

# ZODIAC INTEGRATION AND AIRCRAFT INTERIORS RECOVERY

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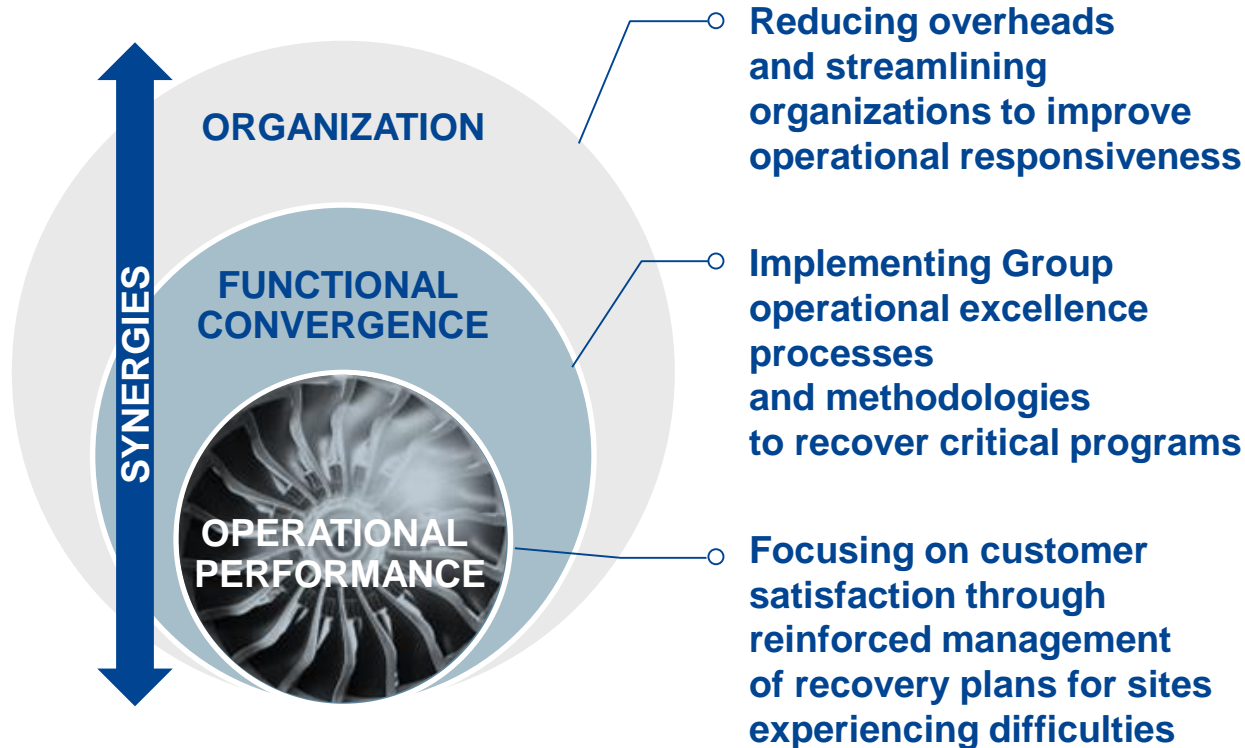


# 1

## ZODIAC AEROSPACE INTEGRATION

Hélène MOREAU-LEROY,  
Zodiac Aerospace Integration

## 3 priority levels of integration and value creation



### INTEGRATION PROJECT IN PLACE AND DELIVERING

- ✓ Roadmaps defined in all workstreams and being timely deployed
- ✓ 250+ people directly involved
- ✓ Strong monitoring and ownership of synergies

## Organization: streamlining

### Fully integrate Zodiac Aerospace into Safran for a lean governance and efficient operations

- Central corporate functions regrouped – **generating €15M synergies year on year**
- Direct representation of Seats, Cabin and Aerosystems on Safran Executive Committee
- Rebranding of Zodiac Aerospace with Safran names

2018  
-  
2019

### Reinforcing organizations while controlling overheads

- Strong control on overheads representing **150-200 bps of Zodiac Aerospace EBIT margin improvement**

2018  
-  
2022

► **Organizational changes support a quick delivery of corporate function synergies, efficient operations and the development of Safran culture**

