

Cost controls, luxury sales help Daimler weather pandemic

February 18 2021, by David McHugh



In this Thursday, April 30, 2020 file photo, an employee attaches a Mercedes emblem as he works on a Mercedes-Benz S-class car at the Mercedes plant in Sindelfingen, Germany. German automaker Daimler said it will split itself into two independent companies by spinning off its truck and bus division. The Stuttgart-headquartered company said Wednesday, Feb. 3, 2021 that a significant majority stake in the truck business would be distributed to current shareholders, and that Daimler would "at the appropriate time" be renamed Mercedes-Benz, the brand name under which it sells luxury cars. (AP

Photo/Matthias Schrader, file)

Car and truck maker Daimler increased its profits by 48% to 4.0 billion euros (\$4.8 billion) in 2020 thanks to extensive cost-cutting and a sales recovery in the second half for its highly profitable Mercedes-Benz luxury cars and sport-utility vehicles.

The bottom line improved on 2.7 billion euros from 2019, even as top-line revenue fell 11% to 154.3 billion euros.

With net cash at year end of 17.9 billion euros, CEO Ola Kallenius said the company had the resources to develop the electric cars and digitalized products and services that are transforming the industry: "We proved our ability to generate substantial cash flow and to drive the ongoing transformation on our own—even under the adverse circumstances of a pandemic."

The Stuttgart-based company said its outlook for this year was for profits and sales to be "significantly above" last year, assuming continuing rollout of vaccines and absent any unexpected pandemic-related setback. Management proposed that the board of directors approve raising the dividend payout to shareholders to 1.35 euros per share from 90 cents a share.

Daimler AG faced production shutdowns early in the year along with other automakers but benefitted from recovering demand for luxury cars after the first wave of the virus outbreak. The Mercedes-Benz luxury car division saw sales down only 1% in the last three months of the year. Luxury car sales were boosted by the rebound in China, the division's largest market, where sales rose 12% compared with 2019.

Net profit in the fourth quarter rebounded to 3.58 billion euros from a loss of 11 million euros in the same quarter of 2019.

Operating earnings fell at the company's truck and bus division, which includes the Freightliner and Western Star brands, to 525 million euros from 2.67 billion in the year-ago quarter. The company says it plans to spin off the division to existing shareholders with a separate listing by the end of the year, and that Daimler will rename itself as Mercedes-Benz at some point in the future.

Daimler shares traded 1.1% higher at 66.32 euros in morning trading in Europe.

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