

Sector Risk Rating



What to Watch?

- New competitors from China and Russia challenging Airbus and Boeing
- Increasing environmental constraints leading to higher R&D investment requirements
- Rapid growth in order books challenging the supply chain (absorption capacity and cash)
- Airlines' level of profitability and solvency to finance the acquisition of new planes

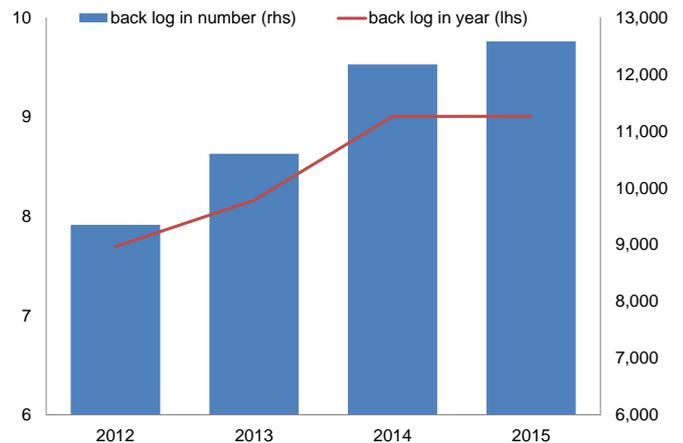
Order books exceeding 9 years of production

The civil aeronautics industry is dominated by Airbus and Boeing. Both companies have large order books that should keep their production lines busy for almost a decade. Long term cycle and the continued attractiveness of existing product lines mean that the order books look set to expand.

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 thus challenging. Orders books still have to be secured while very high levels of investment have already been incurred.

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

Aeronautic order books evolution



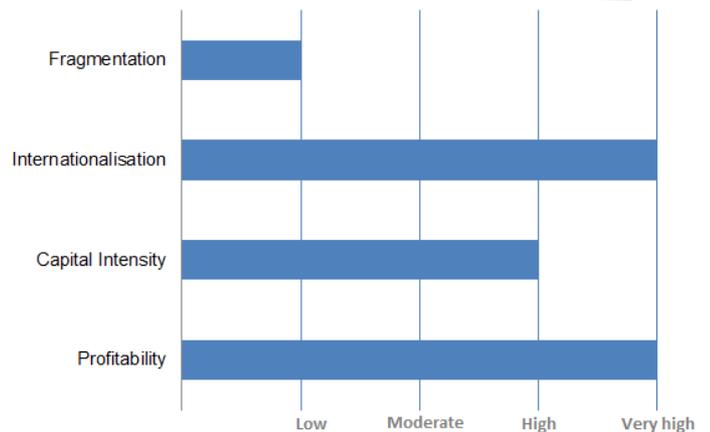
Sources: Airbus, Boeing, Euler Hermes

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
- Global market is controlled by two major players - Airbus and Boeing

Weaknesses

- Implementation / application of new technologies such as composite materials
- Undersized 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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