## Functional convergence and operational performance

Central  
functions  
alignment

**Functional processes, reporting and compliance in place for control and cost savings**

Operational  
excellence  
deployment

**Safran operational standards being deployed**

25+ sites coached with dedicated operational projects

20 priority programs reviewed under Safran standards by end 2018 and 100+ by 2019

- Program / project management
- Manufacturing
- Supply chain
- Development (design & industrialize)

Lean-Sigma  
roll-out

**Safran Lean-Sigma culture deployed at rapid pace**

1,000+ people trained on Safran sessions with more than 200 improvement projects launched

Recovery:  
leverage  
talents

**Leverage our talents on key sites to accelerate the operational recovery**

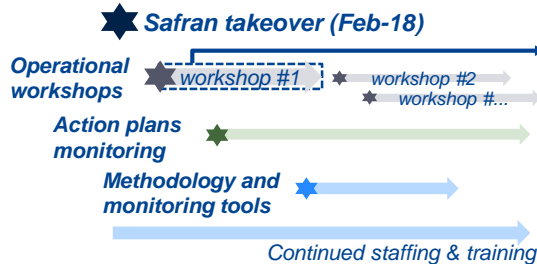
Strong dedication of on-sites teams with the support of 50+ Safran key executives appointed at Zodiac Aerospace

- ▶ **Processes & methodologies deployed to drive efficiency and productivity**
- ▶ **Ensuring quick instillation of performance and accountability culture**

# Operational recovery on-track – case study of Seats France

Gradually deploying the full scope of integration actions to support on-site operational recovery

## General context of site support



## Focus on manufacturing workshop #1

### Issue addressed

For a dedicated production line

- 5S
- Value stream mapping
- Quality
- Performance monitoring

### Resources involved

- 2 Safran Master Black Belts
- 18 people on-site
- Branch top management sponsorship



### KEY RESULTS

- ✓ Redesign of the production line with 20% reduction of workstations
- ✓ Improvement of lead time by 30%
- ✓ Cost to achieve quality divided by 2



▶ **Operational turnaround now flowing**

# Synergies

CAPITAL  
MARKETS  
DAY/2018

## Initial plan confirmed

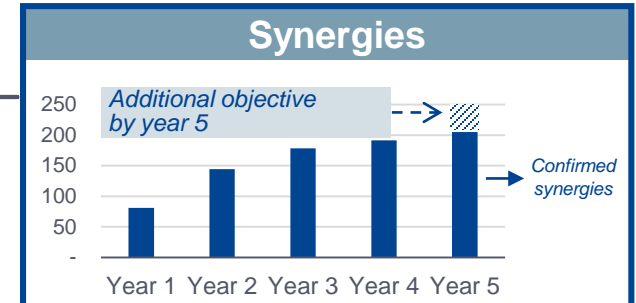
- Annual €200M pre-tax run rate cost synergies will be fully delivered by 2022
- Strong monitoring in place and clear ownership across Safran
- One-off synergies implementation costs in line with plan (€215M)

## Further areas of efficiency will be investigated between now and 2022

- Including prospective analysis of business optimization on Aerosystems

## Additional savings below EBIT and improved cash flow generation

- Financial costs saving on Zodiac Aerospace – €18M annual savings
- A better Working Capital driven by operational and footprint optimization



## SOURCES OF INITIAL SYNERGIES

- ✓ Purchasing
- ✓ Industrial efficiency
- ✓ Optimized central R&T
- ✓ Central functions consolidation, with reduction of
  - ✓ external costs
  - ✓ overheads

