

# Embraer (EMBR3)

## Mapping Investors' Perceptions Before the Farnborough Airshow

Results From XP Survey

The Farnborough Airshow will take place next week (July 22<sup>nd</sup>-26<sup>th</sup>), so we took the chance to map investors' perceptions before the event. Embraer will display its main products throughout the week, with new orders usually announced during airshows (~20-30% of the year's backlog additions usually announced during such events). According to our survey, 48%/43% of investors expects up to 10/11-20 new commercial aircrafts to be announced, respectively, with ~50% expecting 1-5 KC-390s to be added to Embraer's backlog – that said, due to Embraer's recent relevant additions of 110 commercial units, we do not see a rush to speed-up new orders for this division. Finally, investors appear to be more conservative regarding the company's financials, with an average 2025E EBITDA forecast of US\$740 million, below consensus (US\$811 million) and us (US\$839 million) and potentially implying room for further upward revisions on the buy-side. We reiterate our Neutral rating on valuation.

The Farnborough Airshow is a trade exhibition for the aerospace and defense industries and one of the largest airshows in the sector. This year, we expect Embraer to reveal its E190F brand-new freighter, alongside the E-195 E2. On the defense front, we expect the KC-390 to be on the spotlight during this year's event, as well as the A-29 Super Tucano.

We do not see a rush to speed-up orders of E-jets (...). Although new orders are always welcomed by the market, as Embraer had already placed meaningful commercial orders YTD (90 units with American Airlines and 20 with Mexicana), we do not see a rush to speed-up new additions during this year's most important air show. In that regard, ~91% of respondents to our survey indicated up to 20 units expected to be announced next week, with our view in-line with the 43% who responded 10-20 aircrafts.

(...) but we do see orders' potential on the defense front. With the KC-390 already being selected by the Netherlands, Austria and the Czech Republic, we believe it is possible to expect contract signing announcements on the multi-mission aircraft-side during the Farnborough. According to our survey, 48% of respondents expects 1-5 units to be announced during next week's airshow, with 22% expecting 6-9 units, 17% indicating no new orders and 13% mentioning 10 or more.

Buy-sides are more conservative than us (and consensus). According to our survey, the most voted scenario for 2025E EBITDA (a product of revenues and margin expectations) is at ~US\$740 million (-9% vs. consensus and -12% vs. XPe), which we believe to imply room for upward revisions among buy-side investors, while sell-side market consensus is virtually in-line vs. XPe.

When asked about risks, a worse-than-expected supply chain appears as the most mentioned one (52%), followed by fiercer-than-expected competition (22%) and new capex cycles on aircraft developments (13%).

More details in the next pages (...).

Estimates	2023A	2024E	2025E	2026E
Net Revenues (US\$ million)	5,269	6,188	7,129	7,571
EBITDA (US\$ million)	562	683	839	909
EBITDA Margin (%)	10.7%	11.0%	11.8%	12.0%
Net Profit (US\$ million)	164	549	412	468
P/E (x)	33.6x	10.3x	13.8x	12.1x
EV/EBITDA (x)	12.1x	9.3x	7.4x	6.8x
Dividend Yield (%)	0.0%	0.0%	1.9%	2.9%

Embraer	EMBR3
Rating	Neutral
Target Price (R\$/sh.)	37.00
Current Price (R\$/sh.)	40.68
Upside (%)	-9%
Market Cap (R\$ million)	29,885
# of shares (million)	735
Free Float (%)	80%
ADTV (R\$ million)	249
Embraer	ERJ
Rating	Neutral
Target Price (US\$/ADS)	29.00
Current Price (R\$/sh.)	29.29
Upside (%)	-1%

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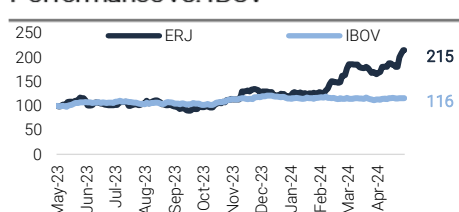
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### Performance vs. IBOV



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Figure 1: Embraer’s Annual New Orders and Airshows as % of New Orders (Farnborough, Paris and Dubai)

