

# FY 2014/2015 results November 24th, 2015



# Summary

- **FY 2014/2015 results impacted by Aircraft Interiors activities**
  - **Decrease in the Current Operating Income due to Aircraft Interiors activities, particularly Zodiac Seats**
  - **Weighting on Group's P&L and balance sheet**
- **Implementation of a new organisation and of our « Focus » transformation plan**
  - **Lessons learned from the Seats crisis**
  - **Making Zodiac Aerospace stronger from this growth crisis**
- **A solid business model**
  - **Strong positions on growing markets**
  - **A diversified mix**
- **Set for recovery and growth**

# Zodiac Aerospace – New Restricted Executive Committee

## Group Support functions

## Operations

## Business Groups

**CEO - Chairman of the Executive Board**

Olivier Zarrouati\*



**CFO**

Jean-Jacques Jégou



**COO**

Francois Feugier



**ZODIAC CABIN**

Yannick Assouad\*



**Communication,  
Investor Relations,  
Ethics**

Pierre-Antony Vastra



**ZODIAC SEATS**

Jean Michel Billig



## Business Development

## After-sales

**Deputy CEO  
Business Development**

Maurice Pinault\*



**Human Resources**

Delphine Segura-Vaylet



**Zodiac Aerospace  
Services**

Christophe Bernardini



**ZODIAC  
AEROSYSTEMS**

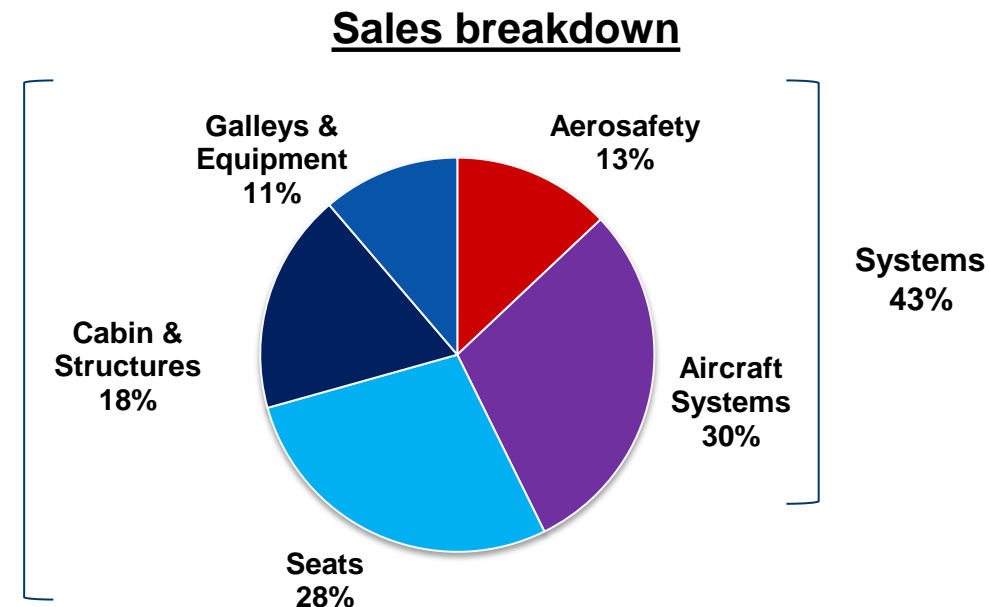
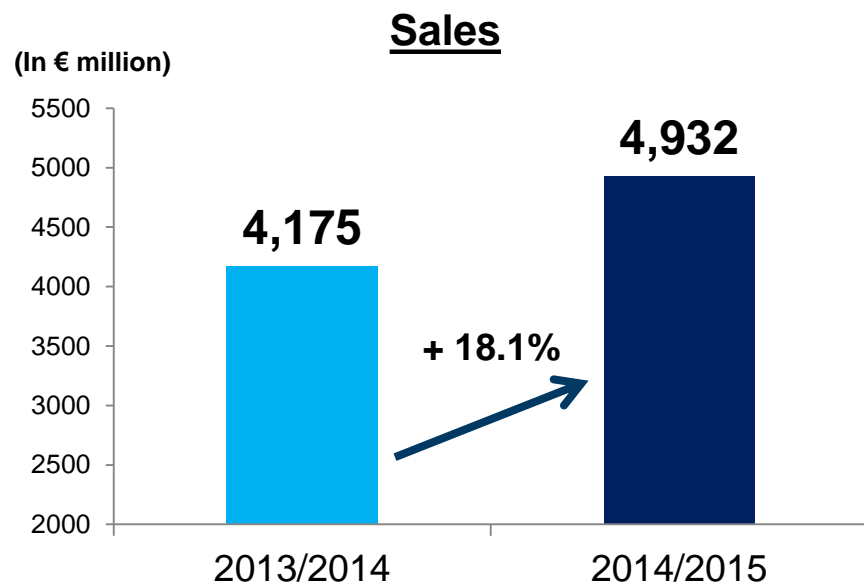
Benoit Ribadeau-Dumas



# FY 2014/2015 results impacted by Aircraft Interiors activities



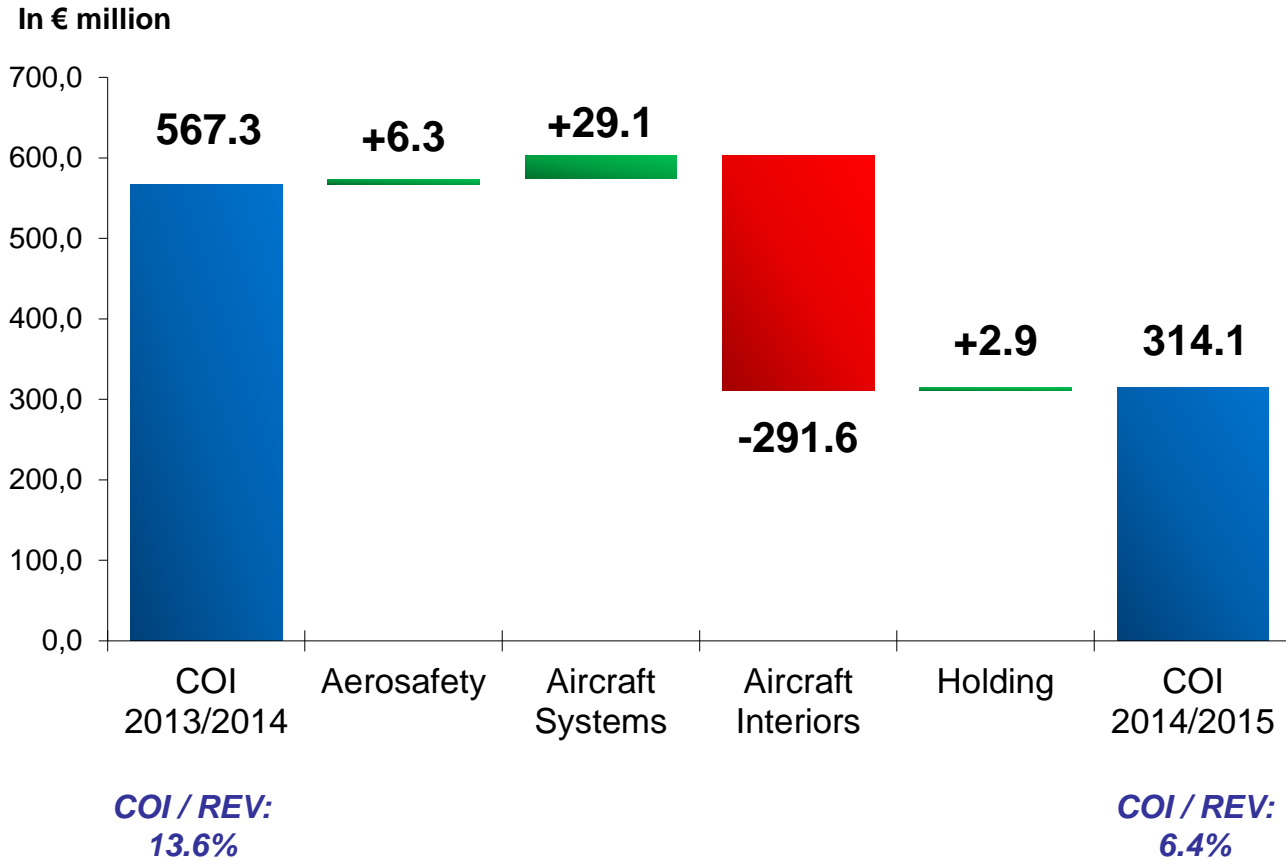
# Increase in sales



- Sales were up 18.1% to €4,932m
  - Strong positive exchange rate impact: 11.8pts
  - Positive impact from consolidation scope: +3.7pts
  - Organic growth +2.6%

