

# PSA, Fiat Chrysler join to create world's fourth-largest carmaker

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The combined group will be headquartered in the Netherlands, and continue to be listed on the Paris, Milan and New York stock exchanges

French carmaker PSA and US-Italian rival Fiat Chrysler said Wednesday they had agreed on the terms of a merger to create the world's fourth-largest automaker as the industry grapples with the costly and complicated transition to cleaner and more sustainable mobility.

"Fiat Chrysler Automobiles and Peugeot SA (Groupe PSA) have today

signed a binding combination agreement providing for a 50/50 merger of their businesses to create the fourth largest global automotive original equipment manufacturer by volume and third largest by revenue," the statement said.

It added there would be "no plant closures resulting from the transaction."

Ranking behind global rivals Volkswagen, Renault-Nissan-Mitsubishi and Toyota, the combined group will have a workforce of more than 400,000, total revenues of close to 170 billion euros (\$190 million) and annual unit sales of some 8.7 million vehicles.

Its brands will include Fiat, Alfa Romeo, Chrysler, Citroen, Dodge, DS, Jeep, Lancia, Maserati, Opel, Peugeot and Vauxhall.

The joint entity will have "the leadership, resources and scale to be at the forefront of a new era of sustainable mobility," PSA and Fiat Chrysler said.

The tie-up—which the two sides had originally agreed to at the end of October—will "deliver approximately 3.7 billion euros in estimated annual synergies" or cost savings.

The merger was expected to be completed in 12-15 months, the statement said.



Fiat Chrysler chief John Elkann (L) will be chairman of the new group and PSA's Carlos Tavares (R) chief executive

### **'Huge opportunity'**

Fiat Chrysler chief John Elkann will be chairman and PSA's Carlos Tavares chief executive.

"Our merger is a huge opportunity to take a stronger position in the auto industry as we seek to master the transition to a world of clean, safe and sustainable mobility," Tavares said in a statement.

"Our two companies—both of which are successful examples of family entrepreneurship that has survived from generation to generation—have contributed to defining our industry since its origins more than a century ago," Elkann wrote in a letter to staff.

