

The Detroit News

July 31, 2020 | Cover Story

Detroit Three signal cautious optimism for second half of 2020

By Breana Noble
(excerpt)

Detroit's three automakers are cautiously optimistic for the next six months after second-quarter earnings took a beating because of the coronavirus. Performance predictions hinge on specific conditions, but other actions signal a brighter future.

"We expect a much, much better second half," Fiat Chrysler Automobiles NV CEO Mike Manley said Friday during a conference call after the company recorded a net loss of \$1.24 billion for the April-through-June quarter.

Uncertainty still abounds, and consumer sentiment fell in July amid increasing COVID-19 cases and as federal relief expires for the unemployed. Fiat Chrysler declined to provide updated guidance for the year, citing a lack of visibility. GM, meanwhile, expects an operating profit up to \$5 billion — so long as U.S. sales total at least 14 million, production is not interrupted and it can increase inventory levels. Ford Motor Co. still predicts a net loss for 2020.

...

... Fiat Chrysler's U.S. sales had paled in comparison to its crosstown rivals, falling 39% year-over-year with Ram trucks dropping 35% and the Jeep brand falling 27%.

"Although it has been an extraordinary few months, we still view FCA's quarter as lackluster compared to its Detroit competitors," David Kudla, chief investment strategist for Grand Blanc-based Mainstay Capital Management LLC, said in a statement ahead of the company reporting earnings. ...

... Despite FCA's individual results, Kudla added, investors are more interested in the potential of FCA's pending merger with PSA. Although revenues for the first half of the year fell by 35%, the maker of Peugeot and Citroën vehicles reported \$62 million in net income. FCA's loss for the first six months of 2020 was \$3.08 billion.

Production stoppages weighed on Fiat Chrysler's balance sheet, dropping its industrial-free cash flow to \$5.8 billion (4.9 billion euros). Cash is critical for automakers to weather the production shutdown and is an asset analysts are watching closely. Available liquidity totaled \$20.7 billion (17.5 billion euros) at the end of the second quarter. ...

*Please contact Mainstay at 866-444-6246 to request a copy of the full article.