Company Update Report

Airbus SE

Industrials

Ticker	AIR-FR
Share price	€215
Intrinsic value	€202
Upside/(Downside)	-6%
Recommendation	Hold

As at: 13 August 2026

Analyst thesis

Our recommendation is based on:

- Airbus remains one of Europe's highest-quality industrial franchises, underpinned by its entrenched position in the commercial aircraft market, high certification and engineering barriers, fleet commonality and significant customer switching costs, that together support pricing power and long-term customer retention.
- Demand visibility is strong, but production capacity remains the key constraint on earnings growth. Airbus has a substantial commercial aircraft backlog, but converting this demand into revenue and free cash flow (FCF) depends on engine availability, supplier recovery, and the successful ramp-up of production capacity. We expect these constraints to ease gradually as Airbus increases production rates and integrates the recently acquired Spirit AeroSystems operations, although execution remains the principal operational risk.
- Longer-term demand is supported by global passenger-traffic growth and fleet replacement, particularly as airlines replace older aircraft with newer, more fuel-efficient models. Higher European defence spending should also support Airbus's Defence and Space segment, along with the demand for military helicopters, while improved programme execution has supported a recovery in Defence and Space profitability. The focus now shifts to further margin expansion.
- Higher commercial aircraft production should improve fixed-cost absorption and support earnings and FCF growth over the medium term.
- While we remain constructive on Airbus's medium-term earnings outlook, we believe much of the benefit from higher commercial aircraft production, backlog conversion and increased European/NATO defence spending is already reflected in the current share price. We therefore view Airbus as fairly valued and maintain a hold recommendation.

Latest company and market insights

Key highlights

In this report, we review Airbus's 1H26 results, released on 29 July 2026, and assess their impact on our outlook:

Financial results at a glance:

- Airbus's consolidated revenue grew by 12% from €29.6 billion in 1H25 to €33.2 billion in 1H26, driven primarily by higher Commercial Aircraft deliveries and stronger Defence and Space volumes. After inter-segment eliminations, Commercial Aircraft revenue rose by 15% from €20.4 billion to €23.4 billion, Defence and Space revenue expanded by 9% from €5.7 billion to €6.3 billion, while revenue from the Helicopters segment remained stable at €3.5 billion.
- Cost of sales advanced by 10% from €25.4 billion in 1H25 to €27.8 billion in 1H26, driven by a rise in aircraft deliveries and a ramp-up in production.
- Gross profit moved 26% higher from €4.3 billion to €5.3 billion, with the gross margin improving from 14.4% to 16.1%. Adjusted EBIT increased 24% from €2.2 billion to €2.7 billion, while reported EBIT increased 70% from €1.6 billion to €2.7 billion, underpinned by higher deliveries and improved performance from the Defence and Space segment.
- Net income increased by 47% from €1.5 billion to €2.2 billion, while EPS grew by 47%, from €1.93 to €2.84.
- Commercial Aircraft adjusted EBIT rose by 16% from €1.7 billion to €2.0 billion, with the margin improving slightly from 8.2% to 8.3% as deliveries increased from 306 to 351 aircraft. Helicopters' adjusted EBIT declined 4% to €240 million, with margins easing from approximately 6.7% to 6.5%.
- Defence and Space adjusted EBIT expanded by 84% from €265 million to €487 million, with the margin improving from approximately 4.6% to 7.7%, supported by higher volumes, improved programme profitability and favourable cost phasing.
- Commercial Aircraft net orders advanced by 104% from 402 to 821 aircraft, decreasing the backlog to 9 222 aircraft. The intake of Defence and Space orders moved 83% higher, from €5.1 billion to €9.3 billion.
- FCF before customer financing improved, with the outflow narrowing by €444 million from negative €1.61 billion to negative €1.17 billion. Working capital remained a significant cash drag, reflecting the €4.4 billion investment required to support the improvement of production, with inventories increasing 17% to €48.6 billion.

