March 18, 2026
Aerospace

# Embraer (EMBJ3)

## Bear the Risks, Embrace the Opportunity

### Upgrading Embraer to Buy Rating Amid an Attractive Entry Point

After a ~27% pullback from recent highs, we are upgrading Embraer to Buy *(from Neutral)* and introducing a YE2026 TP of R$92.00/sh. *(US$70.00/ADS)*. Although the ongoing U.S.-Iran conflict has increased the risks for Aerospace names *(particularly considering the spike in jet fuel prices)*, we believe Embraer's recent valuation de-rating has been excessive, creating an entry point for the shares. In that regard: (i) 2026-27E P/E of ~20-16x no longer appears demanding, given Embraer's de-risked growth profile going forward, supported by meaningful backlog improvements in recent years; (ii) multiple optionalities remain as upside risks; and (iii) the widening discount vs. global peers enhances Embraer's relative appeal within the sector. Finally, although we expect near-term momentum to remain subdued as long as the Middle East conflict persists *(and so do higher jet fuel prices)*, history suggests that such shocks eventually normalize.

**Macro uncertainty remains elevated, driven by geopolitical tensions (…).** The U.S.-Iran conflict has triggered a sharp rise in oil and jet fuel prices, reviving concerns around airline costs, demand visibility, and near-term backlog confidence. In this report, we provide some insights on historical price performances following episodes such as the current one, with fuel prices acting more as a macro risk signal than a consistent driver of stock performance.

**(…) but several mitigating factors seem underappreciated.** We see Embraer's more robust and diversified backlog as an important de-risking factor, with current orders covering ~120% of our Commercial Aviation revenues through 2029E. Against this backdrop, the recent valuation de-rating appears to overstate commercial aviation risks, especially as other divisions become more meaningful for future FCF generation.

**We are slightly above consensus for EBIT in 2026E.** We are incorporating recent results and FY2026 guidance into our estimates, with our EBIT margin standing slightly above EMBJ's outlook as we already incorporate the recent U.S. tariff exemption (2026E EBIT of US$818 million, +4% vs consensus). Structurally, we now assume higher steady-state output, with deliveries stabilizing at around 110 aircraft/year in Commercial Aviation and 200 jets/year in Executive.

**Recent underperformance suggesting an entry point.** After a ~27% correction for EMBJ, we see the stock trading at 20-16x P/E levels for 2026-27E, which no longer appear demanding considering Embraer's improved growth profile going forward, more diversified earnings mix, and multiple growth optionalities. With Embraer now trading at a -17% P/E discount vs. a basket of peers, we also see the widening discount enhancing Embraer's relative appeal within the sector.

| Estimates | 2025A | 2026E | 2027E | 2028E |
|---|---|---|---|---|
| Net Revenues (US$ million) | 7,577 | 8,473 | 9,628 | 10,923 |
| EBITDA (US$ million) | 889 | 1,093 | 1,281 | 1,494 |
| *EBITDA Margin (%)* | *11.7%* | *12.9%* | *13.3%* | *13.7%* |
| Net Profit (US$ million) | 352 | 534 | 662 | 834 |
| P/E (x) | 35.1x | 20.3x | 16.4x | 13.0x |
| EV/EBITDA (x) | 10.7x | 10.5x | 8.9x | 7.6x |
| Dividend Yield (%) | -0.1% | 2.0% | 3.0% | 4.3% |

Source: Company Data, LSEG Refinitiv and XP Research.

| Embraer | EMBJ3 |
|---|---|
| **Rating** | **Buy** |
| **Target Price (R$/sh.)** | **92.00** |
| Current Price (R$/sh.) | 76.27 |
| *Upside (%)* | *21%* |
| Market Cap (R$ million) | 55,125 |
| # of shares (million) | 723 |
| Free Float (%) | 89% |
| ADTV (R$ million) | 475 |

| Embraer | EMBJ |
|---|---|
| Rating | Buy |
| Target Price (US$/ADS) | 70.00 |
| Current Price (R$/sh.) | 58.91 |
| *Upside (%)* | *19%* |

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# EMBJ's Underperformance Suggests an Entry Point

## Global Conflicts Negatively Impacting Aviation-Exposed Players

**Macro uncertainty remains elevated, creating contrasting dynamics for the aerospace sector.** Throughout 2H25, we saw an overall re-rating of defense-related stocks, benefiting from expectations of higher military spending and longer program visibility. More recently, however, the risk of higher jet fuel prices has raised concerns across the industry's financial health, and, indirectly, how fuel costs may influence airlines' profitability (especially due to the lack of hedging strategies), demand visibility, fleet renewal decisions, and, through those channels, backlog confidence for aerospace manufacturers.

**Historically, jet fuel price increases alone do not explain equity performance.** Looking back into jet fuel price increases over the past two decades, we note different scenarios performance-wise. When **(a)** fuel prices rise amid geopolitical stress, equities tend to underperform – one example is back in Apr'22 amid the Russia-Ukraine conflict (ITA -7%, EMBJ -14%), when elevated macro and geopolitical risks set the tone. In contrast, **(b)** in recovery/risk-on periods *(amid better demand prospects, pricing power, and balance-sheet normalization)* aerospace equities have performed well despite higher fuel costs. Finally, in **(c)** super-cycle environments, equity outcomes appear mixed and shaped primarily by overall macro conditions rather than fuel economics. In all cases, jet fuel appears to have acted more as a regime signal rather than as a directional driver of stock performance.

