
THE EUROPEAN CONTRARIAN

June 15, 2020

Dassault Aviation S.A.

(BUY)

Price: €870.00

52-Week Range: €624 – €1,455

Shares Outstanding: 8.35 million

Market Capitalization: €7.3 billion (\$8.2 billion)¹

Ticker²: AM FP

Dividend: €25.40³

Yield: 2.9%

Data as of June 4, 2020

¹ One euro is equivalent to \$1.1315 as of June 4, 2020.

²The common shares of AM FP trade on Euronext Paris.

³The proposed dividend of €25.40 was canceled due to uncertainties surrounding COVID-19. It is shown here to highlight future income potential.



*Exclusive Marketers of
The European Contrarian Report*

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Investment Thesis

Dassault Aviation SA (AM FP), is one of France's leading aircraft manufacturers and defense contractors. It produces the Rafale jet fighter for the French military and exports the aircraft to countries such as India, Qatar and Egypt. The company has also been placed in charge of developing a Next Generation Fighter for France, Germany and Spain. This aircraft is still in the prototype stage, but signifies a sizeable new business opportunity if placed into production. On the civilian side of its business, Dassault Aviation ("Dassault") sells the Falcon line of business jets, which are among the best in the world in terms of performance and comfort.

The company is well-run and stable, with a backlog representing approximately two years of sales and a track record of replacing more than its annual revenues with new orders over the long term. Deliveries can shift from period to period making profitability difficult to predict, which is typical for this type of business. Despite this, Dassault has been consistently profitable and has managed to increase total value created per share (book value adjusted for dividends and, in this case, share repurchases) in each of the last ten years.

This type of track record is unusual for a contractor and reflects both the quality of the company and the nation's dedication to its success. This latter point is demonstrated through projects such as nEUROn, which were awarded, in part, to ensure that key manufacturers throughout Europe have enough work to maintain their businesses. It is reasonable to expect, therefore, that Dassault will continue to be a profitable company that will, at some point in the near future, return to paying a dividend equal to a yield of nearly 3%. This was the case before the distribution was cancelled in April due to uncertainty surrounding the COVID-19 pandemic.

This yield, combined with the potential for new orders for Rafale and the Next Generation Fighter, represents a modest but appropriate return given the risk profile of the company. However, there is an additional source of upside, stemming from the company's equity investment in a publicly-traded entity, which makes this a particularly compelling investment opportunity.

Dassault owns nearly 25% of the equity in the electronic systems manufacturer Thales (HO FP), which it accounts for using the equity method. As such, the value of this investment is reported on the balance sheet as being €1.8 billion, whereas the fair market value of this stake is €4 billion. If one were to exclude Thales' contribution to earnings and attach a peer group valuation multiple to the stub Dassault business, then add the market value of the Thales stake, one finds that there is as much as 60% upside for shareholders via a simple rerating of the existing business.

This upside could someday be unlocked if, for example, Dassault were to ever go private or if it were to spin off the stake in Thales. Growth in the existing business is possible short term should the company see growth in its export business, and long term optionality exists with the Next Generation Fighter. At the same time, the risks to the business are low, the company's balance sheet is solid, with negligible net debt, and there is a strong likelihood that the company will reinstate a dividend in the near term. Based on these factors, shares of Dassault Aviation are recommended for purchase.

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Company Description

Dassault Aviation, based in Paris, France, is one of the world's leading aircraft manufacturers. They operate two segments: Defense, which is focused on the Rafale fighter jet, and the Falcon segment, which is its line of luxury business jets. The Rafale, along with the Dassault Mirage (which has been retired from production), comprise the fighter jet inventory for the French Navy and French Air Force. The aircraft is also exported to countries such as Egypt, Qatar and India.

The company was founded by Marcel Bloch, whose first success in the aviation industry came at the age of 24, when he designed a wooden propeller that would be chosen by the government of France for the airplanes it was producing for World War I. When France created the Ministry of Aviation in 1928, which set out to modernize the French military fleet, Bloch founded his own design office and went on to produce a number of different aircraft for the military through the mid-1930s. In 1936, France nationalized its arms industry, including Bloch's company. He would serve as delegated administrator to the Minister of Air, but was imprisoned by the Vichy Government in 1940 when he refused to collaborate with the occupying Nazi army and was sent to Buchenwald concentration camp in 1944, where he stayed until the camp was liberated in April 1945.

