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Chrysler IPO: Thumbs Up or Down?

By Andrea Tse
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NEW YORK (TheStreet) -- Chrysler raised its full-year guidance based on "continued operating performance improvement," the automaker said Monday, and since then analysts have been responding with mixed reactions, ranging from optimistic to somewhat indifferent on what this could mean for Chrysler's market share performance and Chrysler and GM's upcoming IPOs.

Conway MacKenzie turnaround expert Van Conway says he thinks domestic car companies have "mutual synergy" in how they're perceived, so Chrysler's latest quarterly report -- which Conway adds "clearly demonstrated that their turnaround is in progress," despite its comparatively smaller size -- can have positive impact on how U.S. rivals such as Ford(F_) and GM are perceived. "I think Chrysler's results today will bode well for the GM IPO."



Conway notes that the total U.S. market share of U.S. automakers currently is less than 45%. However, he adds that he wouldn't be surprised if their market share expanded by 5% at the expense of foreign automakers such as Toyota(TM_) and Honda(HMC_), provided that quality issues don't arise.

He notes that Chrysler has had the advantage of having a growing number of new products to bring to the market.

"Consumers didn't want to buy GM and Chrysler" because they took government money, Conway speculates, adding that once that money is paid back, "they may start buying again." Conway says Chrysler has profitable operating profit line, but significant interest expense, so it would likely use the proceeds from an IPO -- expected to take place in the latter half of 2011 -- to pay down debt obligations.

Conway says that if GM has a successful IPO; and if Chrysler and the economy continue to improve over the next few quarters; and with the midterm elections over and paving the way for more political certainty, Chrysler could likely have a decent IPO.

Meanwhile, Wall Street Strategies analyst David Silver says that "despite the strength in Chrysler, I don't think it has too significant an effect on the rest of the industry. The company is a niche player right now. The strength of SUVs and light trucks could bode well for the other companies in the space, but we have been seeing that trend for a few months now, and just because Chrysler reports strong numbers, it won't take sales or market share from the other players in the space."

Silver thinks Chrysler's IPO will be less successful than GM's, but adds that "it doesn't have the market share or market position it once had, so it's really on the outside looking in."

Jesse Toprak, TrueCar.com's vice president of industry trends and insight, says he is encouraged by Chrysler's progress in operating profit and product line ups in a short period of time. "Just last year, Chrysler was on life support and we were uncertain if they would emerge from bankruptcy as a viable business entity.

"However, Chrysler continues to rank the highest on incentive spending and fleet sales mix amongst major manufacturers," continues Toprak. "If they can lower their incentive spending to under \$3,000 per unit and cut their fleet mix to under 30%, we should see their financials improve in 2011." Like Conway, Toprak notes the influx of new products from the company, especially new Fiats; he believes that trend should offset the company's vulnerability to high gas prices owing to the automaker's strong reliance on truck and SUV sales.

In light of all this, and following Chrysler's third-quarter earnings release, are you now feeling more bullish or bearish about a Chrysler IPO? Take our poll below to see what the rest of TheSteeet thinks.