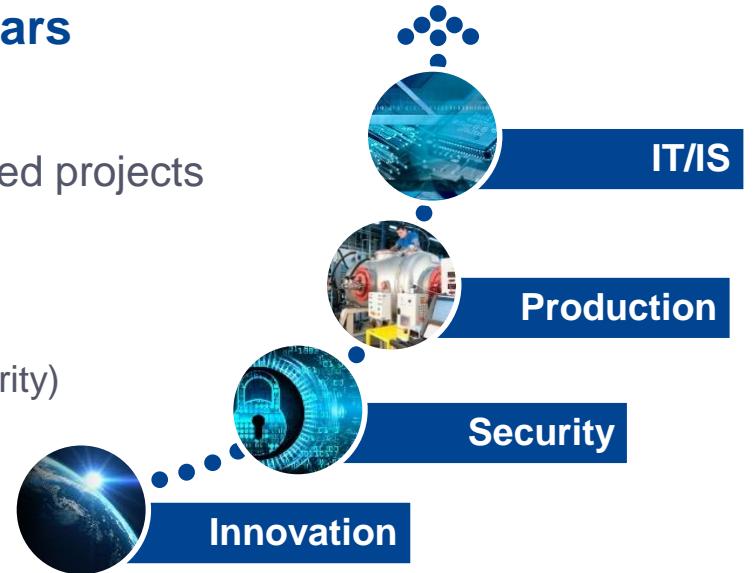
- ▶ **Robust synergies in line with original plan**
- ▶ **Further opportunities being investigated**



## Investing to strengthen Zodiac Aerospace

### Focusing on core areas to ensure strong pillars of future growth:

- Overall information systems upgrades with dedicated projects
- Investments
  - > To upgrade factory standards
  - > To meet Safran security standards (including cyber security)
- Ensure continued innovation for a leading position and state-of-the-art technologies



