

# **Comparative SWOT & Strategy Focus - 2014-2020 - Europe's Top 7 Aerospace & Defense Companies - Airbus, BAE Systems, Finmeccanica, Rolls Royce, Safran, Dassault Aviation, Thales**

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## **Abstracts**

The Aerospace & Defense industry globally is currently contrasted between a significant growth phase being witnessed by the global commercial aviation industry with record order backlog levels prevailing across key airframers while the defense segment faces a cyclical downturn marked by ongoing portfolio restructuring across key industry OEMs & continued industry consolidation amid continued pressure on defense spending across most traditional markets. The global aerospace & defense industry & most industry players are, thus, in the process of harnessing the alternate cyclicity of the commercial & defense segments effectively to partially offset the ongoing slump in the defense segment by leveraging the commercial segment's growth momentum while preserving the core competencies & capabilities of their defense businesses through maintenance of an optimized defense industrial base, in line with the prevailing industry vicissitudes and to navigate their way through.

The defense budgetary scenario in Western Europe is equally grim with defense spending, led by the trio of France, U.K. & Germany, impacted significantly with most European economies yet to fully recover from the debt crisis. Defense spending in Continental Europe, as a fallout of the debt crisis, has plummeted to 1.4% of GDP as of 2013, which is one of the lowest globally with only 4 NATO states meeting the 2% defense spending level. Annual defense spending in France is projected to stay flat at €31.4 billion through 2014-2019 under the military budget law with a cumulative funding deficit of about €5.9 billion through 2019 expected to be plugged through strategic asset sales by the French Government in key defense companies. The European defense industrial base, thus, is seeking optimization for continued competitiveness with industry

consolidation underway marked by growth in M&A activity besides signing up of partnership agreements & strategic alliances amongst key industry players aimed at enhanced competitiveness & optimization of cost base besides sharing of development costs & diversification of risks on scratch up & developmental programs; as highlighted by an increasing number of defense program being pursued by a consortium of European nations jointly.

Key European defense & aerospace industry players traditionally have focused significantly on international exports given the limited size of their domestic markets across defense & commercial segments and thus have significant operating experience across international markets as well as have well developed relations with key decision-makers across these markets which places them in an competitively advantageous position as against their U.S. based counterparts while competing for international exports contracts, which have acquired tremendous significance over recent years amid a difficult budgetary scenario across most traditional markets. BAE Systems, for instance, generated over 37% of its sales revenues from international markets located outside the U.K. & U.S. for 2013 worth over GBP 9 billion with over 60% of it attributable to Saudi Arabia alone whose defense budget has grown three fold over the past decade.

Additionally, the European defense & aerospace industry, based in the Euro-zone, faces an unfavorable EUR-USD exchange rate equation which becomes strategically significant given the fact that most international export transactions are billed in USD which combined with the share of revenues originating from international exports for most European OEMs assumes a tremendous significance with a potentially huge magnitude of impact on profitability.

Most industry OEMs, thus, are in the process of realigning their business portfolios by leveraging their cash positions to match emerging industry dynamics while simultaneously optimizing their overall industrial footprint & cost base by leveraging operating, financial, resource & market synergies across their defense & commercial businesses effectively. Additionally, growing international exports further for defense hardware besides deepening existing, local presence across international markets and developing effective strategies to negate the EUR-USD exchange rate disadvantage & to mitigate risks in the European aerospace industry value chain are amongst other key strategies & priorities being pursued & addressed by key industry players.

However, amid continued budgetary pressures across traditional markets, there are potential growth opportunities in the upgrades market globally. Additionally, the Ukraine

crisis has triggered concerns with respect to defense capabilities & has heightened threat perception amongst a number of European states, based in Northern & Eastern Europe, led by Poland & Norway, which are focusing on building up military capabilities rapidly to counter growing Russian threat in the region which is likely to drive an increase in defense spending across Northern & Eastern Europe over near term. Russia's defense budget is projected to grow to 4% of GDP by 2016 while defense budgets across other key nations based in the Asia-Pacific & Middle East regions, too, continue to witness significant growth presenting significant potential growth opportunities to global industry players. Further, global industry dynamics are witnessing significant changes with growing share of China, Saudi Arabia & Russia in the Annual Global Defense Spending with China & Russia projected to overtake EU in terms of defense spending by 2015 while China's defense budget alone is estimated to be larger than France, U.K. & Germany combined by 2015. Further, a number of nations based in the Middle East region continue to register significant growth rate with respect to defense spending, led by Oman & Saudi Arabia. Additionally, the U.S. is contemplating plans to increase OCO funding to counter growing ISIL menace in Iraq alongwith European allies which is likely to translate into an increase in activity for the U.S. & European defense industrial base. Further, the United States is also likely to undertake a comprehensive review of its military footprint & deployment strategy in Europe as part of its FY2016 budget request preparation activities amid growing Russian threat which is likely to shape U.S. regional strategy over medium term.

