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Butzel attorney, Sheldon Klein quoted in The Detroit News article, "Stellantis 'not shy' about cost cuts, improvements in North America"

Firm News

The Detroit News

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The CEO of the maker of Jeep SUVs and Ram pickup trucks claimed victory over competitors for its performance in North America last year, but he emphasized there's more work to do — and that work is creating friction with the automaker's business partners.

Stellantis NV recorded a \$15.1 billion net profit in 2021, up 179% year-over-year from the combined 2020 results of its predecessors Fiat Chrysler Automobiles NV and French rival Groupe PSA before they merged. Revenue was up 14% to \$172.2 billion, and its 11.8% adjusted operating income margin beat its full-year guidance of 10%.

Fueling much of that growth were strong results in North America, where the transatlantic automaker achieved an adjusted operating income of \$12.9 billion, up 85% year-over-year. Cost cuts in response to inflationary pressures and resulting from the merger as well as strong vehicle pricing because of limited dealership inventories spurred the 16.3% margin and up to \$14,670 in profit sharing for U.S. union workers.

"You, the investor, can compare who is doing a better job by looking at the margins," CEO Carlos Tavares said Wednesday during an earning call. "The winner is obviously Stellantis in North America by far."

But the company is under pressure, Tavares says. There's room for additional efficiencies and savings, especially in the face of increasing raw material prices and the timeline necessitated by regulators to move toward electric vehicles, which he says cost 40% to 50% more than their gas- and diesel-powered counterparts. But efforts to squeeze out savings are also squeezing relationships with suppliers.

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"There is supplier outrage like I have never seen before," Sheldon Klein, co-chair of law firm Butzel's global automotive coordinating committee, said of the response to changes Stellantis made to its global and North American terms of purchase at the start of the year. "Suppliers are reconsidering doing business with them."

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