | 74,180 | 127589.6 | 792.74 | 160.95 | 158.5 | 1.55 |
| High Case | 2.06 | 74,180 | 152810.8 | 792.74 | 192.76 | 158.5 | 21.62 |
| Low Case | 1.12 | 74,180 | 83081.6 | 792.74 | 104.8 | 158.5 | -33.88 |

Airbus EV/EBIT Trading Comps (Data extracted from the Airbus Investor Website Earnings Presentation)

| Scenario | EV/EBIT Ratio | EBIT (mm) | Enterprise Value (mm) | Outstanding Shares (mm) | Implied Share Price (EUR) | Current Share Price (EUR) | Upside (%) |
|-----------|---------------|-----------|-----------------------|-------------------------|---------------------------|---------------------------|------------|
| Base Case | 28 | 4,484 | 125,552 | 792.74 | 150.47 | 158.5 | -5.07 |
| High Case | 39.67 | 4,484 | 177,880 | 792.74 | 216.48 | 158.5 | 36.58 |
| Low Case | 27 | 4,484 | 121,068 | 792.74 | 144.81 | 158.5 | -8.64 |

Airbus EV/EBITDA Trading Comps (Data extracted from the Airbus Investor Website Earnings Presentation)

| Scenario | EV/EBITDA Ratio | EBITDA (mm) | Enterprise Value (mm) | Outstanding Shares (mm) | Implied Share Price (EUR) | Current Share Price (EUR) | Upside (%) |
|-----------|-----------------|-------------|-----------------------|-------------------------|---------------------------|---------------------------|------------|
| Base Case | 17.1 | 8,580 | 146,718 | 792.74 | 177.17 | 158.5 | 11.78 |
| High Case | 22 | 8,580 | 188,760 | 792.74 | 230.2 | 158.5 | 45.24 |
| Low Case | 15 | 8,580 | 128,700 | 792.74 | 154.44 | 158.5 | -2.56 |

Airbus EV/Sales Trading Comps (Data extracted from the Airbus Investor Website Earnings Presentation)

| Scenario | EV/Sales Ratio | Sales (mm) | Enterprise Value (mm) | Outstanding Shares (mm) | Implied Share Price (EUR) | Current Share Price (EUR) | Upside (%) |
|-----------|----------------|------------|-----------------------|-------------------------|---------------------------|---------------------------|------------|
| Base Case | 1.81 | 74,180 | 134,266 | 792.74 | 161.46 | 158.5 | 1.87 |
| High Case | 2 | 74,180 | 148,360 | 792.74 | 179.24 | 158.5 | 13.09 |
| Low Case | 1.5 | 74,180 | 111,270 | 792.74 | 132.45 | 158.5 | -16.44 |

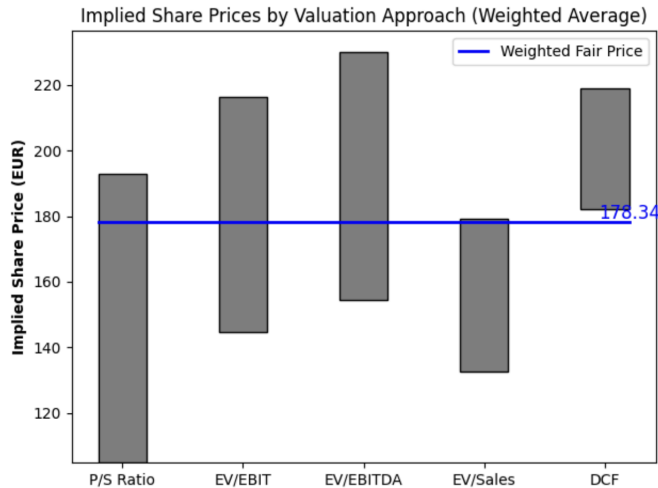
Overall Valuation

From a fundamental standpoint, considering the projected future cash flows of Airbus using a DCF (LT growth of 2.83%, Terminal Year Revenue Growth of 1%), Airbus appears fairly valued with a considerable 17% upward bias in the base case scenario.

