

Fincantieri bulks up with acquisition ahead of Naval Group partnership

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Fincantieri bulks up with acquisition ahead of Naval Group partnership By: Tom Kington and Pierre Tran 2 hours ago A general view shows the shipyard Fincantieri of Riva Trigoso on January 4, 2017 in Sestri Levante, northern Italy. A South Korean court handling the bankruptcy of STX Offshore and Shipbuilding Co. said on January 3, 2017 that Italian shipbuilder Fincantieri has been designated the preferred bidder for shipbuilder STX's profitable French unit. "The court reached the decision this afternoon," Judge Choi Ung-Young, who acts as a spokesman for the Seoul Central District Insolvency Court, told AFP. He said Fincantieri would now conduct field research on the shipyard and agree a price with the South Korean firm before signing a deal for its 66.6 percent stake. / AFP / MARCO BERTORELLO (Photo credit should read MARCO BERTORELLO/AFP/Getty Images) ROME and PARIS - Italian shipyard Fincantieri has bought a key Italian technology firm to gain extra clout ahead of a planned team-up with France's Naval Group. State-controlled Fincantieri said Aug. 7 it was jointly taking control of Vitrociset, which employs 800 people and posted 2017 sales of €187 million (U.S. \$211 million) from its training and support work in the defense, security, transport and space sectors. The shipyard will take over Vitrociset's defense work, while its partner in the purchase, Italian firm Mer Mec, will assume control of its civil work. See this year's Top 100 list! That leaves Fincantieri, which builds warships, submarines and cruise ships, in charge of Vitrociset's aerospace work, including ground support work on the F-35 Joint Strike Fighter. The move triggered speculation in Italy that Fincantieri was bulking up to gain a stronger hand as it proceeds with cooperation talks with French shipyard Naval Group, given that Vitrociset is involved in automation, command and control, simulation, and testing work. A company source played down the timing of the deal, saying: 'Vitrociset simply makes us more complete.' The announcement followed a visit to Rome on Aug. 1 by French Economy and Finance Minister Bruno Le Maire to discuss the Fincantieri-Naval Group talks, which started last year but slowed during the creation of a new, populist government in Italy in June. 'Naval Airbus' in Europe could lead to industry shake-up As French and Italian officials begin a series of meetings to decide how to integrate the two nations' naval industries, officials in Italy need to figure out what to do with Leonardo. By: Tom Kington, Pierre Tran The new government in Rome has had a series of spats with Paris, starting with France's reluctance to take in migrants who sail from Libya to Italy. The Italian government is also reluctant to move ahead on a new rail link between Italy and France, even though millions of euros have been spent on the program. And France and Italy are at loggerheads over lawless Libya, where the European nations back opposing sides in the slow-burning conflict. Tensions reached a peak last month when Italian Deputy Prime Minister Matteo Salvini openly said he did not want France to win the soccer World Cup, which it did. In June, Naval Group and

Fincantieri handed their respective governments plans for possible industrial cooperation, a move seen by Fincantieri Chairman Giuseppe Bono as leading to an 'Airbus of the sea,' seen as kick-starting a wider integration of the fractured European naval industry. Addressing Italy's Parliament this month, Bono said he was also backing moves by the European Union to encourage joint spending among partners, effectively leading to pooled EU defense procurement from transnational European defense giants. 'Europe spends little and spends badly,' he said. 'Everyone acts in the interest of their own nation; but if we concentrated, we could spend less but be more capable and more efficient.' Fincantieri is already set to take over French civil shipyard STX, and at the start of the year, Bono said a French-Italian merger of naval work could occur within five to 10 years. However, Le Maire was cautious during his Rome visit, claiming 'it would not be wise' to talk of a naval merger. Current plans go no further than a 10 percent share cross-holding, combined with pooling research, acquisition of material and teaming on export work to reduce competition. Naval Group avoids the use of the Airbus tag, which signals a high degree of industrial consolidation, and prefers to refer to closer cooperation. The cooperation plan is creating uncertainty over the role to be played by Italian and French firms Leonardo and Thales, which rely on selling their systems for their nations' warships. Speculation that Leonardo would be sidelined in future joint ships built by Fincantieri and Naval Group increased with news of the Italian yard's purchase of Vitrociset, although Bono promised that Leonardo's involvement in the tie-up was 'on the cards,' pointing out how it was an integral part of two offers of corvettes that Fincantieri was making to Romania and Brazil. Fincantieri CEO Giuseppe Bono attends a CCI France Italy awards ceremony in Milan on June 14, 2017. (Miguel Medina/AFP via Getty Images) Thales, which holds a 35 percent stake in Naval Group, also reportedly expressed caution about linking up Naval Group and Fincantieri, an Italian source told Defense News. This year, a leaked 36-page report from ADIT, a partially French state-owned company working in economic intelligence, painted a 'highly negative' picture of the compliance and ethics of Fincantieri, a depiction which was challenged by Fincantieri. 'There is a lack of communication, a lack of figures,' according to Fabrice Wolf, a defense economics analyst. 'This leads many to be concerned that this project is ideologically driven and that the realities of the industrial base are not fully taken into account.' The main interest for Naval Group is to find work for its research office, which is the real reason for the FTI intermediate frigate program, he said. There is a 'concern' elsewhere in French industry, notably at Thales, which sees its sale of radars and electronic systems under risk from Italian archrival Leonardo, Wolf added. 'Naval Group is a great partner for Thales and I hope that lasts,' said Thales CEO Patrice Caine, business daily Les Echos reported May 27. Thales is more than just a shareholder in Naval Group, as the former transferred its combat systems business to the latter in 2007 in exchange for a shareholding, he added. 'When we build the FTI frigate with Naval Group, it's like building the Rafale with Dassault - it's a link up for life,' he said, pondering the intentions of an Italian government that pursues nationalism and a protectionist trade policy. Naval Group and Thales were unavailable for comment. The Italian pursuit of anti-immigration and anti-free trade seems to have struck a chord with U.S. President Donald Trump, who met Italian Prime Minister Giuseppe Conte at the White House on July 30. 'Italy is becoming a reference country in Europe and a privileged partner of the United States,' Trump said. That U.S. preference for Italy effectively puts Rome ahead of Paris, French media have reported.