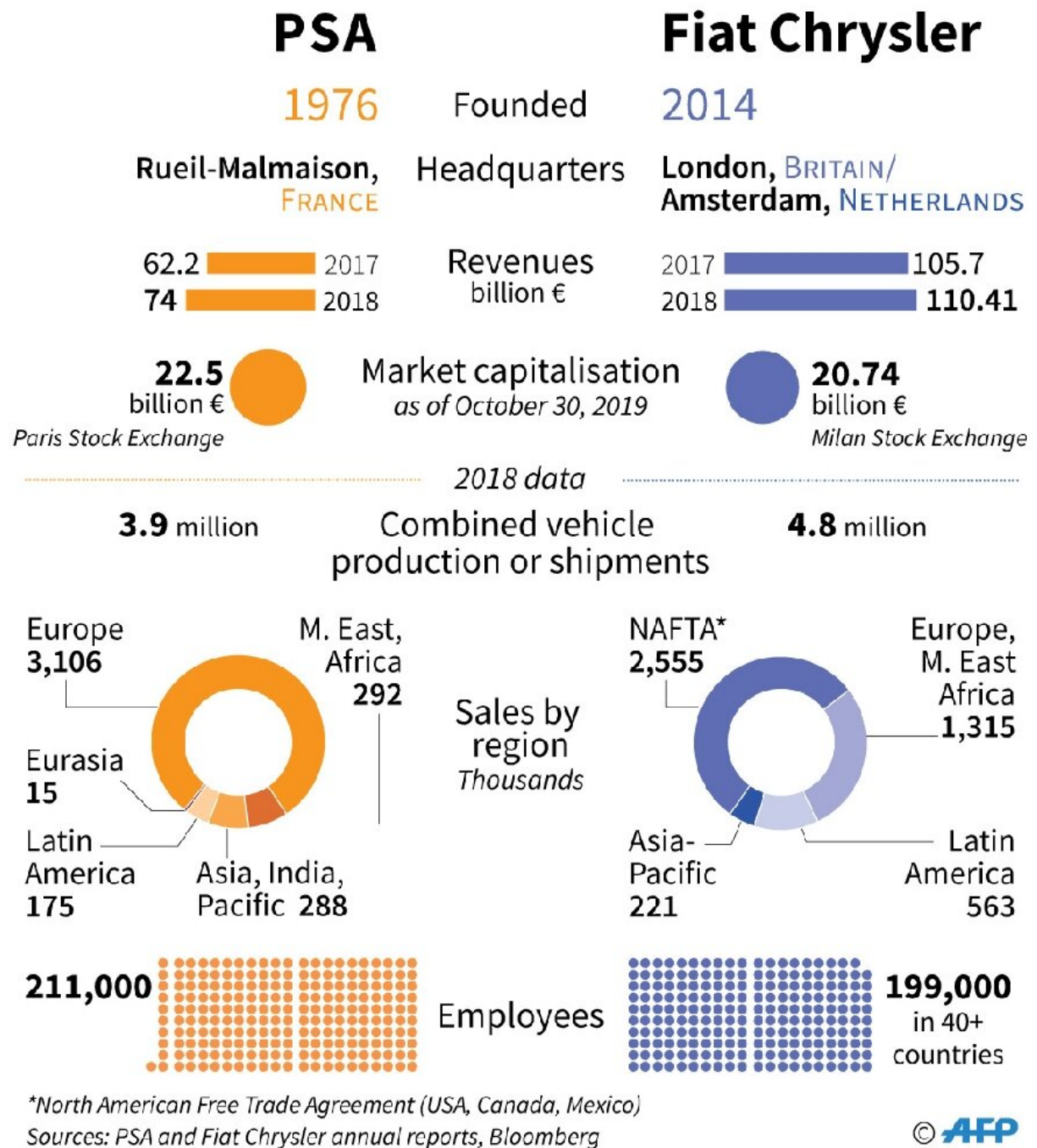
The combined group—which has yet to be given a name—would be headquartered in the Netherlands, and continue to be listed on the Paris, Milan and New York stock exchanges.

The lion's share of the savings will be generated in the joint development of technology, products and platforms, as well as in purchasing, but also in marketing, IT systems and logistics, the statement said.

"Those synergies will enable the combined business to invest significantly in the technologies and services that will shape mobility in the future while meeting the challenging global CO2 regulatory requirements."

## **'Sizeable overlap'**

Analysts nevertheless argue that the two companies are still too dependent on the declining European market and lack a strong presence in China.



Key data comparing automakers PSA and Fiat Chrysler.



"Both are weak in China, the world's largest car market, while their centre of gravity is in the mature European market," said Nick Oliver, a professor at University of Edinburgh Business School.

"It is not clear how the merger will boost joint revenues; neither partner has products that can easily be sold under the others' brands in new or existing markets," the expert said.

CMC Markets analyst Michael Hewson saw "a sizeable overlap between the two businesses, with the business in the UK perhaps the most vulnerable given the politics at play, and the labour laws in France and Italy which make it much more difficult to reduce the size of the workforce there."

Unite, the largest union in Britain and Ireland, said it was concerned about the promise to not close factories.

"Unite is seeking guarantees at the highest level as to the long-term future of all PSA's UK sites and its highly skilled world class workforce," said the union's national officer, Des Quinn.

In the US, the United Auto Workers' union said "there are many challenges in the auto industry today and we hope that (the merger) will bring opportunities for growth."

For their part, the French and Italian governments both welcomed the tie-up.

The announced was "very good news" as it marked "an important stage in the creation of a European champion," said economy and finance minister Bruno Le Maire.

His counterpart in Rome, Roberto Gualtieri, said the Italian government

"will continue to monitor the impact in terms of development, investment and jobs."

The deal "represents a fundamental stage in the consolidation of the car market" and the new group "will take a leading role in the transition towards sustainable mobility," he said.

Shares in PSA rose 1.4 percent to 22.41 euros in Paris, while those in Fiat Chrysler edged less than 0.1 percent higher to 13.60 euros in Milan.

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