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**booz&co.**

# Aerospace Industry Profitability

## In relation to the Dutch JSF business case

Commissioned by NIFARP  
Final Summary Data Set

This document is confidential and is intended solely for the use and information of NIFARP to whom it is addressed.

## Content of report

- A&D (aerospace & defense) industry structure, dynamic, trends relevant to Dutch players and JSF
- Benchmarks to characterize the competitive field and profitability of Dutch A&D industry
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*Note: This report is an excerpt / executive summary of the detailed results and background material reviewed earlier*

## Key characteristics and trends of the A&D sector

1. Historical stable markets with increasing uncertainty
  - Typically large backlog...
  - ... however subject to cyclical demand patterns now likely entering a new downturn (particularly on the civil side) due to the impact of the global economic crisis
2. The typical business model is characterized by high upfront investment required and a long payback period with programmatic risks:
  - Advanced technology required to play in the game - with associated technical risks
  - Inherent schedule, costs, and supply chain challenges
3. In order to counterbalance markets cyclicality most companies have balanced their portfolio between military and civil
4. Relatively few large programs means that participation is required for ongoing business success and competition is intense
5. Typically significant government support for both military and commercial programs enables:
  - Spill over effect (industry competitiveness, technology leadership, security & defense, skilled employment)...
  - ...and public benefits thanks to technology transfer from military to commercial products
6. The Aerospace and Defense industry is USD based

# Since 1997 the Dutch Aerospace industry has moved from a prime to a Tier 2 role, with new challenges as a supplier

## Aerostructures Supply Chain Trends



	Tier 2	Tier 1	OEM
<b>Description</b>	<ul style="list-style-type: none"> <li>Either specialist for complex components or low cost player</li> <li>Refines details of OEM design. Produces and assembles subsystems to customer specs</li> </ul>	<ul style="list-style-type: none"> <li>Assumes responsibility for design, planning, assembly, and delivery of major aerostructures systems</li> </ul>	<ul style="list-style-type: none"> <li>Takes responsibility for the specification, planning, execution and performance of the entire aircraft. Assumes and manages risks for finished assembly</li> </ul>
<b>Engineering Capability</b>	<ul style="list-style-type: none"> <li>Specialist for complex components</li> <li>Limited for build to print</li> <li>High/ focused for design to build in particular manufacturing/processes</li> </ul>	<ul style="list-style-type: none"> <li>Significant</li> <li>A core competency</li> </ul>	<ul style="list-style-type: none"> <li>Very significant in multiple disciplines</li> </ul>
<b>Capital Investment Requirements</b>	<ul style="list-style-type: none"> <li>Tooling and plant</li> <li>May partly be financed by OEM</li> </ul>	<ul style="list-style-type: none"> <li>Commercial programs required significant risk sharing investments</li> </ul>	<ul style="list-style-type: none"> <li>Significant internal</li> <li>Government launch assistance provided</li> </ul>
<b>Market Size</b>	<ul style="list-style-type: none"> <li>~\$6B</li> </ul>	<ul style="list-style-type: none"> <li>\$13B</li> </ul>	<ul style="list-style-type: none"> <li>~\$16B</li> </ul>
<b>Profitability (EBIT Margins)</b>	<ul style="list-style-type: none"> <li>~5%</li> </ul>	<ul style="list-style-type: none"> <li>~9%</li> </ul>	<ul style="list-style-type: none"> <li>~9%</li> </ul>
<b>Representative Companies</b>	<ul style="list-style-type: none"> <li>Ducommun</li> <li>Triumph</li> <li>Magellan</li> </ul>	<ul style="list-style-type: none"> <li>Spirit Aerosystems</li> <li>Vought</li> <li>GKN</li> </ul>	<ul style="list-style-type: none"> <li>Boeing</li> <li>EADS</li> <li>Lockheed Martin</li> </ul>

## Today ← Dutch Aerospace Industry Evolution 1997

Source: Counterpoint, Booz & Company analysis

# In recent years several macro trends have changed the competitive landscape –with implications for the Dutch industry

	Description	Implication for Dutch Industry
<b>Risk Sharing</b>	<ul style="list-style-type: none"> <li>▪ Risk sharing now required for tier 2 as well as tier 1 suppliers</li> <li>▪ Tier 2 suppliers make investment in plant, tooling, and design without guaranteed volume</li> </ul>	<ul style="list-style-type: none"> <li>▪ Increased capital requirements</li> <li>▪ Results likely to be more volatile as industry is captive to sales volumes</li> </ul>
<b>Super Tier 1s</b>	<ul style="list-style-type: none"> <li>▪ Primes look to Super Tier 1s to take responsibility for major subsystems</li> <li>▪ Tier 1s responsible for design, supply chain, and coordination</li> </ul>	<ul style="list-style-type: none"> <li>▪ Dutch industry needs to establish relationships with super tier 1s and maintain relationships with OEMs</li> <li>▪ Sales process is more complex</li> </ul>
<b>Spin-offs from Primes</b>	<ul style="list-style-type: none"> <li>▪ Boeing and Airbus have spun-off aerostructures plants formerly managed in-house</li> <li>▪ New companies compete for both primes</li> </ul>	<ul style="list-style-type: none"> <li>▪ New companies represent both a threat and opportunity for Dutch industry</li> <li>▪ Increased competition but potential customer for technology specialists as well</li> </ul>
<b>Globalization</b>	<ul style="list-style-type: none"> <li>▪ Emerging markets (e.g. China, India) are continuing building aerospace capabilities at competitive cost</li> <li>▪ All tiers of the value chain are increasingly global driven by multiple factors: cost pressures, offsets, and government support</li> </ul>	<ul style="list-style-type: none"> <li>▪ Price competition with lower cost countries</li> <li>▪ Need to optimize supply chain with new suppliers in new locations</li> <li>▪ Potential new customers (MRJ, Chinese reg. jet)</li> </ul>
<b>Fewer, Larger, More Competitive Programs</b>	<ul style="list-style-type: none"> <li>▪ Cost of development is significant and military customers and commercial primes have rationalized R&amp;D spending to develop fewer programs</li> <li>▪ Military programs becoming best value, not offset, driven</li> </ul>	<ul style="list-style-type: none"> <li>▪ Every new program is a must win</li> <li>▪ Companies not on board on a program may not get another chance for years</li> <li>▪ Cost competitiveness a must on all programs</li> </ul>
<b>Composites</b>	<ul style="list-style-type: none"> <li>▪ Shift of aerostructures from primarily metal to primarily composites and other light weight materials</li> <li>▪ Change in composite manufacturing from manual to automated</li> </ul>	<ul style="list-style-type: none"> <li>▪ New technology options – compete on performance or on price with old technology</li> <li>▪ Price is not an option for the Dutch – industry must invest in automated composite capability</li> </ul>
<b>Weakness of USD</b>	<ul style="list-style-type: none"> <li>▪ All international aerospace contracts are in USD</li> <li>▪ Since 2002 there has been a general weakening of the dollar</li> </ul>	<ul style="list-style-type: none"> <li>▪ All Euro based suppliers have a competitive disadvantage due to the currency development</li> <li>▪ Dutch industry needs to cut cost or develop more dollar based supply chain and offshore production</li> </ul>

