

Keeping a Promise

An Interview with Frederico Curado,
Chief Executive Officer and President, Embraer

EDITORS' NOTE Frederico Curado has held his current post since April 2007, having joined Embraer in 1984. In addition, he serves as Chairman of several of Embraer's subsidiaries. He served as Executive Vice President of Airline Market of Embraer-Empresa Brasileira de Aeronautica S.A from 1998 until April 2007. Prior to that, Curado served as Embraer – Brazilian Aviation Company Inc.'s Executive Vice President of Planning and Organizational Development from 1995 to August 1997. Before this, he held several different positions at Embraer in the areas of manufacturing, procurement, information technology, contracts, and sales. Curado received his undergraduate degree in Mechanical-Aeronautical Engineering from Brazil's Aeronautics Technological Institute (Instituto Tecnológico de Aeronáutica – ITA). In addition, he has an International Executive M.B.A. from the University of São Paulo (Universidade de São Paulo – USP).



Frederico Curado

COMPANY BRIEF Headquartered in São José dos Campos, São Paulo, Embraer (Empresa Brasileira de Aeronáutica S.A.; www.embraer.com) is the world's largest manufacturer of commercial jets up to 120 seats, and one of Brazil's leading exporters. Embraer has offices, industrial operations, and customer service facilities in Brazil, China, France, Portugal, Singapore, and the United States. Founded in 1969, the company designs, develops, manufactures, and sells aircraft for the commercial aviation, executive aviation, and defense segments, and also provides after sales support and services to customers worldwide.

When you look at the speed and severity of the global economic crisis, were you surprised at how deep the crisis went, and where do you see us today on the road to recovery?

As soon as the crisis hit us and we realized its origins and roots, we pretty much saw it was going to be a hard one. So we were surprised by the crisis but not by the depth. We actually expected a slower recovery than what we are seeing, which makes us cautious about being too optimistic yet. So we hope,

more than think, that the worst is behind us.

How strong is Embraer's current business, and where do you see your future growth coming from?

Earlier this decade, we engaged in a revenue diversifying plan where we included business aircraft in our product portfolio, and for the past three years, we have been pushing very strongly to improve the speed of this business. Looking to the future, I see a better balance between the commercial airline business, the executive jet business, and the defense business. The fourth area, services, stems from the other three.

Do you foresee strong growth opportunities outside of Brazil?

In the commercial aircraft business, we have very good brand awareness globally. This is not yet the case with the business aircraft, but that will change in the next few years when hundreds of our small business jets will come to the market, solidifying our brand.

Defense is a much more niche business than the other two. It is global, but that market is sparse, and more intensively in South America, Southeast Asia, Europe, Africa, and the Middle East.

Have China and other emerging areas like Russia or the Middle East been a big focus for you?

We have been incorporated in China since 2000 as well as having a separate company in Singapore. In China, we have a manufacturing facility. So for commercial aircraft and business jets, it's definitely a very important market, although it is closed for defense. The Middle East is also growing for us.

Russia, on the other hand, is highly protected by import taxes, so we don't have high expectations there. Russia makes it more difficult, in general, to find a level playing field in our market.

How are you able to differentiate Embraer from its competitors and to show what makes the brand unique in the space?

It's two-fold. We really believe we have superior products in the specific segments where we are present. We design our airplanes for the specific requirements of each segment,

attempting to perfect performance, reliability, and comfort. For the same price points as our competitors, we offer more.

The second area, where we're in the process of getting stronger, is customer support and services. In the commercial airline market, we are already ahead of the competition and we are in the process of quickly building a solid infrastructure for our business jets as well.

What opportunities does Brazil have for foreign investment today, and is the size and scope of the market well understood?

I believe it is. Brazil was a relatively closed market until some 15 years ago, so our domestic economy represents an important share of our GDP. The importance of the domestic market in Brazil is significantly higher than the average of emerging countries, thus we depend less on exports and we're able to navigate through this international crisis with a considerably lower impact to our economy. Brazil has a market of 200 million people, roughly speaking, and the wealth distribution has been continuously improving since 1994, when we finally stabilized our currency. The country has strong institutions, although we have some gaps in education. But Brazil's domestic markets have tremendous potential for growth.

How do you define the role of a Chief Executive today, and especially in leading a company with the size and scale of Embraer, how challenging is it for you to budget your time?

Our's is a complex business – the product is complex and everything around the product is complex, financially and otherwise. Very few of our customers buy airplanes with cash so we have to help them to secure financing in the international market. It is also an industry which has the concern of the respective governments because of its high technology content.

In my current role, I have to assure that Embraer weathers this financial storm and make sure we emerge from this crisis as strong if not stronger than we were at the beginning. So we are making every single effort to keep the company healthy. We are keeping a cash position higher than our indebtedness, maintaining a comfortable level of liquidity, and we're keeping and delivering on our commitments to our customers and shareholders. ●