Nissan shares plunge after profit warning

July 25 2024, by Katie Forster

Nissan described its quarterly results as 'challenging'

Nissan tumbled more than 10 percent on Thursday after the Japanese automaker issued a profit warning, citing "intense sales competition", especially in the United States.

The company and its domestic rivals are also struggling to stand their ground in China's market as fast-growing electric vehicle firms backed by Beijing race ahead.

Net profit in the first quarter plunged 73 percent year-on-year to 28.6 billion yen ($190 million), Nissan said—far below analyst expectations of 97.1 billion yen.

The auto giant now predicts a full-year net profit of 300 billion yen ($2 billion), down from 380 billion yen previously forecast.

"Our first-quarter results were very challenging" and "we have implemented measures to recover our performance," CEO Makoto Uchida said in a statement.

"From the second half we aim to maximize sales of new and refreshed models to achieve the revised forecast of sales volume and profit," he added.

Although global sales remained even, "profit was impacted by increased sales incentives and marketing expenses to meet intense sales competition and optimize inventory," particularly in the United States, Nissan said.

The disappointing first-quarter earnings come after the company nearly doubled full-year net profit in 2023-24, partly thanks to the weak yen inflating its takings.

On Thursday, Nissan shares tanked 11 percent right after the earnings release but recovered to close down 6.98 percent.

In China, competition also "remained intense", but Nissan performed well among international brands, chief financial officer Stephen Ma said.

Uchida said at a Financial Times summit in May that Nissan would work with Chinese firms to launch five new electric or hybrid vehicles in the country within the next two years, calling operating in the market there "a survival game".

Nissan recently ceased production at a factory west of Shanghai as part of efforts to cut production capacity.

A company spokesman confirming the move said Nissan was "committed to China under the strategy of 'in China, for China' with a focus on NEV transformation, corporate value, and overall competitiveness in the Chinese market".

The plant in Changzhou was a joint venture with state-owned Chinese auto company Dongfeng Motor.

It had an annual capacity of 130,000 vehicles—eight percent of Nissan and Dongfeng's total capacity in China—and only opened in 2020, according to Japanese media.

Japan's Honda is also struggling with sales in China and plans to reduce its annual car output capacity there by 50,000 units, Kyodo News reported on Thursday.

China overtook Japan as the world's biggest vehicle exporter last year, helped by its global dominance in electric cars as firms such as BYD speed ahead of international rivals.

Citation: Nissan shares plunge after profit warning (2024, July 25) retrieved 26 July 2024 from https://techxplore.com/news/2024-07-nissan-plunge-profit.html