

French carmaker PSA boosts outlook after 'historic year'

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French carmaker PSA, which produces the Peugeot brand, had a banner year in 2018, it announced on Tuesday

French auto giant PSA, which produces the Citroen and Peugeot brands, said Tuesday it had boosted its profit outlook after recording a "historic

year" in 2018 despite the car industry facing "strong headwinds".

Ranked the second largest carmaker in Europe after Germany's Volkswagen, Paris-based Groupe PSA said its net profit rose 47 percent to a record 2.83 billion euros (\$3.21 billion) in 2018, while recurring operating income soared 43 percent to 5.69 billion euros, also a new high.

The company said in a statement that it also posted a new record for revenue, which was up 18.9 percent to 74 billion euros, as well as for volume of sales.

PSA chairman Carlos Tavares hailed the "historic results" despite an "extremely chaotic 2018" for the car market.

But at a press conference on Tuesday he warned that the industry faced "even stronger headwinds".

The car industry is dealing with a series of challenges, including a slowing global economy, uncertainty over Brexit and new strict European Union emissions standards.

Because of the positive results, Tavares told Franceinfo radio that French employees who earn less than twice the minimum wage would receive a bonus of 3,810 euros, up 43 percent from last year.

PSA also said shareholders would be offered an increased dividend of 78 euro cents per share, a rise of 47 percent.

The group also announced a target operating margin of more than six percent by 2021 for its automotive activities, and a total of 4.5 percent in 2019-2021.



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The six-percent goal had previously only been a target for the Peugeot, Citroen and DS brands but now includes Opel and British-based Vauxhall, both of which PSA acquired from General Motors in 2017.

After the group acquired the two brands, they returned to profitability in less than 18 months following 20 years of losses.

Tavares said the forecasts were valid even in the most pessimistic scenarios—including the possibility of Britain crashing out of the EU without a deal— but "that will not prevent us from doing better if we

can".

PSA said that without the Opel contribution, 2018 sales would have been down 12 percent due to the impact of fresh sanctions imposed on Iran by US President Donald Trump as well as a slump in China.

The company sold 3.88 million vehicles last year, up 6.8 percent from 2017.

Eighty percent of those sales were in Europe, compared to 65 percent in 2017, due to the popularity of its Peugeot and Citroen SUVs.

Tavares spoke of ambitions to grow sales outside Europe by 50 percent, including a Peugeot push in the United States announced in 2016.

But, he said, the company is waiting for clarity from the US on tariffs for the cars, which would be imported from factories in Europe and China.

Peugeot shares lost more than two percent in the Paris CAC 40 exchange in morning trading. However the stock remains nearly 20 percent higher over the last 12 months.

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