

Embraer shares rise after Bolsonaro approves Boeing merger

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Boeing will now control 80 percent of Embraer's business with only the Brazilian company's military division remaining independent

The share price in Brazilian airplane manufacturer Embraer rose on Friday as markets reacted favorably to the country's President Jair

Bolsonaro approving a merger with American giant Boeing.

After the share price soared by 7.7 percent at the start of the day on the Sao Paulo stock exchange, those gains subsided but it still ended with a 2.57 percent increase from Thursday's figure.

The rise came a day after Bolsonaro announced he wouldn't be using his veto powers to block the merger between two of the world's three biggest aviation companies.

"The company's valuation was based on President Jair Bolsonaro's endorsement," Glauco Legat, an analyst at consultants Necton, told AFP, although he warned that it wasn't enough to consider the deal finalized.

Legat blamed the scaling back in share price gains on the fact that the merger process will be drawn out.

He said it was not related to credit ratings provider S&P Global's Friday announcement that it was placing Embraer's BBB rating "on CreditWatch with negative implications" due to "the potential weakening of its business risk profile."

The company's shares took a nose dive last week after Bolsonaro expressed concerns over the deal.

But now the \$5.2 billion agreement, which will see Boeing take control of Embraer's commercial airplane manufacturing business—80 percent of its operation—will go ahead.

Embraer will only retain control of its military division.

"Embraer's business will be narrowed to its executive jet and defense units, which have lower margins and higher volatility than the

commercial aviation division," S&P Global said, in explaining its negative outlook.

On Thursday, Bolsonaro had said he was satisfied that "the final proposal preserves (Brazil's) sovereignty and national interests."

Embraer was founded as a state group in 1969 before being privatized in 1994, although the Brazilian government retained a "golden share" giving it the right to veto strategic decisions for the company.

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