Against this backdrop, the report takes a macro view of the global defense & aerospace industry, and provides a Comprehensive & Insightful Comparative SWOT Framework Analysis for the 7 leading European industry players besides providing comprehensive insights into the overarching strategy focus & key growth strategies & plans being conceptualized & implemented by them for the medium term horizon. The scope of analysis spans from analyzing the strategic positioning of each respective industry player and matching it against the prevailing & emerging industry dynamics to assess overall favorability of positioning. The report further analyzes the Strengths & Weaknesses of OEMs from a standalone as well as relative perspective based on a detailed analysis of their Internal & External environment respectively focusing on key, strategic parameters, which include: analysis of overall cost base & structure, resources & key competencies, profitability & profit sources, product portfolio analysis & its strategic positioning, key competitor analysis across product segments & degree of competitive intensity, competitive market positioning across key global markets, overall strategic orientation & analysis of Key Strategies & Plans, R&D Capabilities & Programs being pursued. The framework after analyzing strategic positioning of OEMs analyzes their overall strategic fit & the degree of strategic responsiveness to external

environmental factors, which include, prevailing industry dynamics & emerging as well as latent industry trends, issues, challenges & potential risk factors to assess their ability to be able to derive further business growth by capitalizing on potential growth opportunities effectively while negating threats simultaneously over near to medium term.

Additionally, the report provides a comprehensive analysis of key & emerging trends, in addition, to providing strategic insights into the significant industry developments and analyzing overall dynamics in the global defense & aerospace industry.

**Relevance & Usefulness: The report will be useful for**

Strategic Planning, Competitive Analysis & Benchmarking Exercise

Comprehensive Strategic, Competitive Assessment & Analysis of each Company

Strategic Insights into Key Strategies & Plans being pursued by each key Industry Player

Comprehensive SWOT Framework Analysis on each of the Defense & Aerospace Companies

Identifying & highlighting areas for potential Strategic Changes, Adjustments & Realignment

Comprehensive analysis of Key and Emerging Industry Trends & Growth Opportunities

Analysis of Key Forces Shaping the Industry's Future & their overall Dynamics

Strategic Perspective on the Industry's Medium to Long Term Strategic Outlook

Analysis of Emerging Industry Landscape and Key Issues & Challenges

**For Whom:**

The report is a niche, key & vital resource on the Business Strategy Domain given its

unique disposition & strategic focus on leading European Defense & Aerospace Industry Players. The report would be quintessential for those having strategic interest in the Global Defense & Aerospace Industry or any of these companies & will be especially useful for Key Decision-Makers, Top Management of Companies, OEMs, Suppliers, Distributors, Vendors and other Key Players in the Industry Value Chain as well as existing & potential Investors, Industry & Company Analysts, M&A Advisory Firms, Strategy & Management Consulting Firms, PE Firms, Venture Capitalists & all those associated with the Global Defense & Aerospace Industry or any of these companies.

**Highlight:**

The report is comprehensive yet concise & compact at the same time; is custom-built for meetings & presentations, being built on the Microsoft PowerPoint platform; in addition, to being a ready self-reckoner as well as a quick reference guide driving, enabling & ensuring prompt and informed decision making.

## Contents

### SECTION - 1

Business Structure & Strategic Snapshot – For each of the 7 Leading Aerospace & Defense Companies

- a) Founded
- b) Headquartered
- c) Business Segments
- d) Employees
- e) Revenues
- f) Market Capitalization
- g) Key Executives
- h) Shareholding/Ownership Pattern & Structure

### SECTION - 2

Financial Performance Analysis – H1 2014 Vs. H1 2013 & 2013 Vs. 2012 - Charts & Analysis for each Company:

- Sales Revenues Growth Trend
- Gross Earnings & Margin Trend
- Operating Earnings & Margin Trend Analysis
- Profitability Growth Trend
- Net Profit Margin Analysis
- Cash from Operations & Free Cash Flow Position
- R&D Expenditure Growth Trend
- CAPEX Trend

### SECTION – 3 - STRATEGIC POSITIONING

SWOT Analysis – For Each of the 7 Key Industry Players

- Sources of Strengths to be Leveraged
- Weaknesses to Overcome
- Opportunities for Growth
- Threats to be Mitigated & Negated

### SECTION - 4

Comparative SWOT Framework Analysis

Airbus  
BAE Systems  
Finmeccanica S.p.A.  
Dassault Aviation  
Thales S.A.  
Rolls Royce plc  
Safran SA

## **SECTION – 5**

Strategy Focus - 2014 - 2020 - Key Strategies & Plans – For each of the 7 Leading Industry Players

Airbus  
BAE Systems  
Finmeccanica S.p.A.  
Dassault Aviation  
Thales S.A.  
Rolls Royce plc  
Safran SA

## **SECTION – 6**

Global Aerospace & Defense Industry - Force Field Analysis

Driving Forces  
Restraining Forces

## **SECTION – 7**

Key Industry Trends

## **SECTION – 8**

Key Issues, Challenges & Risk Factors

## **SECTION – 9**

Strategic Industry Outlook

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