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EADS drives strategy change at EADS

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Tom Enders drives strategy change at EADS

By Hugh Carnegie in Munich

Even the gardeners at EADS cannot escape the hyperactive management of Tom Enders, the former German paratrooper whose year in charge of the European aerospace group has been a rollercoaster of activity.

Now that the group is to change its name to Airbus, after its most successful brand, the box hedge that neatly spells out EADS at the entrance to the company's Munich offices will have to be replanted. "I don't know if the employees curse me for that, but they say, 'Tom, it's never boring with you,'" Mr Enders said on Wednesday.

He was speaking to a small group of European newspapers as EADS announced a significant reshaping of its corporate structure – reducing the group to three core divisions, through a radical shake-up and rebranding of its defence businesses. The changes followed what should have been a serious, even terminal, setback for Mr Enders: the collapse last

October of his plan for a €36bn merger with BAE Systems of the UK. It was a dramatic attempt to put EADS on an equal footing with Boeing, its great US rival – but scuppered mainly by political objections in Germany.

Since then, however, Mr Enders has rebounded: first, by moving to neutralise the political influence over EADS from its German, French and Spanish state shareholders, and, second, by pointing the group in a sharply different strategic direction. "We no longer strive to balance the Airbus business and defence," Mr Enders explained. That aim – once the cornerstone of EADS's long-term strategy – was now "utterly unrealistic", he said, given the dim prospects for growth in military products.

Instead, EADS is embracing its success as a commercial aircraft producer. Mr Enders said that assumptions generally held before the 2008 financial crisis, that commercial aerospace was risky and defence offered the best growth prospects, had been turned on their head – by expansion of emerging market economies and cuts in Western defence budgets.

EADS's dominant Airbus civilian division has been enjoying a surge of orders – 722 net new orders in the first half compared with 230 a year ago – pushing its revenues to €18.9bn in the first half, out of a group total of €26.3bn.

"Imagine if it was the other way around," Mr Enders pointed out. "We would be in serious trouble." As for any lingering possibility of a merger with the UK group, he said: "Forget about BAE. They go their way and we go ours."

Mr Enders was equally blunt about EADS's determination not to sink resources into any new big defence projects, on the scale of the Eurofighter or A400M military transport aircraft projects of the recent past. "You cannot take the risk with the company's own money," he argued. "We cannot and will not fund large defence projects," he said.



EADS is not turning its back on defence. With annual revenues of €14bn, it remains a big part of the business. But Mr Enders is driving a significant restructuring of its hitherto diverse defence operations to make them “more profitable and competitive”.

Three operations are being merged into one Airbus defence and space division, based in Munich: Cassidian, the current Munich-based unit; Astrium, the space division headquartered in Paris that makes ballistic missiles for the French military; and Airbus Military, now based in Madrid.

This new division’s emphasis will be on aeronautics, with EADS eschewing any move into non-aviation based defence products. “We are at our core an aeronautics company, it accounts for 85 per cent of our revenue,” Mr Enders said. “That is the identity of the group.”

It will not be such a comfortable transformation for EADS’s state shareholders. France and Germany are nervous about the future of core defence technologies and all fear job losses on their territories as the defence unit, which employs 45,000 people, retrenches.

Nevertheless Mr Enders is adamant that the overhaul of EADS’s governance he pushed through in March has ended undue government interference. Although France, Germany and Spain wield a joint 27 per cent shareholding, they no longer have blocking rights.

“We have normal corporate governance, where no shareholder has veto rights over management,” he said. “Governments have no say in our strategy, absolutely not. We have informed governments, not consulted them, about our plans for restructuring and rebranding.” As for the name change, Mr Enders said this was something that had been discussed on and off ever since

European Aviation Defence and Space was formed with its “unwieldy” moniker in 2000. Even the Eurocopter division is to be renamed Airbus Helicopter. “The ‘euro’ name doesn’t buy us anything in the world anymore,” Mr Enders said.