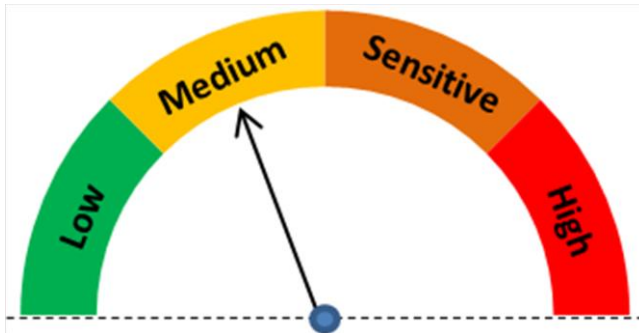


Sector Risk Rating



What to Watch?

- The batch of new airplanes expected in 2017, with new competitors from China and Russia challenging Airbus and Boeing
- The increase in volume of production challenging the supply chain (absorption capacity and cash)
- Fuel efficiency and increasing environmental constraints leading to higher R&D investment requirement
- Airlines' level of profitability and solvency to finance the acquisition of new planes

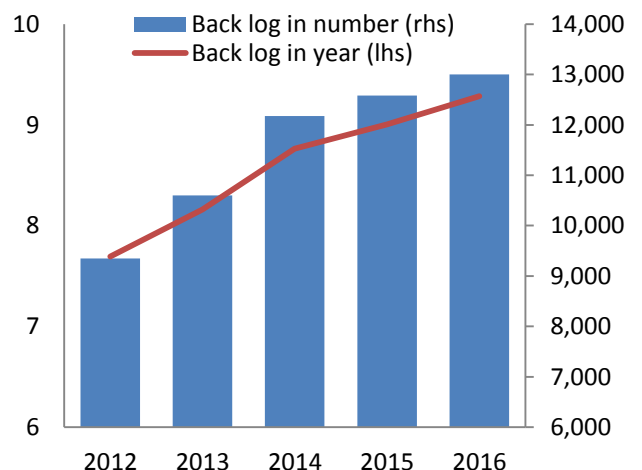
Slimmer sales, higher production, record backlogs

The civil aviation industry is dominated by Airbus and Boeing. Both companies have large order books that should keep their production lines busy for almost a decade. The long term cycle, the continued attractiveness of existing models and the upcoming new aircrafts should support the already-hefty backlogs.

Bombardier and Embraer have fared less well. Their attempt to shift from domestic markets to regional ones puts them in direct competition with the two aeronautic giants. The development of new plane models such as C series and 190 to corner the medium-haul market proves more difficult than expected, as profitability has decreased. Bombardier published losses and required assistance by the Canadian government. Orders books still have to be secured while very high levels of investment have already been incurred.

The yearly increase in aircraft production and the necessity of internationalization, present challenges for the entire supply chain. The required level of investment in productive capacity and new technologies (such as composite materials), as well as working capital requirements, are very high. This is all the more challenging for small players and thus raises questions regarding the sector's structural weaknesses.

Aeronautic order books evolution



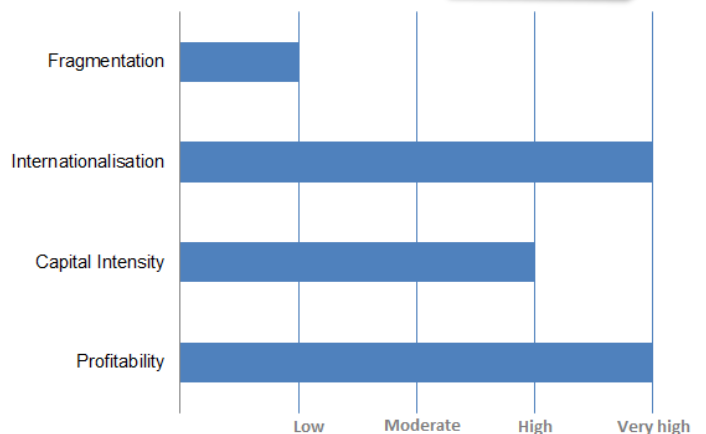
Sources: Airbus, Boeing, Euler Hermes

Sector Value:
187bn
USD

Key Players

Country	Role	Sector Risk
United States	#1 producer #1 exporter #2 importer	●
France	#1 importer #2 producer #2 exporter	●
Germany	#3 producer #3 exporter #3 importer	●

ID Card



Strengths

- Large order books giving a positive and stable long-term outlook
- High level of profitability for the sector's main companies
- Global market is controlled by two major players - Airbus and Boeing

Weaknesses

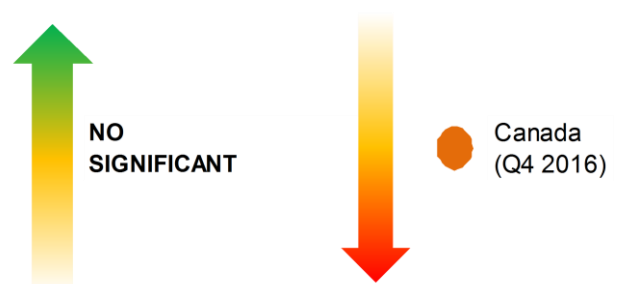
- The increasing cost of developing new aircraft
- Implementation/application of new technologies such as composite materials
- Too-small suppliers

Subsectors Insights

Tier 1 suppliers: International companies which can meet financial requirements for their investments

Tier 2 & 3 suppliers: Smaller companies facing difficulties to finance growth, R&D investments and internationalization

Recent Sector Risk Changes



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