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Talk of an FCA merger heats up

By Eric D. Lawrence (excerpt)
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Merger speculation is to Fiat Chrysler Automobiles as cold is to winter or, to keep with the automotive analogies, publicity is to Tesla.

For years now, FCA has been the ultimate automotive matchmaker fantasy.

The rumored or suggested suitors in recent weeks have had significant European pedigrees, but past merger talk for FCA has also focused heavily on Asia. …

… The focus on a potential Chinese acquisition of the entire company or a key brand such as Jeep had followed sometimes-intense reporting over previous months listing several possible interested firms, including Great Wall and Volvo-owner Geely. Even then, the U.S. political ramifications of a deal involving such an iconic American brand as Jeep and a Chinese entity would have been a challenge, and that has not changed.

The truth is merger and acquisition speculation about the Italian-American automaker never really ends. …

… FCA's leadership has expressed an openness to the idea of some type of tie-up for years. Former CEO Marchionne even took the unusual step in 2015 of making a case for industry consolidation. …

… David Kudla, CEO and chief investment strategist for Mainstay Capital Management, thinks a Chinese automaker, such as Geely, makes more sense.

"That's the relationship that works both ways. That would give an Asian automaker access, a footprint and a dealer network in the U.S., and

Fiat Chrysler, which is behind GM, Ford and VW in Asia, it could give them a leap forward, particularly in China," Kudla said.

FCA does have a joint venture in China with Guangzhou Automobile Group, or GAC, which has made recent appearances at the North American International Auto Show in Detroit and has emphasized its desire to enter the U.S. market.

Kudla, however, is not sold on the need for FCA to tie up with anyone.

"I agree with Mike Manley. They can have a strong independent future. They're doing quite well," Kudla said.