

Resumo Alargado

The present study presents include a detailed valuation of the French aerospace company Dassault Aviation SA.

Dassault Aviation SA has a strong position in Business Aviation worldwide and in the Defense segment through the relations and expertise from all the years working together with the armed forces in various countries. As both segments are expected to grow at a CAGR of 3% from 2020 to 2025, combined with the recent increases of Defense expenditure in France and around globe, AM FP is in a good position for the future, offering combat proven aircrafts in Defense with RAFALE and top of the line aircrafts with FALCON 8X & 6X for the Long-range (5000>NM) market displaying to be the fastest growing category in business jets.

As the COVID-19 pandemic leads the world to a contraction year (-5.2% GDP growth), 2021 is expected to be a recovery year for almost every country. However, as March outbreak levels are breached again and tend to increase, coronavirus might be a risk that one has to considered that might affect the price. Despite this fact, as 60% of Dassault's total sales comes from the Defense segment that is expected to keep running even in periods of recession, Dassault Aviation stands in a good position with cashflows from multiple sources.

Several factors may represent a risk for Dassault Aviation SA target price, as it can be very sensitive to WACC and terminal growth changes as 90bps increase in WACC may represent a 16.72% decrease in upside potential, similarly for a 52 bps increase in terminal growth rate represent a 226 EUR increase in Target price.

The main risks concerning an investment in Dassault Aviation is COVID-19 as it might not only affect worldwide economy but also disrupt the industry supply chain affecting the industry thus Dassault Aviation in multiple ways, causing unfavorable market conditions, delaying production and delivery deadlines, as well as, causing large scale unemployment or temporary dismisses.

Additionally, Dassault Aviation ability to land future Defense contracts might be represented as a risk, as a big proportion of sales comes from this segment and the French government alone will not propel revenue forward as expected. Investors should have in mind a drop-in revenue regarding Business Aviation if the company do not advertise their new aircrafts correctly or choose to cut their marketing campaigns and shows attendance such as EBACE, (European Business Aviation Convention & Exhibition), as Brand Loyalty represents a major factor in Business Jets sales. Last but not least, cyber-attacks can damage a company reputation, thus affecting the stock price.