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Diesel scandal a drag on FCA profit

Cover Story

By Eric D. Lawrence (excerpt)

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Fiat Chrysler Automobiles said it made \$642 million in net profit in its first quarter after the death of former CEO Sergio Marchionne.

But that figure was dragged down by what the company estimates the diesel emissions scandal in the U.S. will cost it — \$812 million (713 million euro).

The company, notably, is not acknowledging guilt. ...

... As FCA reported its third-quarter earnings Tuesday, the post-Marchionne future was becoming clearer. Although Mike Manley, the new CEO, was in charge as second-quarter earnings were released in July, the baton was with Marchionne during that period. Marchionne died in July after a sudden bad turn in a health problem he had battled for more than a year. ...

David Kudla, CEO of Mainstay Capital Management in Grand Blanc, said Manley's vision would begin to take shape during this earnings report.

“Manley did an excellent job leading the Jeep and Ram brands as well as heading FCA’s international operations. We expect that he will continue the great work that Marchionne started with FCA, and don’t expect major changes announced this early in his tenure,” Kudla said. However, Kudla also noted that FCA, like other automakers, faces headwinds.

“All of the auto companies are dealing with tariffs, and FCA is no different,” Kudla said,

noting that aluminum and steel tariffs are expected to lead to higher costs, especially next year. “This could start to hurt margins, unless these higher costs can be passed on to consumers.”

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