

# Embraer dives with 2nd-quarter loss

July 31 2018

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Brazil-based Embraer, the world's third biggest aircraft manufacturer, posted losses on Tuesday of 467 million reais (\$126 million) for the second quarter of 2018.

This followed a first-quarter [loss](#) of \$12.3 million and was down from net income of 201 million reais in the second quarter of last year.

Revenues were hit "principally by lower deliveries in the Commercial Aviation and Executive Jets segment" and steep defense sector losses, Embraer said in a statement.

Losses were also pushed by "higher net financial expenses and net foreign exchange losses" as a result of the sharp devaluation of Brazil's real against the US dollar.

"The Defense and Security segment reported an 88.8 percent decline in revenues in 2Q18 as compared to 2Q17, and its portion of total Company revenues fell from 17.2 percent in 2Q17 to 2.7 percent in 2Q18," Embraer said.

EBITDA, or earnings before interest, taxes, depreciation and amortization, was \$44 million, down from \$258 million a year ago.

However, this was in large part the result of what Embraer said was a one-off setback in its development of the twin-jet engine KC-390 military transport plane, when a prototype was damaged during testing in May.

Excluding the impact of the KC-390 incident, EBITDA for the second quarter was \$171.3 million.

The company said that in the second quarter of 2018 it delivered 28 commercial and 20 executive jets, compared to 35 commercial and 24 executive a year ago.

A leader in the market for smaller jets, as well as military aircraft, Embraer is in the process of finalizing a tie-up with US aerospace giant Boeing to rival a similar partnership between Airbus and Canada's Bombardier.

Boeing will control Embraer's commercial business, with an 80 percent stake.

Brazil government leaders initially opposed giving up control of Embraer to a foreign entity. However, the parties appear to have gotten around this concern by limiting Boeing's stake to the civilian part of the business.

In its statement, Embraer said it "expects this transaction to close by the end of 2019, and the transaction is expected to provide Embraer with significant cash proceeds to reinforce the balance sheet."

Embraer was founded as a state group in 1969 before being privatized in 1994, although the Brazilian government retained the right to make strategic decisions for the company.

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