

Daimler profits nose ahead in third quarter

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Daimler was pushed into its first quarterly loss in a decade earlier this year when it booked 4.2 billion euros in costs due to a recall of diesel cars that did not conform with legal emissions limits

German carmaker Daimler reported Thursday a return to quarterly profits in July-September after its first three-month loss in 10 years, but said more work was ahead as it confronts a slowing global market.

"Strong sales" at the Mercedes-Benz maker helped lift net profits three percent year-on-year, to 1.8 billion euros (\$2.0 billion), chief executive Ola Kallenius said.

But the recently-installed boss reiterated that the Stuttgart-based firm must continue cutting costs to be fit for the future.

Revenues were up eight percent, at 43.3 billion euros, with operating or underlying profit growing at the same pace, to 2.7 billion.

"Daimler beat market expectations for sales, operating profit and net profit," noted analyst Frank Schwöpe of LBBW bank.

"The car division stabilised significantly and the final quarter this year should be better than in 2018," he forecast.

Over the full year, Daimler confirmed that it expects revenue "slightly above" 2018's level, while operating profit will be "significantly below" last year's 11.1 billion euros.

It has already lowered expectations twice, hit by recalls over alleged diesel cheating and faulty Takata airbags as well as weaker-than-expected growth in the global car market.

Trade conflicts have weighed heavily on the auto sector, as has continued uncertainty over British-European business after Brexit.

But investors were encouraged by Daimler's results, with the stock adding 4.7 percent to trade at 52.79 euros around 10:30 am in Frankfurt (0830 GMT).

'Transformation'

That was despite the profit margin at the flagship Mercedes-Benz cars division—watched closely by markets as an indicator of the firm's health—sliding 0.3 percentage points, to 6.0 percent.

CEO Kallenius warned that "in order to master the transformation in the next few years, we need to increase our efforts considerably".

A cost-cutting drive launched under previous boss Dieter Zetsche will press on, targeting "all costs" in "all business areas", chief financial officer Harald Wilhelm said.

While "we want to improve Daimler's efficiency over the short and over the medium term," Wilhelm said, there would be "no 180-degree turn" on high-priority investments like electric cars and automated driving.

Daimler's hunt for cash intensified when it was forced to set aside 4.2 billion euros in provisions in the second quarter, covering a massive recall of cars allegedly fitted with software to cheat emissions tests.

The move pushed it into a net loss of 1.2 billion euros in April-June.

So far German motor vehicle authority KBA has ordered almost one million Daimler vehicles recalled, but the carmaker says none of the "motor control functions" highlighted by officials are illegal.

The company nevertheless agreed to pay an 870-million-euro fine in September for having sold vehicles that did not conform with legal emissions limits since 2008.

Since then, it has warned that "some of the provisions we have recognised... could prove to be insufficient" and that "additional expenditures may arise" affecting its cars and vans divisions.

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