

BMW has rise in Sales, but suffers Drop in Shares

Bayerische Motoren Werke AG (BMW), the world's leading premium carmaker, has previously posted 78% improvement in net sales profit for the third quarter of this year. Though the significant rise could boost pre-tax profits for the entire year, the German independent company still worries of a possible slump in shares.

BMW has delivered a 6.3 percent jump in pre-tax profits to €765 million (£533 million) influenced by the soaring euro and commodity prices. It has fallen short of market expectations along with the 4 percent drop in stocks.

Norbert Reithofer, chief executive, said, "Despite these improvements, we are not satisfied with our current financial or earnings situation. What's more important is that we are now setting the right course for the future... with our strategic realignment, we are now clearly focusing on improving profitability," as he has set out plans to have two million cars sold by 2020 and cut costs by about €6bn in 2012.

According to BMW, they are expecting to have 1.4 million cars sold within this year, as their third-quarter sales rose by 12.8 percent at 364,564 units. This has prompted deliveries to go up by 7.2 percent in the first nine months at 1.1 million vehicles. The group revenues have also risen in the third quarter by 19.2 percent at €13.8bn and 11.1 percent at €40.4bn for the first nine months.

The Mini had its sales improved by 25 percent at 57,315 units in the third quarter and 12.3 percent at 164,891 units for the first nine months. Thus, the company expects to have 220,000 units sold for the entire year. The Rolls-Royce, on the other hand, posted 51.6 percent improvement on third-quarter sales at 285 units and 22 percent at 578 units for the first nine months.

Though net profits rose by 78 percent at €803m in the third quarter, the company seems not settled and believes that it isn't enough for the group to obtain its full-year pre-tax earnings target. BMW has posted 17.4 percent slump in pre-tax profits for the first nine months.

BMW needs to deliver a 20 percent increase in pre-tax profits at over €1bn in the last quarter, according to analysts, to obtain its full-year target. That is considering a slide in profit margins in the core automotive division by 5.4 percent, compared with the company's 2012 target of 10 percent.

To cushion the impact of the strong euro, the group plans to raise its US plant capacity by 50 percent at 240,000 units. They say the currency fluctuations would cost it lower than last year's €666m. Extra material costs including that of producing quality parts like [BMW 533 parts](#) are expected to go close to the €178m recorded in 2006.

With the easing impact of euro, Chief Financial Officer Michael Ganal said that BMW is in high possibility to have strong final quarter sales.

About the Author

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