Figure 1: Embraer/ Aerospace ETF Performances Amid Jet Fuel Increases (60d Performance Prior to Period Peak)

| | Embraer | ITA ETF | JETS ETF | Jet Fuel | Scenario | Context |
|---|---|---|---|---|---|---|
| **05-Oct-05** | 16% | | | 82% | A | Hurricane-driven refining supply disruption. |
| **17-Sep-08** | 2% | -4% | | 73% | C | Commodity super-cycle peak. |
| **29-Apr-11** | -5% | 3% | | 12% | A | Arab Spring-related supply risk. |
| **20-Jun-14** | 3% | 2% | | 1% | C | Demand peak in a strong macro cycle. |
| **25-Nov-20** | 43% | 20% | 35% | 28% | B | Post-COVID aviation recovery. |
| **30-Nov-20** | 32% | 16% | 29% | 23% | B | Risk-on re-rating after the crash. |
| **10-Dec-20** | 47% | 17% | 30% | 19% | B | Ongoing recovery with improving visibility. |
| **18-Mar-21** | 38% | 10% | 26% | 10% | B | Global reopening lifts air travel demand. |
| **30-Apr-22** | -14% | -7% | 5% | 49% | A | Russia-Ukraine war supply shock. |
| **09-Jan-23** | 14% | -1% | 1% | 10% | B | China reopening boosts demand. |
| **18-Mar-26** | -20% | -5% | -15% | 104% | A | Oil price spike amid geopolitical stress. |

Figure 2: Embraer, Aerospace ETFs (ITA, JETS) and Jet Fuel Performances



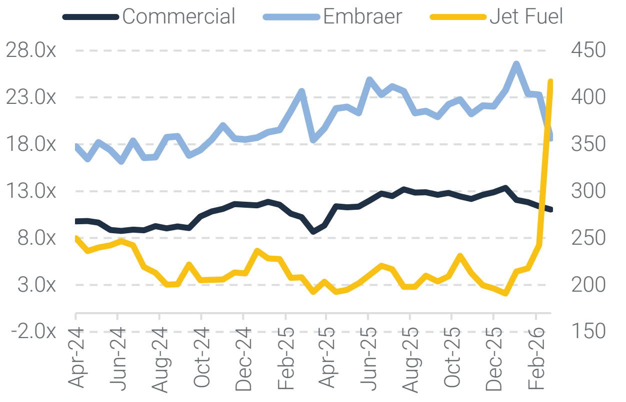
Sources: IATA, US News, MIT, LSEG Refinitiv and XP Research. *Notes: (1) US Gulf Reference. (2) Airbus, Delta Airlines, American Airlines and United Airlines.*

**The current cycle does not yet appear to constitute a fully structural macro regime shift for oil.** However, we recognize it does create a more complex operating environment for commercial aviation.

As highlighted by MIT, oil price shocks driven by supply risk or precautionary demand tend to be less persistent than demand-driven regimes, but refined products such as jet fuel can decouple from crude and remain volatile for longer periods (especially as the Iran conflict has a relatively more negative implication for crack spreads, as indicated by S&P).

As a result, even if crude prices stabilize, fuel-related uncertainty may persist, influencing airline fleet renewal dynamics.

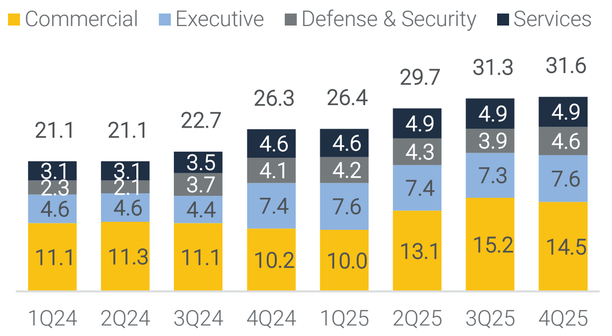
Figure 3: P/E Multiples vs. Jet Fuel Performance




# Improving and Diversified Backlog As a Mitigating Factor

**We see an elongated revenue visibility across the board as an important risk mitigator,** with current backlogs securing deliveries until the end of this decade not only for Embraer *(459 commercial aircraft in backlog as of 4Q25)* but for overall narrowbody manufacturers. Embraer's consolidated backlog already covers approximately ~79% of our 2026-29E revenue expectations, while in Commercial Aviation this coverage is wider following recent order announcements, reaching ~120% of 2026-29E revenues (book-to-bill of ~2.8x).

Figures 4-5: Backlog and LTM Book-to-Bill by Division (XPe)