# Decrease in Current Operating Income\*

## Group Current Operating Income\*



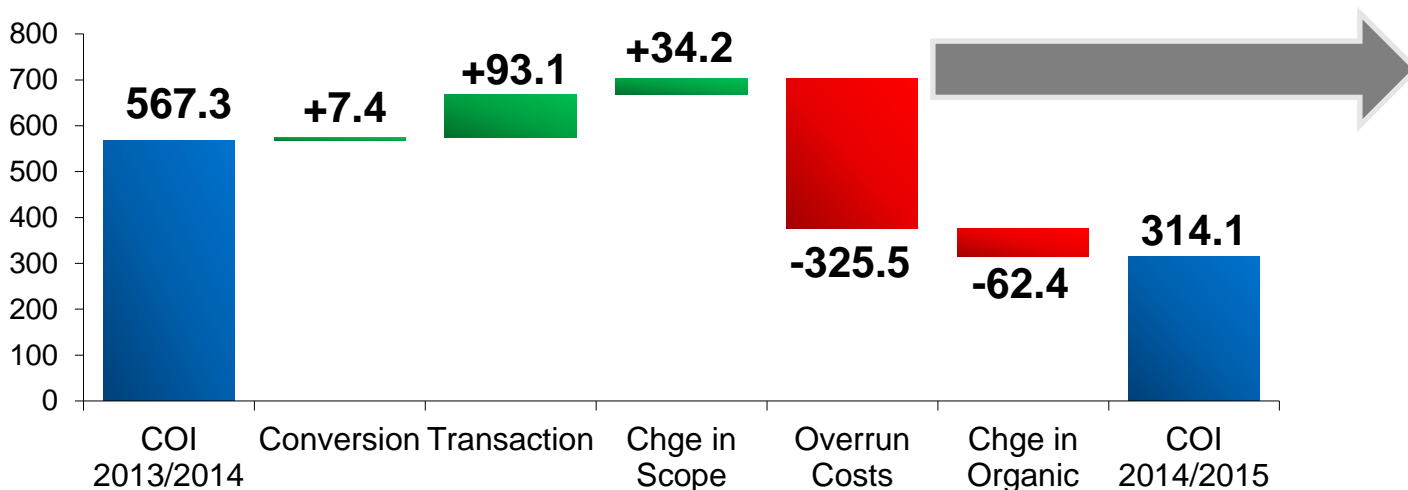
- Poor operational performance of Aircraft Interiors activities
  - Mainly impacted by the Seats crisis
  - Cabin & Structures and Galleys & Equipment also encountered difficulties in 2014/15
- Aerosafety and Aircraft Systems lower operational performance offset by positive dollar impact

€/\$(conversion): 1.36  
€/\$(transaction): 1.36

€/\$(conversion): 1.16  
€/\$(transaction): 1.26

# Overrun cost and forex impact

In € million



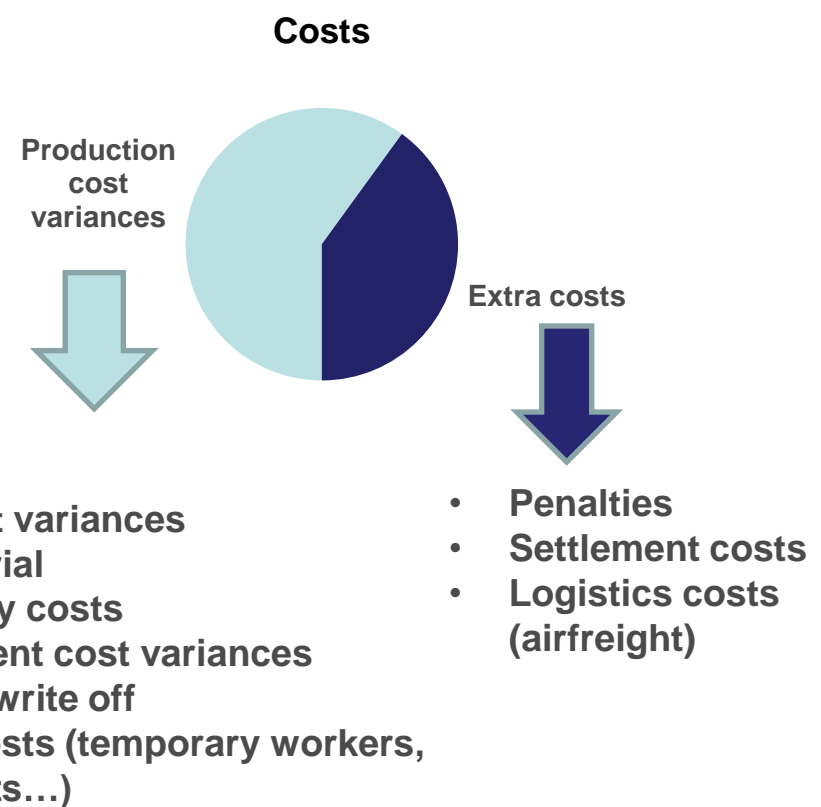
€/\$(conversion): 1.36  
€/\$(transaction): 1.36