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# Benchmarks: As reported by KPMG, the recent years have shown mixed results for the Dutch Aerospace industry

## Financials History and Forecast of Dutch Companies Participating in the JSF Program\* (€m)

in €m	Financieel overzicht 2004-2007, Rekeningenjaar			
	2004 Werkelijk	2005 Werkelijk	2006 Werkelijk	2007 Werkelijk
Omzet	317,3	440,8	538,9	427,4
EBITDA	32,0	39,6	14,2	(2,7)
EBIT	18,7	24,0	(1,7)	(36,4)
EBT	10,9	17,1	(21,8)	(48,9)
EBT %	3,4%	3,9%	(4,1%)	(11,4%)
AS % van omzet	3,4%	3,9%	(4,1%)	(11,4%)
Investeringen	17,4	19,5	31,5	59,4
Operational Cash Flow	(68,8)	2,9	4,4	4,6
Capital Employed <sup>1)</sup>	172,9	243,9	230,5	189,6
ROCE = EBIT / Cap Employed	10,8%	9,8%	16,1%	(18,7)%
EBIT Margin	5,9%	5,4%	2,6%	(8,5)%
EBIT Margin = 4,6%				

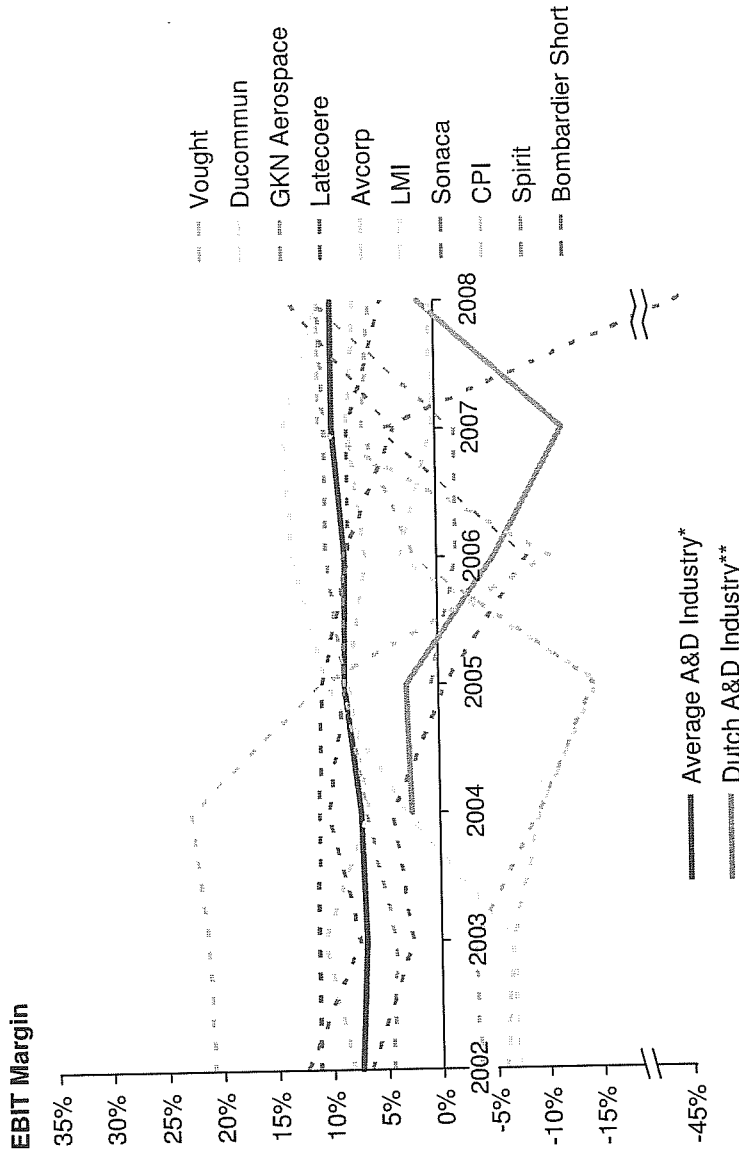
1) Al naar gelang van de periode 2004-2005 (van EBT) en 2006-2007 (van EBITDA) berekend. De balans op 31-12-2007 is 189,6 miljoen. De balans op 31-12-2006 is 230,5 miljoen. De balans op 31-12-2005 is 243,9 miljoen. De balans op 31-12-2004 is 172,9 miljoen.

Source: KPMG analyse, Financiële overzichten 2004-2007

\* Including data from about 95% of the JSF participating companies  
Source: KPMG Data Reference Date: August 31, 2009