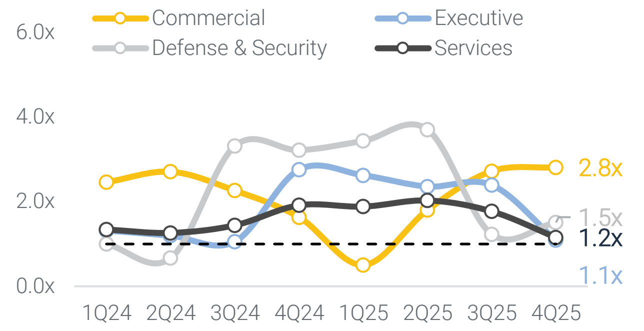



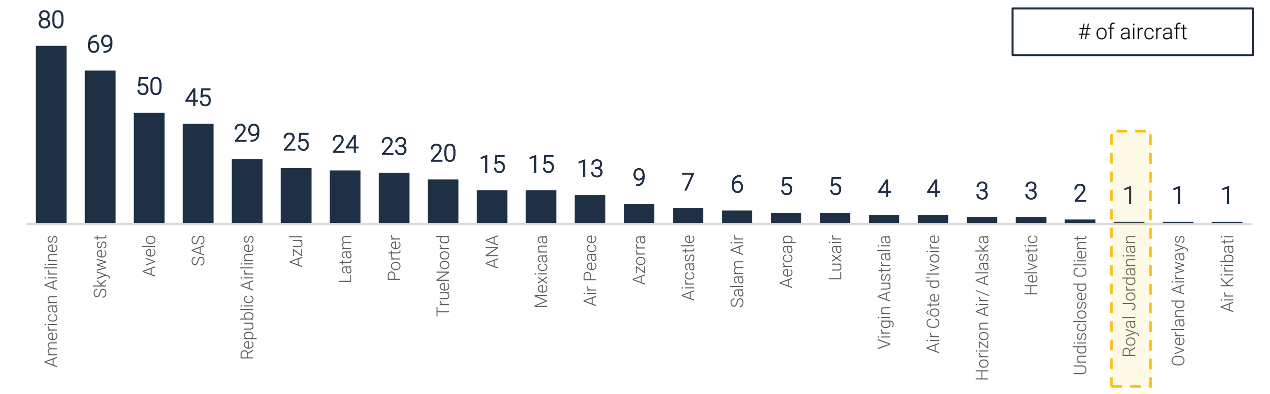

Figure 6: Backlog Visibility by Division (XPe)

| Backlog Visibility | 2026 | 2027 | 2028 | 2029 | 2026-29 | Backlog | % |
|---|---|---|---|---|---|---|---|
| **Total** | **8.5** | **9.4** | **10.4** | **11.4** | **39.7** | **31.6** | **80%** |
| Commercial | 2.6 | 2.9 | 3.2 | 3.5 | 12.1 | 14.5 | 119% |
| Executive | 2.4 | 2.6 | 2.8 | 2.9 | 10.8 | 7.6 | 70% |
| Defense | 1.1 | 1.3 | 1.5 | 1.7 | 5.5 | 4.6 | 84% |
| Services & Others | 2.3 | 2.6 | 3.0 | 3.3 | 11.2 | 4.9 | 44% |

Moreover, historical evidence from the COVID-19 pandemic reinforces aircraft order cancellations as a last-resort option for airlines. As discussed by ICAO, during the (unprecedent) pandemic-related demand shock, airlines prioritized delivery deferrals and slot rescheduling rather than order cancellations. As pre-delivery payments (PDPs) represent meaningful upfront commitments well ahead of delivery, typically ranging from the mid-teens to as much as ~30% of total contract value, cancellations bring clear implications for airlines' financial health.

**Even in a downside scenario involving order cancellations, we see buffers in place.** Embraer has demonstrated the ability to reallocate production slots to other clients, as recently illustrated by the slots initially secured for Azul to LATAM. Looking closer into Embraer's backlog by client, on top of the diversification, we see limited direct exposure to geopolitically sensitive routes (e.g.: Middle East), as illustrated by Figure 7.

Figure 7: Commercial Aviation Backlog by Client (# of aircraft)




# A Quantitative Assessment of FCF Risks

Following the escalation of the US-Iran conflict and the subsequential EMBJ underperformance, we believe the market has priced-in three potential impacts:

(i) Postponement of commercial deliveries in the short-term, given the impact of higher jet fuel costs on the airlines' financial health;

(ii) Weakening momentum for new orders, potentially having a negative impact on backlog additions going forward; and

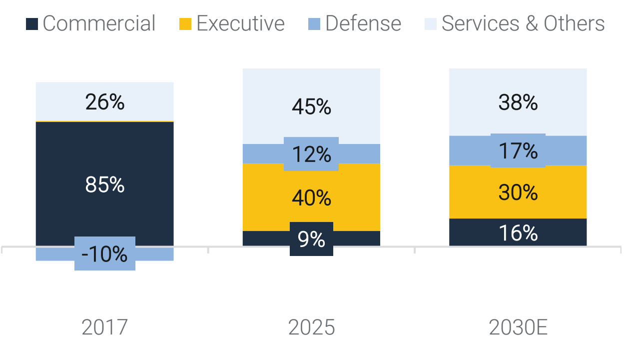
(iii) Lower structural deliveries, suggested by a lower appetite for fleet renewal/expansion if aviation-related demand deteriorates following the inflationary cost-environment due to higher brent/jet fuel prices.

While we acknowledge that the aerospace sector might lose momentum in the current conflict environment, our perception is that Embraer's recent valuation de-rating suggests an excessive financial impact from commercial aviation headwinds, as shown in Figure 8.

Figure 8: Scenarios Implied by the Recent De-Rating

| **Quantifying FCF Risks** | |
|---|---|
| (i) 2026E Commercial Aviation Deliveries | |
| **P/E 2026 (Now), Excl. Eve** | **19.2x** |
| **P/E 2026 (27-Jan-2026), Excl. Eve** | **25.7x** |
| Implied Earnings at Previous Multiple | 424 |
| Implied Commercial Deliveries (2026E) | 32 |
| XPe Commercial Deliveries (2026E) | 85 |
| ***Diff. (%)*** | ***-62%*** |
| (ii) 2026E Backlog (US$ mn) | |
| **2026E EV/Backlog (Now), Excl. Eve** | **0.33x** |
| **2026E EV/Backlog (27-Jan-2026), Excl. Eve** | **0.44x** |
| Implied Backlog at Previous Multiple | 23,800 |
| Backlog (2026E) | 33,026 |
| Implied Cancellations | -9,226 |
| ***As a % of Commercial Backlog*** | ***-63%*** |
| (iii) 2030E FCF Yield | |
| **2030E FCF Yield (Now), Excl. Eve** | **8.4%** |
| **2030E FCF Yield (27-Jan-2026), Excl. Eve** | **6.3%** |
| Implied LT FCF at Previous Multiple | 649 |
| Implied LT Commercial Deliveries (2030E) | 20 |
| XPe Commercial Deliveries (2030E) | 110 |
| ***Diff. (%)*** | ***-82%*** |