€/\$(conversion): 1.16  
€/\$(transaction): 1.26

▪ **Forex: Low conversion impact due to Aircraft Interiors**

## ▪ Extra costs

▪ **Estimated at 660 bps impact on COI margin**





# Cash flow and debt

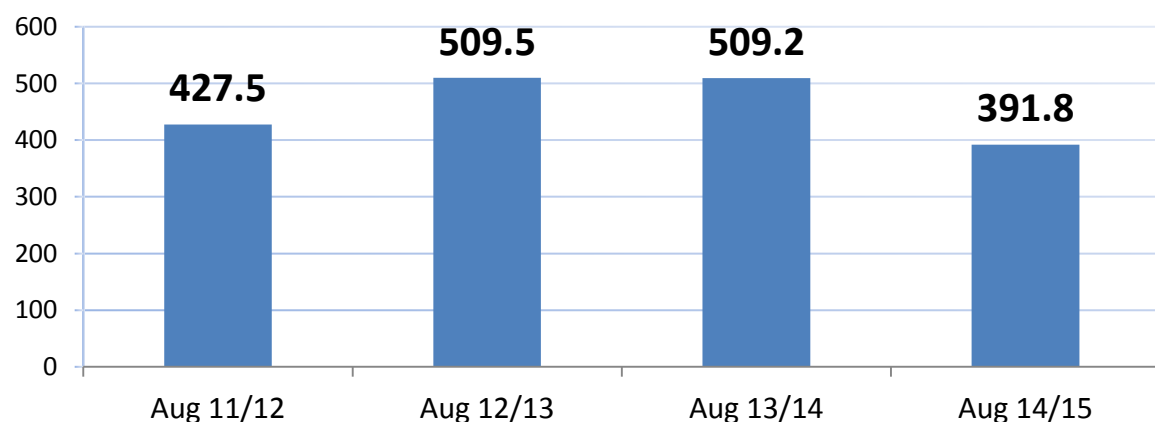




# Cash flow and balance sheet items

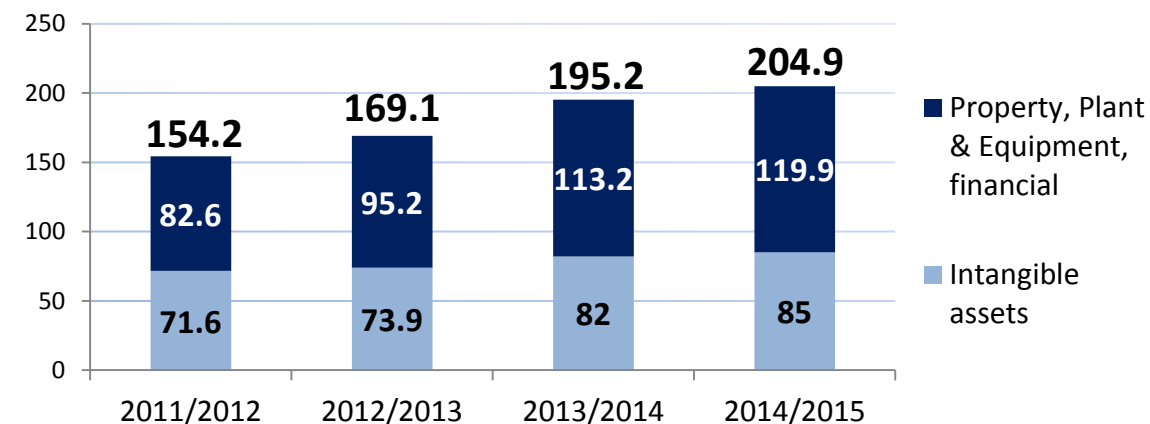
## Cash Flow

In € million



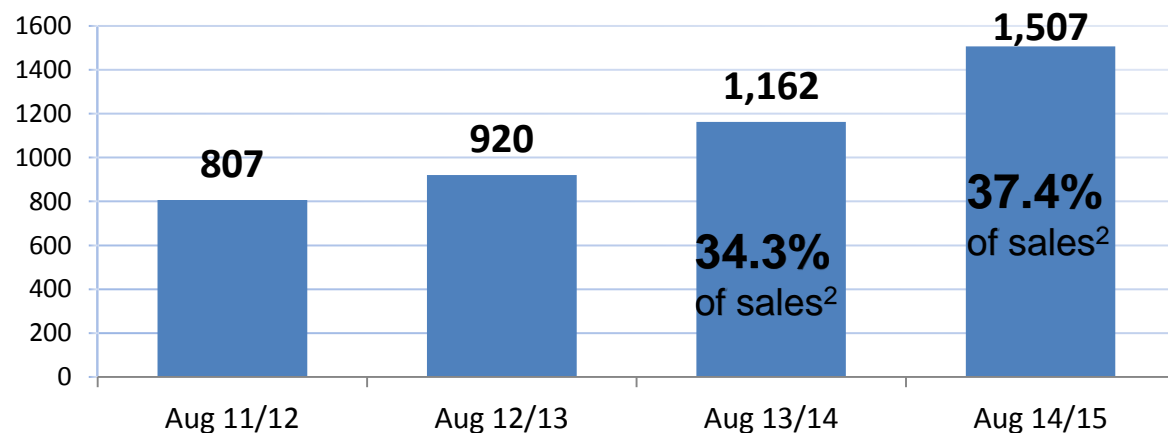
## Capex

In € million



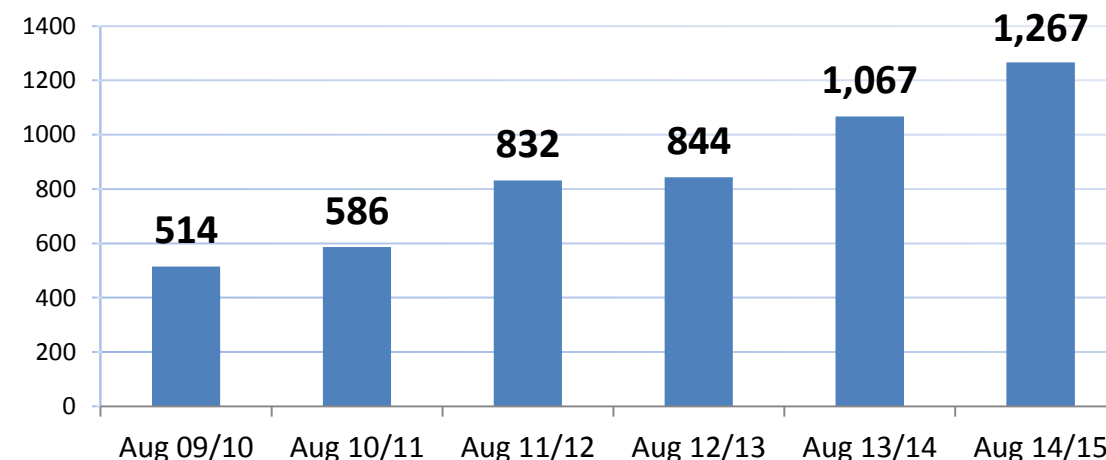
## Working capital<sup>1</sup>

In € million

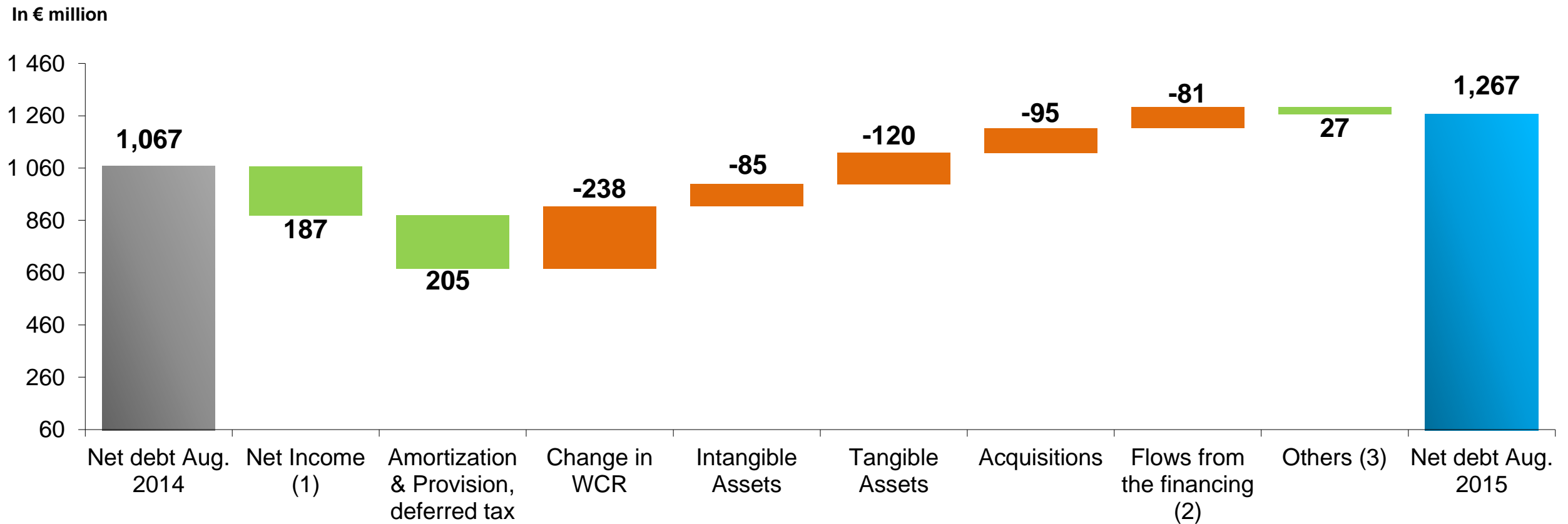


## Net debt

In € million



# Increase in net debt, but the banking covenant is respected



- (1) Including Net Income from Equity Method
- (2) Including dividends
- (3) Including currency translation adjustments

