

Fiat Industrial Sees Growth From U.S. Unit Merger

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MILAN (AP) — Italian heavy-duty vehicles maker Fiat Industrial reported a 20 percent increase in fourth quarter profit Thursday and forecast revenue would increase 5 percent in 2013 as it completes the full merger with its U.S.-based farm and construction equipment maker, CNH.

Chairman Sergio Marchionne told analysts that he expects the new company will be listed on the New York Stock Exchange early in the third quarter. Fiat Industrial shareholders will meet in April to vote on the deal.

"It is in our collective interest to get this done as quickly as we can," Marchionne said.

The merger deal will create the world's third-largest capital goods company by sales, after Caterpillar and Volvo.

Fiat Industrial, currently based in the northern city of Turin, aggressively pursued the acquisition of the 12 percent of CNH that it didn't already own, making a pitch last spring and then raising the value of the offer by more than 25 percent after CNH advisers refused to endorse the deal. The new company, which has yet to be named, will be legally based in the Netherlands.

An extraordinary dividend of €197 million (\$265 million) paid to CNH shareholders to clinch the deal weighed on Fiat Industrial's books, pushing debt to €1.6 billion, above a maximum forecast of €1.5 billion. But Marchionne dismissed any concerns, saying Fiat Industrial "is an incredibly cash-generative business. It can produce cash and reduce debt pretty quickly." The company expects to reduce debt to between €1.1 billion and €1.4 billion this year.

Besides CNH, Fiat Industrial comprises Iveco truck and heavy vehicle company and FPT Industrial powertrains. CNH, which is based in the Chicago suburb of Burr Ridge, Illinois, sells farm and construction equipment under the Case and New Holland brands in 170 countries.

Fiat Industrial reported its fourth-quarter profits grew 20 percent to €148 million (\$200 million), on revenues of €7 billion, largely thanks to the performance of CNH, which offset lower results in the Iveco truck business.

Marchionne deflected any questions that Iveco might be sold off, emphasizing recent investments, including €167 million in restructuring costs, and opportunities for growth in the United States through the Fiat auto business' alliance with Chrysler LLC. Fiat Industrial was spun off from the car side in 2011.

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"There is a great opportunity for Iveco to leverage the distribution in the United States. We need to see if it can be done on a joint basis between Chrysler and Iveco," Marchionne said.

Iveco deliveries fell 11 percent in 2012, to 137,000 units, despite a 5 percent pickup in the fourth quarter. Full-year revenue was down 7 percent to €9 billion due to the economic crisis in Europe and slackening demand in Latin America.

Fiat Industrial's sales of farm equipment were up 20 percent, which offset more difficult business conditions for CNH's construction business everywhere but North America and eastern Europe.

For the full year, Fiat Industrial net profit grew 30 percent to €810 million on revenues of €25.8 billion.

It recommended a total dividend payment of €0.225 a share.

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