SAFRAN'S PHILIPPE PETITCOLIN

News / Personalities



Safran is easily Europe's most diversified aerospace company, with a range of businesses covering airliner, helicopter and space rocket engines to security detection systems, and landing gear to unmanned air vehicles. However a year into the top job, chief executive Philippe Petitcolin is keen to slim down the partially state-owned group's sprawling portfolio, divesting non-core subsidiaries in security, and using the proceeds – as well as revenues from Safran's stake in the booming CFM International – to invest in enterprises in aerospace equipment that "fit our DNA".

At the same time – a decade after Safran came into existence with the merger of French household names Snecma and Sagem – he wants to create a group identity by rebranding its many operating companies. This will see some of the biggest names in aerospace, such as Snecma, Turbomeca, Labinal and Messier-Bugatti-Dowty, begin to disappear later this year. "We are 10 years old as a company and it is time to act and think as one Safran," says Petitcolin, a 28-year veteran of the group, who previously ran engine maker Snecma and wiring specialist Labinal.

Relentless demand for commercial aircraft means Safran's aerospace propulsion business continues to dominate its revenues. Safran and General Electric each own 50% of 40-year-old

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joint venture CFM International, whose CFM56 has a roughly three-quarter share of the narrowbody market, powering Boeing 737s and its 737 Max successor, and about half of all Airbus A320 and A320neo family jets. The propulsion segment – which also includes its Aircelle nacelle and Turbomeca helicopter engine subsidiaries – makes up 54% of Safran's €17.4 billion ($19.6 billion) revenues.

With the Leap engine certificated and a backlog stretching into the 2020s, a smooth transition from the CFM56 has been one of the priorities of Petitcolin and his team. Both main versions of the engine – it will also power the Comac C919 – are in build, with the Leap-1A-powered A320neo entering service this year, and the 737 Max's Leap-1B following in 2017. Production is on track to increase from around 100 units this year to 500 in 2017, 1,200 the following year, 1,800 in 2019 and "2,000 plus" in 2020. "If we can deliver 500 next year, then we will be on track," says Petitcolin.

Under the partnership terms, Safran provides half the technology for CFM and assembles one in every two engines in Paris. The ramp-up to the Leap comes as production of the CFM56 holds steady, with expected output in 2016 of between 1,620 and 1,650 units, slightly up on last year's total of 1,612, says Petitcolin, who succeeded Jean-Paul Herteman in April 2015. "We have done everything we can to secure the ramp-up and de-risk [the Leap programme] as much as possible," he says. The fact 80% of the supply chain is common to both programmes helps, he adds.

Despite speculation it would be followed by further consolidation, the creation of Safran in 2006 was the last big coming together in European aerospace. While GKN and General Electric have made modest purchases, the failure of the EADS marriage with BAE Systems in 2012 was the closest Europe has got to a major industrial restructuring after the turn of the century wave that created Thales, MBDA, Finmeccanica, BAE Systems and EADS (now Airbus Group). However in retrospect, the merged company has become increasingly dominated by legacy Snemca group activities.

Safran quickly divested Sagem's communications products division and, while Petitcolin is "happy" with the "niche" Sagem defence business – it makes up about 7% of revenues – he has announced a review of the former Sagem's security activities with the explosives detection business up for sale. Following a string of acquisitions, the security arm turns over around €1.8 billion. However, developing synergies with the remainder of the group's operations is not easy, admits Petitcolin. "We are looking at the rest of the security business for opportunities, and don't rule out any options," he says.

A divestment would leave aerospace even more at Safran's heart. Within that, engines are the main driver. Aside from the CFM joint venture with General Electric, Safran risk shares on its GE9X, GEnx and GE90. It also builds the Sukhoi Superjet's PowerJet SaM146 with Russia's NPO Saturn, and, on the military side, makes the Dassault Rafale's M88, and is a partner in the Airbus A400M's Europrop TP400. Airbus Helicopters is the main customer for its Turbomeca rotorcraft engines business, while Microturbo specialises in auxilliary power units and engines for target drones and missiles.

In the 2000s, Safran also entered the business jet market with Silvercrest. However, the engine, which will exclusively power the Dassault Falcon 5X, is two years behind schedule. Also part of its propulsion activities is theAircelle nacelle business, which Petitcolin admits "has been a bit weak", although wins on the A320neo for the Leap engine and on the Rolls-Royce Trent 7000-powered A330neo have given it a boost. Meanwhile, its Labinal electrical systems and Messier-Bugatti-Dowty landing gear and brakes units are "number one in the world and self-sustaining", says Petitcolin.

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Under the terms of its covenant with GE, Safran is restricted from developing an engine in the 18,000shp- to 50,000shp-thrust segment outside CFM International before 2040. However, on either side of that range – either in regional or widebody engines – it is free to explore opportunities. “CFM will remain the core of our strategy for 25 years,” says Petitcolin. “Outside CFM, we are open to co-operation that creates value for us.” One option may be “working with the Russians” on a higher-thrust engine for a larger version of the Superjet. “it is under discussion. We will look at it,” he says.

Following the example of Airbus, and latterly Finmeccanica, Safran is the latest European group to announce it plans to bring its legacy businesses under a single umbrella brand: from later this year, Snecma will become Safran Engine Systems, Messier-Bugatti-Dowty Safran Landing Systems and Turbomeca Safran Helicopter Engines, with other units following a similar nomenclature. Petitcolin says the move will encourage managers and employees to think, not as semi-autonomous, semi-competing businesses but as one company.

With the security business looking odds-on to be divested, and the engines business going from strength to strength thanks to CFM and its other GE partnerships, acquistions appear most likely on the aircraft equipment side. Safran – which is 15% owned by the French government – has been repeatedly linked to a purchase of interiors specialist Zodiac. However, while Petitcolin does not rule anything out, he says there is “nothing on the table” with the fellow French company, and, besides, with its strong cash position and lack of debt, Safran will not be forced into any move.

When it comes to talk of consolidation, Petitcolin, however, differentiates between the commercial and defence elements of the business. In defence, where the market in Europe is dominated by a handful of companies supported by their domestic customer but facing shrinking military budgets, closer co-operation or even mergers are necessary, he says: “It is just that everyone believes they [are the] exception.” The situation is different on the commercial side, “where we are all competing successfully as global companies”, he says. “So I am not sure we need consolidation at all.”

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