Net debt / Shareholders equity (gearing): 0.43  
 Net debt/ EBITDA (our covenant\*): 2.90

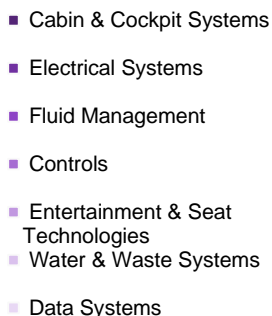
# Business group Operational performance



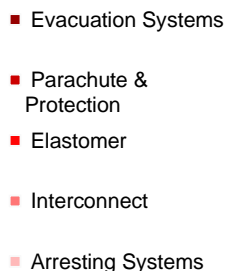
# Aircraft Systems & Aerosafety

## Sales

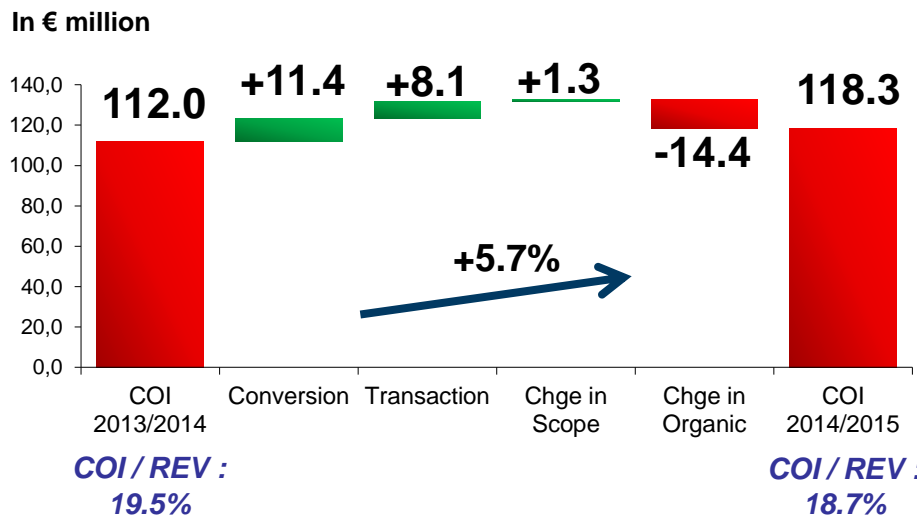
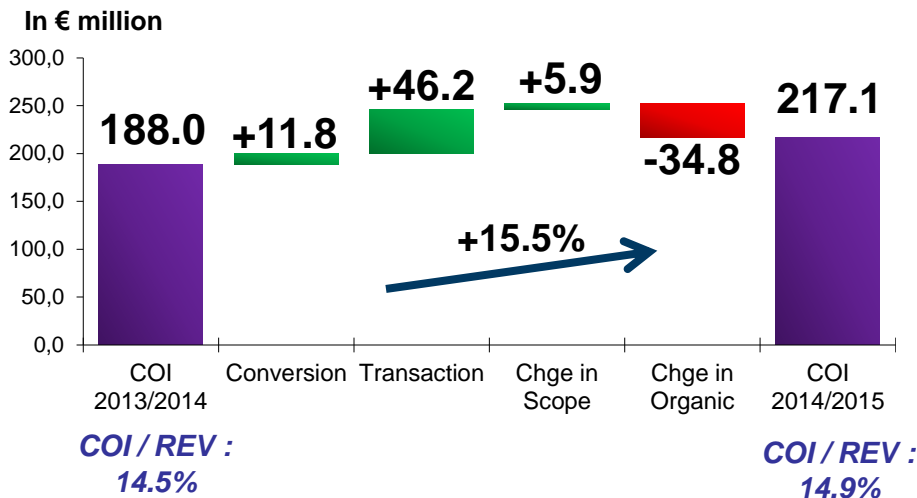
Sales €1,459.8m  
+12.5% pub. ; +0.9% org.



Sales €634.5m  
+10.4% pub. ; -0.9% org.



## Current Operating Income\*



## ■ Aircraft Systems

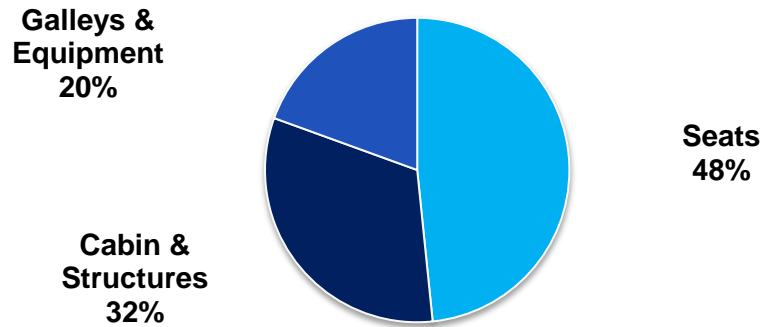
- Sales up 12.5% ; +0.9% organic
- Scope: +2pts ; Enviro and PPP
- Lower activity for Business jets, Sukhoi Regional Jet. Higher development costs
- Offset by positive forex impact

## ■ Aerosafety

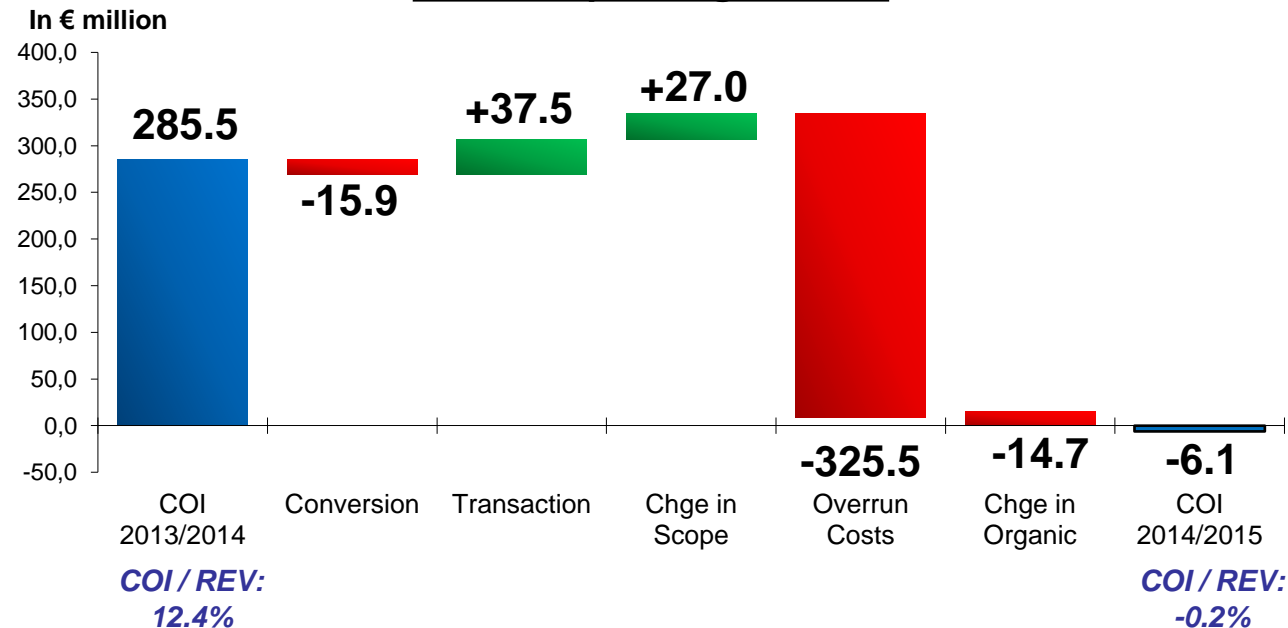
- Sales up 10.4% ; -0.9% organic
- Sale of Elastomer US (ex Amfuel)
- Lower sales at Parachute & Protection and Arresting Systems

