



ANALYSIS: PIAGGIO MOVES FROM TRANSFORMATION TO CONSOLIDATION

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It has been a busy 30 months for **Piaggio** Aerospace. Since breaking into the defence market with the unveiling of its unmanned P.1HH HammerHead surveillance platform at the 2013 Paris Air Show, the Italian airframer has opened a plush new factory and switched chief executives. It has severed the remaining financial link with the Ferrari family who helped rescue the company in the late 1990s, and begun delivering the third generation of its distinctive P180 Avanti business aircraft. It has even secured the Italian armed forces as a launch customer for the P.1HH.

And with the development of a new special-mission variant of the Avanti, which should begin flight testing around the turn of the year, the Mubadala-owned manufacturer now has a more balanced portfolio, and is less exposed to a mid-cabin corporate aircraft segment that has scarcely recovered since 2008. “It was always in our mind to have a foot in both markets,” says chief executive Carlo Logli, who replaced Alberto Galassi in May last year. “The military market is a big one, but with few orders. Civil is more stable. You can have a backlog and phase better for the ups

and downs.”

Piaggio has invested big in the past few years, with three new aircraft variants of its original Avanti II and a 127,000m² (1,370,000ft²) greenfield site in Villanova D’Albenga, a 90-minute drive from Genoa – replacing an almost century-old components and aerostructures plant in nearby Finale Ligure and assembly line at Genoa airport. The latter remains a delivery and maintenance centre. But Logli – who previously ran Finmeccanica-Sukhoi joint venture SuperJet International – is keen to dispel the myth that Piaggio’s wealthy Abu Dhabi-based parent owner is happy simply to issue blank cheques.

“Our shareholder wants to see a return,” insists Logli, speaking at a Villanova site slowly filling with machinery and aircraft in various stages of production. One hall is devoted to engines: Piaggio has long been a supplier to, and has overhauled engines from, Pratt & Whitney and Rolls-Royce. In another area is the first Evo – the latest version of the P180 Avanti – to be built at Villanova. Elsewhere, ready for flight testing, sits the P180 MPA – or Multirole Patrol Aircraft – developed with and funded by Abu Dhabi Autonomous Systems Investments (ADASI), which will operate the first two aircraft.

Piaggio – a brand famous for motor scooters – has bumped along since investors led by Piero Ferrari rescued its aerospace arm from bankruptcy in 1998. For several years, Piaggio Aero – now Piaggio Aerospace – was jointly owned by India’s Tata, although the latter last year sold its stake to one-time co-owner Mubadala. The twin-pusher Avanti is dubbed the ‘Ferrari of the Skies’, but the type has only attracted a handful of orders each year and was hit by the collapse of its biggest operator, US fractional ownership firm Avantair, in 2013. As a result, Piaggio had to diversify.

“The company needed a big restructuring,” said Logli. “That is now behind us, and we need to consolidate.” Aside from a modest backlog for its non-commercial variants – six P.1HHs and two MPAs – Piaggio Aerospace has orders for 12 Evos, but it expects that to grow. Logli plans to build 15 aircraft next year, about half of them Evos, and around 25 in 2017 with roughly the same split – a production level that he maintains should take Piaggio to financial break-even. “My target is 2.5 aircraft a month by 2018,” he said. “That’s about our maximum.”

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Piaggio

Piaggio's great advantages are that it has a platform – the Pratt & Whitney Canada PT6A-66B-powered Avanti – that is adaptable and that the company's 1,500 employees have a depth of expertise, said Logli. "I consider Piaggio a small aircraft manufacturer but with all the activities of an integrator. This is the real asset of Piaggio. We have all the core competencies," he said. "We want to be an integrator of systems in civil and military markets, preferably using the same platform. It's a platform that's very suitable for an unmanned air vehicle."

Its launch of the HammerHead in 2013 was Piaggio's big offensive into the unmanned military market. Logli is confident Piaggio can secure a second European customer for the type by next July's Farnborough International Airshow, after Italy committed in early 2014 to purchasing six aircraft and three ground stations for delivery in 2016. "Our aim is to announce a second customer by then," said Logli, who identifies Germany, Portugal, Spain and Sweden as being among "the

few countries that still have to make a decision on a MALE [medium-altitude, long-endurance UAV]”.

Logli admits it is hard for a company known for VIP aircraft to convince the market it has a credible military platform, but is convinced customers will commit once the UAV goes into service. “What we are missing is delivery,” he said. “Until there is an aircraft flying, the market will be cautious. The UAV world is full of prototypes, but to take it to the next stage takes hundreds of millions of euros.” He added: “Italy is a small order but of extreme importance as it is a prestigious customer. They didn’t buy it [simply] because it was a national product. They believed in it from the beginning.”

There are just two aircraft competing in the MALE market – the General Atomics Aeronautical Systems Predator and the Israel Aerospace Industries Heron – and the HammerHead has significant advantages over both, maintained Logli. “This market is exploding but there is no one else in it,” he said. “We have a lot of respect for the Predator, which is the benchmark, but we have two engines, the Predator has one. We can do 402kts to the Predator’s 180kts. We have a similar payload and range, but we can fly in any conditions. This makes me optimistic about our prospects.”

Logli is also upbeat about the outlook for the MPA, which Piaggio aims to display as a demonstrator at the Dubai Airshow and fly before the end of the year. The MPA has two additional fuel tanks fitted to the rear of the cabin, as well as strengthened wings, canard and tail to double the aircraft’s endurance to 8h compared with a standard P180. Programme participants include Saab, Telephonics and FLIR. Military and special mission developments such as these attract military research and development funding, said Logli, which in turn can feed back to the civil market.

Piaggio is ready to pause for breath after a frantic period of transition. This year, said Logli, has been “about radical change. The next is about consolidation. We have to start delivering.” In terms of longer-term strategy, he believes the Avanti’s best days are yet to come. “The Evo is still very attractive,” he said. “No one else can deliver this level of comfort with six to eight seats.” The next step may be an optionally piloted or dual-use UAV. “We are looking to take part in R&D projects on a European level,” said Logli. “Dual is the future.”

One development on the furthest-back burner, for now at least, is Piaggio’s long-running P1XX study. The company spent years talking up what would have been its first business jet and putting together the beginnings of a supply chain – although it never gave much away about where it would sit in the cabin-size spectrum. However, in the past couple of years, Piaggio decided the market was not ready for a jet, and decided instead to invest limited resources in the P.1HH. “Both projects were incompatible in terms of finances, so we went for the military option,” said Logli.

He concedes that Piaggio Aerospace remains a relative minnow in both business aviation and defence, markets dominated by large corporations and state-sponsored contractors, and hints that its shareholder might seek a strategic partner to help Piaggio scale up. But this will not happen until the end of the decade at least, he believes. “The next three or four years are going to be about producing aircraft profitably,” he said. “Mubadala would like a profitable and stable company first. Then, maybe, we can think about partnership.”

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