Management's outlook:

Management maintained its FY26 guidance for around 870 commercial aircraft deliveries, approximately 10% above the 793 aircraft delivered in FY25, together with around €7.5 billion of adjusted EBIT and €4.5 billion of FCF before customer financing. The medium-term outlook targets €12 billion–€13 billion of adjusted EBIT in 2029.

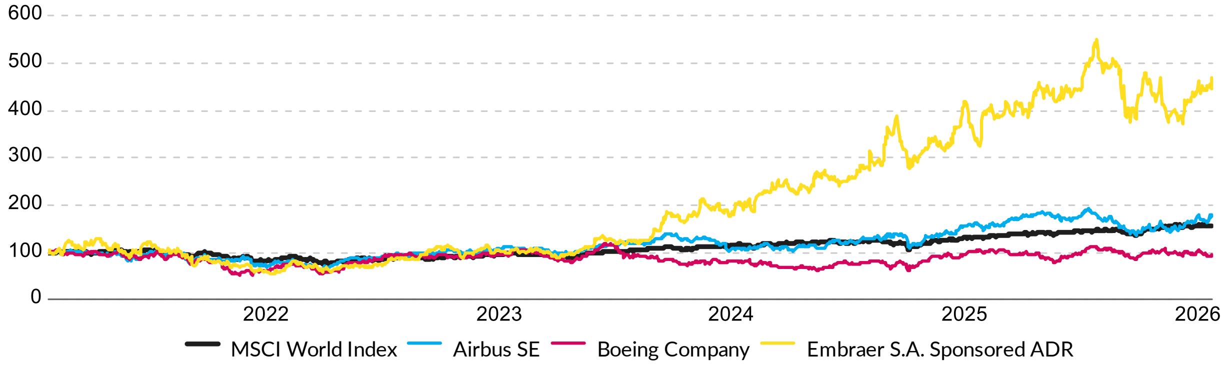
Table 1: Qualitative summary

Factor	Rating	Description
Growth	★★★★☆	Expected three-year revenue CAGR is 11.0%, and expected three-year EPS CAGR is 17.8%. We expect earnings growth over the next three years to be driven by the commercial backlog, higher production rates and further Defence and Space margin expansion.
Valuation	★★☆☆☆	The share price is trading at a 6% premium to the intrinsic value. Current NTM P:E of 26.6x is trading at a 24% premium to the five-year average P:E of 21.5x.
Dividend	★★☆☆☆	LTM dividend yield of 1.5%. NTM dividend yield of 1.6%.
Issuance	★★★★☆	Share issuance has increased by 1% over the past five years.
Catalyst		The primary near-term catalyst is an acceleration in commercial aircraft deliveries as engine and supplier availability improves. Airbus delivered 351 aircraft in 1H26, meaning approximately 519 commercial aircraft would need to be delivered in 2H26 to achieve its FY26 target of around 870 aircraft. Higher deliveries should support revenue growth, improve fixed-cost absorption and release working capital currently held in inventory. Over the medium term, successful increases in production rates across the A220, A320 Family, A330 and A350 commercial aircraft programmes should support further earnings growth. In Defence and Space, continued conversion of the stronger order book at improved programme margins, together with the absence of further material programme charges, could provide additional earnings upside.
Quality of earnings	★★★☆☆	Five-year average ROE 32.2%. Five-year average operating margin 7.8%. The group has recorded positive earnings growth in six of the past 10 years. Airbus's earnings record has been affected by the aircraft production cycle, programme charges, Covid-19-related delivery disruption, Defence and Space impairments and charges, foreign-exchange revaluations and supplier constraints. Underlying earnings quality has improved as commercial deliveries have recovered, although FCF conversion remains volatile due to customer advances, inventory movements, and programme working capital.
Moat	★★★★☆	High barriers to entry: Commercial Aircraft development requires substantial capital, engineering expertise, regulatory certification, and a global production and support network, making meaningful new competition difficult. Scale and efficiency: Airbus's global manufacturing, supplier and customer support network provides significant scale benefits across aircraft development, production, procurement, and aftermarket support. Customer switching costs: Fleet commonality allows airlines to share pilot training, maintenance systems, spare-parts inventories, and operating procedures across Airbus aircraft families, increasing customer retention and the cost of switching manufacturers.
Management and governance	★★★☆☆	Airbus has an experienced leadership team, led by CEO Guillaume Faury, who has held the role since April 2019 and CFO Thomas Toepfer, who has served since September 2023. Governance is supported by a separation of the Chair and CEO roles, with René Obermann serving as Chair of the Board and Amparo Moraleda as Lead Independent Director, who is expected to succeed Obermann when he steps down on 1 October 2026.
Balance sheet	★★★☆☆	*Net debt/EBITDA ratio was at -0.4x, with the interest coverage ratio at 6.8x. Debt/assets ratio 10.6%. Management has maintained a strong balance sheet, while investing in production capacity, research and development, and strategic capabilities.
Risks		Production and supply-chain risk: Airbus's delivery targets depend on the availability of engines, aerostructures, and other critical components. Supplier delays could defer aircraft deliveries, revenue recognition and cash receipts. Working-capital risk: An increase in production requires significant inventory investment. Delayed deliveries could prevent the expected unwinding of H2 working-capital and place pressure on FCF conversion. FX risk: Airbus is exposed to FX revenue risk as adverse EUR/USD-movements may affect reported earnings and margins. Macroeconomic and geopolitical risk: A material deterioration in global economic conditions, geopolitical conflict or disruption to air travel could weaken airline demand and fleet-investment plans. Defence risk: Defence and Space is exposed to government procurement timing, changes in European defence budgets, competitive tendering, and programme execution risk. Valuation risk: If Airbus misses delivery, margin or cash-flow milestones, the shares could de-rate despite the strength of long-term aircraft demand. The principal risk to delivery of these targets is production execution, particularly engine availability, supplier performance and the ability to unwind inventory as aircraft move through final assembly and customer delivery.