# Aircraft Interiors (BFE)

## Aircraft Interiors sales breakdown



## Current Operating Income\*



## ■ Cabin

### ■ Cabin & Structures

- Sales up 32.3% ; -3.0% organic
- Greenpoint consolidation: +19.3 pts.
- Impact of EZ Air JV with Embraer
- Adapting the production capacity to increase production rates
  - E.g. Airbus A350XWB lavatories
  - E.g. Boeing B787 interiors

### ■ Galleys & Equipment

- Sales up 10.5% ; +0.8% organic
- Good performance of NB Galleys and rotatable equipment

## ■ Seats

### ■ Sales up 23.3% ; +10.8% organic

### ■ Operations: cf following slides

# Zodiac Seats situation: root causes

- **Strong commercial success with new range of product**
- **Industrial preparation did not match this challenge**
  - **Overwhelming of engineering resources, accentuated by certification rules strengthened**
  - **Poor program management resulting in lack of robustness in scheduling**
  - **Supply chain flow discontinuation**
- **Completing an in-depth and exhaustive analysis**
  - **All functions analyzed**
  - **Various sources (customers, internal, consultants)**
  - **No new significant findings since September → exhaustive analysis**

# Zodiac Seats: detailed root causes

- Improvement needed on most main processes
  - engineering, supply chain, manufacturing
  
- Lack of alignment of functions steered by Program
  - Need to adress insufficient governance
  
- Need for better integration level
  - To share lessons learned and best practices



# Zodiac Seats: immediate measures

- **Management changes where appropriate**
- **Staffing/skills revisited**
- **Capacity increase**
- **Production transfer plan**
- **Focus on resuming deliveries to protect customers**
- **Delivery reschedule agreement**

# Zodiac Seats: first results already visible

- Burndown curve of backlog
- from 6,000 to 500 pax late
  - Peak: 6,000
  - April: 2,200
  - June: 1,700
  - September: 1,700
  - November: 500
- Regular update on the situation, next one at Q1 2015/16 sales (12/15/2015)

# Zodiac Seats way forward : recovery and transformation plan

- **Comprehensive plan gathering main functions:**
  - **Engineering, Supply Chain, Manufacturing, Customer Services**
  - **As well as Program Governance and overall Zodiac Seats governance**
  
- **Redefinition of processes, clarification of governance**
  
- **Change of organization fostering better integration and improved reporting**

# Zodiac Seats: our customers

- **Zodiac Aerospace has stayed very close to the airlines to mitigate as much as possible the consequences of the Seats difficulties**
- **We are actively working with the OEMs to secure our return to performance**
- **We are committed to further strengthen this relationship**
- **Innovation for the benefit of our customers is a keystone of our roadmap back to performance and will remain our trademark**

# Transforming Zodiac Aerospace The Focus plan



# Significant issues to address

- The difficulties encountered in 2014/2015 were mostly in Seats
  - But not only
  
- Zodiac Aerospace is facing a growth crisis
  
- Which clearly triggers a need for change
  - A new organization
  - The Focus plan

# A new organisation

- Among the lessons learned from the 2014/15 difficulties was the need for a change in the organization
- Besides the Focus plan, setting a new organization with two activities
  - **Aircraft Interiors (BFE)**
    - Cabin (Cabin & Structures and Galleys & Equipment segments + Actuators and IFEC)
    - Seats
  - **Systems (SFE)**
    - Aerosystems (Aircraft Systems & Aerosafety segments)
- A new governance for management
  - **Restricted Executive Committee: closer to operations**
  - **Yannick Assouad joining the Executive Board**



# The Focus plan 1/4

## ■ Why the Focus plan?

- Thanks to its commercial success, Zodiac Aerospace has grown and needs a formal common Zodiac Aerospace Operating System describing its standard business processes
- To ensure business continuity and improvement of operations, Focus secures existing good practices from performing Business Units and disseminates them across the Group
- To ensure past crises are avoided going forward, it incorporates Lessons Learned from the Zodiac Seats crisis

## ■ What is the Focus plan?

- This Company Program was launched in April 2015 to build and enforce the Zodiac Aerospace Operating System
- It has started with 4 pillars, mainly focusing on Supply Chain

# The Focus plan (2/4): The 4 pillars

## Densification of operational reporting

Better monitor operational performance, anticipate and react swiftly

## Back to basics

Identify and improve priority processes addressing various operational requirements, such as inventory management, technical data robustness, quality of design, etc...

## S&OP

Ensure early dimensioning of resources (people, equipment, suppliers) to match future demand

## Supply Chain

Improve logistics

# The Focus plan 3/4

## ■ Current status

- **Completing the financial reviews, a monthly operational performance dialogue is performed in all Activities since september**
- **Basics: 11 priority processes were identified and associated procedures are being deployed, based on each BU's improvement roadmap**
- **Supply Chain and S&OP: procedures have been updated and completed, deployment has started**

## ■ Next steps

- **The plan will be deployed further to cover other business areas beyond Supply Chain and S&OP**
- **All group BU's will have implemented the Zodiac Aerospace Operating System by end 2017**

# Focus plan (4/4): implementation agenda

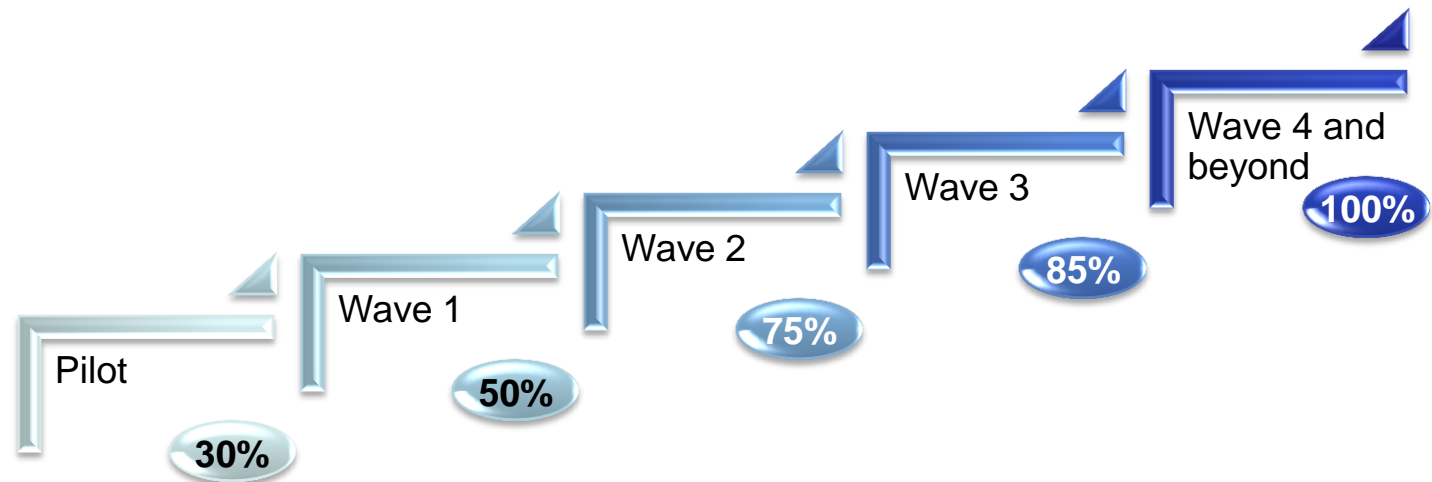
X% FTEs covered by transformation

## Topical coverage

- The « Zodiac Aerospace Operating System » will be designed gradually, with identification of topics for standard definition and implementation:
  - First operational topics covered are S&OP and Supply Chain
  - Next topics to be defined in the next 6 months include Program management, Engineering, Manufacturing and Procurement
  - Beyond these, other topics will be added to ensure completeness of the « Zodiac Aerospace Operating System », subject to validation by the Group Executive Committee, based on business priorities

