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## Chrysler Narrows Its Loss and Raises Its Forecast

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*Building a Jeep Grand Cherokee. Sales of the redesigned vehicle nearly quadrupled last month.  
(Bill Pugliano/Getty Images)*

DETROIT — Chrysler, the smallest of the Detroit automakers, said on Monday that it had reduced its losses to \$84 million in the third quarter and raised its financial forecast for the year even though it is still in the early stages of revamping its vehicle lineup.

Chrysler officials said the company was running ahead of the goals it laid out a year ago, though it has yet to earn a profit, and remained on track to go public in the second half of 2011. The third-quarter loss, primarily the result of interest paid on government loans, was less than half what it lost in the preceding quarter and the smallest since Chrysler's short trip through bankruptcy in early 2009.

Before interest and taxes, the company earned \$239 million, its third consecutive quarterly operating profit. Through the first nine months of 2010, Chrysler's operations have earned \$565 million.

It also forecast an operating profit of about \$135 million in the fourth quarter and \$700 million for all of 2010; executives previously said the company's operations would break even or report a much smaller gain.

**“What I think people underestimated, and maybe even myself, was that the cost reduction initiatives accomplished in bankruptcy were pretty significant,” said Van E. Conway, a partner with Conway MacKenzie, a consulting firm specializing in financial turnarounds that is based in Birmingham, Mich. “They learned a few lessons in this process that they’re not going to forget.”**

Having shed much of its liabilities and slimmed down its operations in the reorganization, Chrysler's biggest burden is interest payments to the American and Canadian governments, which it owes \$7.4 billion. Chrysler has paid \$899 million in interest this year, including \$308 million in the third quarter, resulting in an overall loss of \$453 million from January through September.

Chrysler's chief executive, Sergio Marchionne, said in a conference call with analysts and reporters that the company had “our ducks lined up” for future profit. He said the company expected to hire workers in 2011, but could not say how many.

Even though Chrysler emerged from bankruptcy a month sooner than General Motors, Chrysler's turnaround has progressed more slowly, largely because its vehicle lineup had less to offer. Chrysler also kept more of its government loans on its balance sheet as debt, whereas most of the money G.M. borrowed was converted into an equity stake held by the Treasury Department.

The Treasury owns 61 percent of G.M. but only 8 percent of Chrysler. G.M. already has repaid its outstanding loans to the government. Chrysler has said only that it would do so by 2014.

G.M. is preparing to have a public stock offering next week. On Monday, Mr. Marchionne said he expected the stock sale to happen in the second half of 2011 and that the company would be watching G.M.'s offering to gauge the market's receptiveness.

“We’re going to learn a lot as that process goes forward, and we’ll do the right thing,” he said.

Chrysler still has considerable work to do in revamping its selection of cars and trucks, but it has shown significantly more promise under the control of the Italian automaker Fiat than in the years before its bankruptcy, when it was owned by a private equity firm that spent little on

product development. Fiat owns 20 percent of Chrysler, and Mr. Marchionne is chief executive of both companies.

Chrysler's sales in the United States were up 16.5 percent in 2010 through October, compared with a 10.6 percent gain across the auto industry. Its market share rose to 9.6 percent, from 8 percent a year ago.

Sales of the redesigned Jeep Grand Cherokee, a model whose success is crucial to the company, nearly quadrupled last month in the United States. Chrysler is working to overhaul more of its models to make them more competitive, a process that takes years.

Within the next few months, 165 specially selected Chrysler dealers across the country will begin selling the tiny, fuel-efficient Fiat 500 car.

"We are committed to ensuring that every new vehicle this company launches has the same high quality and technological advances as the Jeep Grand Cherokee," Mr. Marchionne said.

The Grand Cherokee helped Chrysler cut its net loss by more than half from the second quarter to the third and increase revenue 5.2 percent, to \$11 billion.

Chrysler generated \$31.2 billion in revenue in the first nine months of 2010 and on Monday predicted that revenue in the fourth quarter would be roughly the same as in the third quarter.

Chrysler now expects cash flow to be \$500 million positive for the full year, rather than the \$1 billion negative it had forecast previously.

The company said it had \$8.3 billion in its cash reserves as of Sept. 30.

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