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Coronavirus major question mark as Detroit 3 project earnings

By Breanna Noble
(excerpt)

Fiat Chrysler Automobiles NV reaffirmed Thursday that it expects to make a best-ever \$7.7 billion in pre-tax earnings in 2020 even as the coronavirus outbreak in China presents uncertainty there for the Detroit's three automakers early this year.

In announcing their full-year 2019 financial results this week, the companies agreed it is too early to determine the impact of quarantines and business closures in the eastern Asian country because of the flu-like respiratory illness, compounding challenges surrounding trade tensions with the United States, slumping demand and products that are lagging against the competition there. ...

... The virus is another challenge the automaker faces in right-sizing its Asian business, which lost \$39.6 million last year. The automaker last spring underwent a restructuring of its Chinese joint venture with Guangzhou Automobiles Group and restarted marketing efforts in the fourth quarter there. It also is in talks with Taiwan-based iPhone manufacturer Foxconn Technology Group to produce electric vehicles in China.

The Detroit Three have delayed business travel to China because of the virus and are following government recommendations, saying they will keep factories closed until Sunday for an extra week following the week-long Lunar New Year holiday. Some automakers such as France's Renault SA have postponed workers' return for even longer.

PSA CEO Carlos Tavares, who would lead the combined company, has a history of turning around businesses after taking over the struggling PSA in 2014 and acquiring General Motor Co.'s money-losing European Opel and Vauxhall brands in 2017.

"Tavares will have his work cut out for him as the company looks to cut costs, improve profitability, establish a greater presence in China and catch up to competitors in EV production," David Kudla, chief investment strategist at Grand Blanc-based Mainstay Capital Management LLC, said in a statement ahead of earnings. ...

... Fiat Chrysler's annual results beat at least one crosstown rival. Ford Motor Co.'s net income dropped 99% to \$47 million in 2019 as it faced operational challenges with the launch of redesigned Explorer SUV.

General Motors Co.'s profits fell 17% last year to \$6.7 billion as it was hit by a 40-day national UAW strike this fall that cost the Detroit automaker \$3.6 billion.

*Please contact Mainstay at 866-444-6246 to request a copy of the full article.