Peugeot Citroen reveals recovery strategy, shares slump

PARIS, FRANCE: French car company Peugeot Citroen, fighting to recover from its financialcrisis with a new Chinese shareholder, presented a recovery strategy, but its shares still slumped.

Citroen will introduce more models to its range in an effort to penetrate global markets. Image: InAutoNews

"The group will focus on a culture of performance and global branding," it said in a statement.

PSA Peugeot Citroen, which has made net losses of €7.2bn in the last two years, titled its programme "Back in the Race", and emphasised ambitions to grow in China and South-East Asia.

But its ambitions received a cold shoulder on the Paris stock exchange where its shares fell by 4.46% to €13.08.

The new Chief Executive Carlos Tavares said in a statement that the objective was to concentrate every resource on raising profitability. The group said was aiming to generate operating cash flow of €2.0bn between 2016 to 2018.

It expected the car division to generate an operating margin of 2.0% by 2018 and then 5.0% under the next medium-term plan for the years 2019 to 2023.

To achieve this the group would focus on boosting its Peugeot and Citroen brands and develop the upmarket Citroen DS cars so that they no longer competed with other models in the group. It also intended to push up prices on global markets.

To do this the group would concentrate on 26 models by 2020 to offer a broader range and higher profitability and target profitable markets.

PSA is in the process of getting two new shareholders, the Chinese state-controlled Dongfeng group, which already works with Peugeot Citroen and the French government.

The group halved its net loss last year from €5.0bn in 2012 to €2.3bn. It has been in dire financial straits for some time, and desperately needed new capital as well as a way to accelerate its penetration into the Chinese market.

A government-commissioned report found that the group had made a key strategic mistake by not making the most of global opportunities.

The strategic plan to rescue the group aimed at making its Latin American and in Russian markets profitable, modernising its factories and reducing costs and inventories.

Source: AFP via I-Net Bridge