Source: FactSet

*Negative net debt/EBITDA indicates a net cash position.

Graph 1: Five-year price (indexed to 100)



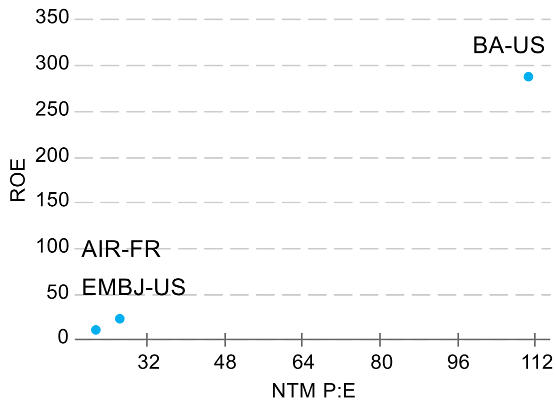
Source: FactSet

Table 2: Price performance versus benchmark and peers

Period	YTD	MTD	3M	6M	1Y	2Y	3Y	5Y	10Y
AIR-FR	8.3%	6.3%	20.9%	13.4%	22.7%	64.7%	64.3%	84.3%	321.5%
BA-US	10.6%	11.1%	7.0%	1.4%	6.8%	43.8%	3.8%	4.5%	82.3%
EMBJ-US	13.1%	6.5%	13.8%	4.5%	27.3%	168.6%	405.1%	408.6%	295.1%
MSCI World	12.7%	2.6%	6.9%	12.4%	22.8%	48.2%	65.2%	65.4%	196.8%

