

Fiat Chrysler slams brakes on Renault merger offer

June 6 2019, by Pierre Donadieu, Valentin Bontemps



Fiat Chrysler said it would be unable to reach an agreement with the French government over the proposed merger with Renault

Italian-American carmaker Fiat Chrysler on Thursday withdrew its blockbuster proposal to merge with Renault, blaming political objections in Paris and sparking a war of words with French officials.

Fiat Chrysler (FCA) had stunned the markets last week by proposing a "merger of equals" with the French group that would create an auto giant

spanning the globe.

The plan was welcomed by analysts as one of the few deals in the auto sector that might prove a success, given the companies' complementary range of vehicles and regional markets.

The French government, which controls 15 percent of Renault, gave it a conditional green light but also warned against "haste".

In a statement issued after a board meeting Wednesday evening, FCA said it "remains firmly convinced of the compelling, transformational rationale" of its proposal, which it said was "carefully balanced to deliver substantial benefits to all parties".

"However it has become clear that the political conditions in France do not currently exist for such a combination to proceed successfully," it added.

Renault, whose longstanding alliance with Japan's Nissan is in trouble, expressed its "disappointment".

Shares in the French company plunged by almost seven percent in early afternoon trades in Paris. In Milan, FCA shares also slid at the open but then recovered to show a small gain.



Nissan had cautiously received the news of a proposed Fiat-Renault merger

Nissan holds key

The deal would have created a group worth more than 30 billion euros (\$34 billion) across the two companies' namesake brands as well as Alfa Romeo, Jeep, Maserati, Dacia and Lada.

Renault's board had said on Tuesday that it was studying "with interest" the FCA offer but held off on granting approval pending further deliberations.

On Wednesday, all Renault directors favoured the merger, apart from an

employee's representative affiliated with the powerful CGT union and two from Nissan who abstained, a source close to Renault said.

The two Nissan directors were said to have asked for more time to approve the deal. There was no official comment from Nissan headquarters in Tokyo.

Relations in the partnership have been under strain since the arrest in November of former Renault and Nissan boss Carlos Ghosn, who awaits trial in Japan on charges of under-reporting his salary for years while at Nissan and using company funds for personal expenses.



Relations between Renault and Nissan have been strained since the arrest of

former boss Carlos Ghosn in November

French Finance Minister Bruno Le Maire said Wednesday that Renault plans to bring its own case against Ghosn after identifying 11 million euros of questionable expenses.

Le Maire had set conditions for the FCA tieup, including no plant closures and that the Renault-Nissan alliance be preserved.

A combined mega-group that included Nissan and Mitsubishi would be by far the world's biggest, selling 15 million vehicles and surpassing Volkswagen and Toyota, which sell around 10.6 million each.

The Renault source said Le Maire had asked for another board meeting next Tuesday after he returns from a trip to Japan where he was to discuss the proposal with his Japanese counterpart.

Blame game

A source close to FCA blamed the "sudden and incomprehensible" objections of Le Maire's ministry for causing the collapse of the deal.



Fiat Chrysler Automobiles was "firmly convinced of the compelling, transformational rationale" of its merger proposal

"New demands imposed by the French government have led to this damaging situation for all parties," the source told AFP.

Italian Deputy Prime Minister Luigi Di Maio said: "When politics tries to intervene in economic procedures, they don't always behave correctly, I don't want to say any more."

But Le Maire stressed that of his conditions for the FCA alliance, only the explicit approval of Nissan remained to be secured, while aides denied that the ministry had played politics with the deal.

A source close to the finance ministry said the French government "regrets the hasty decision of FCA".

"From the beginning, the (French) state has wanted the necessary time to examine" the deal, the source said.

"Despite significant progress, a short delay was still necessary so that all conditions set by the state could be met."

Renault

1898

Boulogne-Billancourt,
FRANCE

58.8 2017
57.4 2018

16.0 b
euros



Founded

Headquarters

Revenues 2017
billion € 2018

Market
capitalisation
as of June 4, 2019

Fiat Chrysler

2014

London, BRITAIN/
Amsterdam, NETHERLANDS

105.7 2017
110.41 2018

17.7 b
euros*



2018 figures

4.1 million
In all Renault plants,
partner plants

Combined vehicle
production/shipments

4.8 million

Europe
+ France
1,921

Asia-Pacific
330

Americas
437

Eurasia
748

Africa,
M. East, India
449

Sales by region
thousands

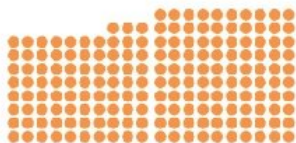
NAFTA**
2,555

Asia-Pacific
221

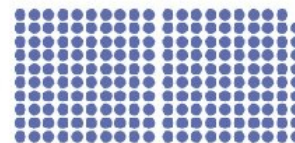
Europe,
M. East,
Africa
1,315

Latin America
563

183,000
in 37
countries



Employees



199,000
in 40+
countries

**North American Free Trade Agreement

Sources: Renault and Fiat Chrysler annual reports, Bloomberg, *converted from US\$19.9 b

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Foreign takeovers of major French firms are highly controversial and successive governments have sought to defend domestic industrial groups that are seen as important for their technology or jobs.

French Budget Minister Gerald Darmanin said the government was right to demand guarantees of FCA.

"And to seek (more) time for a wedding is normal," he told Franceinfo radio, while keeping the door open for the deal to be revived.

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