

Fiat Chrysler quarterly profits rise 34% to \$698 million

By Brent Snavely and Eric D. Lawrence (excerpt)
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After seven years of growth industry sales in the U.S. have reached a plateau and are starting to decline just as the automaker is hitting a slow period in new cars and trucks it is introducing.

Fiat Chrysler Automobiles said Wednesday it earned a profit of \$698.2 million (641 million euro) during the first quarter, a 34% gain compared with the same period a year ago, driven primarily by profits in Europe and gains by its Maserati brand.

The quarterly earnings, a record for the company since it was formed from the merger of Fiat and Chrysler, increased from \$521 million (478 million euro) the automaker earned during the same period last year.

"We would couch the results as a good start to 2017. We had a record performance," in terms of pre-tax profits, said Fiat Chrysler CFO Richard Palmer.

The automaker's profits, which were slightly better than what investors expected, are a good sign for the automaker as it faces an increasingly difficult sales environment in the U.S. and is trying to achieve the goals set out in a five-year plan in 2014. ...

... Shares of the automaker's stock rose \$1.11, or 10.5%, to close at \$11.65 for the day, its highest trading price over the past year.

Fiat Chrysler's global revenue increased 4% to \$30.2 billion (27.7 billion euro) during the first quarter compared with \$28.9 billion (26.6 billion euro) for the same period last year.

The automaker's profits work out to 47 cents per share (43 cents euro), slightly ahead of analysts, who, on average, expected the company to earn 46 cents, per share (42 cents euro), according to MarketWatch.

In Europe, a market that is recovering after a recession and declining industry sales that lasted years, Fiat Chrysler's pre-tax net income increased 85% to 193 million (178 million euro) compared with \$105 million (96 million euro) for the same period last year.

In North America, the company's pre-tax profits increased slightly to \$1.35 billion (1.24 billion euro) compared with \$1.3 billion (1.2 billion euro) for the same period last year.

Meanwhile, pre-tax profits soared 569% for the company's Maserati brand to \$116.5 million (107 million) from \$17.4 million (16 million euro). Those profits were driven by the global launch of the Levante, Maserati's first SUV. ...

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Fiat Chrysler faced launch costs for its Jeep Compass as it ramped up production globally during the first quarter and should benefit from that launch more as the year goes on.

"The coming six months will be crucial for Fiat Chrysler," David Kudla, CEO of Mainstay Capital Management, said in a research note. "They have got to take advantage of the still strong and profitable light truck segment in the U.S., particularly with Jeep. Competitors GM and Ford certainly are and doing so at FCA's expense."

The automaker also is now entering the final phase of an ambitious five-year plan that CEO Sergio Marchionne unveiled in 2014 that counts on the successful reintroduction of Alfa Romeo in the U.S. and on steep sales targets for Maserati and Jeep. ...