# Due to different reasons, aerospace companies profitability is highly volatile, but 2008 is a representative year

**EBIT Margins A&D Industry and Dutch A&D Industry**  
(EBIT % of Sales)

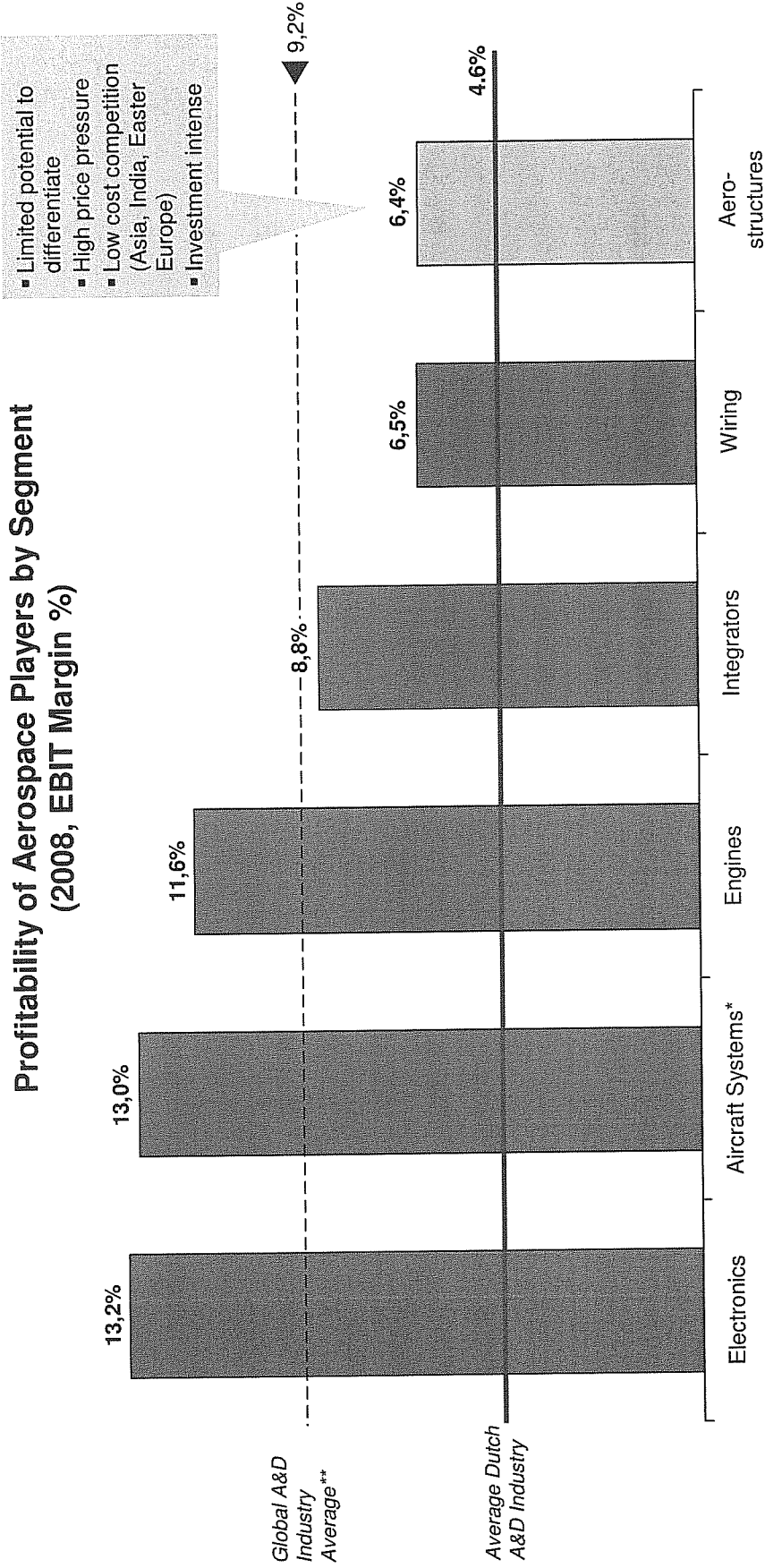


Comments	
▪	While industry average EBIT is consistent, company returns are highly fluctuating
▪	Different factors drive the industry profitability like: <ul style="list-style-type: none"> <li>- OEM production levels</li> <li>- Currency exchange rates variability</li> <li>- Ramp up or ramp down of different programs</li> <li>- Program cost overrun</li> <li>- Program portfolio mix</li> <li>- Industry consolidation or supply chain de-integration</li> </ul>
▪	2008 for the global A&D industry is a representative year at higher end of average returns
▪	2008 is representative as a good average year for the Dutch A&D industry, given its position and emerging portfolio, resulting in a more actual basis to project the future than the average over the last years

(\*): Including average data for all sectors of the A&D industry (e.g. engines, electronic systems, integration, aerostructures & wiring)  
 (\*\*): KPMG figures including data from about 95% of the JSF participating companies  
 Source: Flight international, Annual Reports, KPMG Study of Dutch industry (latest update as of 31.8.09), Booz & Company analysis



# Players focusing on the aerostructures segment have a greater profitability challenge than the ones in other sectors



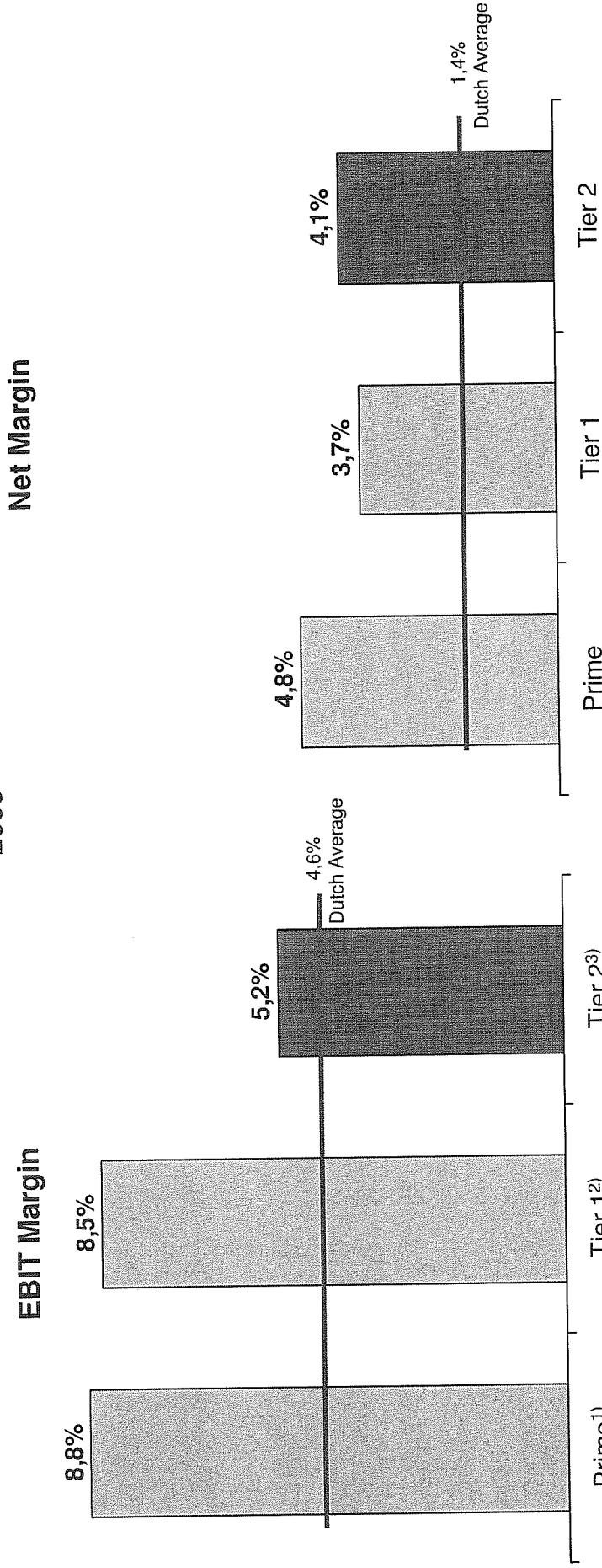
Aerostructures is the most relevant sector due to weight in Dutch JSF participation (see next page)

