PLANE-SEAT SUPPLIER ZODIAC JUMPS AS AIRBUS A350 LOGJAM EASES

News / Finance, Manufacturer

Zodiac Aerospace shares rose as much as 13 percent Wednesday after the biggest supplier of seats to Airbus Group SE said a logjam in the production of premium berths for the manufacturer's latest A350 model is beginning to ease.

Zodiac, which has struggled to meet Airbus and Boeing Co. delivery schedules for two years after taking on too much work, has achieved certification of a new business-class seat being built for the wide-body jet, allowing it to restart shipments, it said in an earnings release after markets closed Tuesday.

At the same time, the Plaisir, France-based company has made progress in the redesign and production of seat shells at its plant in Santa Maria, California, and selected three new suppliers to help smooth future operations. Zodiac also stuck to its guidance for operating profit, following a string of eight earnings revisions in the current the fiscal year, which ends in August.

Natixis Upgrade

"The group seems to be addressing its problems more quickly than expected, having initially been slow in acknowledging them," Paris-based Natixis Securities analyst Antoine Boivin-Champeaux said in a note to clients, upgrading the stock to "buy" from "reduce."

Zodiac shares rose 2.41 euros to 21.48 euros and were trading 10 percent higher at 21.01 euros as of 1:11 p.m. in Paris, paring their decline this year to 4.3 percent and giving a market value of 6.1 billion euros ($6.8 billion).

The stock tumbled 26 percent on Feb. 25, the most in 17 years, after the company said restructuring would take longer than expected.

Zodiac reiterated that full-year operating profit will be close to last year's figure, after third-quarter sales rose 4 percent to 1.35 billion euros, beating Bloomberg's 1.29 billion-euro consensus of analyst estimates.

Airbus has cut delivery rates for the A350 as a result of supplier issues. That's weighed on

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earnings at the planemaker, as well as at Rolls-Royce Holdings Plc, the model's engine provider, and composites specialist Hexcel Corp.

Quality-control issues at the California plant and a slow ramp-up of output at a site in Montreal are still holding back the production of lavatories for the Airbus jet, though deliveries have increased, Zodiac said. Build rates need to reach 10 shipsets a months in order to catch up with Airbus's targets for 2016.

Image: Zodiac Aerospace

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