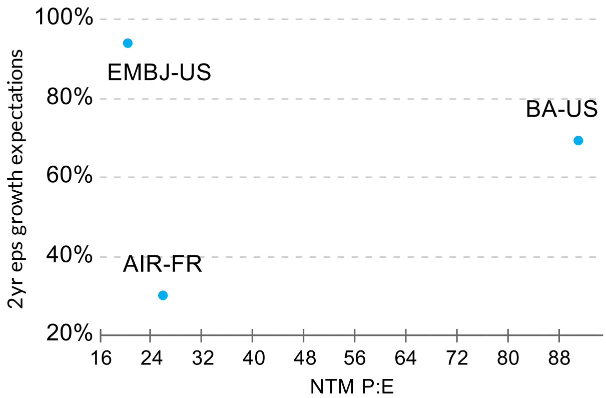
Source: FactSet

Graph 2: P:E vs 2Y average ROE



Source: FactSet

Graph 3: P:E vs EPS 2Y CAGR forecast



Source: FactSet

Valuation

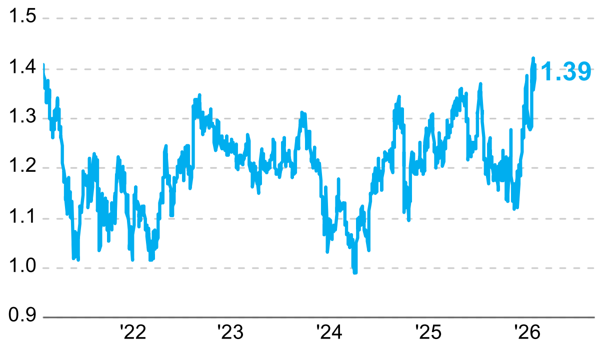
We value Airbus using a probability-weighted DCF. Our base case assumes continued backlog conversion, higher commercial aircraft deliveries, gradual margin improvement, and better Defence and Space segment profitability, partly offset by supplier constraints, engine availability, FX movements, and working-capital requirements. Our bear case assumes slower delivery execution, weaker cash conversion, and lower terminal growth, while our bull case assumes a smoother production increase, stronger margin expansion, and better working-capital release. Applying probabilities to our bear, base, and bull cases gives a probability-weighted intrinsic value of €202 per share, implying approximately 6% downside to the current share price. We therefore maintain a hold recommendation.

Table 3: Valuation table

Valuation Probabilities			
	Bear	Base	Bull
LTG rate	2.5%	4.0%	6.0%
Probability	20%	60%	20%
Scenario fair value	€134	€178	€345
Weighted intrinsic value			**€202**
Upside/(downside)			-6%

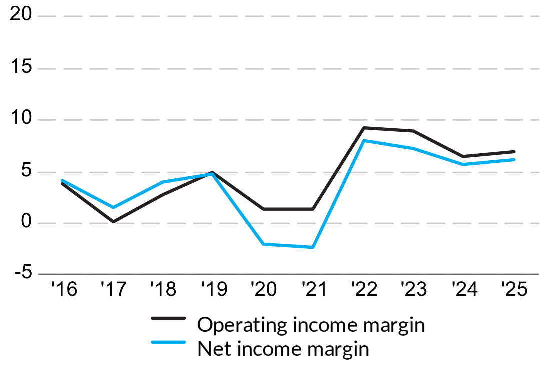
Sources: PSG Wealth Research, FactSet

Graph 4: NTM P:E relative to benchmark



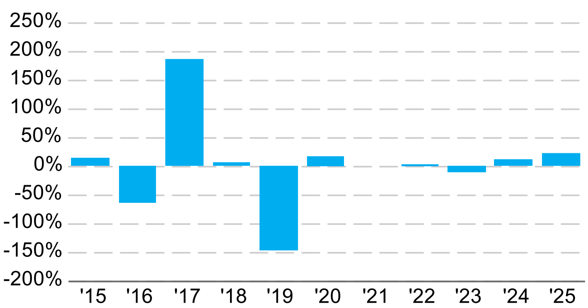
Source: FactSet

Graph 5: Profit margins (%)