## Business coverage

- All sites covered by waves of 20-40 sites
- Duration of each wave: 4 months
- Waves structured to ensure balance in operational maturity of sites covered

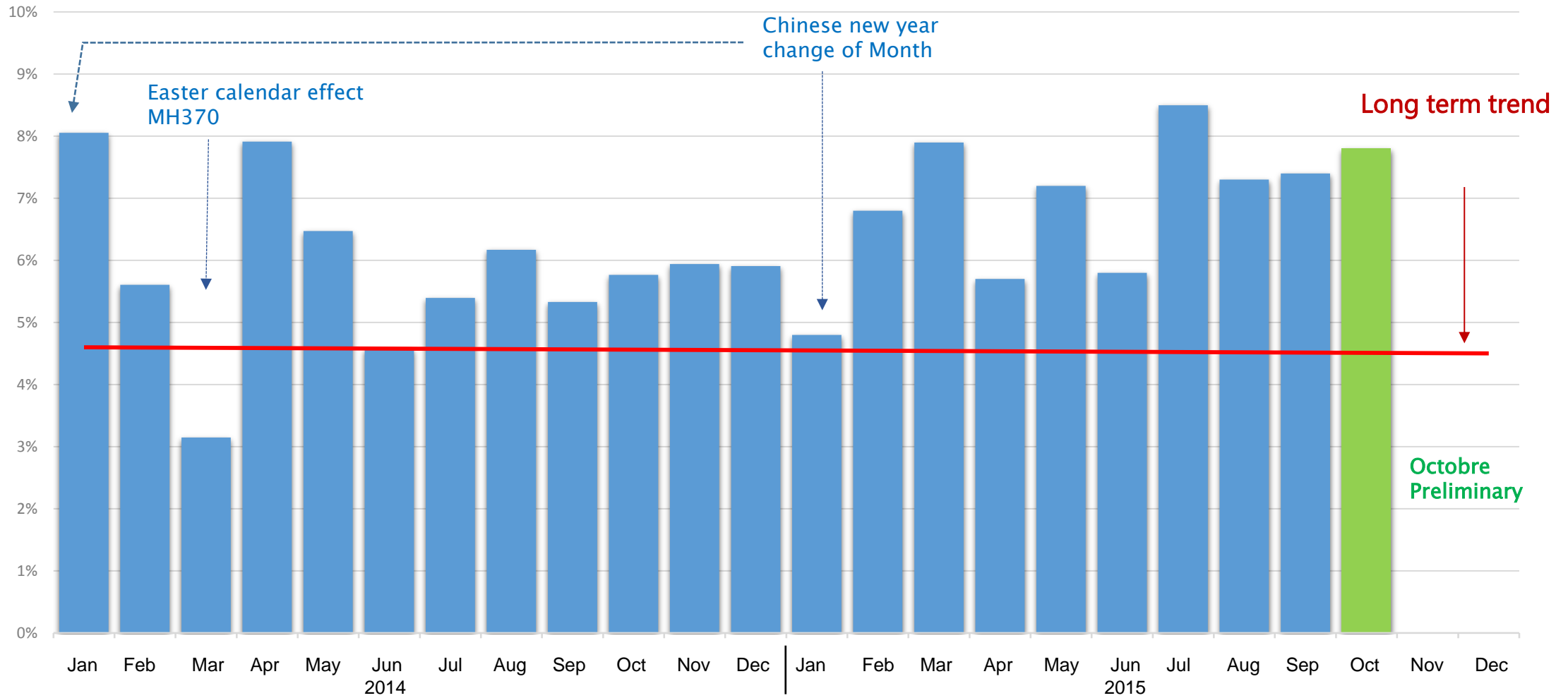


# A solid business model



# World Air Traffic evolution

Monthly RPK compared to previous year



MTR octobre 2015 © Copyright ID AERO 2015

# A diversified range of products

- The business model of Zodiac Aerospace is strong and very much diversified



**THE EXPERTISE OF  
ZODIAC AEROSPACE**

[www.zodiac aerospace.com](http://www.zodiac aerospace.com)

**ZODIAC CABIN & STRUCTURES**  
OVERALL DESIGN AND IMPLEMENTATION OF CABIN LAYOUT

**ZODIAC GALLEYS & EQUIPMENT**  
CABIN EQUIPMENT SOLUTIONS FOR OPTIMIZATION OF ONBOARD SERVICE AND PASSENGER COMFORT

**ZODIAC SEATS**  
A COMPLETE, INNOVATIVE RANGE OF SEATS FOR MORE COMFORT AND OPTIMIZATION

**ZODIAC AIRCRAFT SYSTEMS**  
HIGH-TECHNOLOGY EQUIPMENT AND SYSTEMS THAT PROVIDE ESSENTIAL AIRCRAFT FUNCTIONS

**ZODIAC AEROSAFETY**  
COMPLETE SYSTEMS FOR ENHANCED SAFETY

**ZODIAC AEROSPACE SERVICES**  
A GLOBAL NETWORK AFTER-SALES SERVICE



# Acquisition Strategy



## ▪ June, 2014

Greenpoint is a world leader in VIP Cabin Interiors for widebody aircraft and a BBJ completion center.

Greenpoint Technologies



## ▪ December, 2014

Enviro Systems manufactures environmental control systems consisting of bleed air mass inflow control systems, bleed air temperature control systems, and vapor cycle air conditioning systems for business, regional, military, and rotary wing aircraft.

Enviro Systems

# Market leadership positions

- The business model of Zodiac Aerospace is strong and very much diversified
- Zodiac Aerospace is a market leader in aircraft interiors and in several of the segments where it operates in the field of systems

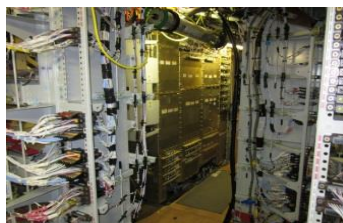
## ***World leader in***

Escape slides  
Primary Power Management  
Oxygen Systems  
New Generation Fuel Gauging  
Telemetry

Fuel Quantity  
Indicator System

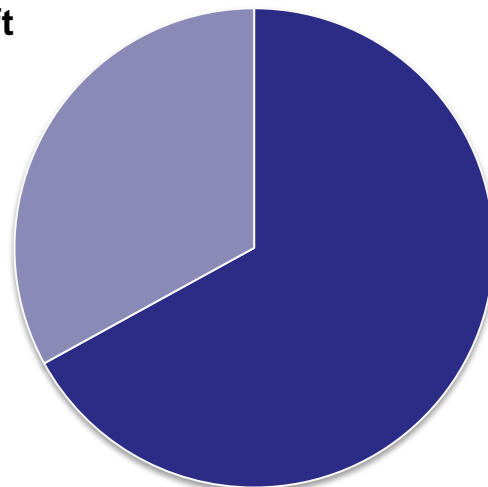


Electrical Power  
Distribution System  
(A350 XWB MSN 001)



## **Sales**

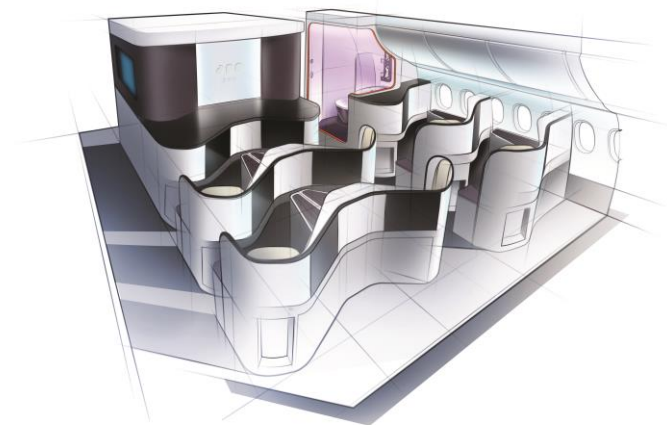
**Aerosafety  
and Aircraft  
Systems  
42.5%**



