

EDITORIAL – Tougher quarter for automotive suppliers as automakers struggle

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Tier-ones see most favourable performance

OEMs and suppliers have been releasing financial details for the quarter this week. Here are the highlights from the last week:

Aisin Seiki's net profit declined 6.3% year on year (y/y) to JPY22.3 billion (USD182 billion, 30 June 2015) in the first quarter of fiscal year (FY) 2015/16. Net sales for the period stood at JPY771.7 billion (USD6.3 billion), up 9.2% y/y. Despite higher sales, operating income fell 12% y/y to JPY33.8 billion (USD276 million). Aisin Seiki attributed increase in sales to higher automatic transmission production volumes in North America and China, coupled with foreign exchange gain. However, operating income and net income decreased y/y due to an increase in fixed costs including depreciation and research and development (R&D) expenses.



BorgWarner again saw a significant impact on net sales from foreign-currency exchange effects. According to the supplier, adjusting for the impact of currency effects, the company's net sales grew 4% year on year (y/y), rather than the actual decline of 11% y/y, to USD2,032 million in the second quarter. BorgWarner has adjusted its full-year guidance for the second consecutive quarter, and is now forecasting net sales will decline by 2.5-5.5%, from a decrease of 0-4% previously. Operating income as a percentage of net sales is now forecast to be about 13%, rather than the previous guidance of "above 13%".

Continental has reported a 11% year-on-year (y/y) increase in net income to EUR1.4 billion (USD1.5 billion, 30 June 2015) in the first half (H1) ended 30 June 2015. Sales in the Automotive Group increased 16% y/y to EUR11.9 billion (USD13 billion). Continental noted positive growth in the first half of the financial year, which the company attributed to raw material costs and double-digit sales growth in Asia, despite a slowdown in the growth rate of vehicle production in the continent.

Delphi reported revenue of USD3.9 billion and adjusted operating income of USD526 million in the second quarter. Currency exchange had a notable impact on Delphi's results and caused the auto supplier to report a decline in sales from USD4.1 billion the second quarter of 2014. Delphi's results are largely consistent with the industry's overall regional performance, and the company met its guidance for a stronger second quarter, with revenue USD3,825-3,925 million and adjusted operating income of USD500-520 million.

Denso's net income for the first quarter ended 30 June 2015 went up 16.3% year-on-year (y/y) to JPY77.6 billion (USD632.2 million, 30 June 2015). The company reported a 13.5% y/y increase in operating income to JPY107 billion (USD871.7 million). Revenues were JPY1.1 trillion (USD8.9 billion), up 7.6% y/y. Denso said its revenue and operating profit increased due to an overseas production volume increase and the growth in sales in addition to the impact of the weak yen. In the first quarter period ended 30 June, Denso reported improved performance in all key geographies except Japan.

Faurecia recorded first half net profit increase of 96% y/y to EUR157 million (USD172 million). The company's operating income grew 40.4% y/y to EUR424 million (USD466.4 million) and total sales grew by 12.6% y/y to EUR10.51 billion (USD11.56 billion). Faurecia said its revenues were driven in particular by strong organic growth in sales in Europe and in North America. All Faurecia's business groups achieved growth in sales and profitability during the first half of the year. The Automotive seating segment growth was driven by a number of launches for Nissan, Ford, GM and Chrysler in 2014.

Federal-Mogul has reported second-quarter 2015 earnings, with significantly better performance and outlook than the second quarter of 2014. Net sales reached USD2.0 billion, a 5% increase year over year (y/y). Net income attributable to Federal-Mogul reached USD22 million, compared with a net loss in the second quarter of 2014 of USD5 million. Federal-Mogul noted that its Motorparts revenue increase was on both the Honeywell and Affinia acquisitions, as well as increased North American production. Powertrain saw less organic than acquisition-related growth.

GKN recorded a 1% y/y increase in its revenues to GBP3.85 billion (USD6.04 billion) for the first half of 2015. The profit before tax calculated on management basis grew by 4% y/y to GBP307 million (USD481 million). Operating profit increased by 2% y/y to GBP346 million (USD543 million). In automotive, GKN Driveline's market performance was strong in Europe, reflecting recent market share gains, a stronger position in premium vehicles; GKN Driveline's broadening product mix, particularly with all-wheel drive (AWD) systems.

Harman International's net income increased 45.9% year-on-year (y/y) to USD343 million in the financial year ended 30 June 2015. The company's operating income was up 42.4% y/y to USD470 million, while sales were up 15.1% y/y to USD6.15 billion. The company's Infotainment segment sales were up 10.1% y/y to USD3.12 billion, while the segment's operating income grew 75.3% y/y to USD342 million.

Infineon's net income dropped 24% year-over-year (y/y) to EUR109 million in the quarter (Q3) ended 30 June 2015. Operating income also declined 27.9% y/y to EUR119 million (USD132 million). Infineon recorded lower profit despite 43% y/y growth in revenue during the quarter to EUR1.6 billion (USD1.8 billion). Infineon's second quarter performance was severely impacted by a sharp jump of 52% y/y in cost of goods sold to EUR1 billion (USD1.1 billion).

Magna International reported second quarter 2015 earnings following a similar pattern as first quarter 2015. Sales declined by 9% to USD8.1 billion, which Magna attributes to weakening of certain currencies against the US dollar. With the second quarter results, Magna revised its 2015 full-year guidance slightly downward; expects to see its total production sales fall between USD26.2 billion and USD27.5 billion for the full year, both figures down USD0.5 billion from prior guidance.

Toyota Industries' net income jumped 15.7% year-on-year (y/y) to JPY46.4 billion (USD378 million, 30 June 2015) in the first quarter ended 30 June 2015. The company reported strong growth in net income primarily on a 3.8% y/y increase in net sales to JPY541 billion (USD4.4 billion). Toyota Industries posted a 14% y/y increase in operating income to JPY29.2 billion (USD237.8 million).

Valeo recorded a 34% y/y increase in its net profit to EUR344 million (USD378 million) in the first half of 2015. Sales in the first half went up by 15% to EUR7.3 billion (USD8.03 billion). The company's order intake for the first half period stands at EUR10.7 billion (USD11.77 billion), which reflects the commercial success of technologies developed by the Group for CO2 emissions reduction and intuitive driving.

Visteon has reported worldwide sales in the second quarter of USD812 million, up 61% year on year (y/y) from USD503 million in the same period last year, with an additional USD933 million of sales classified as discontinued operations. The company's electronics sales increased by USD337 million to USD780 million, attributed to the acquisition of Johnson Controls' global automotive electronics business. Visteon confirmed its full-year guidance, looking to improved performance against negative currency-exchange headwinds.

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