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Fiat Chrysler lost $1.24B in 2nd quarter of 2020

By Eric D. Lawrence (excerpt)
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Things can always be worse.

That's one way to look at the earnings reports for Fiat Chrysler Automobiles and other automakers in the midst of a global downturn brought on by the coronavirus pandemic.

The question on Friday was how bad things would get for FCA, the last of the Detroit Three to announce its results for the second quarter of 2020. It was bad, as expected, but company leadership and analysts said things should look up later in the year.

"We expect a much, much better second half," FCA CEO Mike Manley said during a conference call.

FCA said it lost $1.24 billion (1.05 billion euros) in the second quarter, a drop of 232% compared with the same period a year ago. That follows FCA's woeful first quarter performance, when the automaker said it lost $1.9 billion (1.7 billion euros).

That's bad, of course, but it's bad for most in the auto industry these days, with the coronavirus pandemic continuing to rock the global economy. That has forced companies to focus on finding the bright spots. …

… Despite some wariness ahead of the earnings release, David Kudla, CEO and chief investment strategist for Mainstay Capital Management, gave a more upbeat assessment after the results were announced Friday.

"Fiat Chrysler's second quarter report came in better than we anticipated for earnings due to out-performance in North America. We are also pleased that management said that the deal with PSA is still on track to be concluded by Q1 2021. Cash burn was slightly higher than Ford, but barring a COVID-19 setback, we believe cash flow will improve for Fiat Chrysler over the second half of the year," Kudla said. …

… FCA's sales declines during the quarter, particularly with its Ram brand, were a flag for Kudla.

In a research note Thursday, Kudla's firm cited FCA's larger sales decline than its crosstown metro Detroit competitors. FCA saw sales down 39% compared with 33% for Ford and 34% for GM vs. the same period in 2019. U.S. sales were down across the board for FCA's brands.

The drop in sales also reduced FCA's market share to 12.65% from 13.63%, according to Cox Automotive.

"We were especially concerned with the 35% decline in Ram trucks for the quarter when compared to the 14% decline of the Chevrolet Silverado and GMC Sierra at just 5%," the Mainstay note said.

However, Kudla also highlighted the planned merger with PSA Group, which is to be named Stellantis:

"Sales disappointed for FCA this quarter, but all eyes are on the potential of the combined Stellantis entity than it is for FCA alone."

That merger is projected to provide billions of dollars in "synergies" and a pathway to develop autonomous and electric vehicle technology for the future, the note said.