

# Tough auto market dents BMW earns, sales in Q1

May 2 2013, by David Mchugh

---

Tough auto markets worldwide—including a deep slump in Europe—and investment in new technology dented first-quarter earnings at German automaker BMW AG.

BMW's net [profit](#) fell 3 percent to 1.312 billion euros (\$1.73 billion) as revenues declined 4.1 percent to 17.55 billion euros.

The earnings figures follow a quarter in which the European car market shrank 9.8 percent as many countries have sunk back into recession.

Still, the company's drop in profit for the quarter was smaller than its German competitors, Daimler AG and Volkswagen AG.

"Despite the current weakness of car markets in Europe, the [BMW Group](#) has made a good start to the new financial year 2013," CEO Norbert Reithofer said in a statement Thursday. "Despite high expenditure on new technologies and challenging market conditions worldwide, we managed to keep revenues and earnings at high levels."

The maker of the 1-series compact and the X5 sport utility noted that its overall auto profit margin of 9.9 percent, a key earnings figure, was near the top end of its 8-10 percent goal. Profit margin is what's left over from the price after the expenses of making and selling the car. The group net profit figure also beat the estimate for 1.102 billion euros among analysts surveyed by financial information provider FactSet.



Munich-based BMW said earnings would continue to be affected by higher expenses for investment in new technology and production facilities. Renewing the model line with fresh designs and the latest technology is considered key to the automaker's profitability down the road. BMW's [luxury brand](#) identity also depends in part on deploying the latest technologies such as the lightweight carbon-[fiber materials](#) used in its i3 electric compact.

And the drop in profit was not as big as at Volkswagen, where earnings fell 38 percent in the quarter, or at Daimler, where they were off 60 percent. U.S. based [Ford Motor](#) Co.'s European operation lost \$462 million in the same quarter.

BMW gave a cautious outlook, staying with its forecast for [earnings](#) "on a similar scale" to last year's and for increased in unit sales.

"We do not expect to receive a great deal of impetus from most European markets over the next few months and economic conditions in these areas are likely to remain challenging," Reithofer said.

Numbers of vehicles sold improved in all regions, up 3.1 percent in Europe, 5 percent in the Americas, and 9.5 percent in Asia. Europe's problems were evident in drops of 5.1 percent in Italy and 7.4 percent in France.

Analyst Max Warburton at Sanford C. Bernstein said the quarter was "not fantastic" but still "better than most of us had anticipated given some tough end market trends." He noted BMW sales growth has slowed in the key China market, and that a larger share of sales there came from lower-margin vehicles produced with local partner Brilliance, resulting in a less profitable product mix.

BMW shares rose 2.7 percent after the announcement to 71.95 euros in



morning trading in Europe.

© 2013 The Associated Press. All rights reserved.

Citation: Tough auto market dents BMW earns, sales in Q1 (2013, May 2) retrieved 9 April 2024 from <https://phys.org/news/2013-05-tough-auto-dents-bmw-sales.html>

<p>This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.</p>
--