



ZODIAC SHARES PLUNGE ON DELAYED RECOVERY, MISS ON MARGIN TARGET

News / Finance



Zodiac Aerospace shares plunged the most in more than 17 years after saying a restructuring meant to halt delays in delivering airliner seats will take longer than estimated, the latest in a series of setbacks that have dented management's credibility.

The stock slumped 21 percent to 15.39 euros at 10:35 a.m. in Paris, giving the company a market value of 4.4 billion euros (\$5 billion). The intraday drop of 26 percent was the biggest since Jan. 4, 1999.

Zodiac, a key supplier to both Airbus Group SE and Boeing Co., has failed to meet schedules over the last two years after it took on more work than it was capable of handling. Its difficulties meant delays for airlines taking new planes from both manufacturers. Airbus Chief Executive Officer Fabrice Bregier said in January he had banned the supplier from bidding for work on its new A330neo.

"All the reasons underlying the profit warning contradict management's clear commitments made during the fiscal year results presentation, demonstrating poor planning and inadequate

contingency plans,” Christophe Menard, an analyst at Kepler Cheuvreux, wrote in a report. “We have now reached the stage where management can only be judged on its results, not on its commitments.” He cut the stock to reduce from hold.

Cathay Delay

In late January it emerged that Cathay Pacific Airways Ltd. would get its first A350 widebody from Airbus at least several weeks late because the business berths made by Zodiac came in late.

Last year Airbus dispatched engineers to Zodiac factories to help overcome delays and began limiting the work it gave Zodiac so the supplier could get back on track. Airbus engineers set themselves up on site at factories in France and in California to work through bottlenecks in particular on more customized business-class seats, he said.

Zodiac has repeatedly pushed back promises on when it would stem the difficulties. Last year it said delivery issues would be behind it by Aug. 31, yet on Sept. 16 Chief Executive Officer Olivier Guy Zarrouati said they would weigh on results for the fiscal year ending in 2016. He pronounced 2016 a “transitional” year before the company returns to normal conditions in the following 12 months. The stock fell the most in 16 years that day.

The recovery will take longer than the 18 months originally planned, and the company’s target for a current operating margin of close to 10 percent is now in question, the company said in a statement late Wednesday. Zodiac, one of the world’s three main providers of airliner seats and galleys, will give details on its transformation and recovery plans when announcing half-year sales on March 15 and earnings on April 20, it said.

“The question of the CEO’s credibility is becoming more pressing,” Yan Derocles, an analyst at Oddo Securities, wrote in a report. “Confirmation of a recovery on the stock will require a series of positive pieces of news.”

Pierre Antony Vastra, head of investor relations, couldn’t immediately be reached for comment, his assistant said. He didn’t immediately respond to a message left on his mobile phone and e-mail.

26 FEBRUARY 2016

SOURCE: BLOOMBERG

ARTICLE LINK:

<https://50skyshades.com/news/finance/zodiac-shares-plunge-on-delayed-recovery-miss-on-margin-target>