

## **National assets should be protected**

Interview: Finmeccanica chief Guarguaglini explains why Berlusconi's government was right to prevent possible hostile takeover bids by foreign companies

by Roberto Sommella

Italy is right to protect the 'family silver' by prohibiting unsolicited takeover bids for its companies. Pier Francesco Guarguaglini, chairman and CEO of Finmeccanica, explains why in this interview with *Milano Finanza*, in a break from recording for Class CNBC. The new regulations on control contestability outlined in the government's anti-recession package are "important at this stage, when companies are seriously undervalued on the stock market," says Guarguaglini. Affording them some protection is therefore justified, precisely because economic recovery partly depends on them.

**Mr Guarguaglini, the government included restrictions in its latest anti-crisis decree that effectively prevent hostile takeover bids on Italian firms. Was this the right thing to do?**

The new regulations on control contestability outlined by the government in its anti-recession package are important at this stage, when companies are seriously undervalued on the stock market. This is a valid move which is likely to receive support from the majority and the opposition, regardless of who is in government.

**But it hasn't happened in other countries.**

It did happen in France, when their national food champion, Danone, became a takeover target.

**So we Italians shouldn't be embarrassed...**

There is too much regulation in Italy and ultimately not enough convergence. This makes it vital to protect certain key companies.

**And does Finmeccanica feel safe? Is nobody knocking at the door wanting to take you over?**

We are already protected against hostile takeovers by the 'poison pill' in legislation brought in by previous governments. But regulations are only one part of industrial policy.

**Meaning?**

Take the US, for example, where we at Finmeccanica experienced defence of strategic national interests at first hand. When I went to America for DRS, the only thing the US authorities made very clear to me was that they would not permit any relocation of

their centres of excellence, which would have led to job losses. The same thing happened in the UK with the AgustaWestland deal.

**Is that all?**

Absolutely. There were no regulations, but the US authorities took a strong position and clearly stated their intentions and we respected that, partly because we want precisely to increase our presence in the US.

**You naturally plan to meet President Obama? Italians will probably be queuing up...**

To be honest, I don't know when I will meet President Obama. Of course the change is very important for America, but I can say that I am relying on a good relationship with the US administration, because I have known Podestà, one of his staff, for 10 years.

**Let's go back to the question of takeovers. There are rumours that Mubadala, the Abu Dhabi investment company, has its eye on Finmeccanica.**

On the subject of Mubadala, I can only say that I am not aware of any interest in Finmeccanica, and any report to that effect would be unfounded. I'm referring to what is happening today, and we will see what happens in the future. Generally speaking, sovereign wealth funds have plenty of liquidity and can obviously afford to be interested in major companies such as Finmeccanica.

**You are pushing your African project quite strongly. Why is that?**

Our project in Africa, which comprises three separate initiatives, is a duty for large groups such as Finmeccanica. It means providing help for those who need it most, and we plan to make further investments in this area.

**How does 2009 look?**

We are fairly relaxed about the year ahead: 85% of our workload is guaranteed by the order backlog and we therefore have no problems. We are confident that we will win new orders going forward and we will be assessing every new situation.

**Finmeccanica's share price has dropped.**

The share price fell last year, but outperformed the market average. I can say to shareholders that in 2009 the dividend will be the same as it was in 2008. Moreover, if a recovery comes, shares of a company like ours can only gain in value.

**But when will the recovery come?**

I don't know how and when we will emerge from this recession. Recovery depends to a great extent on what the US does, and if there is confidence, things will go well. The task of governments is to make investments and create fertile ground for an upturn in consumer confidence; otherwise, the economic cycle will not be re-stimulated. This is why I believe that we need to invest in infrastructure and technology to bring us out of the crisis. These are precisely Finmeccanica's sectors, and we are ready to grasp the opportunities offered to us by various countries investing in the military and civil market segments.

### **Will Obama be good for business?**

We know that the US defence budget will increase next year, and that there will be no change in the UK or Italian budgets, so we have no concerns.

### **The collapse of sterling is destabilising some accounts.**

Because our UK orders represent 25% of the total, I can say that the sharp drop in sterling will have only a limited effect on margins. Despite the decline in the UK currency, we are confirming all our guidance.

### **Do you have concerns about the dollar?**

We are taking a cautious approach to the decline in the greenback, so much so that we chose an exchange rate for our DRS operation of 1.5 dollars to the euro.

### **Any operations in the pipeline?**

We have nothing in our sights in the euro zone at the moment. We have to keep an eye on our debt, and therefore I don't anticipate any acquisitions in the near future. Things are different in Asia: we want to concentrate more on India, China and South America. In particular, South America, which we have neglected, could be a major outlet, and the visit by President Lula of Brazil was significant in this respect. (All rights reserved).

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