Bloch quickly returned to business and went on to produce the French Air Force's first jet aircraft, the MD-450 Ouragan, in 1949. That same year, he and his family changed their last name to Dassault, the alias his brother General Paul Block had used during the Resistance. His company, *Société des Avions Marcel Dassault* developed the Mystère IV in 1954, and the United States went on to order 225 of these aircraft as part of an agreement with NATO. An electronics division was also established to develop airborne radars, bombing aids and navigation systems.

During this time, exports were becoming a significant part of Dassault's business and an important part of the French economy. After World War II, the MD-450 Ouragan was the first French jet fighter to be exported, with purchases from India and Israel. The company's Mirage fighter jet was a major success and Israel was its primary export customer through the 1960s. Starting in 1965, its Falcon business jets were being distributed in the US by Pan Am, and that segment began to expand. By 1976, Dassault was the country's third leading exporter and the largest within the aerospace industry.

Marcel Dassault passed away in 1986 and his son, Serge Dassault, was appointed CEO that same year. He headed the company until 2000, when he was replaced by Charles Edelstenne, the current Chairman. The current CEO, Éric Trappier, was appointed in 2013. Serge Dassault's four children inherited the family business upon his passing in 2018. Two of them, Olivier Dassault and Marie-Hélène Habert, as well as daughter-in-law Catherine Dassault, serve as Directors for Dassault Aviation.

Dassault Aviation is a subsidiary of the Dassault Group (or Groupe Industriel Marcel Dassault), which owns 62.3% of the company and holds 76.9% of the voting rights. Dassault Group is owned by the Dassault family, which gives the aforementioned family members ownership and voting rights. Airbus (AIR FP), which came to hold the French government's equity stake, is also a

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shareholder, with 9.9% of the shares and 6.1% of the voting rights. The government owned as much as 46% of the company in 1988, when this holding was transferred to the entity that would eventually become Airbus.

One could easily argue that Dassault, which also offers logistics support and trains the fighter pilots for the Rafale aircraft, is an integral asset of France's military. It also appears as though the company's strategic importance will increase going forward, as a review of the Defense segment will show.

Defense

The Defense business consists primarily of the Rafale fighter jet, with sales of the aircraft broken down between those sold to France and those that are exported. Dassault is currently contracted to supply another 28 Rafale (of the original 180 that were ordered) to the French military, though these deliveries are not scheduled to begin again until 2022. In 2019, the company made the first deliveries to Qatar and India, both of which have orders for 36 planes. There are a total of 47 aircraft in the Export backlog. The deal with India is of particular interest, as there is speculation that a successful relationship, which includes a joint venture to manufacture the aircraft in India and a commitment to source from local defense suppliers, will lead to future orders. The original agreement with India, made in 2012, called for total of 126 Rafales and an option for an additional 63 aircraft. Considering the terms of the current deal, which stipulates a cost for single-seat aircraft of €1 million and €4 million for dual-seat aircraft, this fully-optioned deal would represent an order worth an additional €4 billion.

Dassault has also been chosen to be the prime contractor in the development of a Next Generation Fighter ("NGF") to serve as part of the Future Combat Air System ("FCAS"). The FCAS is a European combat "system of systems" being developed in a partnership between France, Germany and Spain. It will incorporate a Next Generation Weapons System that includes swarming drones and other air assets, as well as the NGF. It is hoped that the system will be operational by 2040, at which point the NGF would replace France's Rafales, Germany's Typhoons and Spain's F-18 Hornets. Clearly, this would lead to a significant order cycle for Dassault, while expanding its influence into neighboring European countries.

The project, which includes other manufacturers such as Airbus, Indra Sistemas (IDR SM), Safran Aircraft Engines (SAF FP), MTU Aero Engines (MTX GR), Thales and missile manufacturer MBDA, is scheduled to be given €4 billion in funding through 2025. Both Germany and France recently approved their most recent installments of €77 million each.

Dassault is also the lead contractor for the nEUROn project, which is developing an experimental stealth unmanned combat aerial vehicle ("UCAV"), or drone, in cooperation with Greece, Italy, Spain, Sweden and Switzerland. The UCAV, which is closer in size to a manned combat aircraft, is being used to test such things as next generation weapons, systems integration, and stealth technology, but is not expected to perform military missions. The program was initiated, in part, to keep the defense contractors of the member countries occupied until work on the NGF begins in earnest.