**Aircraft  
Interiors  
57.5%**

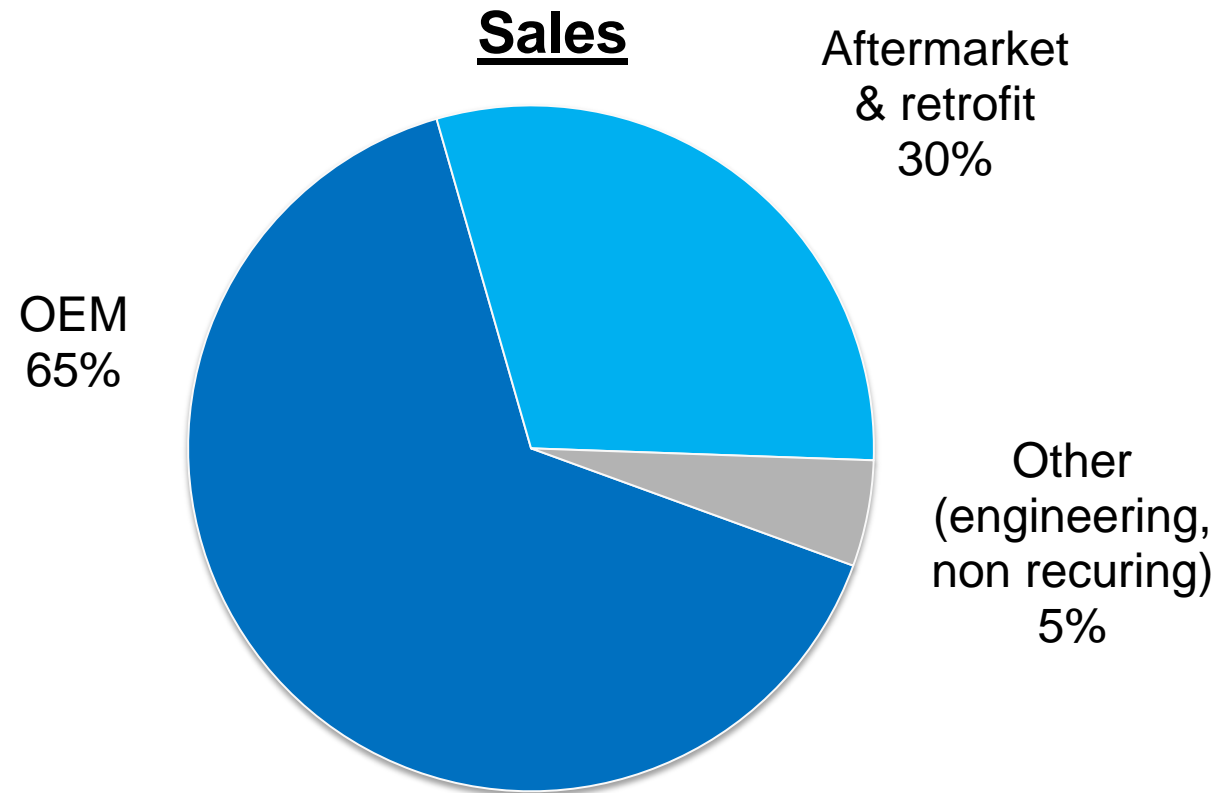
## ***World leader***

Seats  
Cabin



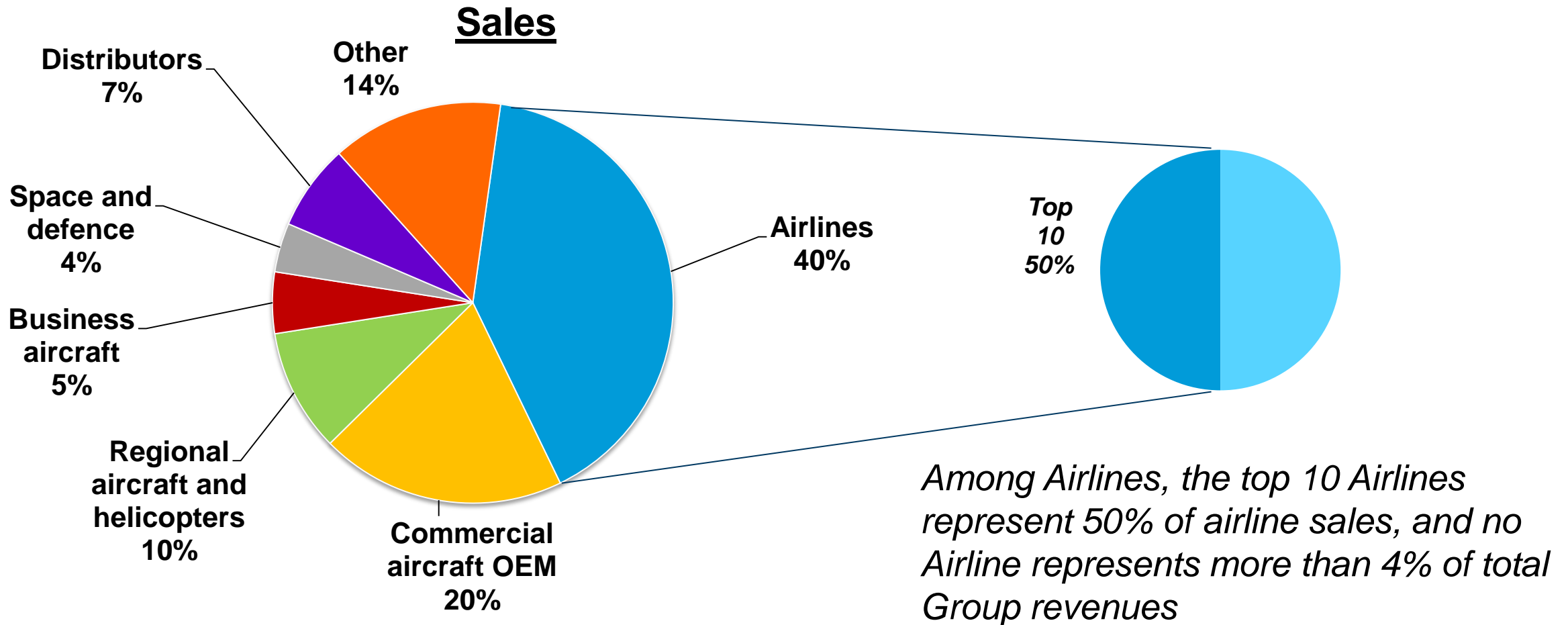
# Balanced mix between OEM and aftermarket

- Zodiac Aerospace also has a balanced mix between OEM and aftermarket



# A balanced exposure to end markets and Airlines

- Zodiac Aerospace has a balanced portfolio by end market



# Innovation for aircraft interiors

- **Zodiac Aerospace has been able to leverage its presence in Aircraft interiors by offering customers very unique solutions**

Example: the company is doing a complete retrofit of the A320 cabin, for a large legacy carrier



Example: selling to Airbus an aft galley/ lavatory complex (linefit option) including both the galley and lavatory



# A strong presence on every new platform

- A supplier to all aircraft manufacturer, with a strong presence on every new platform:
  - Commercial (>100pax): Boeing, Airbus, COMAC (C919), Irkut (MC21)
  - Regional: Embraer (E2), Bombardier (Cseries), COMAC (ARJ21), MRJ...
  - Business: Dassault Falcon, Gulfstream, Bombardier (Global 7000/8000)
  - Helicopters: Airbus Helicopter, Sikorsky, Agusta...
  