Current Main Segment Positioning of the Dutch Industry

\* e.g. Honeywell, Goodrich, Safran Equipment, Triumph, Zodiac  
 \*\* Weighted average based on the number of companies in each category  
 Source: Counterpoint, Annual Reports, Bloomberg, Standard & Poor's, RBS, Teal Group, Thompson Reuters, BNP Paribas, Booz & Company analysis

# The profitability of the Dutch aerospace industry is below its relevant peer group average - on EBIT but also net margin

Profitability of Aerospace Tiers  
2008



**Notes:** Current Main Tier Positioning of the Dutch Industry

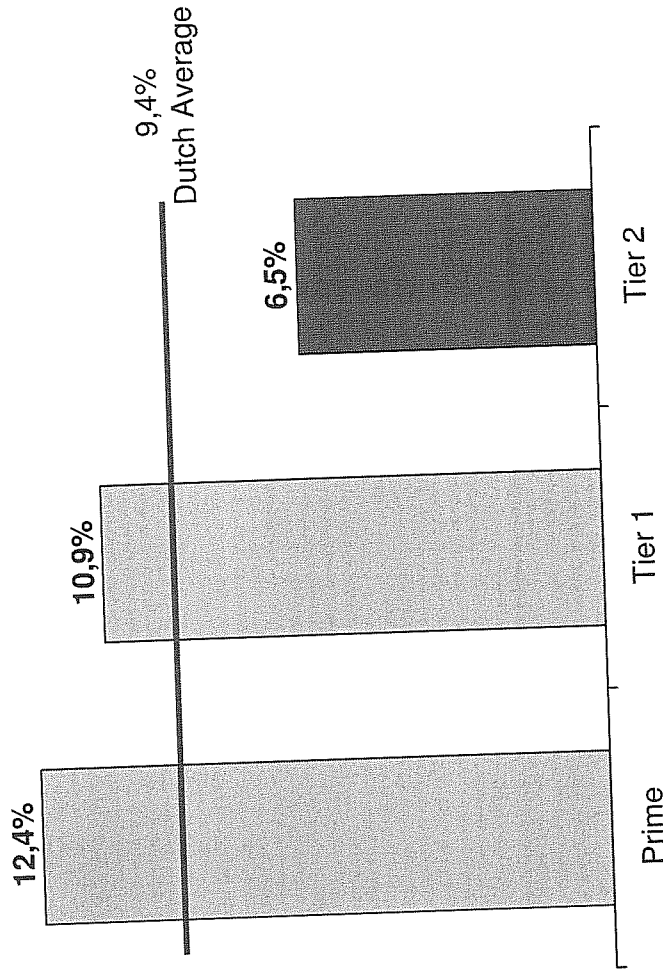
Several companies with a commercial aviation focus had a change in ownership structure and/or a restructuring, e.g. Vought, Latecoere, Spirit, Sonaca 2008 net margin largely impacted by financial crisis and the corresponding write-offs

- 1) Primes include integrators BAE System, Boeing, Bombardier, EADS, Finmeccanica, General Dynamics, Lockheed Martin, Northrop Grumman
- 2) Tier 1 include Alenia, Bombardier Shorts, GKN Aerospace, Latecoere, Spirit AeroSystems, Vought, as well as Labinal and Latelec for the sake of inclusion of the relatively small wiring sector
- 3) Tier 2 include Avcorp, CPI Aero, Ducommun, FACC, Fokker AESP, Hampson, Heroux Devtek, Kaman Aerostructures, LMI, Magellan Aerospace, MT Aerospace, SABCA, SLCA

Source: Counterpoint, Annual Reports, Bloomberg, Standard & Poor's, RBS, Teal Group, Thompson Reuters, BNP Paribas, Booz & Company analysis

# On Return on Capital Employed the Dutch industry is below overall aerospace industry but ahead of Tier 2 segment

Return on Capital Employed of Aerospace Tiers  
2008



Relevant Segment for Dutch Industry

Source: Annual Reports, Bloomberg, RBS, BNP Paribas, KPMG Study of Dutch industry (latest update as of 31.8.09), Booz & Company analysis

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## Conclusions - Benchmarks and Dutch A&D sector in global comparison

- On key financials, the Dutch A&D sector is lagging any of the relevant A&D benchmarks
  - Aggregate global A&D sector, and Dutch A&D sector vs. other countries' A&D sector
  - Global A&D players in aerostructures, both tier 1&2 players
- There are several reasons for the lag
  - Scale, level of direct spend on defense relative to others (US, UK, Italy, ...)
  - Dutch industry's A&D program portfolio is unbalanced across lifecycle (some in mature stage and many in pre-scale up such as JSF)
  - Given the portfolio, the Dutch cluster risks to fall into a spot of low ROCE & EBIT at the bottom-end of the A&D benchmarks
- The current performance level will limit access to competitive financing and inhibit investments in leading technology, and threaten the ability to maintain the advanced skill set required for A&D design and manufacturing
- To address this, the Dutch cluster has to work hard to improve profitability and strategically position in specialist areas - but it is also clear that actions disadvantaging them further financially and tilting the level playing field in favor of global competitors will threaten the health and future success

