

Cummins reports 4% y/y revenue growth in Q2

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Cummins retains full-year forecast for sales to grow 2–4%

Cummins has announced a 4% year-on-year increase in revenue to USD5 billion in the second quarter. However, this growth was lower than the 7% expansion in the first quarter, on sales of USD19.7 billion. The supplier attributes the growth to stronger demand from on-highway markets and distributor acquisitions in North America, although there was a 4% negative impact of currency exchange due to a strong US dollar. North American revenues increased 12% y/y in the second quarter, while international sales declined 6%. Cummins' joint-venture income declined – USD45 million, versus USD57 million a year before – as the company acquired the North American distributors, offset by increased earnings at Chinese JVs. Earnings before interest and taxation (EBIT) increased 10% to USD721 million, resulting in a margin of 14.4% of sales. Net income increased 5.6%, from USD446 million last year to USD471 million this year, on stronger operating leverage from higher volumes and lower materials costs. In a company statement, Cummins chairman and CEO Tom Linebarger said, "Earnings improved as a result of good performance by our manufacturing and supply chain organisations and solid execution on material cost reduction initiatives. We returned USD517 million to shareholders in the form of dividends and share repurchases in the second quarter and we recently announced a 25 percent increase in our quarterly dividend." In terms of segments, engine sales increased 2% to USD2.8 billion, with on-highway and power-generation markets showing higher demand, to offset weaker construction, marine, and mining demand.

Significance: Cummins has not changed its the full-year forecast for sales to grow 2–4% and EBIT margin at 13.5-14% of sales. Cummins builds 4-, 6- and 8-cylinder diesel engines in Brazil, China and US. According to the IHS Automotive Powertrain forecast, output from Cummins and its partners is forecast to decline to 3.1% in 2015. By 2018, however, engine production will exceed 333,000 units, with notable growth in Brazilian production.



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