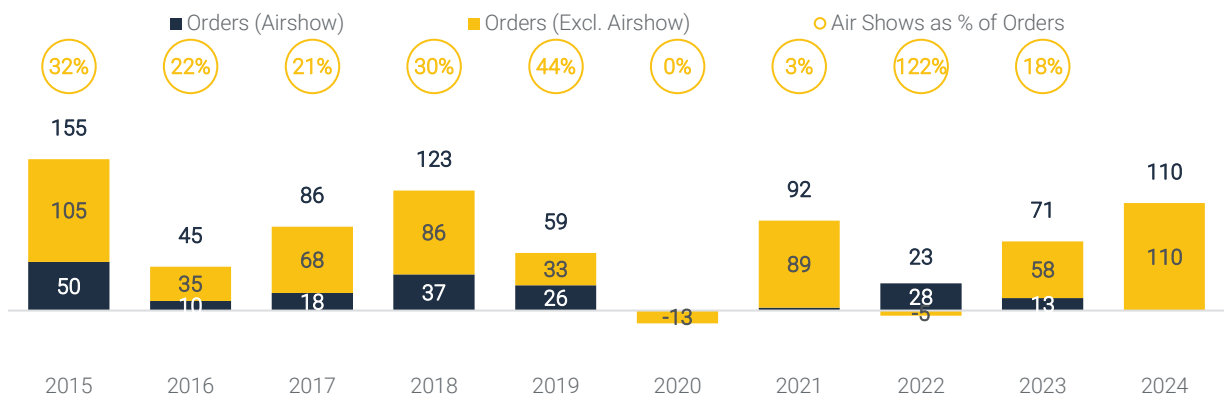


Figure 2: Farnborough’s Commercial New Orders  
Expectations for new order announcements in the airshow

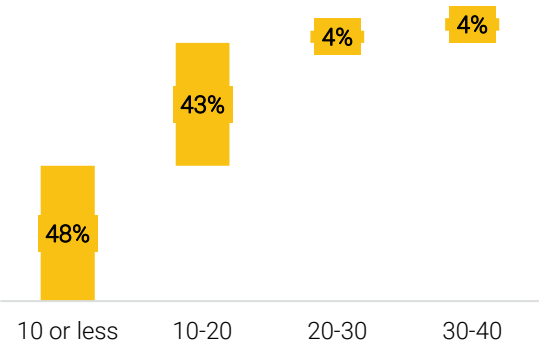


Figure 3: Farnborough’s KC-390 New Orders  
Expectations for new order announcements in the airshow

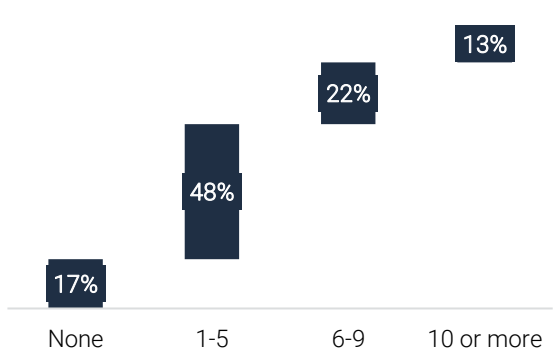


Figure 4: Structural Commercial Annual Deliveries

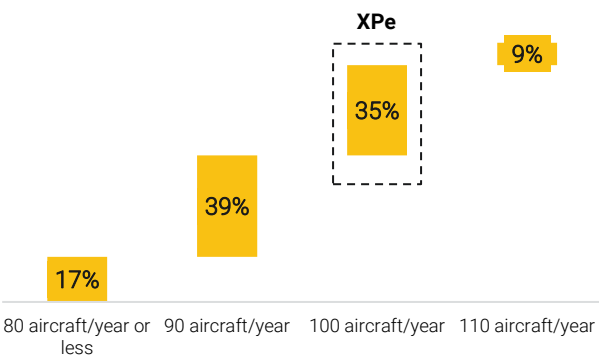
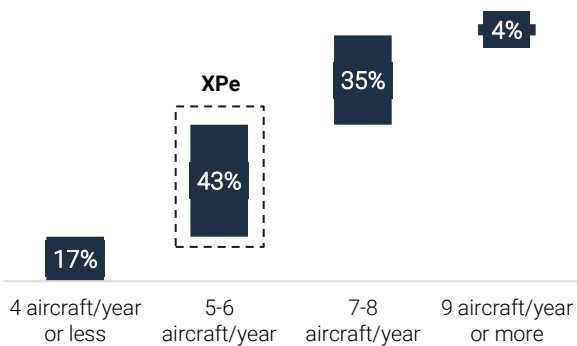


