

Mercedes-Benz luxury cars fuel fat profits at Daimler

February 2 2017, by David Mchugh



In this Jan 28, 2015 file picture an employee attaches a Mercedes emblem as he assembles a Mercedes-Benz S-class model at the plant in Sindelfingen, Germany. The company will have the annual press conference on Thursday, Feb. 2, 2017. (AP Photo/Matthias Schrader, file)

German automaker Daimler AG said Thursday that its fourth-quarter net profit jumped 18 percent—but offered only a modest outlook for future earnings as it prepares to spend heavily on new models and advanced technologies such as autonomous driving.

Net profit for the quarter hit 2.2 billion euros (\$2.4 billion), boosted by strong sales of new SUVs under the company's luxury Mercedes-Benz brand. Group revenue rose 1 percent to 41 billion euros.

For the full year, Daimler made 8.78 billion euros net profit, up 1 percent from 2015.

CEO Dieter Zetsche said the company's strong profits equipped it to confront challenges from new technologies such as autonomous vehicles.

"Those who wish to shape the future of the automobile at the forefront of the automotive industry need both financial strength and innovative skill," Zetsche said in a statement. "In 2016, we demonstrated that the combination of these two factors at Daimler is stronger now than ever before."

The company is working on a new EQ brand of electric vehicles and has signed an agreement with ride-hailing company Uber to cooperate on building and operating self-driving vehicles. Under the deal Daimler would in coming years introduce autonomous vehicles that would operate through Uber's ride-sharing network.



In this Feb. 4, 2016 file photo a Daimler logo is fixed at the front of a concept car on the occasion of the company's annual press conference in Stuttgart, Germany. German car, truck and bus maker Daimler AG will have the annual press conference Thursday Feb. 2, 2017. (AP Photo/Michael Probst, file)

The company said profits "would increase again slightly" in 2017, as spending on research and development as well as plants and equipment would "increase significantly." Such spending can sap short-term profits because the returns on new products take years to materialize.

Companies like Daimler—and luxury competitors such as Volkswagen's Audi brand and BMW—must constantly improve their new models or lose sales.

Daimler shares were off 2 percent at 68.02 euros in early afternoon trading in Europe.

Automakers are spending heavily on new technologies even while it is uncertain when, or if, consumers will embrace them. Few consumers, for instance, opt for electric cars due to higher price tags and concerns about limited range and places to charge them. Yet automakers who don't have them risk being left behind if—and when—demand takes off.

Research and development spending rose 15 percent to 7.6 billion euros in 2016—money that was spent on new models, environmentally friendly drive systems, safety technology, autonomous and assisted driving and digital connectivity of the company's products.

For the fourth quarter, booming profits at Mercedes-Benz outweighed losses at the company's truck business, which lost sales in Turkey and the Middle East. Operating earnings at the luxury brand rose 53 percent to 2.56 billion euros, driven by higher vehicle prices and sales of new SUVs.

The company said its profits from the full year meant it will pay up to 5,400 euros in profit-sharing bonuses to 130,000 eligible workers in Germany. They'll get the money in their April paychecks.

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