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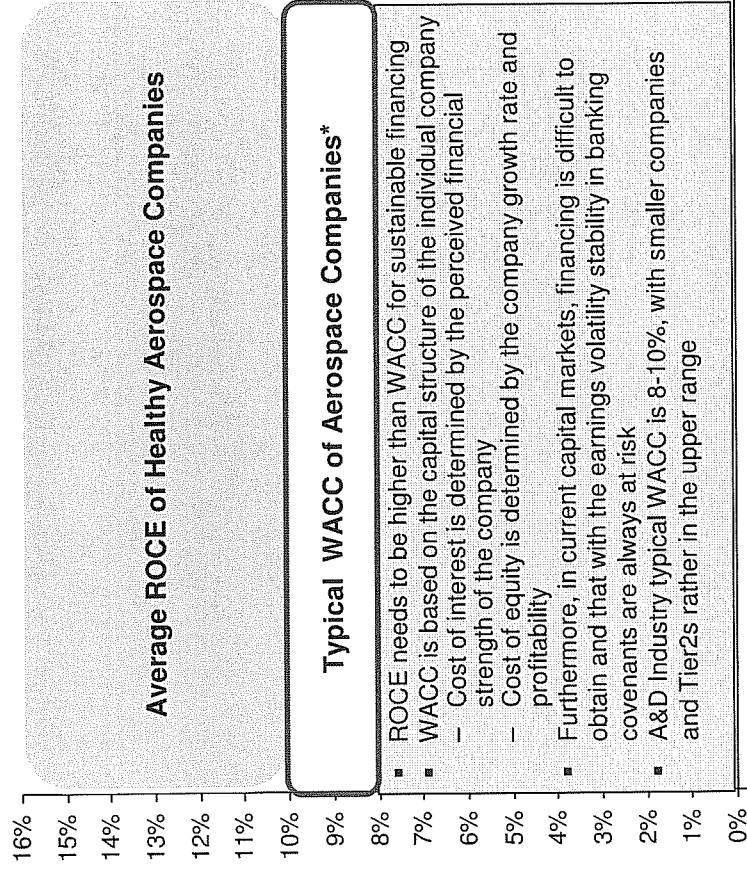
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# EBIT and ROCE are operating measures –ROCE needs to exceed WACC for sustainable financing

## Operating vs. Financial Measurements

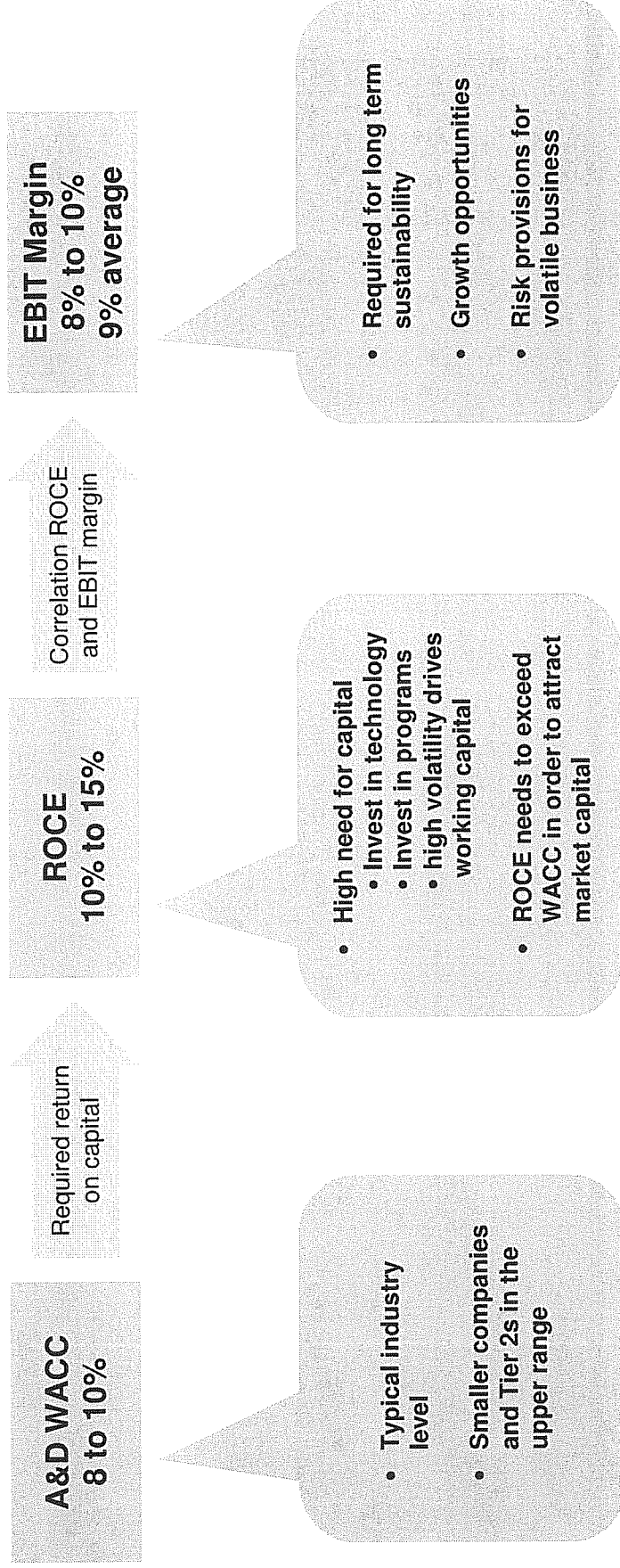
Type of Measurement	Operational	Financial
Margin	<ul style="list-style-type: none"> <li>EBIT Earning before Interest and Taxes</li> <li>Allows comparison between companies eliminating difference in financial and tax structure</li> <li>Allows comparison at divisional level</li> </ul>	<ul style="list-style-type: none"> <li>Net Margin</li> <li>Includes financial and tax structures</li> <li>Increases volatility – particularly in a downturn year with financial write-offs and restructuring costs</li> </ul>
	<ul style="list-style-type: none"> <li>ROCE Return on Capital Employed =EBIT/Capital Employed</li> <li>Measures capital employed regardless of financial strategy</li> </ul>	<ul style="list-style-type: none"> <li>ROE Return on Equity =Net Margin/Equity</li> <li>Shows differences in financial structure between companies – Highly leveraged companies can show better results</li> </ul>

## Relationship of ROCE and WACC



WACC: Weighted Average Cost of Capital  
 \* Financial analyses 2007 and 2008 for BAE Systems 8.2%, Rolls-Royce 8%, Finmeccanica 8.4%, EADS 7.9%, Dassault Aviation 9.8%, Safran 9.3%, Thales 8.4%  
 Source: BNP Paribas, Crédit Mutuel-CIC, Booz & Company analysis

