

New Jeep helps Chrysler narrow loss, lift outlook

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DETROIT (AP) -- A year-and-a-half ago, Chrysler almost went under. Now, a new version of the Jeep Grand Cherokee is helping turn its fortunes around by narrowing its third-quarter loss and raising its confidence as it rolls out an unprecedented 10 new models before the end of this year.

Chrysler was weighed down by debt, billions in losses and a poor reputation for quality when it filed for government-funded bankruptcy in April 2009. The company almost didn't get government help to see it through bankruptcy court. But it emerged from Chapter 11 with a tough new management and an aggressive plan to remake its cars and trucks.

Even though the company is still losing money and must improve its quality ratings, the push for good vehicles is paying off.

Chrysler said Monday it cut its losses in half between the second and third quarters, to \$84 million. The automaker raised its 2010 profit forecast, saying it will end the year with more than triple the operating profit it previously forecast.

The new Jeep drove Chrysler's results in the July through September quarter. The 2011 Grand Cherokee debuted in June to strong reviews, and buyers responded to the upgraded interior as well as advancements like a hydraulic system that lifts the vehicle up if the driver wants to go off-roading. Sales more than doubled between the second and third quarters, to nearly 23,000 vehicles. Profits rose, too. Buyers are paying around \$600 more for the 2011 model than a 2010 one, according to auto pricing site TrueCar.com.



AP Photo/Carlos Osorio, File

The Grand Cherokee has been so successful that Chrysler, which has been managed by Fiat SpA since it exited bankruptcy 17 months ago, is now considering using the vehicle's base for new SUVs in Fiat's other brands.

But while the Grand Cherokee's sales are solid, they're not surprising, since Jeep buyers have long been some of the most loyal in the industry. To keep its turnaround on track, Chrysler needs the same performance from the 10 new and revamped vehicles coming to market by the end of this year, including revamped versions of the Chrysler Sebring sedan, Dodge Durango SUV and the Fiat 500 minicar, which is new to the U.S. market. The old Sebring, panned for its cheap materials and bland styling, was such a poor seller that the new version has been renamed the Chrysler 200.

Chrysler CEO Sergio Marchionne said much is resting on the launch of the new products, including the timing of Chrysler's first public stock offering since it went private in 2007. The offering is likely to come in the second half of 2011, after Chrysler sees the results of its product onslaught.

Auburn Hills, Mich.-based Chrysler's third-quarter revenues rose 5.2 percent to \$11 billion. The company compared results with the second quarter rather than the prior year because this was the first time since 2006 it has reported third-quarter results.

Chrysler gained U.S. market share for the fifth consecutive quarter. Chrysler now holds 9.6 percent of the U.S. market. That figure is up from a 7 percent share it held last summer after it exited bankruptcy, but down from nearly 13 percent three years ago.

Chrysler expects to make a pre-tax profit of \$700 million this year, up from a previous forecast of \$200 million. It also expects to end the year with \$500 million in positive cash flow. Previously, it expected to burn through \$1 billion in cash.

Marchionne said he would give further guidance on 2011 at the end of the fourth quarter, but believes the company is on track to sell more than 2 million cars and trucks next year as the economy improves. Chrysler sold 820,200 vehicles in the U.S. in the first nine months of this year, up 15 percent from 2009, when the industry had its lowest sales in 30 years.

"This is an industry that's on the mend. I don't think we want to be excessively exuberant, but I'm really positive about what 2011 will bring," he said.

These are mile markers for the company as it prepares for the stock offering, which will pay off debts it still owes to the U.S., Canadian and Mexican governments and to a health care trust for retired workers. Chrysler has already repaid nearly \$4 billion of the \$15.5 billion in government loans it received.

But Chrysler has a long way to go before it looks as healthy as its U.S. rivals.

General Motors Co. expects to make as much as \$2.1 billion when it reports third-quarter results Nov. 10, its third consecutive profitable quarter since it left bankruptcy protection. GM is planning an initial public offering later this month. Ford Motor Co., which didn't take government bailout money, recently reported a \$1.7 billion quarterly profit.

Van Conway, a consultant and founder of Detroit area turnaround firm Conway MacKenzie, Inc., said Chrysler has the advantage of watching how the market receives GM's IPO before it launches its own. But in the meantime, Chrysler is proving it can stay afloat even with U.S. sales at relatively depressed levels this year. As the economy improves and consumer confidence increases, the automaker is poised for a serious rebound.

"The stars may be aligned for a great recovery here," he said. "They're just better at doing things now. They learned a lot from the hurricane they were in."