From a trading comps valuation perspective, the company shows mixed results. The base case P/S ratio suggests a slight undervaluation, with an implied share price of €160.95, reflecting an upside of 1.55%. Similarly, under the EV/EBITDA valuation, the implied share price of €177.17 indicates a more significant upside of 11.78%. However, EV/EBIT and EV/Sales ratios point to moderate overvaluation in the base case, with implied share prices of €150.47 and €161.46, respectively, translating to downsides of -5.07% and a slight upside of 1.87%.

The high-case scenarios across all metrics present a robust upside, with the implied share prices reaching €192.76 under the P/S ratio and €230.20 under the EV/EBITDA ratio. Conversely, the low-case scenarios highlight potential risks, with the EV/Sales ratio indicating the steepest downside at -16.44%, and the P/S ratio showing a downside of -33.88%. These mixed signals suggest careful consideration of varying valuation approaches when assessing Airbus's equity value.

Airbus Combined Valuation Range



By applying a weighted valuation approach that considers the base case valuations from the four trading comps (P/S ratio, EV/EBIT, EV/EBITDA, and EV/Sales) alongside the DCF valuation model, we estimate Airbus's implied share price at €178.34, reflecting a 9.21% upside from its current price of €163.30. This suggests that the stock is currently at the value with a fair upside, and thus we recommend a **BUY** on Airbus.

Risk Assessment and Mitigations

1 a) Risk of Market Share Loss in the U.S. Amid Boeing's Recovery

Airbus faces significant risks to its position in the U.S. market as Boeing works to recover from recent challenges with strong government support and financial aid. The U.S. government's robust backing for Boeing, including \$60 billion in COVID-19 loan guarantees, highlights its strategic importance to the U.S. economy and national defense. This financial assistance has helped Boeing stabilize operations, protect jobs, and safeguard its position in the global market. Additionally, Boeing's access to the world's most liquid capital markets as a U.S.-listed company provides a significant advantage in raising funds and attracting investors.

As air travel demand recovers, governmental support for Boeing could indirectly pressure Airbus by strengthening its competitor's market position. To maintain its foothold in the U.S., Airbus must continue to focus on its own strategic advantages, such as its commitment to safety and innovation. Failure to respond effectively could result in declining market share, reduced profitability, and diminished influence in one of the world's largest and most critical aviation markets.

1 b) Mitigation for Market Share Loss in the U.S. Amid Boeing's Recovery

To mitigate the risks posed by Boeing's recovery, Airbus should prioritize leveraging its strengths in innovation, safety, and sustainability to differentiate itself in the U.S. market. Expanding its defense and aerospace offerings, such as unmanned aerial systems (UAS) and satellite systems, could enable Airbus to capitalize on rising geopolitical tensions and the growing demand for military aircraft. These high-margin sectors provide a buffer against fluctuations in the commercial aviation market while strengthening Airbus's foothold in the U.S. market.

Additionally, Airbus's strong financial position allows it to invest in research and development (R&D) for innovative and fuel-efficient designs, further enhancing its competitive edge. Airbus should also prioritize the expansion of its aftermarket services, including maintenance, repair, and overhaul (MRO) operations, to deepen relationships with U.S. airlines and secure long-term contracts. These efforts not only strengthen customer retention but also help offset competitive pricing pressures.

By emphasizing its reputation for safety, sustainability, and innovation, Airbus can further establish itself as a trusted partner for U.S. stakeholders. These strategies, combined with targeted investments in new technologies and partnerships, will enable Airbus to maintain and grow its market share in the U.S. aviation sector, despite the challenges posed by Boeing's government-backed recovery.

