

BMW profits dip on investments in e-cars

2 August 2018, by Yann Schreiber



BMW also makes the compact Mini and luxury Rolls-Royce

German high-end carmaker BMW on Thursday reported a dip in quarterly profits after ramping up spending on electric and self-driving cars.

But the group confirmed its full-year outlook, saying its focus on future technology would help see it through "challenging times" as global trade tensions mount.

The Munich-based group reported net profit of 2.1 billion euros (\$2.4 billion) from April to June, down 6.1 percent year-on-year but slightly better than analysts had predicted.

Revenue at the group, which also makes the compact Mini and luxury Rolls-Royce, dipped nearly three percent to 25 billion euros despite record deliveries of nearly 638,000 cars in the second quarter.

BMW said earnings were braked by negative currency effects and higher raw materials prices.

But a 14-percent spike in spending on research and development, to 2.6 billion euros, was the main drag on the bottom line as the company joins other

carmakers in pivoting towards cleaner, smarter cars.

Chief executive Harald Krueger said BMW was focusing on meeting "the demands of tomorrow" as the industry goes through "challenging times".

"The BMW Group has more than 100 years of experience in dealing with volatility in a changing world," Krueger said.

"It is crucial that we remain focused on the key issues of profitability, growth and innovation to ensure our competitive edge going forward."

Trade war fears

Like other major carmakers, BMW is nervously eyeing an unfolding trade war between the United States and China, which have hit each other with tit-for-tat tariffs on billions of euros worth of goods, including in the auto sector.

US President Donald Trump has also threatened hefty duties on cars imported from the European Union, after already imposing steel and aluminium tariffs.

BMW, which has factories in the US, Europe and China, would be among the companies hardest hit if the trade rows escalate.

"The trade situation is clearly volatile," Krueger told reporters.

Speaking during the same conference call, BMW finance chief Nicolas Peter said the group was closely following the latest developments.

"Should conditions deteriorate, we of course can't rule out an impact on our forecasts," Peter added.

Looking ahead to the full year, BMW nevertheless remained optimistic.

It said it continued to expect new records for unit sales and revenue, with pre-tax profits "at the

previous year's level" of 10.7 billion euros.

Krueger said the company was on track to deliver over 140,000 electric and hybrid BMWs and Mini cars this year, up more than 40 percent on 2017.

The group was also working on "significantly expanding" its footprint in China, the world's largest car market.

It plans to begin exporting the fully electric BMW iX3, to be built in China by its BBA joint venture, from 2020, and signed a deal with Chinese manufacturer Great Wall Motors to produce electric vehicles there.

Shares in BMW shed 2.26 percent to 79.66 euros by 0930 GMT, against a blue-chip DAX index that was down nearly 1.7 percent.

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