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Other projects within the Defense segment include a contract to study a reusable orbital vehicle, dubbed “Space Rider,” for the European Space Agency, the development of a Maritime Patrol Aircraft for the French Navy, and the Multi-Mission Falcon, which is a maritime reconnaissance aircraft. The Multi-Mission Falcon straddles the Defense segment and Dassault’s civil business, which consists of the Falcon line of business jets.

Falcon

The Falcon family of business jets includes the Falcon 6x/7x/8x, the Falcon 900LX and the Falcon 2000S/XLS. While this author does not have first-hand experience with the world of luxury private business travel, a quick internet search of “best business jets” will often include one of the Falcon offerings at or near the top of the list.

The recently launched Falcon 8x is considered to be the company’s flagship product. It boasts a range of 6,450 nautical miles, allowing it to fly non-stop between Beijing and New York. It offers the longest cabin in the Falcon fleet, a selection of over 30 different interior layouts and top-of-the-line soundproofing for a notably quiet and comfortable ride. The 8x also set a new US coast-to-coast speed record in 2019, flying from Santa Monica to Teterboro, New Jersey, in 4 hours and 28 minutes.

Dassault delivered 40 Falcons in 2019 and has 53 in its backlog.

As shown in Exhibit 1, the total backlog for the company has drifted lower in recent years, but has remained relatively stable after large increases in 2015 and 2016 due to Rafale orders from Egypt, Qatar and India. A subsequent large order from India could lead to a material increase in this figure. Otherwise, the company’s order book is likely to be characterized by a number a smaller orders until the NGF goes into production.

Exhibit 1 Dassault Aviation: Order Backlog; 2010-2019

(€in millions)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Defense						10,348	17,271	16,149	17,228	15,465
Defense Export						7,796	14,478	13,309	14,217	10,725
Defense France						2,552	2,793	2,840	3,011	4,740
Falcon						3,827	3,052	2,669	2,148	2,333
Total Backlog	9,401	8,751	7,991	7,379	8,217	14,175	20,323	18,818	19,376	17,798

Source: Company reports.

The company has historically been able to take in new orders to offset deliveries, with a book-to-bill ratio that has averaged 1.17x over the last ten years (see Exhibit 2). This exhibit also shows that sales, although understandably lumpy, have been trending upwards since 2016 as Dassault’s export business has grown.

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Exhibit 2 Dassault Aviation: Order Intake, Net Sales and Book-to-Bill; 2010-2019

(€in millions)

Order Intake

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Defense	792	931	793	1,256	693	8,282	8,139	905	2,710	3,385
Defense Export	186	507	159	213	252	7,891	7,443	353	1,672	769
Defense France	606	424	634	1,043	441	391	696	552	1,038	2,616
Falcon	474	1,932	2,532	2,909	3,946	1,602	1,419	2,384	2,314	2,308
Total Order Intake	1,266	2,863	3,325	4,165	4,639	9,884	9,558	3,289	5,024	5,693
% Export	43%	83%	78%	71%	89%	96%	92%	82%	80%	49%

Net Sales

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Defense	959	890	1,144	1,404	995	1,669	1,244	1,875	2,485	5,148
Defense Export	236	176	208	179	225	1,037	719	1,402	1,419	4,261
Defense France	723	714	936	1,225	770	632	525	473	1,066	887
Falcon	3,228	2,415	2,797	3,189	2,685	2,507	2,342	3,001	2,599	2,193
Total Net Sales	4,187	3,305	3,941	4,593	3,680	4,176	3,586	4,876	5,084	7,341
% Export	80%	74%	75%	71%	77%	83%	83%	89%	78%	88%

Book-to-Bill Ratio	0.30	0.87	0.84	0.91	1.26	2.37	2.67	0.67	0.99	0.78
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Source: Company reports.

The increase in exports looks to have helped profitability, with net margins expanding to an average of 11% since 2016 versus an average of 8.3% from 2010 through 2015 (see Exhibit 3). It is worth noting that while the company's earnings are somewhat volatile, it is consistently profitable, posting positive earnings throughout the depths of the global financial crisis in 2008 and 2009 (not shown) and the euro crisis that followed.

