

Higher Sales Lift Chrysler To \$183M 2011 Profit

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DETROIT (AP) — Chrysler, propelled by higher sales of Jeeps and other revamped cars and trucks, reported its first annual net income since 1997, capping a pivotal turnaround year that many thought would never come.

The U.S. automaker, now privately held and majority owned by Italy's Fiat SpA, earned \$183 million last year, reversing a \$652 million loss in 2010, its first full year out of bankruptcy protection.

Chrysler expects an even better 2012, despite a sluggish and uncertain economy. The company, which sells most of its vehicles in the U.S., predicts it will make about \$1.5 billion this year and increase revenue 18 percent.

"The house is in good order," CEO Sergio Marchionne said Wednesday. "Now we greet a new year of high expectations with our heads down, forging ahead."

Chrysler spent much of 2010 designing new vehicles and trying to spruce up an archaic lineup that wasn't selling well.

Now those vehicles are in showrooms, and they've sold far better than expected, especially the Jeep Grand Cherokee SUV. The company's global sales climbed 22 percent to 1.86 million last year. U.S. sales growth was even faster, up 26 percent.

As a result, the company brought in more money. Revenue totaled \$55 billion last year, 31 percent higher than in 2010. The added cash, along with relatively low expenses after bankruptcy, and savings from combining technology and engineering with Fiat, helped Chrysler turn itself around.

In fact, last year's profit would have been higher — \$734 million — if the company hadn't refinanced \$7.6 billion in loans granted by the U.S. and Canadian governments. In the second quarter, the company took a \$551 million accounting loss because of the refinancing.

But the refinancing in May at far lower rates helped save Chrysler about \$100 million in interest expenses last year, and is expected to save \$300 million during a full year.

Chrysler's profit has created a role reversal of sorts. When the U.S. government picked Marchionne to take control of Chrysler after the bankruptcy, Fiat was seen as a savior. Now Fiat, which owns 58.5 percent of Chrysler, is struggling and may need the U.S. company's help to survive economic problems in Europe.

Chrysler said in a statement that it cut its net debt by nearly half last year to \$2.9 billion. The company's total cash at the end of 2011 was \$9.6 billion.

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For the fourth quarter, Chrysler said it made \$225 million, compared with a loss of \$199 million.

Despite the strong performance, Chrysler still faces challenges this year, especially from strong competition in its main market, the U.S. Although its U.S. market share rose 1.3 percentage points to 10.7 percent, it came during a year in which Honda and Toyota dealers ran short of models because the March earthquake and Tsunami in Japan. The disasters hampered their factories' output.

Also, Chrysler's prime U.S. competitors, Ford Motor Co. and General Motors Co., are rolling out many new products this year, as are Korean automakers Hyundai Motor Co. and Kia Motors America.

Still, U.S. auto sales are expected to rise by about a million this year, to near 14 million, and Chrysler is expected to get a share of the increase.

President Barack Obama has been touting Chrysler's turnaround in recent appearances ahead of the November presidential election. Obama cast the deciding vote to save Chrysler and authorized much of the \$12.5 billion in government funding that bailed out the company. Of the original bailout to Chrysler and its financial arm, the government said it was repaid all but \$1.3 billion.

Chrysler's turnaround has helped the U.S. economy. Chrysler now employs 57,200 people, 9,400 more than it did when the company left bankruptcy protection in 2009. On Thursday, Marchionne is expected to announce more than 1,000 new hires at the company's assembly plant in Belvidere, Ill. Chrysler is expected to add a third shift at the plant, which is making the Dodge Dart, Chrysler's first competitive compact car in more than 15 years.

The Dart is likely to help Chrysler boost its sales this year, and it will give the company a product to attract first-time buyers who generally stay with a brand if they like their first cars.

Last year, Chrysler's top-selling vehicle was the Ram pickup, followed by the Grand Cherokee. Industry analysts expect pickup sales to slowly rebound this year as small businesses gain confidence and make investments. Both vehicles carry high sticker prices and bring big profits to the company. The starting price of a Grand Cherokee, for instance, is \$27,490, but the SUV can run into the \$40,000s when options are added.

The full-year profit sets the stage for Chrysler to return to the public stock markets. The company's other owner, a trust that pays retiree health care bills for Chrysler's union retirees, wants to sell its stake to raise money for the payments. Marchionne says a stock offering won't happen until at least next year.

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