Figure 9: EBIT Breakdown 2017-25-30E (%)




**Portfolio diversification reducing commercial-related risks.** Embraer has been consistently reducing its exposure to the Commercial Aviation segment over the past years, with Services & Support increasingly gaining relevance, C-390 ramping-up deliveries and executive jets consolidating as incumbents amid respective categories. Moreover, with Commercial Aviation showing a relatively lower profitability figure, the impacts on consolidated FCF levels in the future are expected to be limited.

# Bottom-Up Fundamentals Remain Solid

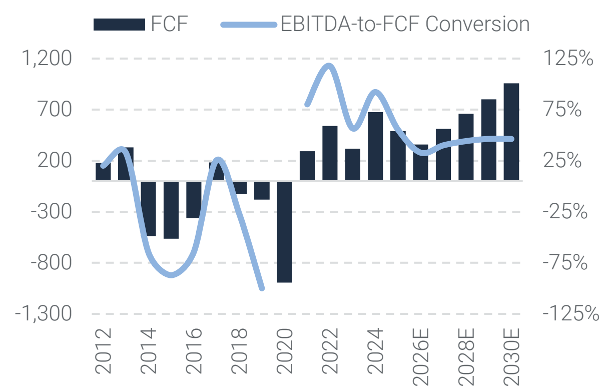
**Against a backdrop of heightened macro uncertainty, we see Embraer's investment case driven by improved bottom-up fundamentals.** All risks considered, we see the company entering this period with a more robust and diversified backlog *(especially in Commercial Aviation)*, with book-to-bill levels above 1x in all categories (and 2.8x in Commercial 4Q25 LTM) anchoring medium-term growth expectations. With demand visibility in place, we expect near-term operational risks to be related to execution, particularly around supply-chain management and production pacing.

**Our estimates embed a sustained growth trajectory,** as illustrated in Figures 11-12 below. We are increasing our structural delivery assumptions, now stabilizing at 110 aircraft per year in Commercial Aviation and 200 aircraft per year in Executive Aviation, broadly in line with Embraer's base case as discussed in our recent NDR. Together, these assumptions support our low-teens top-line growth over the upcoming years. We also see levers for margin expansion, including **(i)** operating leverage from higher volumes, **(ii)** continued disciplined cost execution, **(iii)** the ongoing implementation of production-levelling initiatives and, in the near-term, **(iv)** benefits from the recent U.S. tariff exemption (from 10% to 0%). This combination supports our expectations for stronger FCF generation, supporting continued balance-sheet strengthening in the medium-term.

Figure 10: Growth and Profitability Analysis

| **Growth Analysis** | **2025** | **2026E** | **2027E** | **2028E** | **2029E** |
|---|---|---|---|---|---|
| **Revenues** | **18%** | **12%** | **14%** | **13%** | **12%** |
| **EBITDA** | **21%** | **23%** | **17%** | **17%** | **16%** |
| **Adj. EBIT** | **0.5p.p.** | **1.0p.p.** | **0.7p.p.** | **0.6p.p.** | **0.6p.p.** |
| Commercial | 0.7p.p. | 1.0p.p. | 1.0p.p. | 0.8p.p. | 0.8p.p. |
| Executive | 0.8p.p. | 1.3p.p. | 0.2p.p. | 0.2p.p. | 0.2p.p. |
| Defense | 2.4p.p. | 1.5p.p. | 1.0p.p. | 1.1p.p. | 1.1p.p. |
| Services | -0.3p.p. | -0.4p.p. | 0.0p.p. | 0.2p.p. | 0.2p.p. |
| **NOPLAT** | **26%** | **25%** | **21%** | **20%** | **18%** |
| **Net Income** | **0%** | **52%** | **24%** | **26%** | **19%** |

Figure 11: FCF (US$ mn) and FCF Conversion (%)




**We see an overall conservative tone in Embraer's FY2026 guidance,** which may have initially raised some concerns (especially regarding Commercial Aviation deliveries), although overall in-line with the company's speech, in our view. In that regard, we see room for upward revisions for consensus, especially if the current tariff exemption is maintained (XPe EBIT of US$818m assuming zero tariffs vs. consensus at US$790m for 2026E).

During the recent earnings call, Embraer reinforced its confidence in operating toward the mid-to-high end of the guidance range, supported by ongoing supply-chain initiatives aimed at improving delivery performance. Management also pointed to expectations of a book-to-bill above 1x in 2026E, reinforcing the view that demand momentum remains strong, despite short-term geopolitical headwinds.

