

COMPANY PROFILE

# Fiat Chrysler Automobiles NV

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## COMPANY OVERVIEW

Fiat Chrysler Automobiles NV (FCA NV) is an automotive company. The company designs, engineers, manufactures, distributes, and sells vehicles, components, and production systems. It sells products under Magneti Marelli, Fiat, Fiat Professional, Alfa Romeo, Teksid, Ram, Abarth, Lancia, Chrysler, Mopar, Dodge, Jeep, and Comau brands in the SUV, passenger car, truck and light commercial vehicle markets. FCA NV also provides financial services to dealer network and retail customers. It has operations in Europe, North and Latin America, Asia Pacific, the Middle East, and Africa. The company has manufacturing facilities across the world. FCA NV is headquartered in London, Greater London, the UK.

The company reported revenues of (Euro) EUR110,934 million for the fiscal year ended December 2017 (FY2017), a decrease of 0.1% over FY2016. In FY2017, the company's operating margin was 6.9%, compared to an operating margin of 4.5% in FY2016. In FY2017, the company recorded a net margin of 3.1%, compared to a net margin of 1.6% in FY2016.

The company reported revenues of EUR27,027.0 million for the first quarter ended March 2018, a decrease of 6.4% over the previous quarter.

## KEY FACTS

<b>Head Office</b>	Fiat Chrysler Automobiles NV 25 St. James' Street London Greater London London Greater London GBR
<b>Phone</b>	44 20 77660311
<b>Fax</b>	
<b>Web Address</b>	<a href="http://www.fcagroup.com">www.fcagroup.com</a>
<b>Revenue / turnover (EUR Mn)</b>	110,934.0
<b>Revenue (USD Mn)</b>	125,066.5
<b>Financial Year End</b>	December
<b>Employees</b>	237,150
<b>Italian SE (Mercato Continuo Italia) Ticker</b>	FCA

## SWOT ANALYSIS

Fiat Chrysler Automobiles NV (FCA NV) designs, engineers, manufactures, distributes, and sells vehicles, components, and production systems. A portfolio of brands, focused R&D, and implementation of world class manufacturing system are its strengths, even as declined performance of the NAFTA business and product recalls could be causes for concern. The company could benefit from European green vehicles initiative, automotive industry in the US, and agreement with European Investment Bank. However, raw material price fluctuations, regional and economic influences, and competition could affect the company's operations.

<p><b>Strength</b></p> <p>Brand Portfolio Focused R&amp;D World Class Manufacturing System</p>	<p><b>Weakness</b></p> <p>Business Performance: NAFTA Product Recalls</p>
<p><b>Opportunity</b></p> <p>European Green Vehicles Initiative Automotive Industry: the US Agreement with European Investment Bank</p>	<p><b>Threat</b></p> <p>Competition Raw Material Price Fluctuations Regional and Economic Influences</p>

### Strength

#### Brand Portfolio

A portfolio of classifiable brands enables the company to meet the needs and expectations of customers and enthusiasts. Established brand recognition allows FCA NV to differentiate itself from peers and secure more sales. It capitalizes on the brand recognition of the Dodge, Ram, Jeep, and Chrysler brands to offer utility vehicles, pickup trucks, cars and minivans; Fiat 500 in the micro/small-segment; and Fiat 500X and Jeep Renegade in the small SUV/crossover segment.

#### Focused R&D

The company strives to improve the design, performance, consumer perception, fuel efficiency, reliability, safety, and sustainability of its offerings through focused R&D. FCA NV focuses on improving vehicle efficiency and reducing fuel consumption and emissions in the areas of vehicle energy demand, powertrain technologies, and autonomous driving technology. By the end of FY2017, it had approximately 21,000 employees supporting R&D efforts; and 11,800 patents and patent applications, and approximately 1,900 product designs. During the year, the company spent 3.9% of its revenue on R&D.

#### World Class Manufacturing System

FCA NV's world class manufacturing (WCM) system provides competitive advantages. Its WCM focuses on meeting customer expectations by involving and motivating all processes across the company. This system has various technical methodologies covering safety, focused improvement, cost deployment, professional maintenance, logistics, early equipment management, quality, autonomous activities, early product management, environment, and energy. The application of each technical pillar endows internal teams to save and grow intangible assets, including increased autonomy, leadership behaviors, and higher knowledge.