# Given the high capital intensity of the industry, A&D players need to outperform a WACC of 8-10% targeting 8-10% EBIT

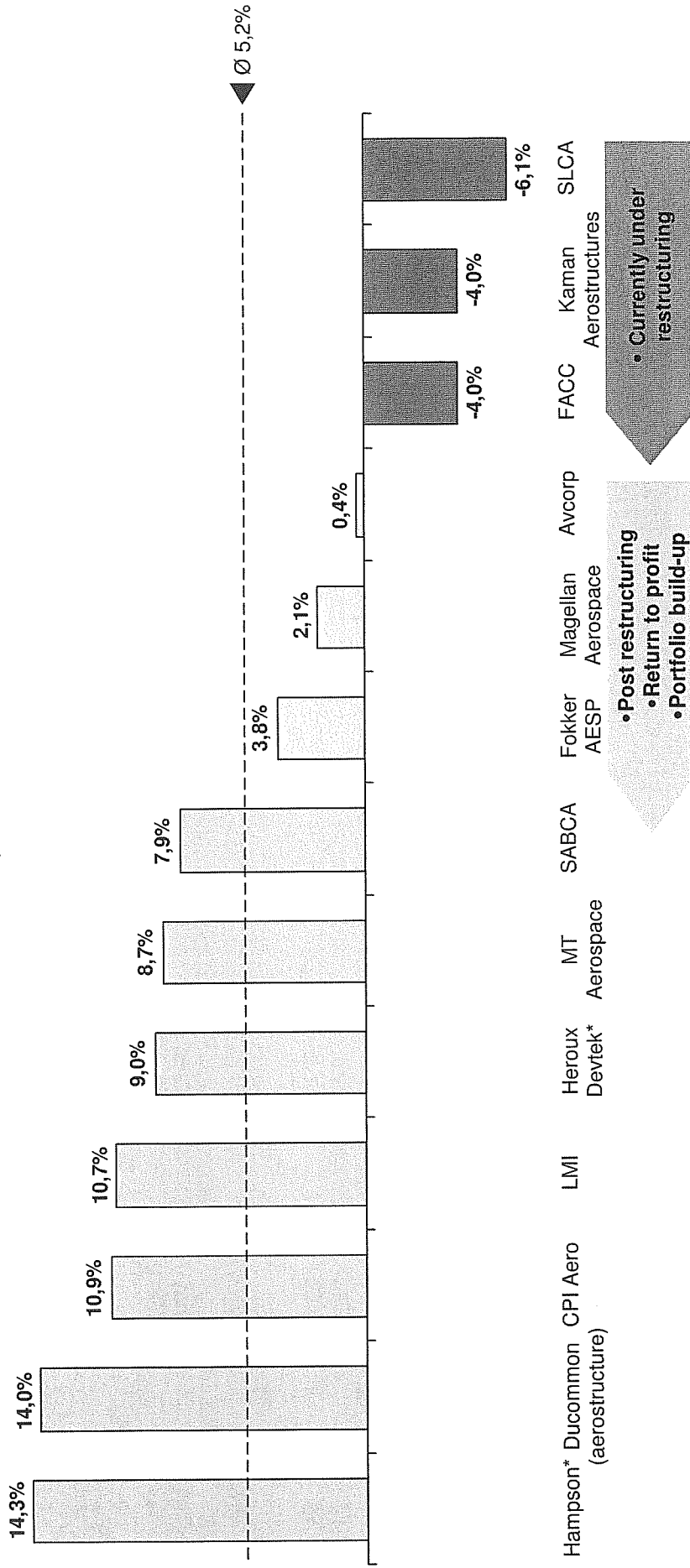


Note: ROCE to EBIT ratio resulting from analysis of real correlation in industry (available)



# Aerostructure Tier 2s can make healthy returns; average performance is dragged down by several companies under restructuring

Average Operating Margin of Aerostructures Tier 2 by Companies  
(2008, EBIT%)

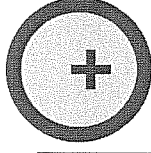


\* Includes non-aerostructure earnings

Source: Annual Reports, Thompson Reuters, Bloomberg, RBS, BNP Paribas, Booz & Company analysis



## A&D players need “healthy” results to get competitive financing, sustain cash flows to re-invest in technology & maintain skills



### Healthy Results Necessary for Operations

- Ensure operations produce consistent quality during scale-up
- Absorb inherent volatility of results / multiple risks to programs
- Manage characteristic negative cash flow profile until far into the full rate production
- Access to competitive financing to continue winning business
- Maintain technology at industry standards
- Maintain core skills over program lifecycles

### Investment For Sustained Success

- Invest in differentiating technology capabilities (e.g. new materials, new process capabilities) ...
- ... and ensure ability to train or attract corresponding differentiating skill sets
- Evolve product portfolio to mitigate technology and market risks (e.g. civil vs. military, geography, lifecycle phase, etc.)
- Continue to improve cost model i.e. footprint enables competitive pricing

## Conclusions - results of healthy A&D financials & implications

- Healthy A&D financials can be considered at the higher end of benchmarks: EBIT 8-10%, ROCE 10-15%
- Although the most relevant industry segment - aerostructures tier 2s - is challenged and not reaching healthy performance on average, several companies do reach the desired performance envelope
- Those who are below the healthy performance levels are in / need to be in restructuring to raise their performance
- Implications of not reaching “healthy results” for A&D companies include:
  - Lose competitiveness due to disadvantaged cost of financing
  - Do not compete for / take on projects that do not deliver the required WACC
  - Seek higher share of cost advantaged, USD denominated supply base
  - “Milk” existing programs, reduce re-investment levels and do not sustain skills over lifecycles
  - Seek positioning in profitable niches over longer period of time, or sell-out
- The above has serious impacts on the level/ scope of the participation to the JSF program, work share executed in The Netherlands, health and sustainability of Dutch A&D sector

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## **The JSF program provides a significant opportunity for the Dutch industry – but is not without risks and issues**

1. The JSF program is strategically very important to the Dutch aerospace industry
  - Leading international manned fighter program – only 5<sup>th</sup> generation program
  - An international cooperation enhancing the technical, system and strategic knowledge of participating companies
  - Largest new international aircraft program until the development of the new single-aisle jets (likely up to 10 years away)
2. The Netherlands, along with 7 other nations, is contributing to the system design and development phase
3. Netherlands has introduced a unique financing model, where its contribution to the program is repaid by the industry in the form of a share of the resulting revenues (royalty payment)
4. JSF gives the Dutch aerospace industry a profitability with long-term predictability and experience with a high volume program
5. Although JSF margins (without risk absorption) are forecasted to be healthy and above current Dutch industry average, there is very limited room for risk absorption (e.g. USD devaluation effect)