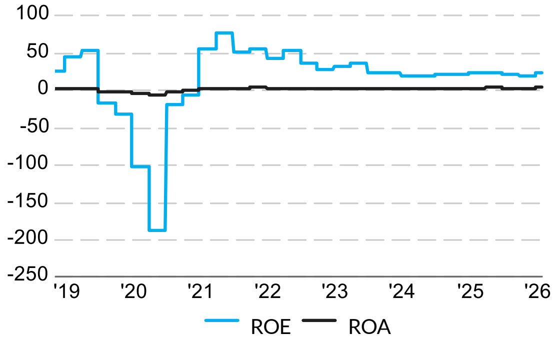
Source: FactSet

Graph 6: 10Y EPS year-on-year change



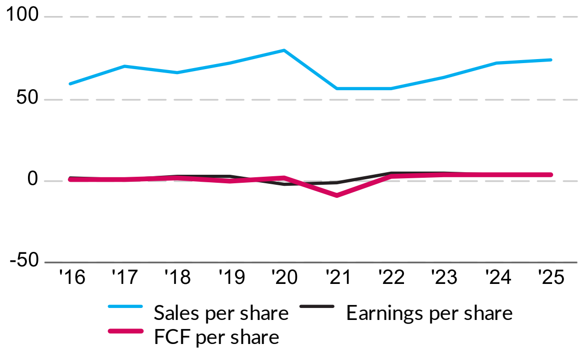
Source: FactSet

Graph 7: ROE and ROA (%)



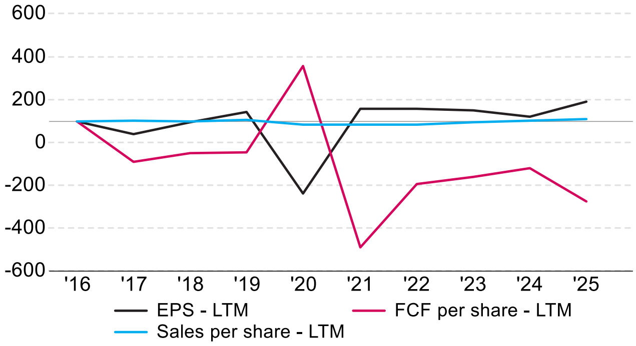
Source: FactSet

Graph 8: Sales, earnings and FCF per share (€)



Source: FactSet

Graph 9: Sales, earnings and FCF per share indexed



Source: FactSet

Graph 10: NTM P:E

Source: FactSet

Table 4: Financials and ratios

Income statement (€Mn)	Dec 21	Dec 22	Dec 23	Dec 24	Dec 25	1Y Growth	3Y CAGR	5Y CAGR
Revenue	52 149	58 763	65 446	69 230	73 420	6.1%	7.7%	8.0%
Cost of sales	42 518	48 192	55 402	58 555	62 453	6.7%	9.0%	7.1%
Gross income	9 631	10 571	10 044	10 675	10 967	2.7%	1.2%	14.1%
EBIT (reported)	5 342	5 325	4 603	5 304	6 082	14.7%	4.5%	*nm
EBITDA	7 667	8 041	6 845	8 157	9 215	13.0%	4.6%	31.8%
Net income	4 213	4 247	3 789	4 232	5 221	23.4%	7.1%	*nm
EPS (€)	5.4	5.4	4.8	5.4	6.6	23.4%	7.0%	*nm
Balance sheet (€Mn)	**Dec 21**	**Dec 22**	**Dec 23**	**Dec 24**	**Dec 25**	**1Y Growth**	**3Y CAGR**	**5Y CAGR**
Total assets	113 578	115 944	118 871	129 213	134 939	4%	5%	4%
Total shareholders' equity	9 486	12 982	17 730	19 696	26 184	33%	26%	32%
Total liabilities	97 561	102 962	101 141	109 517	108 755	-1%	2%	1%
Ratios	**Dec 21**	**Dec 22**	**Dec 23**	**Dec 24**	**Dec 25**	**5Y Avg**		
*Net debt/EBITDA	-0.1	-0.6	-0.6	-0.5	-0.4	-0.4		
Interest coverage	14.5	12.7	5.7	5.3	6.8	9.0		
Debt/assets	13.2	11.0	11.4	11.1	10.6	11.5		

Source: FactSet
*Nm: not meaningful
*Negative net debt/EBITDA indicates a net cash position.