## **Weakness**

### Business Performance: NAFTA

The company's NAFTA business line continued to report a decline in its performance. In FY2017, this business line accounted for 59.5% of the company's revenue and fell 4.4% YoY. This decrease was due to lower shipments as a result of planned fleet sales reductions, essentially for Jeep, and discontinuance of the Jeep Patriot, Dodge Dart, and Chrysler 200; and unfavorable foreign currency translation effects. Over the past three years, this business line recorded negative growth of 2.9%, which was due to lower shipments as a result of planned phase-out of the Chrysler 200 and Dodge Dart in connection with the NAFTA capacity realignment plan to better meet market demand for pickup trucks and utility vehicles; and unfavorable foreign currency transaction effects from the Canadian Dollar and Mexican Peso.

### Product Recalls

Product recalls and other related issues could add cost to the company and affect its reputation. In July 2018, FCA NV recalled the Chrysler 300 and Jeep Grand Cherokee due to faulty software which could cause the cruise control function to lock or unexpectedly accelerate. Till the date, the company recalled over 6 million vehicles in the US. In July 2018, it agreed to pay US\$299.1 million to settle consumers' economic-loss claims related to Takata air-bag recalls. In the previous year, FCA NV carried out recall of vehicles with Takata air-bags.

## **Opportunity**

### European Green Vehicles Initiative

The European Green Vehicles Initiative (EGVI) by the Horizon 2020 Regulation could benefit the company's operations. The EGVI assists in reaching the EU's climate targets, energy, and transport policies, essentially the 20-20-20 targets on reducing greenhouse gas emissions, increasing renewable energy use, and energy efficiency. This initiative is expected to increase energy efficiency of urban vehicles by 80%, energy efficiency of long distance freight transport by 40% by 2030; deploy more than 5 million electric & hybrid vehicles by 2020; and improve battery life-time and energy density at 30% lower cost.

### Automotive Industry: the US

Favorable market conditions could provide growth opportunities to the company. According to the International Trade Administration and the US Department of Commerce, the US is the largest automotive markets in the world, and second largest market for vehicle sales and production. In 2017, light vehicle sales reached 17.1 million units and sales reached US\$17 billion in the country. Open investment policy, large consumer market, skilled workforce, available infrastructure, and government incentives are likely to support the growth of automotive industry in the future.

### Agreement with European Investment Bank

The company signed an agreement with European Investment Bank (EIB), in June 2018. To this end, EIB provides a loan of EUR420 million to support FCA NV's research projects to be implemented during 2018-20. In the near future, the company focuses on developing electrification technology solutions for hybrid and battery electric vehicles, and autonomous driving; implementing connectivity technologies for the telematics services; and deploying digital technologies in its manufacturing processes.

## Threat

### Competition

The company operates in highly competitive environment. Inability to compete successfully could hamper its profits. FCA NV faces competition from other passenger car and light commercial vehicle manufacturers and distributors, and components suppliers in Latin America, North America, Europe, and Asia Pacific. These markets are highly competitive in terms of product quality, safety, fuel economy, reliability, pricing, innovation, consumer service, and financial services offered, and many of its competitors are better capitalized with larger market shares.

### Raw Material Price Fluctuations

The fluctuations in raw materials prices could increase the cost of operation of FCA NV affecting its financial performance. Frequent changes in pricing and imbalances could affect the company's operations and profitability. FCA NV uses steel, copper, lead, aluminum, resins, and platinum group metals as raw materials. It also uses plastic finishers, glass and consumables and fuels. In addition, the company's manufacturing facilities rely on natural gas, electrical power and other energy sources.

### Regional and Economic Influences

Slowdown or prolonged downturn in financial or macro-economic conditions across the world could affect the company's business. Various factors influence FCA NV's business, which include the strength of economies and customers' confidence in local and global macroeconomic conditions; industrial and federal, state, local and municipal governmental spending; availability of commercial financing for customers and end-users; and unemployment rates. According to the company's research, the changes in policies by the current presidential administration in the US could affect its business, primarily with its vehicles production operations outside the country for import into the US from Canada, Mexico, and Italy.

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