ESG Analysis

Environmental Aspect

Climate-Related Risks and Mitigation Strategies

Airbus is addressing environmental challenges by investing in cutting-edge technologies to reduce its carbon footprint. Key initiatives include:

- **Hydrogen-Powered Aircraft (ZEROe):** Airbus aims to introduce the world's first zero-emission commercial aircraft by 2035. The initiative focuses on hydrogen propulsion systems, with the first ZEROe fuel cell successfully tested in early 2024.
- **Sustainable Aviation Fuels (SAF):** Airbus has set ambitious targets to integrate SAF into its operations:
 - Achieved 10% SAF usage in 2023, surpassing expectations.
 - Plans to certify all aircraft for 100% SAF capability by 2030.
 - Partnership with TotalEnergies to supply over 50% of Airbus' SAF needs in Europe.
- **Innovative Technologies:** Developments such as the "albatross" folding wing design are enhancing fuel efficiency and reducing emissions.

Environmental Performance and ESG Ratings

- Airbus aligns with global sustainability frameworks, including the Task Force on Climate-related Financial Disclosures (TCFD).
- **ESG Ratings:**
 - **MSCI ESG Rating:** Airbus holds an 'A' rating, indicating strong performance in environmental impact management.
 - **S&P Global ESG Score:** Airbus received a score of 83/100 in 2023, reflecting its commitment to sustainable practices.

Future Environmental Goals

- Achieve net carbon neutrality in aviation by 2050.
- Increase SAF in the global fuel mix to 30% by 2030.
- Prioritize research in hydrogen propulsion to reduce fossil fuel dependency.

Social Aspect

Employee Well-being and Inclusion: Airbus fosters a socially responsible workplace by emphasizing diversity, safety, and well-being

- **Health and Safety:** The company implements strict safety protocols for employees and customers, ensuring compliance with international safety standards
- **Diversity and Inclusion:** Airbus has set gender diversity targets, aiming for 25% of leadership roles to be filled by women by 2025
- **Employee Training:** Investment in upskilling programs to support workforce adaptation to sustainable technologies

Stakeholder Engagement and Community Support

- **Support for SMEs:** Airbus collaborates with small and medium enterprises to develop sustainable technologies, such as the “Wing of Tomorrow” project.
- **Socially Responsible Investments:** Airbus funds educational programs and community projects that promote environmental awareness and STEM education.

Social Performance and ESG Ratings

- Airbus is listed in the **FTSE4Good Index**, which tracks companies with strong social responsibility credentials.
- Recognized by the **DJSI Europe Index**, reflecting its leadership in corporate social responsibility.

Governance Aspect

Corporate Governance Framework

Airbus adheres to high governance standards to ensure ethical operations and transparency. Key frameworks include:

- **ESG Governance Committee:** Airbus has established a dedicated sustainability committee to oversee ESG strategy and monitor progress.
- **Transparency and Reporting:** The company aligns with the EU Taxonomy and Global Reporting Initiative (GRI) standards to ensure accurate sustainability disclosures.
- **Regulatory Compliance:** Airbus is actively working to comply with the Corporate Sustainability Reporting Directive (CSRD) by implementing robust data collection processes.

Anti-Corruption and Ethical Practices

- Airbus enforces a strict anti-corruption policy and has implemented whistleblowing mechanisms to encourage ethical business conduct.
- Regular audits and third-party reviews ensure compliance with international laws.

Governance Performance and ESG Ratings

- Airbus holds a **CDP Climate Score of A-**, showcasing its commitment to climate governance and risk management.
- Recognized by **EcoVadis**, ranking among the top 5% of companies in aerospace for sustainability governance.

Overall Valuation

Airbus integrates environmental sustainability, social responsibility, and strong governance into its operations. The company focuses on Sustainable Aviation Fuels (SAF), hydrogen-powered aircraft, and fuel-efficient designs to reduce emissions, aiming for net carbon neutrality by 2050. Social initiatives emphasize diversity, employee well-being, and collaboration with SMEs. Airbus also ensures transparent governance, strict compliance, and ethical business practices. Despite challenges like geopolitical risks and supply chain issues, Airbus’s ESG strategy strengthens its market position and supports long-term sustainable growth.

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