Figure 12: Embraer's FY2026 Guidance

| **Embraer's Financial Guidance** | **Actual** | **2026 YE** | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2025** | **Low** | **High** | **2026 Mid (a)** | **Consensus (b)** | **Diff. (%) (a)/(b)** | **XPe (c)** | **Diff. (%) (a)/(c)** |
| Commercial Aviation Deliveries (#) | 85 | 80 | 85 | 83 | 84 | -2% | 85 | 3% |
| Executive Aviation Deliveries (#) | 170 | 160 | 170 | 165 | 166 | -1% | 170 | 3% |
| **Consolidated Revenues (US$ mi)** | **7,578** | **8,200** | **8,500** | **8,350** | **8,502** | **-2%** | **8,473** | **1%** |
| **Adj. EBIT** | **657** | **713** | **791** | **752** | **790** | **-5%** | - | - |
| Adj. EBIT Margin (%) | 8.7% | 8.7% | 9.3% | 9.0% | 9.3% | -0.3 p.p. | - | - |
| **Adj. EBIT Excl. Tariffs** | **711** | **-** | **-** | **805** | **-** | **-** | **818** | **-2%** |
| Adj. EBIT Margin (%) Excl. Tariffs | 9.4% | - | - | 9.6% | - | - | 9.6% | 0.0 p.p. |
| **Free Cash Flow (US$ mi)** | **491** | **200+** | **200+** | **200+** | **n.m.** | **n.m.** | **n.m.** | **n.m.** |

Sources: Company Data, Bloomberg and XP Research.

# Valuation at Base-Case Not as Demanding Anymore

**From a valuation standpoint,** we rely on a P/E framework to avoid distortions stemming from distinct D&A factors, tax rate differences and overall accounting standards across peers. As shown in Figures 13-14 below, **we see Embraer currently trading at a ~17% discount vs. an aerospace basket** *(weighted by Commercial, Executive, Defense and Service peers),* the lowest level in the past years *(EMBJ trading on average with a ~6% premium vs. the basket)*, with such discount levels widening following Embraer's underperformance in the past few days.

Finally, while we understand that the aerospace/aviation sectors could see weakening momentum amid the current Iran-conflict, Embraer's underperformance might suggest that such risks have already been priced-in, at least compared to the industry-level, in our view.

Figure 13: Embraer P/E vs. Peers by Segment

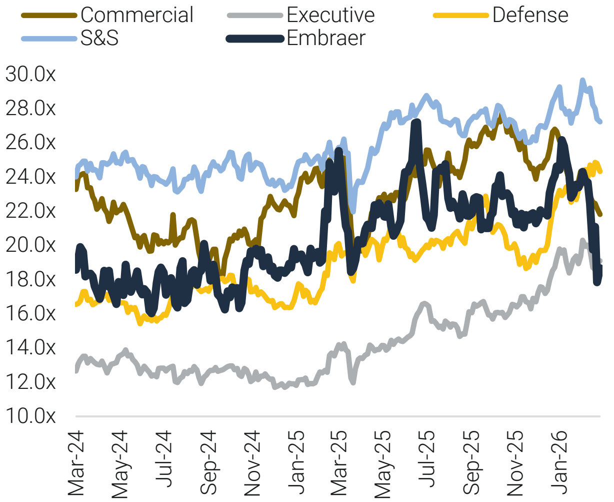
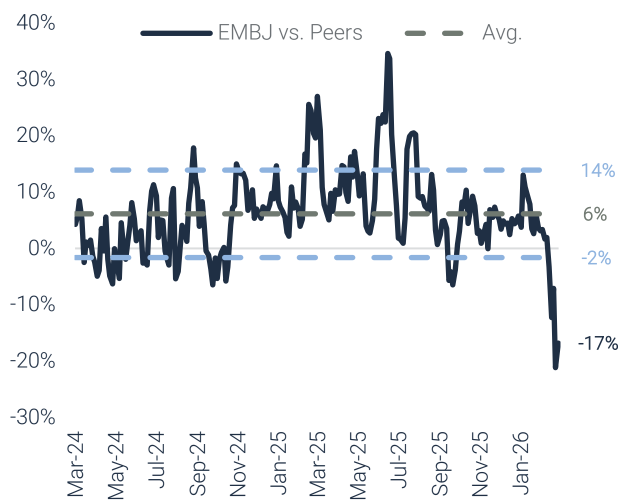


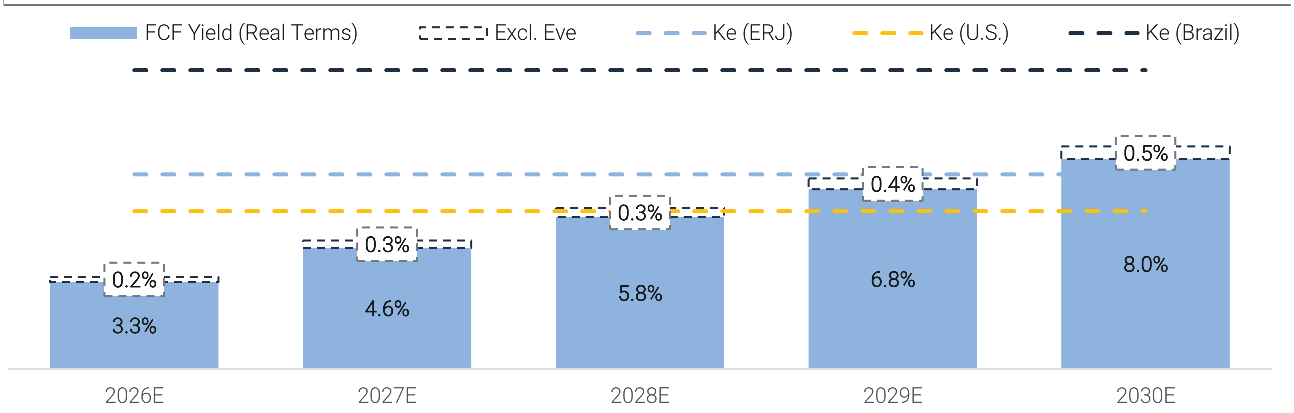

Figure 14: Embraer Historical P/E vs. Global Peers




**The growth-story.** Trading at a P/E of 20.4x (or 19.2x excl. Eve) and FCF yield of 3.3% (or 3.5% excl. Eve) in 2026E, current valuation naturally embeds earnings/FCF improvements in the upcoming years. At real terms, we see FCF yields improving to levels above Embraer's cost of capital by 2030E (8.0-8.5%), reflecting the growth levers we discussed in this report, and at more reasonable (and relatively attractive) levels compared to Embraer's valuation before its recent underperformance (~6% 2030E FCF yield when the stock reached its peak by late January).