- Both in aircraft interiors and systems



**MRJ First Flight**



**Comac 919 Roll Out**



# Positioning (SFE)

Regional aviation	CABIN	SYSTEMS
C919 (China)	★★	★
MC21 (Russia)	★★★	★★★
MRJ (Japan)	★★★	★★
E2 (Brasil)	★★★	★★★

Business Jets	CABIN	SYSTEMS
G650 (Gulfstream)	★	★★
G7000 / 8000 (Bombardier)	★★	★★
F5X (Dassault)		★★★

Commercial aviation	CABIN	SYSTEMS
Boeing 787	★★	★★
Boeing 777		★
Boeing 737		★
Airbus A350	★★	★★★
Airbus A330		★
Airbus A380		★★
Airbus A320		★



# The Zodiac Aerospace business model is solid

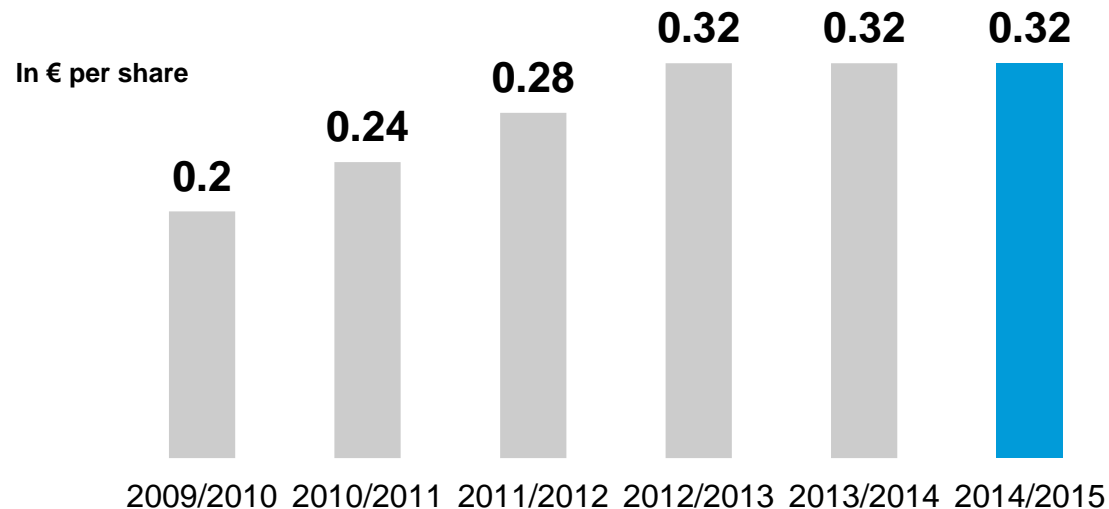
- ✓ **▪ A growing market**
- ✓ **▪ Diversified range of products**
- ✓ **▪ Market leadership positions**
- ✓ **▪ Balanced mix between OEM and aftermarket**
- ✓ **▪ A balanced exposure to end markets**
- ✓ **▪ A balanced exposure to airlines**
- ✓ **▪ Commercial synergies**
- ✓ **▪ Innovation to propose new solutions**
- ✓ **▪ Strong presence in emerging platforms**

# Shareholders structure and dividend



# Shareholders and dividend

- Family shareholding structure
- Fonds Stratégique de Participation (FSP) becomes a new strategic shareholder
- The supervisory board will propose the distribution of a €0.32 dividend per share at the General Shareholders' meeting on January 14th, 2016



*2009/10 to 2012/2013 figures are adjusted dividend by the split by five of the par value of Zodiac Aerospace share*

# Outlook



# Outlook

- **Implementation of Focus plan**
- **Back to on time delivery for Seats**
  - **Regaining buffer**
- **Progressively removing excess costs**
- **93% of next budgeted exposure hedged at 1.104 \$/€**
  - **Also hedged on CAD and GBP**
- **2015/2016 will be the year of recovery**
  - **Slight growth for sales with positive forex impact**
  - **COI margin expected to be around 10%**
- **2016/2017 additional +2 pts of COI margin compared to the previous year**

# Questions & Answers



# Appendices

P&L

Cash Flow Statement

Balance Sheet

*The limited audit of the half-year financial statements is currently being finalized.*

*The report on the half-year financial information will be issued following completion of the review of the notes to the half-year financial statements.*

# Appendices : Income Statement

Income statement	2014/2015	2013/2014	% Change
<b>Revenue</b>	<b>4,931.8</b>	<b>4,174.5</b>	<b>+18.1%</b>
Depreciation charge	117.4	93.9	
Charges to provisions	95.8	33.7	
<b>Current operating income</b>	<b>313.8</b>	<b>566.4</b>	<b>-44.6%</b>
Non-current operating income	-21.9	-24.6	
<b>Operating income</b>	<b>291.9</b>	<b>541.8</b>	<b>-46.1%</b>
Cost of net debt	-27.0	-31.3	-13.7%
Other financial income and expenses	-2.0	-2.5	
Income taxes	-75.7	-153.4	-50.6%
Results of companies accounted for using the equity method	-2.7	-1.1	
<b>Income from continuing operations</b>	<b>184.5</b>	<b>353.6</b>	<b>-47.8%</b>
Net income from discontinued operations	-	-	
<b>Net income</b>	<b>184.5</b>	<b>353.6</b>	<b>-47.8%</b>
Net income attributable to Group shareholders	-0.3	-0.8	
Net income attributable to Group shareholders	184.8	354.4	-47.9%



# Appendices : Cash flow statement

Cash flow statement		
In millions of euros	2014/2015	2013/2014
<b>OPERATING ACTIVITIES</b>		
Cash flow from operations	391.8	509.2
Change in WCR	-237.9	-277.4
Cash flow generated from continuing operations	153.9	231.8
Cash flow generated from operations of businesses being sold	–	–
<b>INVESTMENT OPERATIONS</b>		
Acquisition of intangible fixed assets	-85.0	-82.0
Acquisition of tangible fixed assets	-105.6	-121.7
Changes to the scope of consolidation	-95.0	-162.7
Cash flow from investments in continuing operations	-285.6	-366.5
Cash flow from investments of operations being discontinued and assets held for sale	–	–
<b>FINANCING OPERATIONS</b>		
Change in financial debt	194.9	236.1
Treasury stock	-1.9	-0.1
Increase in equity	8.8	8.0
Dividends	-88.1	-87.8
Cash flow from the financing of continuing operations	113.7	156.2
Currency translation adjustments, beginning of period	15.1	-4.6
Change in cash position	-2.9	16.9

# Appendices : Balance sheet

Condensed balance sheet					
In millions of euros	8/31/2015	8/31/2014		8/31/2015	8/31/2014
			Equity		
Goodwill	2,023.4	1,779.3	Capital	2,819.2	2,207.1
Intangible assets	698.1	619.1	Income	184.8	354.4
Property, plant & equipment	464.0	396.2	<b>Net position</b>	<b>3,004.0</b>	<b>2,561.5</b>
Other, including deferred taxes	44.2	26.8	Prov. and deferred taxes	286.0	270.2
<b>Non-current assets</b>	<b>3,229.7</b>	<b>2,821.4</b>	Financial liabilities	831.6	840.6
			<b>Non-current liabilities</b>	<b>1,117.6</b>	<b>1,110.7</b>
Inventories	1,340.7	1,008.3	Prov. Risks & Contingencies	171.0	92.3
Trade receivables	1,011.0	897.4	Financial liabilities	620.6	396.6
Other	171.4	121.0	Accounts payables	432.8	379.3
Cash and cash equivalents	163.6	166.7	Employees	218.6	195.7
<b>Current liabilities</b>			Other	352.5	288.4
			<b>Non-current liabilities</b>	<b>1,795.5</b>	<b>1,352.3</b>
<b>Assets held for sale</b>	<b>0.7</b>	<b>9.8</b>			
<b>Total assets</b>	<b>5,917.1</b>	<b>5,024.6</b>	<b>Total liabilities</b>	<b>5,917.1</b>	<b>5,024.6</b>

# Agenda & Contacts

Next meetings:	Q1 2015/2015 sales revenue	December 15, 2015 (after closing)
	2014/2015 Shareholders meeting	January 14, 2016

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