Exhibit 3 Dassault Aviation: Historical Financial Results; 2010-2019

(€in millions)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net Sales	4,187	3,305	3,941	4,593	3,680	4,176	3,653	4,901	5,119	7,371
Operating Income	591	377	547	498	353	361	286	218	708	796
Margin	14.1%	11.4%	13.9%	10.9%	9.6%	8.6%	7.8%	4.4%	13.8%	10.8%
Net Income	267	323	502	459	283	141	379	630	573	713
Margin	6.4%	9.8%	12.7%	10.0%	7.7%	3.4%	10.4%	12.9%	11.2%	9.7%

Source: Company reports.

This stability is reflected in the progression of total value created per share, or book value per share adjusted to add back dividends. As shown in Exhibit 4, this measure has grown by 4.5% per year since 2010. One might notice the fairly significant declines in shareholders' equity that Dassault experienced in 2014, 2015 and 2016. These reductions were almost entirely due to sizeable share repurchases, which, because they were made with the stock trading at a premium to book value, were dilutive to book value per share. If one adjusts for these repurchases, as shown in the second table, total value created per share would have grown by 5.7% annually, with stable increases

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every year. It should be noted that Dassault was scheduled to pay a dividend that would have represented a yield of 2.9% based on the current share price. This dividend was cancelled on April 1, 2020, however, due to the uncertainties surrounding the COVID-19 pandemic.

Exhibit 4 Dassault Aviation: Total Value Created per Share; 2010-2019

(€in millions)

Actual	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Equity Attributable to Shareholders	4,410	4,436	4,730	5,095	4,102	3,771	3,215	3,724	4,276	4,446
Shares Outstanding (millions)	10.1	10.1	10.1	10.1	9.2	9.1	8.3	8.3	8.3	8.3
Book Value per Share	€435.56	€438.06	€467.15	€503.18	€445.23	€413.32	€389.70	€448.03	€512.18	€532.53
Dividend	89	108	86	94	90	87	105	99	127	176
Total Value Created per Share		€448.76	€486.35	€531.68	€486.33	€464.38	€458.94	€528.71	€607.67	€649.13
CAGR '10-'19										4.5%
Adjusted for Share Repurchases										
Equity Attributable to Shareholders	4,410	4,436	4,730	5,095	5,036	5,156	5,078	5,586	6,138	6,308
Shares Outstanding (millions)	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Book Value per Share	€435.56	€438.06	€467.15	€503.18	€497.32	€509.15	€501.45	€551.68	€606.19	€622.97
Dividend	89	108	86	94	90	87	105	99	127	176
Total Value Created per Share		€448.76	€486.35	€531.68	€534.72	€555.15	€557.86	€617.90	€684.93	€719.11
CAGR '10-'19										5.7%

Source: Company reports.

It would be difficult to overstate the national importance of Dassault's role in producing Rafale for the French military and for export. This importance is poised to expand past France and into Europe as the FCAS is developed. If successful, this would make Dassault one of Europe's key defense contractors as the continent increased military spending to implement next generation weapons systems and aircraft. At the same time, the company has proven the ability to generate stable, though modest returns, with reasonable prospects of reinstating a dividend of approximately 3% in the near future. It is a well-managed company whose risk is further mitigated by its strategic importance and, as we will see, its valuation.

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Valuation Analysis

Dassault's share price has been in decline for approximately two years, falling from a high €1,700 per share in April 2018 to €870 per share today, which is up from the low of €624 per share during the market sell-off in March. Current valuation multiples are modest, with shares trading at just 10.7x the consensus earnings forecast for 2021, whereas its peer group, which includes Lockheed Martin (NYSE: LMT), SAAB (SAABB SS) and General Dynamics (NYSE: GD), trades at an average of 13.7x next year's earnings estimates. It should be noted that this analysis excludes the large net cash position of €4.4 billion, as the majority of this cash represents advances on contracts won by the company. If one were to adjust the cash balance to include Customer Advances and Progress Payments less Advances and Progress Payments to Suppliers, one arrives at a net debt figure of €150 million. Exhibit 5 also shows the recently canceled dividend and implied yield.

Exhibit 5 Dassault Aviation: Current Valuation Metrics

(€in millions)

Share Price (6/4/2020)	€870.00		
Shares Outstanding (millions)	8.3		
Market Capitalization	€7,263.4		
Adjusted Net Debt	150.2		
Enterprise Value	€7,413.5		
2020E Earnings	€421.1	2021E Earnings	€676.9
Price/2020E Earnings	17.2x	Price/2021E Earnings	10.7x
2020E EBITDA	€458.2	2021E EBITDA	€751.6
EV/2020E EBITDA	16.2x	EV/2021E EBITDA	9.9x
2019 Proposed Dividend per Share	€25.40		
Dividend Yield	2.9%		

Source: Company reports, Bloomberg, *The European Contrarian* estimates.