Finally, although not included in our 2026YE TP of R$92.00/sh. (US$70/ADS), **we see Embraer's potential optionalities adding upside risks to our base-case for equity generation** and potential for incremental FCF in 2030E onwards – in that regard, while we are including Eve at current share prices @ Embraer's stake into our TP (~US$3/ADS or R$4/sh.), new production facilities in India and the U.S. remain as upside risks.

Figure 15: Embraer's FCF Yields Evolution (Real Terms, %)



# Changes to Estimates

## Incorporating Higher Deliveries to Our Medium-Term Estimates

We are incorporating recent results and Embraer's FY2026 guidance into our estimates, standing at the high-end of the company's indications for deliveries (85 for Commercial Aviation and 170 for Executive), while our profitability figure stands above Embraer's guidance as we are already incorporating the tariff exemption into our model (adj. EBIT margin of 9.6% vs. Embraer's guidance of 8.7%-9.3% considering a 10% tariff).

For the upcoming years, we are revising our estimates upwards as we incorporate better medium-term deliveries. Our model now stabilizes in 110 aircraft/year for Commercial Aviation and 200 aircraft/year for Executive Aviation, in-line with Embraer's base case as discussed in our recent NDR.

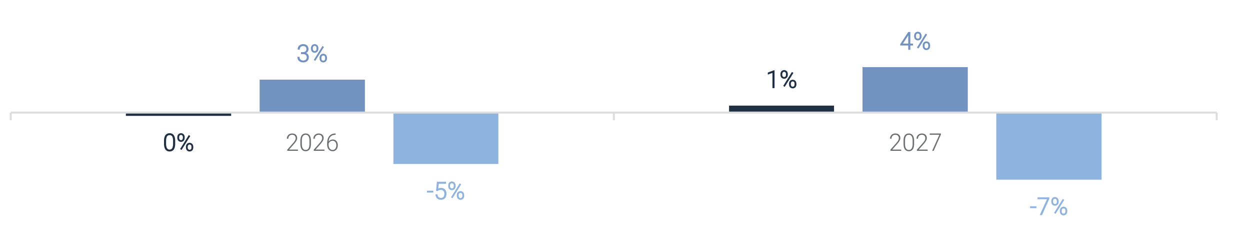
Figure 16: Changes to Estimates

| Embraer | Old | | | New | | | Actual vs. Old | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2026 | 2027 | 2028 | 2026 | 2027 | 2028 | 2026 | 2027 | 2028 |
| **Net Operating Revenues** | **8,288** | **9,329** | **10,294** | **8,473** | **9,628** | **10,923** | **2%** | **3%** | **6%** |
| *YoY % Var* | 11% | 13% | 10% | 12% | 14% | 13% | 0.4 p.p. | 1.1 p.p. | 3.1 p.p. |
| COGS | -6,786 | -7,605 | -8,358 | -6,909 | -7,820 | -8,839 | 2% | 3% | 6% |
| **Gross Profit** | **1,501** | **1,724** | **1,936** | **1,564** | **1,808** | **2,084** | **4%** | **5%** | **8%** |
| *Gross Margin* | 18.1% | 18.5% | 18.8% | 18.5% | 18.8% | 19.1% | 0.3 p.p. | 0.3 p.p. | 0.3 p.p. |
| **Adj EBITDA** | **1,010** | **1,175** | **1,330** | **1,093** | **1,281** | **1,494** | **8%** | **9%** | **12%** |
| *EBITDA Margin* | 12.2% | 12.6% | 12.9% | 12.9% | 13.3% | 13.7% | 0.7 p.p. | 0.7 p.p. | 0.8 p.p. |
| **Adj. EBIT** | **760** | **912** | **1,058** | **818** | **992** | **1,188** | **8%** | **9%** | **12%** |
| *EBIT Margin* | 9.2% | 9.8% | 10.3% | 9.6% | 10.3% | 10.9% | 0.5 p.p. | 0.5 p.p. | 0.6 p.p. |
| Net Financial Results | -23 | -33 | -4 | -89 | -89 | -51 | 294% | 165% | 1299% |
| **EBT** | **737** | **879** | **1,055** | **728** | **903** | **1,138** | **-1%** | **3%** | **8%** |
| Income Taxes & Contributions | -184 | -220 | -264 | -182 | -226 | -284 | -1% | 3% | 8% |
| *% of EBT* | 25% | 25% | 25% | 25% | 25% | 25% | 0.0 p.p. | 0.0 p.p. | 0.0 p.p. |
| **Net Income (Majority)** | **537** | **640** | **768** | **534** | **662** | **834** | **-1%** | **3%** | **9%** |
| | | | | | | | | | |
| **Net Debt** | **-119** | **-340** | **-497** | **46** | **-20** | **-134** | **-139%** | **-94%** | **-73%** |
| *Net Debt/EBITDA* | -0.1x | -0.3x | -0.4x | 0.0x | 0.0x | -0.1x | 0.2 p.p. | 0.3 p.p. | 0.3 p.p. |