Table 5: Standard finance and investment abbreviations

Abbreviation	Definition
AIR-FR	Airbus SE
BA-US	Boeing Company
CAGR	Compound annual growth rate
D&A	Depreciation and amortisation
DCF	Discounted cash flow
EBIT	Earnings before interest and tax
Adjusted EBIT	Airbus's adjusted operating profit measure
EBITDA	Earnings before interest, tax, depreciation and amortisation
EMBJ-US	Embraer S.A.
EPS	Earnings per share
FCF	Free cash flow
FX	Foreign exchange
FY	Financial year
GP	Gross profit
H1	First half of the financial year
H2	Second half of the financial year
LTG	Long-term growth
LTM	Last 12 months, also known as trailing
NTM	Next 12 months, also known as forward
P:E	Price to earnings
ROA	Return on assets
ROE	Return on equity
y/y	Year-on-year
YTD	Year-to-date

Contact details

Junior Yun
Equity Analyst
+27 (11) 996 5200
Junior.Yun@psg.co.za

Marnus Piekaar, CFA
Head of Fundamental Research
+27 (11) 996 5200
Marnus.Piekaar@psg.co.za

The purpose of this document is to provide information and is not available for external distribution.

About PSG Investment Management recommendations

PSG Investment Management provides medium- to long-term recommendations based on the premium or discount that a company trades at, relative to our estimation of intrinsic value. We expect companies to rerate towards their intrinsic value over a one- to three-year period. The long-term valuation is a quantitative-based valuation based on the fundamental performance of each company in the past, as well as their future forecasts. The fundamental features used are based on profitability and growth measures such as EPS growth and return on equity (ROE).

House view guidance: House view guidance is indicative only. Each client's circumstances are different, and it remains critical that indicative guidance is discussed with your portfolio manager or financial adviser.

Date and share price: The date the report was reviewed and approved by the investment research team is likely to precede the release date and price on the report.

*Share price as at closing.

Disclaimer

This publication is confidential and released for the information of clients only. It shall not be reproduced in whole or in part without our permission. Any unauthorised use, duplication, redistribution or disclosure is prohibited by law. This publication is not to be construed as providing investment services in any jurisdiction where the provision of such services is not permitted. It is provided for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security, and we have no responsibility whatsoever arising here from or in consequence thereof. The user assumes the entire risk of any use made of this publication. Any decision to purchase securities mentioned in this publication must consider existing public information on such security or any registered prospectus. The information contained herein has been obtained from sources which and persons whom we believe to be reliable but is not guaranteed for accuracy, completeness or otherwise. Opinions and estimates constitute our judgement as of the date of this material and are subject to change without notice. This publication does not attempt to identify the nature of the specific market or other risks associated with an investment. Leveraged/Geared positions in securities can accentuate the profit/loss made on investments. Geared/Leveraged positions are not recommended based on the information contained in this publication. Securities, financial instruments or strategies mentioned herein may not be suitable for all investors and investors must make their investment decisions using their own objective advisers as they believe necessary and based upon their specific financial situations and investment objectives. Certain investments/recommendations may have tax implications for private customers. Investors should seek advice from a tax adviser before acting on information contained in this publication. The securities described herein are subject to fluctuation in price and/or value and investors may get back less than originally invested. Past performance is not indicative of future results. The employees responsible for producing this report may from time-to-time own securities mentioned herein.

Analyst certification

The research analyst who prepared this report certifies that the view expressed herein accurately reflects the research analyst's personal views about the subject, security and issuer and that no part of their compensation was, is or will be directly or indirectly related to specific recommendations or opinions contained in this report.

FSP

PSG Investment Management (Pty) Ltd is an authorised financial services provider. FSP: 44306

PSG Securities Limited is an authorised member of the JSE and authorised financial services provider. FSP: 42996

DISCLAIMER: This report constitutes general information and does not constitute financial advice as defined in the Financial Advisory and Intermediary Services Act (FAIS).