

# Geely Completes Acquisition Of Volvo

Joe McDonald, AP Business Writer

BEIJING (AP) — Geely Holding Group completed its acquisition of Ford Motor Co.'s Volvo unit Monday in a \$1.5 billion deal that gives the small-but-ambitious Chinese automaker a global brand and huge management challenges.

The legendary Swedish automaker is China's biggest foreign auto acquisition and an unusually large deal for a private Chinese company.

Industry analysts say 13-year-old Geely, barely known abroad, will face a struggle in integrating the two corporate cultures and turning around Volvo Cars, a perennial money-loser in a country with strong labor unions.

Geely agreed in March to buy Volvo from Ford, which sold its European brands to raise cash and focus on its core Ford and Lincoln units. Geely said it paid \$1.3 billion in cash plus a \$200 million note — less than the \$1.8 billion price announced in March due to changes in pension obligations and working capital.

"This famous Swedish premium brand will remain true to its core values of safety, quality, environmental care and modern Scandinavian design," said Geely founder and chairman Li Shufu in a statement.

Beijing has been encouraging Chinese companies to expand abroad, taking advantage of the global crisis to acquire assets at lower prices. The biggest acquisitions to date have been by government companies in the energy and mining industries.

Geely will face a long struggle in reviving Volvo, said Zhang Xin, an industry analyst for Guotai Junan Securities in Beijing.

"Why would a company suddenly make money by simply replacing a boss?" Zhang said. "I don't hold high expectations for Geely. They still have a long way to go."

Li said that under Chinese ownership, Volvo will strengthen its presence in the U.S. and European markets and expand in China and other emerging markets.

Li said in March that Geely expected to spend up to \$900 million to return Volvo to profitability. He said Volvo's biggest problem was high research and development costs while it produces far fewer vehicles than rivals Daimler AG and BMW AG.

Volvo will keep its headquarters and manufacturing presence in Sweden and Belgium and its board will have autonomy to execute its strategic plan, Geely said.

Privately owned Geely has built a business selling cars, motorcycles and scooters

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with little government support.

The deal could give Geely an edge in China, which is the world's biggest auto market and one in which foreign brands often dominate. Volvo will also give the company a foothold in Europe.

Geely said the chief executive of Volkswagen's U.S. arm, Stefan Jacoby, has been named president and chief executive of Volvo Cars. He succeeds Stephen Odell.

Ford acquired Volvo in 1999 for \$6.45 billion but has been trying to unload it since 2008 to raise cash and focus on its two remaining core brands.

Ford sold its Jaguar and Land Rover brands to India's Tata Motors Ltd. in June 2008 for \$1.7 billion, and it sold Aston Martin to a private equity group in 2007 for \$931 million. Ford also plans to stop producing its Mercury brand by the end of this year.

Ford said last week that Volvo made \$53 million in the second quarter, a \$290 million improvement from the second quarter of 2009. Volvo sold 191,000 cars and SUVs in the first half of this year, up 29 percent from last year.

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*Associated Press researcher Bonnie Cao contributed to this report.*

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