Figure 17: XP vs. Consensus

| Embraer | 2026 | | | 2027 | | |
|---|---|---|---|---|---|---|
| | XPe | Consensus | Diff. (%) | XPe | Consensus | Diff. (%) |
| **Net Revenues** | **8,473** | **8,500** | **0%** | **9,628** | **9,563** | **1%** |
| **EBITDA** | **1,093** | **1,059** | **3%** | **1,281** | **1,227** | **4%** |
| EBITDA margin | 12.9% | 12.5% | 0.4 p.p. | 13.3% | 12.8% | 0.5 p.p. |
| **EBIT** | **818** | **790** | **4%** | **992** | **944** | **5%** |
| EBIT margin | 9.6% | 9.3% | 0.4 p.p. | 10.3% | 9.9% | 0.4 p.p. |
| **Net Income** | **534** | **563** | **-5%** | **662** | **709** | **-7%** |
| Net Margin | 6.3% | 6.6% | -0.3 p.p. | 6.9% | 7.4% | -0.5 p.p. |

Figure 18: XP vs. Consensus



# DCF and Valuation

## Our Target Price Implies +21% Upside vs. Current Prices

**Our 2026YE DCF-based target price of R$92.00 per share (US$70.00/ADS) presents a +21% upside vs. current prices.** We use a FCFF (free cash flow to firm) valuation approach, where our main assumptions include: (i) 2.5% long-term growth rate, (ii) 17% debt to (debt + equity) ratio, (iii) 4.6% risk-free rate and (iv) beta at 1.0, implying 9.1%, 10.1% and 7.0% nominal WACC, cost of equity and cost of debt, respectively.

We incorporate Eve into our 2026YE TP, which adds ~R$4/sh. (US$3.00/ADS) to our target equity value.

Figure 19: Main DCF Assumptions

| **DCF (R$ Million)** | **2025** | **2026** | **2027** | **2028** | **2029** | **2030** | **2031** | **2032** | **2033** | **2034** | **2035** | **2036** | **2037** | **2038** | **2039** | **2040** | **Perp** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **NOPLAT** | **815** | **613** | **744** | **891** | **1,056** | **1,138** | **1,179** | **1,208** | **1,204** | **1,223** | **1,251** | **1,286** | **1,320** | **1,355** | **1,391** | **1,429** | |
| (+) D&A | 232 | 275 | 290 | 306 | 322 | 339 | 354 | 367 | 380 | 393 | 406 | 419 | 433 | 447 | 461 | 476 | |
| (-) Capex | -416 | -421 | -465 | -513 | -560 | -513 | -531 | -544 | -548 | -559 | -573 | -589 | -605 | -621 | -638 | -655 | |
| (+/-) Δ NWC | 219 | -34 | 7 | 10 | 17 | 28 | -1 | -2 | -3 | -2 | -2 | -2 | -2 | -2 | -2 | -2 | |
| **FCFF** | **850** | **434** | **575** | **694** | **834** | **992** | **1,001** | **1,028** | **1,033** | **1,054** | **1,082** | **1,114** | **1,146** | **1,179** | **1,213** | **1,248** | **19,521** |
| **PV FCFF** | | | **527** | **584** | **643** | **701** | **648** | **610** | **562** | **526** | **495** | **467** | **441** | **416** | **392** | **370** | **5,784** |
| *% of Total EV* | | | *4%* | *4%* | *5%* | *5%* | *5%* | *5%* | *4%* | *4%* | *4%* | *4%* | *3%* | *3%* | *3%* | *3%* | *44%* |

Figure 20: CAPM Assumptions

| **CAPM** | |
|---|---|
| **Ke** | **10.1%** |
| **Kd (BT)** | **7.0%** |
| T | 25% |
| D/(D+E) | 17% |
| **WACC** | **9.1%** |
| g | 2.5% |
| Base Year | 2026 |
| **Valuation** | |
| Net Debt (Excl. Eve) 2026 | 258 |
| EV 2026 | 13,203 |
| Embraer's Stake on Eve | 623 |
| Minorities' Interest | 591 |
| Target Market Cap | 12,978 |
| Number of Shares | 185 |
| **Target Price (US$/ADS)** | **70.00** |
| **Target Price (R$/sh.)** | **92.00** |