Figure 5: Structural KC-390 Annual Deliveries



# Mapping Investors’ Perceptions Before the Farnborough Airshow

## Results From XP Survey

Figure 6: Investors’ Sentiment on Embraer

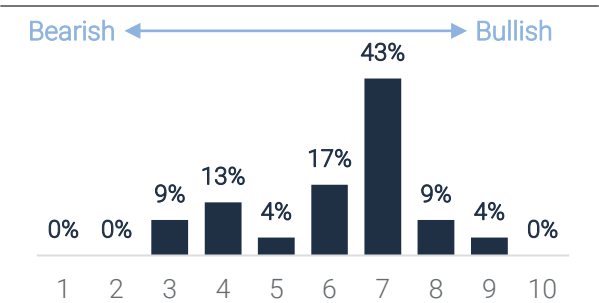


Figure 7: Investors’ Profile

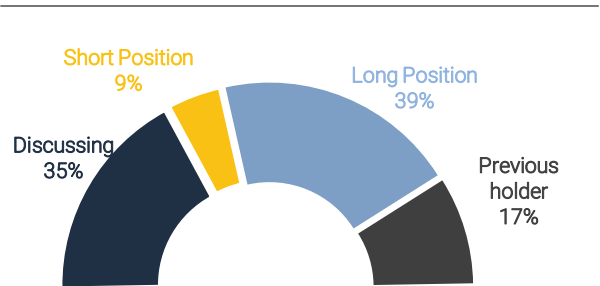


Figure 8: 2025E EBITDA Most Voted Scenarios (US\$ million)

25 EBITDA Most Voted Scenarios (US\$ mn)			EBITDA Margin (2025E)					
			< 10.0%	10.0-10.5%	10.5-11.0%	11.0-11.5%	11.5-12.0%	> 12.0%
2025E Revenues	< 6.0	4%	566	595	624	653	682	711
	6.0 - 6.4	17%	605	636	667	698	729	760
	6.4 - 6.8	35%	644	677	710	743	776	809
	6.8 - 7.2	26%	683	718	753	788	823	858
	> 7.2	17%	722	759	796	833	870	907

Figure 9: XP vs. Survey vs. Consensus

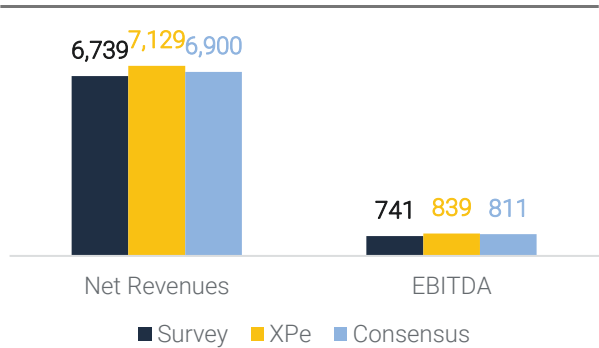


Figure 10: Expectation for EBITDA at US\$1 billion

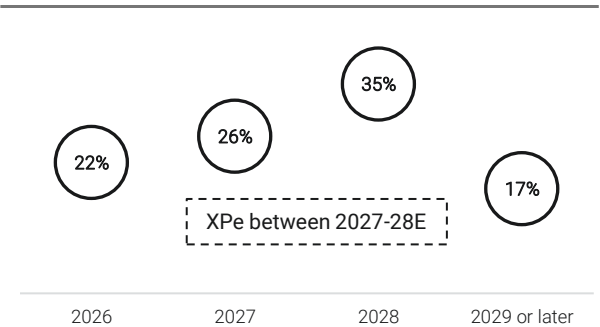


Figure 11: Eve’s Main Milestone to be Achieved

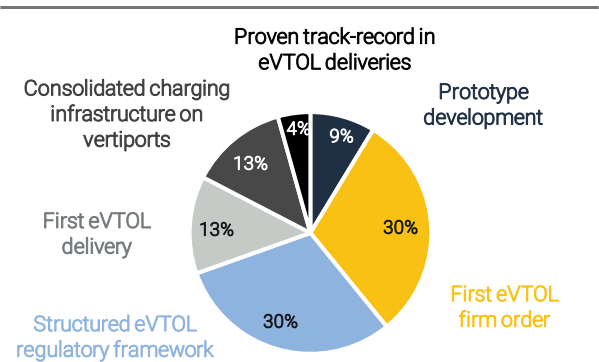
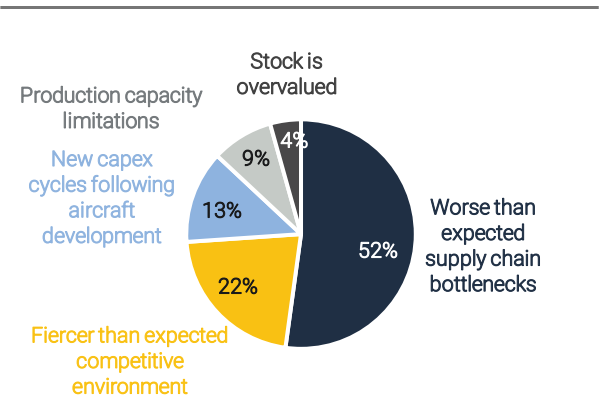


Figure 12: Embraer Thesis’ Main Risks



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