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Airbus taps Silicon Valley expertise to speed production of A350

Aerospace group looks to make huge savings through deal with data mining company Palantir

Airbus is tapping Silicon Valley data mining firm Palantir to help accelerate production of its new A350 aircraft, potentially saving the European aerospace group hundreds of millions of dollars over the coming years.

The secretive Palantir, which started out more than a decade ago working on national security projects, is valued at \$20bn despite not yet delivering a profit. The multimillion-dollar deal with Airbus would help it reach its planned target of profitability this year, said Alex Karp, chief executive.

“We did very well last year,” he said, including “moving towards profitability faster than we planned”.

Airbus began working with Palantir about 18 months ago, but has recently expanded the relationship — which has not previously been disclosed — to eight projects across four countries, including final assembly of the A350, as well as in helicopters, defence and space projects.

In a joint interview with the Financial Times at the World Economic Forum in Davos this week, Tom Enders, Airbus chief executive, said the aerospace group used Palantir’s software and expertise to enable its engineers to respond more quickly to production problems and improve processes.

Palantir’s staff worked with Airbus to tie together data from several different countries and databases, so that engineers spread across the company are better able to learn from each others’ experiences when fixing quality issues.

Airbus has faced significant problems with the A350 programme, largely due to the failure of a key cabin supplier to deliver business class seats and lavatory equipment on time. That has put pressure on the rest of the production line to speed up processes.

Keeping the A350 programme “largely on track” would save Airbus “a significant amount of money”, Mr Enders said. Failure to deliver on time can result in costly penalties to clients or even cancellations.

“In these ramp-ups, you can easily overspend by hundreds of millions,” he said. “Our airline customers are benefiting because they get the aeroplane faster, with less delay, with better quality and operational availability.”

The group only narrowly missed its target to deliver 50 A350 wide-body jets in 2016, largely due to these extra efforts, including keeping its French factories open over the Christmas period. The challenge now will be to accelerate production as the rate of deliveries is expected to increase significantly over the next few years.

Mr Enders admitted he was “initially sceptical” about Palantir’s capabilities.

“We deliberately let this relationship crawl for a while before we wanted to go into the public . . . We are now gearing up to go from a walk to a run.”

Mr Karp, a co-founder of Palantir alongside venture capitalist and Trump adviser Peter Thiel, said the “cultural similarity” between two engineering-driven organisations drove the Airbus deal, as it expanded in the commercial sector.

“If you take vulgar metrics like cash collection and bookings, our commercial business is already poised to be larger than our government business and is growing very significantly,” he said.

Last year, Palantir saw 50 per cent growth in “cash collections” and a faster rate in gross bookings.

“We’ve doubled almost every metric every year since we began selling Palantir products,” he said.

Wall Street banks were among Palantir’s first customers, when it started to sell beyond the US government in 2012, in areas including anti-money laundering and rogue trading detection.

Mr Karp says “the financial sector is now the smallest part of our commercial business . . . we’ve seen a significant uptick in interest from industrial companies”.

Despite high hopes from companies such as Airbus to make big gains in productivity and efficiency using analytics, evidence that industrial groups can identify and successfully exploit valuable data are still at a very early stage, which is why the contract with Airbus may be crucial for Palantir. In October the group said it was looking at a potential initial public offering.

The Palantir chief, who is fond of saying that he was raised by “two hippies”, reiterated on Wednesday that he was considering ways to allow investors and employees to cash out their shareholdings.

“I was less radical than my parents but I was somewhat of a fond reader of Marx,” he said. “We have to find ways to repatriate the wealth created by my employees as we get profitable. We are

looking at options to do that, one of which is to go public. We are preparing to provide ongoing liquidity to employees.”

The Airbus deal is an important proof point for Palantir after a BuzzFeed report last year suggested that the company had lost key clients including Coca-Cola and American Express, while also facing challenges in retaining employees.

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