# The business case of the JSF - pre-risk - can lift the Dutch performance, but already shows long term pay-back

## JSF Case Example - Pre-Risk Baseline

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>PROFIT AND LOSS ACCOUNT</b>										
Net revenue (orders booked off)										
Cost of sales										
<b>Gross Margin</b>										
Gross Margin										
Variations										
	-4.0%									
<b>Gross Profit</b>										
Gross Profit										
USD rate impact on affordability	0.0%									
MFO Payment JSF	0.0%									
<b>Gross Profit after impact USD &amp; MFO</b>										
Gross Profit after impact USD & MFO										
Distribution Cost + R&D										
<b>EBIT</b>										
Interest Paid	-6.0%									
<b>Earnings Before Tax (EBT)</b>										
Taxes (normalized at 25%)	-25.0%									
<b>Net earnings</b>										
ROS*										
<b>Operational Cash Flow</b>										
<b>Operational Cash Flow (cumulatief)</b>										

A real JSF case example, representative for the Netherlands industry, was used to illustrate the effects of MFO payments on profitability. In addition to that, the sensitivity to USD exchange rates to show the further effect of USD fluctuations.

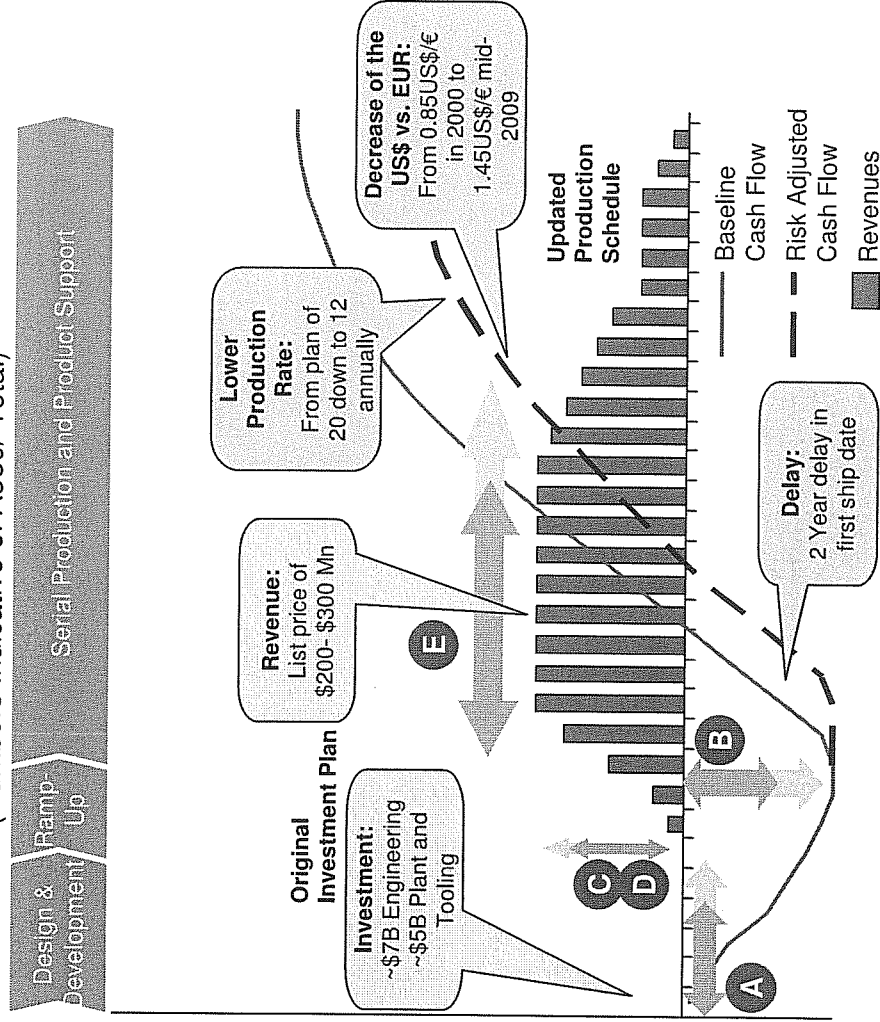
The figures have been blanked because of commercial reasons.

Comments
<ul style="list-style-type: none"> <li>This baseline is not including any royalty payment or risk provisions</li> <li>Example related to Stork Fokker AESP - representing about 65% of total Dutch JSF participation</li> <li>External typical A&amp;D risks (USD, delays, volume changes, etc. - see next page) will likely impact the current JSF business plan</li> <li>In the following pages a sensitivity analysis to USD exchange risks as well as to royalty payments impact is presented</li> </ul>

\* ROS is equivalent to net margin  
 Note: investment concerns only those investments for JSF after deduction of local government subsidies  
 Source: Stork analysis

# However, as all A&D programs the pre-risk JSF business case has to cover inherent program risks

**Typical A&D Program Cash Flow**  
(Numbers Indicative of A380/ Total)



Payback Risk Factors	
<b>A</b> D&D Phase Duration	– Launch date of the product will delay the revenues influx
<b>B</b> Total Investment Cost	– High non recurring costs for developing new technologies/ new facilities and tools – Drifting D&D and production investment costs reduce the total program margin and delay the payback period – High lock-up working capital due to long lead times
<b>C</b> Production Margin	– Lower revenue levels due to price pressure or to lower production numbers reduce the revenue influx
<b>D</b> US\$ Exchange rate	– In a US\$-based industry, decreasing US\$ exchange rate reduces revenues and affects competitiveness
<b>E</b> Production Plateau Duration	– A reduced production duration reduces the total revenue influx

# Royalties on the JSF in addition to inherent program risks affect the level playing field and the ability to invest in future growth

## Sensitivity of Net Margin to Royalty Payments and USD/EUR Variation Impact on JSF Case Net Margins

NET Royalty Payment	@0%	@1.0%	@3.3%
<b>JSF Case: Representative Net Margins</b>			
▪ @0% USD/EUR	6%*	5%	2.7%
▪ @-5% USD/EUR	3%	2%	-0.3%
<b>Considerations by scenario</b>	<ul style="list-style-type: none"> <li>Keeps the JSF program itself still profitable</li> <li>Lifts up the Dutch industry margin by between 0.6% and 1.6% and leaves room for future investments</li> </ul>	<ul style="list-style-type: none"> <li>JSF program still more profitable than Dutch industry average, with limited room to react to future risks provisions...</li> <li>... and no impact on increasing overall industry profitability with margin impact of between 0.2% and 1.3%</li> </ul>	<ul style="list-style-type: none"> <li>Impairs and puts at high risk even the JSF business case</li> <li>Potentially penalizes the Dutch industry with a margin impact between -0.6% and 0.5%</li> </ul>
<p>In general: Any further decrease of the US\$/€ exchange rate can jeopardize JSF business case and impact the competitiveness of the Dutch participation severely while potential strengthening of the USD will be mainly absorbed by customer</p>			