Figure 21: Historical Forward P/E Multiple

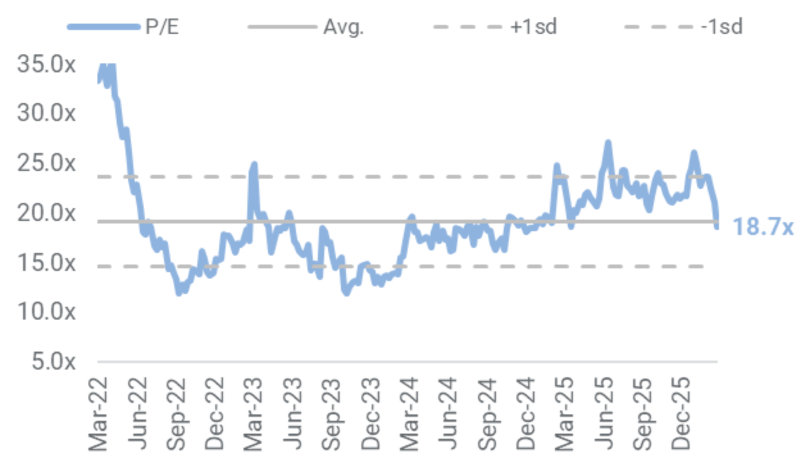
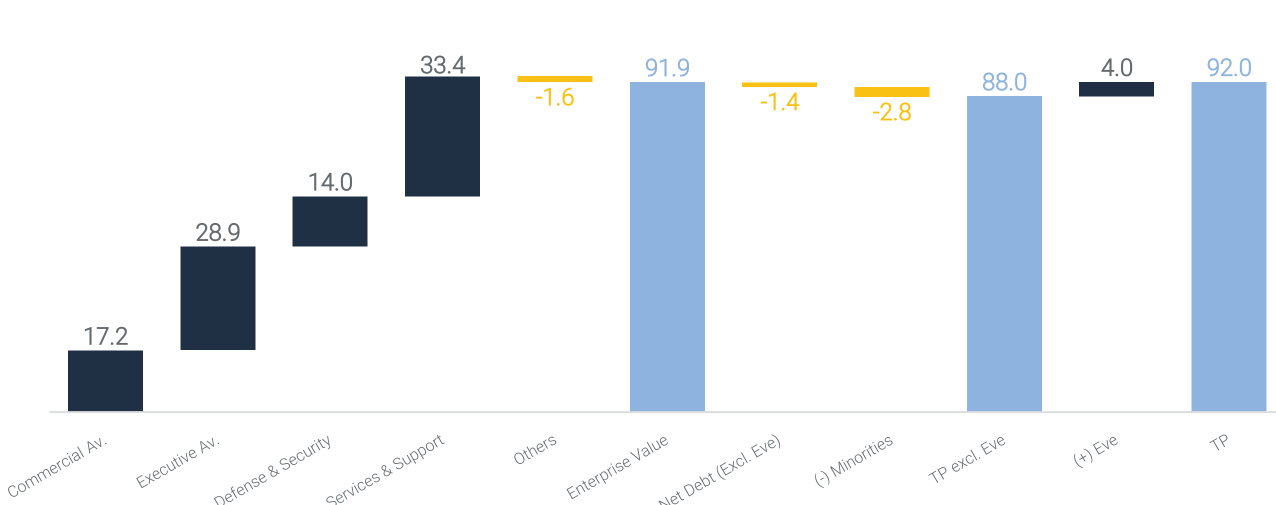



Figure 22: Embraer's Target Price Composition, R$/share (With Eve)



# Main Estimates for Embraer

Figure 23: Main Estimates for Embraer (EMBJ3)

| Main Estimates | 2025A | 2026E | 2027E | 2028E |
|---|---|---|---|---|
| | | | | |
| **Income Statement (US$ mn)** | | | | |
| Net Revenues (US$ mn) | 7,577 | 8,473 | 9,628 | 10,923 |
| EBIT (US$ mn) | 657 | 818 | 992 | 1,188 |
| *EBIT Margin (%)* | *8.7%* | *9.6%* | *10.3%* | *10.9%* |
| EBITDA (US$ mn) | 889 | 1,093 | 1,281 | 1,494 |
| *EBITDA Margin (%)* | *11.7%* | *12.9%* | *13.3%* | *13.7%* |
| Net Financial Results (US$ mn) | -340 | -89 | -89 | -51 |
| Pre-tax income (US$ mn) | 317 | 728 | 903 | 1,138 |
| Net Income (US$ mn) | 352 | 534 | 662 | 834 |
| *Net Margin (%)* | *4.6%* | *6.3%* | *6.9%* | *7.6%* |
| | | | | |
| **Balance Sheet (US$ mn)** | | | | |
| Total Debt (US$ mn) | 2,712 | 3,508 | 3,866 | 4,200 |
| Net Debt (US$ mn) | 298 | 258 | 192 | 78 |
| Net Debt/ EBITDA (x) | 0.3x | 0.2x | 0.1x | 0.1x |
| Equity (US$ mn) | 3,445 | 3,761 | 4,101 | 4,466 |
| Assets (US$ mn) | 12,920 | 14,265 | 15,498 | 16,782 |
| Net working capital (US$ mn) | 219 | -34 | 7 | 10 |
| | | | | |
| **Cash Flow (US$ mn)** | | | | |
| D&A (US$ mn) | 232 | 275 | 290 | 306 |
| Capex (US$ mn) | 416 | 421 | 465 | 513 |
| FCF (US$ mn) | 491 | 359 | 513 | 660 |
| Dividendos (US$ mn) | -5 | 219 | 322 | 469 |
| | | | | |
| **Valuation** | | | | |
| P/E (x) | 35.1x | 20.3x | 16.4x | 13.0x |
| EV/EBITDA (x) | 10.7x | 10.5x | 8.9x | 7.6x |
| Dividend Yield (%) | -0.1% | 2.0% | 3.0% | 4.3% |
| ROE (%) | 11.1% | 13.7% | 15.7% | 18.2% |
| ROIC (%) | 12.3% | 14.4% | 16.4% | 18.5% |
| Capex as a % of Sales (%) | 5% | 5% | 5% | 5% |
| | | | | |
| **Revenue Breakdown** | | | | |
| Commercial Aviation | 31% | 31% | 30% | 30% |
| Executive Aviation | 29% | 28% | 27% | 26% |
| Defense & Security | 13% | 13% | 14% | 15% |
| Services & Support | 26% | 27% | 27% | 28% |
| Others | 1% | 1% | 1% | 1% |

Sources: Company Data and XP Research.

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