Although these valuation multiples appear attractive, the true valuation is far more compelling. The difference lies in the 24.6% equity stake that Dassault owns in the publicly-traded electrical systems supplier Thales. Because Dassault is deemed to have sufficient influence over Thales, the company is consolidated onto Dassault's financial results as an investment in an equity associate and reports the value of its stake based on its share of Thales' net assets at the time of investment, with periodic adjustments that reflect its share of changes to shareholders' equity. As of December 31, 2019, the investment in Thales was valued on Dassault's balance sheet at €1.8 billion. However, as shown in Exhibit 6, the market value of this equity stake is nearly €4 billion.

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Exhibit 6 Dassault Aviation: Value of Equity Stake in Thales

(€in millions)

Share Price (6/4/2020)	€75.42
Shares Owned by Dassault (millions)	52.5
Value to Dassault	€3,961.9

Value Reported on Dassault's Balance Sheet €1,841.2

Source: Company reports, *The European Contrarian* estimates.

One can subtract the market value of the equity position in Thales from Dassault's enterprise value to arrive at a stub value for Dassault's core business. One can then subtract Thales' contribution to earnings to arrive at a price-to-earnings valuation of this core business. As one can see in Exhibit 7, the stub company trades at a multiple of only 7.1x trailing earnings, a discount of more than 55% to the peer group, which trades at 17.2x trailing earnings. The consolidated earnings shown in Exhibit 7 are adjusted for the amortization of assets valued as part of the Purchase Price Allocation ("PPA") for business combinations and other adjustments related to the consolidation of Thales.

Exhibit 7 Dassault Aviation: Stub Valuation

(€in millions)

Dassault's Enterprise Value	€7,413.5
Less: Value of Equity Stake in Thales	€3,961.9
Dassault Stub Value	€3,451.6
Less: Net Debt	-€150.2
Dassault Equity Value	€3,301.5
2019 Adjusted Net Income	€814
Less: Thales' Contribution to Adjusted Net Income	€346
Earnings Attributable to Dassault Stub	€468
Price/2019 Earnings of Dassault Stub	7.1x

Source: Company reports, *The European Contrarian* estimates.

A simple rerating of Dassault's core business to a valuation multiple on par with comparable companies would imply a valuation of €8 billion. If one were to then add the value of the stake in Thales, Dassault would be valued at €12 billion, implying upside of over 60% relative to the current share price (see Exhibit 8).

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Exhibit 8 Dassault Aviation: Fair Value Estimate

(€in millions)

Earnings Attributable to Dassault Stub	€468
Assumed Price/Earnings Multiple	17.2x
Value of Dassault Stub	€8,049.60
Value of Stake in Thales	€3,961.9
Implied Value of Dassault	€12,011.52

Current Enterprise Value	€7,413.5
Implied Upside	62%

Source: Company reports, *The European Contrarian* estimates.

This represents the upside optionality based solely on the business today. Additional upside is possible if the business begins to grow, either through additional orders of Rafale or the eventual success and implementation of the FCAS, including orders for the NGF from France, Germany and Spain. In the absence of this, it is reasonable to expect Dassault to return to paying a dividend with a yield approaching 3%, which, in combination with the company's upside potential and the risk profile of the business, is an attractive investment case.

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Conclusion

Dassault has become a strategically important company to the French military and the country's economy, and it is likely to become more vital as a key developer of the FCAS. Because of this importance, we see projects such as nEUROn that are undertaken to ensure the company's prosperity, which leads to the business having historically been more stable and consistently profitable than one might otherwise expect from a contractor. These factors, combined with a solid balance sheet, speak the negligible risk of long-term capital impairment.

In addition to the low risk, there is significant upside optionality, both from organic growth and a rerating of the existing business. Dassault is in a position to greatly expand its business over the coming decades with the successful development of the Next Generation Fighter program. Over the short term, the Rafale export business also offers some growth potential. Investors are paying nothing for this optionality, as the market capitalization of the company fails to properly reflect the value of its equity holding in Thales. If one adjusts for this equity position, one finds that the core business is trading at more than a 55% discount to peers, thus creating a significant margin of safety, as well as a meaningful potential return for shareholders. Based on the quality of the business, the relatively low risk and the upside potential, shares of Dassault are recommended for purchase.