▶ Investing in Zodiac Aerospace reinforcement to prepare for a future growth





# 2

## AIRCRAFT INTERIORS

Vincent MASCRÉ,  
Zodiac Aerospace CEO & Zodiac Aerospace  
Seats CEO

Norman JORDAN,  
Zodiac Aerospace Cabin CEO

# Aircraft Interiors: a broad portfolio of integrated solutions and equipment



**OVERHEAD  
BINS & CABIN  
LININGS**



**LAVATORIES**



**GALLEYS  
& CATERING  
EQUIPMENT**  
(Ovens, Coffee  
Makers, Trolleys  
etc.)



**SEATS**  
(& crew seats)



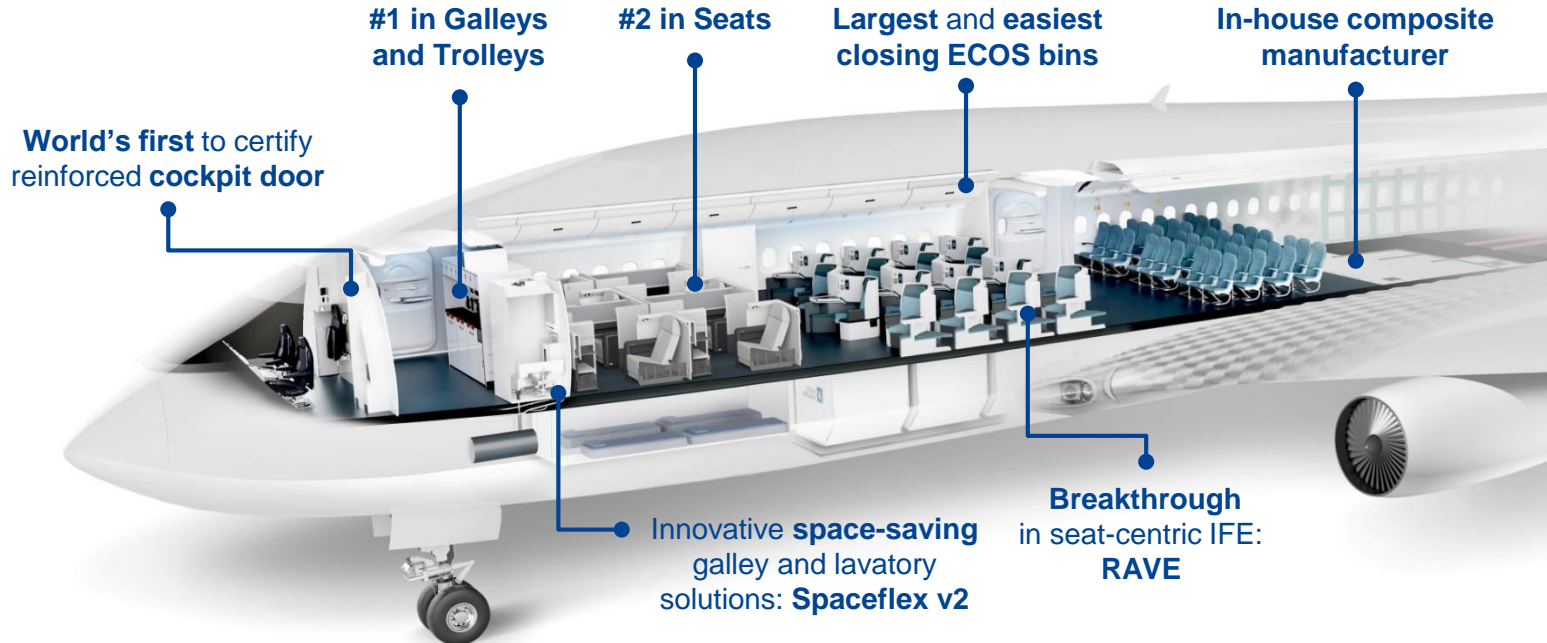
**INFLIGHT  
ENTERTAINMENT**



**VIP CABIN**

- ▶ **Ensure safety and comfort (even wellness) for passengers**
- ▶ **Maximize efficiency and differentiation for airlines**

## A world leader in Aircraft Interiors



- ▶ **The widest interiors portfolio worldwide**
- ▶ **Innovator on the market: technology and integration capability**

## Aircraft Interiors are attractive for Safran

**\$12.8 Billion in 2018 worldwide market <sup>(1)</sup>**

**Growing market: 2018-2022 forecasted CAGR: +3.2% CABIN, +4.6% SEATS, +7% IFE <sup>(1)</sup>**

### **Regular business opportunities mitigating cyclicity of aircraft projects:**

- Short product life cycles (Development = 2 years, Production = 6 to 8 years)
- Airline driven retrofits

### **2 Business Models:**

- Supplier Furnished Equipment (SFE) → Tier 1 equipment provider, airframer driven
- Buyer Furnished Equipment (BFE) → Airlines are the customers
  - > Cabin ≈ 50/50 SFE vs BFE, Seats & IFE mostly BFE

*(1) Internal study + Counterpoint Market Intelligence Ltd : Aircraft Interiors review - 2017*

▶ **A dynamic market enabling a direct relationship with airlines who are the key industry drivers**

## Aircraft Interiors industry is changing

	Industry changes	Safran's know-how
<b>Airlines</b>	<ul style="list-style-type: none"> <li>• Customization and product segmentation</li> <li>• Connected cabin</li> </ul>	<ul style="list-style-type: none"> <li>• Design</li> <li>• Innovation on architecture and technology</li> <li>• Bespoke solutions offers for “leaders”</li> <li>• Modular products lines</li> <li>• Equipment life monitoring + passengers apps</li> </ul>
<b>Authorities</b>	<ul style="list-style-type: none"> <li>• Certification: more stringent rules</li> </ul>	<ul style="list-style-type: none"> <li>• Advanced analysis &amp; test capabilities</li> </ul>
<b>Airframers</b>	<ul style="list-style-type: none"> <li>• Competition is coming</li> </ul>	<ul style="list-style-type: none"> <li>• Integrated cabin solutions &amp; innovation</li> </ul>

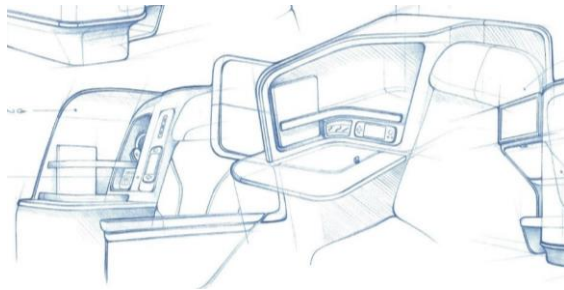
► **Innovation, cost reduction... and attractive design**

## Innovation & design, to *thrive together* with our airline customers

**Passenger experience goes beyond pure functional experience to propose an emotional experience**

**200 employees working on**

- Advanced concepts
- Style & Perceived quality
- Research & Technology



- More than 1,200 patents in portfolio
- A dedicated innovation & design studio in California
- An annual Symposium to test our advanced innovations with the market

