DENEL

A look at what's happening in and around Denel

INSIGHTS

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GROUP CEO EXPLAINS DENEL

by Sam J Basch

Villa Sterne, the venue in Waterkloof Ridge and scenes from the presentation.

Two years ago Denel was technically insolvent. A statement like this was bound to send shockwaves through the market – and that happened at the time.

Group CEO, Shaun Liebenberg, earlier this month explained to Denel's key stakeholders how the group has fared since then. In a series of two-hour briefings to South Africa's top military chiefs, Public Enterprises, Armscor and Department of Defence officials, as well as captains of industry, he opened Denel's inner workings.

Denel's macro strategy, started two years ago, was prompted in large part by its insolvency, but also by major changes in the market: consolidation of the global defence industry, today's new kind of conflict and importantly, the shrinking defence budget in South Africa.

Taking his audience through each of Denel's businesses, Shaun was frank and to the point. Some, he said, would be successful in the near term. For others, lacking sufficient orders, the situation looked dire. Overheads and cost structures, coupled with legacy contracts that never favoured Denel, exacerbated the problems.

The rationale with unbundling Denel was to find out where, and how serious, the problems were. Several options were proposed to the shareholder, including equity partnering to ensure critical mass for Denel's businesses. That would also bring fresh capital, greater market access and modern technologies and business processes.

His briefing sessions became quite interactive with many questions and comments from the floor.

The general feeling was, however, that Denel's key stakeholders came away with a much better understanding of the company's strategy towards a sustainable turnaround and to work more closely with the rest of industry.

As Shaun concluded: "Having started two years ago, we've not deviated from our strategy one bit. And our results thus far have shown we are on the right track."

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pics by Howard Thacker

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