AIRBUS SHARES NOSEDIVE AFTER PROFIT SLUMPS

News / Finance, Manufacturer



Shares in the European aerospace giant went into a sharp descent after it revealed a massive plunge in net profit following delays in deliveries and fresh problems with its troubled A400M military transport plane.

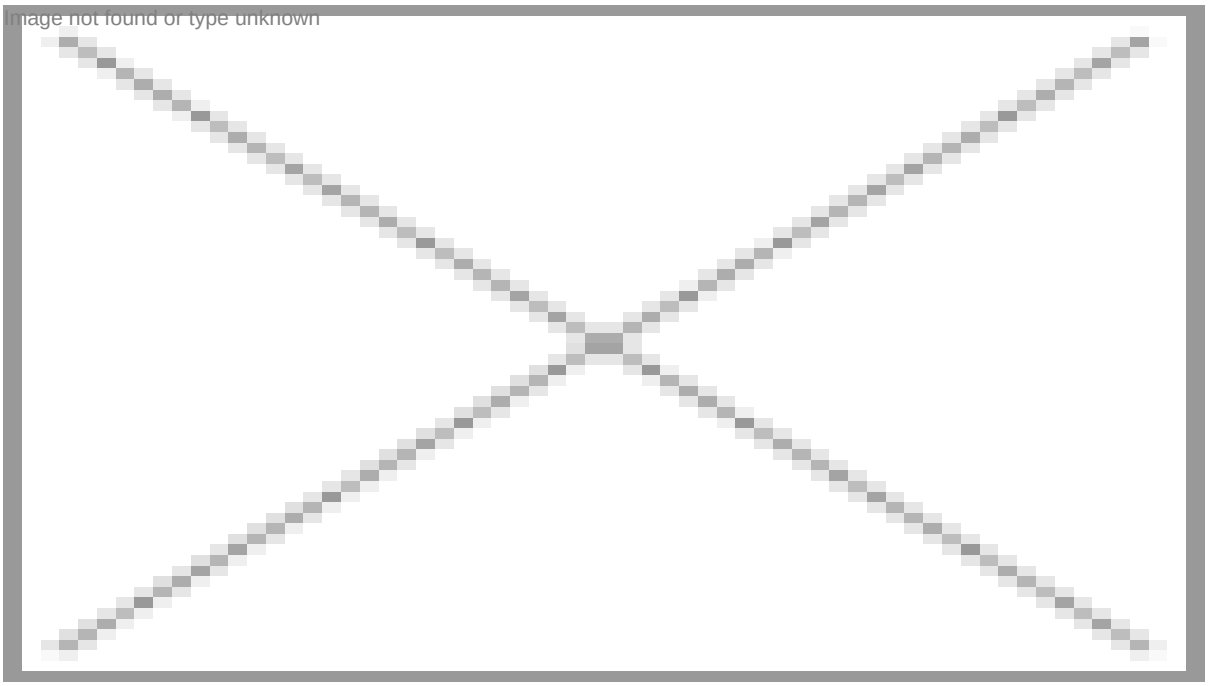
Airbus stocks closed 4.8 percent lower at the Paris stock exchange on Thursday after the European aeronautics company unveiled a first-quarter net profit of 399 million euros ($453 million) - down 50 percent from 792 million euros in the same period last year. Sales were up slightly to 12.2 billion euros, from 12.1 billion euros in 2015.

Airbus blamed troubles with its A400M military transport plane and the suspension of export credit financing for the fall. In addition, the group said it was suffering temporary supply chain problems with the narrow-bodied A320neo plane and its A350 XWB long-range, twin-engine jet as it tried to reduce outstanding work and control costs while increasing production.

Airbus group chief executive Tom Enders, therefore, called 2016 "the challenging year we anticipated," but added that the planemaker would maintain its full-year profit forecast.

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"Despite these challenges we maintain our 2016 guidance and also our earnings and cash growth story for the coming years," he said in a statement, stressing that Airbus still had strong orders for commercial planes and expected to ramp up aircraft production.



Technical problems

Enders admitted Airbus was facing a "serious challenge" for production and customer deliveries of the A400M military transport plane because of a problem discovered in the propeller gearbox. "It's very frustrating but we'll have to work through this with our engine partners," he said.

Chief financial officer Harald Wilhelm said the gearbox would have to be modified, and insisted "we're working hard" with engine-maker General Electric to fix the problems.

The final cost of the A400M engine woes, including the technical, commercial and industrial implications, are hard to judge, but according to Wilhelm they "could be significant."

Regarding its A320neo plane, Airbus said Pratt & Whitney had promised to deliver engines for aircraft delivery from mid-2016, meaning production could accelerate in the second half of the year.

Threat from Qatar Airways

In comments likely to step up pressure on the aircraft maker, the head of Qatar Airways on Thursday threatened to cancel an order for Airbus A320neo planes if the European manufacturer failed to address engine issues.

"When we buy an aeroplane, we expect all the terms and conditions and performance guarantees that are in the agreement to be followed by the manufacturer," Akbar al-Baker said in an interview with Dubai-based satellite channel Al-Arabiya. This was not the case with regard to the A320neo because the engine was underperforming.

"There are other issues with the aeroplane. So unless these issues are fully resolved as per the contract that we have signed, we will not take the delivery," he said.

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Qatar Airways was due to take the first delivery of 50 such planes in December, but rejected the aircraft, citing problems with the engine.

The head of the government-owned airline threatened to walk away from the order and seek an alternative supplier. "We always in Qatar Airways have a plan B and we will implement plan B if this problem with the aeroplane is not resolved as soon as possible."

Baker also said Airbus was behind schedule in delivering six planes this year, which was unacceptable because it was impeding Qatar Airways' expansion plans.

Despite the problems, Airbus has maintained its overall forecast for 650 aircraft deliveries in 2016. It may feel encouraged by news from the Ivory Coast where the country's national airline, Air Côte D'Ivoire, has ordered two A320neo and two A320 aircraft - the first African airline to order the A320neo and its first purchase agreement directly with Airbus.

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