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Exhibit 9 Dassault Aviation: Consolidated Income Statement

(€in thousands)

(in EUR thousands)	Notes	2019	2018
NET SALES	15	7,370,616	5,119,219
Other revenue	16	60,164	110,494
Change in work-in-progress		-311,902	-52,505
Purchases consumed		-4,698,415	-3,287,081
Personnel expenses (1)		-1,302,723	-1,204,926
Taxes		-71,887	-68,935
Depreciation and amortization	4	-142,495	-82,211
Allocations to provisions	12	-811,240	-1,047,885
Reversals of provisions	12	703,819	983,211
Other operating income and expenses	17	315	-2,852
CURRENT OPERATING INCOME		796,252	466,529
Other non-current income and expenses (2)		0	241,000
OPERATING INCOME		796,252	707,529
Cost of net financial debt		-61,288	-86,507
Other financial income and expenses		-34,337	-59,376
NET FINANCIAL INCOME/EXPENSE	19	-95,625	-145,883
Share in net income of equity associates	5	258,673	205,849
Income tax	20	-246,578	-194,693
NET INCOME		712,722	572,802
<i>Attributable to the owners of the Parent Company</i>		<i>712,704</i>	<i>572,741</i>
<i>Attributable to non-controlling interests</i>		<i>18</i>	<i>61</i>
Earnings per share (in EUR)	21	85.7	69.1
Diluted earnings per share (in EUR)	21	85.7	69.1

(1) personnel expenses include incentive schemes and profit-sharing (EUR -155,581 thousand in 2019 and EUR -139,713 thousand in 2018) as well as contributions paid to French pension plans, comparable to defined contribution plans (EUR -96,432 thousand in 2019 and EUR -89,957 thousand in 2018).

(2) in 2018, Dassault Aviation signed an amicable agreement with Safran that settled their dispute over the Silvercrest engine that was expected to equip the Falcon 5X. Under the terms of this agreement, Dassault Aviation received an indemnity of USD 280 million from Safran, which was recorded as other non-current operating income.

Source: Company reports.

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Exhibit 10 Dassault Aviation: Consolidated Balance Sheet

(€in thousands)

ASSETS

(in EUR thousands)	Notes	12/31/2019	12/31/2018
Goodwill	2, 3	77,452	14,366
Intangible assets	4	40,931	28,881
Property, plant and equipment	4	819,416	489,009
Equity associates	5	1,841,218	1,924,093
Other non-current financial assets	6	207,730	204,618
Deferred tax assets	20	438,261	378,728
TOTAL NON-CURRENT ASSETS		3,425,008	3,039,695
Inventories and work-in-progress	7	3,368,351	3,403,278
Contract assets	14	14,788	16,967
Trade and other receivables	8	1,224,369	1,068,312
Advances and progress payments to suppliers	14	2,363,786	3,282,220
Derivative financial instruments	24	6,815	40,407
Other current financial assets	9	1,433,071	3,211,968
Cash and cash equivalents	9	3,532,883	2,990,141
TOTAL CURRENT ASSETS		11,944,063	14,013,293
TOTAL ASSETS		15,369,071	17,052,988

EQUITY AND LIABILITIES

(in EUR thousands)	Notes	12/31/2019	12/31/2018
Capital	10	66,790	66,790
Consolidated reserves and retained earnings		4,379,424	4,237,360
Currency translation adjustments		34,608	8,317
Treasury shares	10	-34,888	-36,432
TOTAL ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY		4,445,934	4,276,035
Non-controlling interests		151	554
TOTAL EQUITY		4,446,085	4,276,589
Long-term borrowings and financial debt	11	216,176	335,306
Deferred tax liabilities	20	3,517	0
TOTAL NON-CURRENT LIABILITIES		219,693	335,306
Contract liabilities	14	7,375,703	9,198,007
Trade and other payables	13	1,075,599	914,298
Tax and social security liabilities	13	291,985	309,191
Short-term borrowings and financial debt	11	342,042	656,070
Provisions for contingencies and charges	12	1,540,323	1,337,402
Derivative financial instruments	24	77,641	26,125
TOTAL CURRENT LIABILITIES		10,703,293	12,441,093
TOTAL EQUITY AND LIABILITIES		15,369,071	17,052,988

Source: Company reports.

THE EUROPEAN CONTRARIAN

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