



Fiat heir to take chairmanship

Scion of Agnelli family may move to separate auto division

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A member of Fiat SpA's founding Agnelli family is poised to become chairman of Fiat during a pivotal time that may include spinning off the company's auto division and adding partners to a tie-up that already includes Chrysler Group LLC.

In a surprise press conference Tuesday in Turin, Italy, Fiat Chairman Luca Cordero di Montezemolo announced his resignation. But he will continue as chairman of Ferrari, where he started in 1973 as manager of the Formula One racing team.

Taking over the top spot is Vice Chairman John Elkann, a great-great-grandson of Giovanni Agnelli, who helped found Fiat in 1899.

The board is to meet this morning to vote on Elkann's ascension -- before the management team presents Fiat's five-year business and product plan to investors and reporters.



Fiat CEO Sergio Marchionne, left, will retain his position with Fiat while Luca Cordero di Montezemolo will be succeeded by John Elkann. (Alberto Ramella / Associated Press)

During the daylong briefing, Chrysler will release its 2009 financial results from the period beginning June 10, when it emerged from bankruptcy, through the end of the year.

Chrysler is expected to show it has generated more cash than it has spent, despite slow sales, because of aggressive cost cutting.

The automaker said in November it would break even on operating profit this year, and on net income in 2011.

Auto analysts have increasingly anticipated that Fiat will spin off the auto division that includes the mainstream Fiat, Alfa Romeo and Lancia brands and that last year accounted for 56 percent of the company's revenue. Ferrari and Maserati are run separately.

Sergio Marchionne, who is CEO of both Fiat and Chrysler, has said he would address the issue of a spinoff today.

The move would untangle the mainstream brands from Fiat's CNH and Iveco brands that make agricultural and construction equipment as well as trucks and commercial vehicles. The Fiat Group also has companies that make powertrains, parts and production systems.

The rationale is that separating the auto operations would give Marchionne a better defined and more visible automotive unit. Selling shares in the division could raise money to expand further, potentially with minority stakes in more automakers. Fiat has a 20 percent share of Chrysler that is expected to increase to 35 percent within two years.

While analysts are divided about the effectiveness of such a move, one says it would be a boost for Chrysler.

"It shows Fiat has a lot of faith in Chrysler and is serious about investing in Chrysler and the combined entity," said Aleks Miziolek, director of the automotive legal practice at Dykema Gossett PLLC in Detroit. The industry was concerned about Fiat's seriousness when it bought a stake in Chrysler, she said.

The move also would benefit investors because separating companies improves their focus and often their value, Miziolek said.

And the Agnelli family gains protection for its industrial holdings from the fluctuations of the auto industry, she said.

The move could improve share prices and make the company more financially flexible and less cumbersome to grow through automotive alliances, said Van Conway, president of Conway MacKenzie Inc., a mergers and acquisitions consulting firm in Birmingham.

But in a report Tuesday, Stephanie Renegar of J.P. Morgan expressed concern about the cash flow of a separate unit, especially whether it could cover its capital expenses until 2012.

Marchionne has said an automaker must make 5 million vehicles a year to be profitable. He forecasts there will be six major global automakers when industry consolidation is complete. He wants Fiat to be one of them.

Last year, Fiat and Chrysler together made 3.45 million vehicles. The leadership moves don't affect Marchionne's job, Chrysler spokesman Gualberto Ranieri said.

Montezemolo hired Marchionne to revive the struggling automaker. The 62-year-old, who has been chairman since 2004, said he was resigning because he had "completed the assignment given to him by the core shareholder in May 2004," the automaker said in a statement.

Elkann, 34, supported Marchionne's restructuring of Fiat as well as the move to partner with Chrysler. He also is chairman of Exor, the holding company controlled by the Agnelli family that owns 30 percent of the Fiat Group, and has been the heir apparent for the chairmanship.

Elkann's grandfather and former chairman Giovanni Agnelli designated Elkann as his successor prior to his death in 2003.

The daylong overview of Fiat's plans through 2014 is also expected to produce news about future products.

"It is a Fiat affair, but inevitably there will be some implications for Chrysler because the two companies are in active partnership -- not just on paper," Ranieri said.

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