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FCA's churn to profitability gaining credibility

BY DANIEL HOWES (excerpt)

Sergio Marchionne is finding the virtuous circle, finally.

On the same day Fiat Chrysler Automobiles NV said first-quarter earnings surged 34 percent on encouraging profits from Europe and luxury marque Maserati, President Donald Trump issued a long-awaited tax reform proposal that's making markets giddy.

Again, with the Dow Jones Industrial Average back above 21,000 before settling at 20,975. And that's likely to be nothing but good for FCA and crosstown rivals General Motors Co. and Ford Motor Co., each of which will be issuing first-quarter results over the next two days.

That's what Detroit's automotive brass has been betting on since Trump's improbable Electoral College win over Hillary Clinton delivered him to the White House — tax cuts and regulatory reform aimed at turbo-charging tepid economic growth and extending the bull market for cars, trucks, SUVs and the emerging mobility space.

“Low fuel prices and a pro-industry Trump administration have helped buoy autos,” David Kudla, CEO at Mainstay Capital Management LLC in Grand Blanc, wrote in a note. “Trump’s plan to roll back emission standards could be a huge boon for the auto industry, but like many of Trump’s policies, we haven’t heard a definitive word on his proposals.”

This much is increasingly clear: Marchionne & Co. are making discernible progress toward their 2018 plan of less debt, more earnings and a global product portfolio poised to credibly challenge American rivals in trucks and SUVs. And, with Alfa Romeo and Maserati, to annoy the Germans in volume luxury segments.

Just ask investors, who pushed shares in FCA more than 10.5 percent higher on the day. That's validation of Sergio's long-detailed plan to retire debt, boost earnings and shift the product portfolio into higher gear is delivering results — and gaining credibility. ...

... For the short term, at least, Marchionne's emphasis looks to be on building value for as long as a business cycle, continuing to defy gravity, will allow it. Evidence is accumulating that the surging market is plateauing, but doing so at historically high levels.

With the nation's average fleet age still more than a decade old, and interest rates still comparatively cheap, a Trump tax proposal that becomes law could be the right medicine at the right time — even if the president, at the same time, moves to pull the United States out of the North American Free Trade Agreement. ...

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