

Engine maker Rolls-Royce powers back into profit

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A Rolls-Royce Trent XWB aircraft engine on the assembly line at the firm's factory in Derby, England.

Rolls-Royce, the British maker of plane engines and other power systems, roared back into net profit last year, largely as the pound recovered, the company revealed on Wednesday.

Profit after tax struck £4.2 billion (\$5.8 billion, 4.7 billion euros) in 2017 following a net loss of £4.0 billion one year earlier, Rolls said in an earnings statement.

While the plunge in the value of the pound in the wake of Britain's 2016 vote in favour of Brexit helped many exporters, Rolls-Royce was forced to book a charge of £4.4 billion that year as it hadn't hedged against such a move.

The firm's hedge book showed a gain of £2.6 billion last year.

Stripping out exceptional gains and losses for Rolls during the past two years on foreign exchange factors, the company on Wednesday added that underlying pre-tax profit jumped by a quarter to almost £1.1 billion in 2017.

The better-than-expected earnings sent the company's share price surging 12.8 percent to 935 pence in morning deals on London's benchmark FTSE 100 index, which was up slightly overall.

"Investors cheered a 25-percent increase in full year underlying pre-tax profit... and a six-percent jump in reported revenue," said Connor Campbell, analyst at Spreadex trading group.

"CEO Warren East's commitment to a 'more fundamental restructuring programme' set to deliver 'a significant reduction in costs' also helped," he added.

Pointing to the underlying performance, Rolls chief executive East said the group was "encouraged by the improving financial performance in 2017 with growing revenues contributing to improved profitability and cash generation".

East is steering a vast restructuring programme at the group, slashing thousands of jobs since his appointment in 2015.

In January, the company announced plans for a possible sale of its commercial marine business.

"The business unit simplification and restructuring programme that we announced this January will drive further rationalisation and is a fundamental step in the journey started two years ago to bring Rolls-Royce closer to its full potential both operationally and financially," East said in Wednesday's statement.

Looking ahead, Rolls said it would take a hit of around £340 million during 2018 on repairs to Trent engines used by the Boeing 787 Dreamliner and Airbus A380 superjumbos.

Rolls has experienced issues with some engine parts not lasting as long as expected, requiring the company to remove turbines for repairs, in turn causing disruption for customers.

East on Wednesday said that Rolls would continue "to address the in-service engine issues... the estimated costs of which are significant".

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