\* JSF Net Margin: 6% used as it represents the planned profitability until 2014 - higher number for outer years discounted for risk mitigation

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## Conclusions - overall

- The global A&D benchmark shows, that the Dutch A&D sector lags behind average financial returns against any group in the sample - given the actual balance of the Dutch industry's programs portfolio across the lifecycle (maturing portfolio with few high volume programs)
- The Dutch A&D sector is further lagging comparable A&D healthy returns, which allow to re-invest in new technologies and growth and competitive access to capital
- Although A&D is a sector with interesting long term potential and financial results, volatility, unforeseeable risks, and a capital intensity over very long program lifecycles mean healthy financial returns and cheap access to capital are a competitive advantage in and by themselves
- The JSF program is a unique opportunity and has the inherent financial parameters to bring the industry much closer to healthy levels and ensure a long term success
- Without setting any "right level" for a potential royalty payment on the JSF revenue from the Dutch A&D sector, its impact can be characterized
  - Any royalty payment: Tips the level playing field vs. competitors from other participating countries and competitors from future JSF purchasers looking for off-set in their local industry
  - A level deemed "affordable" on the JSF program, e.g. 1%: As above, plus limits ability to re-invest in growth, limits competitiveness on work share that does not meet WACC, disables companies to weather larger risks inherent to the A&D sector (currency, delays, volume change)
  - A level of 4.4% gross/ ~3.3% net: As above, plus exposes Dutch companies to normal risks on a program (operational, demand smoothness, cheap access to capital, USD competition and supply base), introduces very serious competitive disadvantage to fund work share and keep manufacturing base

*Final*

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# Backup

# WACC and ROCE are key indicators for investors

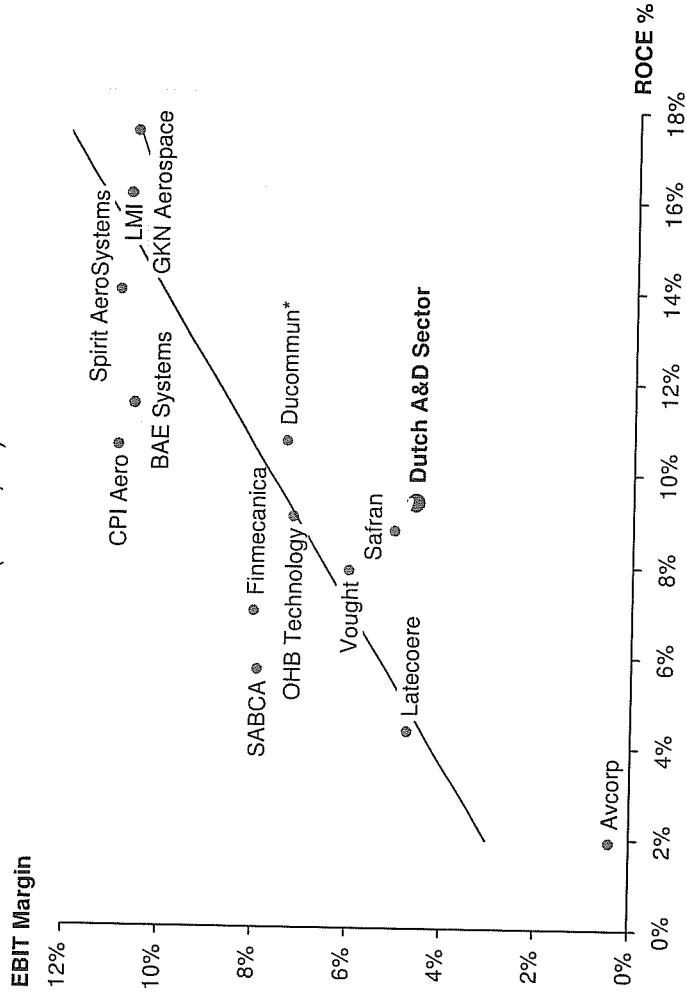
## Definition of WACC and ROCE

	Full Name	Formula	Description	Usage
<b>WACC</b>	Weighted Average Cost of Capital	$WACC = w_d(1 - T)r_d + w_e r_e$	<ul style="list-style-type: none"> <li>The WACC is based on the capital structure of the company, <math>w_d</math> being the debt and <math>w_e</math> the equity portions</li> <li>Cost of debt <math>r_d</math> is determined by the perceived financial strength of the company</li> <li>Cost of equity <math>r_e</math> is determined by the company potential growth and profitability, and the risk premium associated</li> <li>Taxes <math>T</math> are taken into account since interest payments on debt are tax deductible</li> </ul>	<ul style="list-style-type: none"> <li>WACC is the minimum return that a company must earn on existing asset base to satisfy its creditors, owners, and other providers of capital, or they will invest elsewhere</li> <li>WACC is used to discount future cash flows taking into account cost of capital, expected returns and risks</li> </ul>
<b>ROCE</b>	Return on Capital Employed	$ROCE = \frac{EBIT}{\text{Capital Employed}}$	<ul style="list-style-type: none"> <li>EBIT (Earnings Before Interest and Taxes), measures the profit of the company from its on-going operations</li> <li>Capital Employed is usually calculated as total assets minus current liabilities or fixed assets plus working capital- It represents the capital investment necessary for a business to function</li> </ul>	<ul style="list-style-type: none"> <li>ROCE is commonly used for assessing whether a business generates enough returns to pay for its cost of capital</li> <li>It basically shows how much a business is gaining for its assets</li> <li>If <math>ROCE &gt; WACC</math> investors will deem it being worth financing</li> </ul>

Source: Booz & Company analysis

# There is a clear correlation between profitability (EBIT) and Return on Capital (ROCE) in the Aerospace industry

**EBIT Margin and Return on Capital Employed Of Aerospace Companies (2008, %)**



\* Ducommun includes business units other than aerostructure  
 Source: Annual Reports, Bloomberg, RBS, BNP Paribas, Booz & Company analysis