## Seats: Today

### Products & Market

- N°2 worldwide with 30% market share
- Return to offerability
- More than 150 Airlines customers, on most of the Airframer platforms
- Recognized as innovative and fitting customer experience expectations
- Poor aftermarket performance ratings

### Footprint & Processes

- 3 product-oriented Business Units + 3 centers of excellence for key sub-assemblies (France, UK, USA)
- 2 competitive factories for metallic & composite components in Mexico & Tunisia



- In recovery mode with a few development challenges still work in-process
- Lack of standards & formalized processes



## Seats: Our ambition

### Products & Market

- Re-conquer customer base on all segments after non-offerability period:
  - > Back to 35% market share
- Offer innovative Economy & Business products based on modular platforms (standardization + customization):
  - > One award winning product per year
- Streamline and grow aftermarket business to improve services to customer:
  - > Enter the Top 5 of Airlines ratings in Services

### Footprint & Processes

- Set-up robust design and supply chain processes to restore excellence in execution:
    - > On-time delivery 100%
  - Reduce industrial & purchasing costs:
    - > Ramp-up of volumes from low cost countries
    - > Full-scale Lean/Sigma
- ➔ **Target: 4% total costs improvement per year**

# Cabin: Today

## Products & Market

- N°1 worldwide with 22% market share<sup>(1)</sup>, followed closely by Rockwell-Collins and Diehl Aerosystems
- Customer base split 50/50 between OEMs and Airlines
- Strong (70%+) market share in regional jet complete interiors, catering equipment, and single-aisle galleys
- Products recognized as innovative and well-designed
- Product durability, reliability, and in-service support improvement required
- Increasing competition from OEMs and China

## Footprint & Processes

- Composed of 8 acquisitions made between 2005-2014
- 30 sites and 13,900 employees
- Product development, engineering, testing and final assembly in the USA, Canada, Germany, France, and the Netherlands
- Final assembly, sub-assembly, metal fabrication, and drafting in Czech Republic, Mexico, Thailand, and Brazil
- Lack of standardization and integration of the legacy business units
- Operational performance on a recovery path

(1) Safran + Counterpoint Market Intelligence Ltd: Aircraft Interiors review - 2017

## Cabin: Our ambition

### Products & Market

- Enhance N°1 market position
- Regain the trust of our customers by improving our operational performance, both quality and delivery
  - > 100% OTD
- Deliver best in class customer service and durable, reliable and easy to use products
  - > Regain a positive reputation with airlines and OEMs
- Innovate in the areas of connected cabin, modular product architecture, composite materials, and automation

### Footprint & Processes

- Full deployment of Lean Sigma “One Safran”
- Product centers of excellence oriented around 4 product classes: floor-to-floor (bins and liners), lavatories, galleys, and equipment
- Common product platforms with high part commonality
- Improved cost competitiveness with higher competitive country footprint and benefits of part commonality
  - > Site consolidation from 30 sites to 23 sites
- Supply chain consolidation

# In-Flight Entertainment

CAPITAL  
MARKETS  
DAY/2018

## Today

### Market products:

- N° 3 worldwide (5% market share)
- RAVE product technology leader
  - > Fully seat-centric, thin, light, high-definition
- Fastest growth in the market (AGR + 20%)

### Footprint:

- Fabless company, 450 employees in USA & Germany
- Agile development process with modular software architecture

## Our ambition

- Double sales in 5 years, driven by technology lead
- From IFE platform, expand to Global connectivity business
- From IFE & connectivity systems, expand to value added services
  - > Advertising, passenger digitalization and Analytics

## Our vision for Safran Interiors: customized global excellence

### Restore full confidence from our customers through:

- **Quality & performance of our products and services**
  - > Innovate through technology and architecture, while leveraging our « *well designed and passenger friendly* » product reputation
- **Excellence of our operations**
  - > Set up standards and reduce costs, including legacy footprint streamline and Low Cost Countries ramp-up

### Deliver robust financial returns:

- Return to sustainable double-digit profitability