

Johnson Controls Sees Earnings Climb 29 Percent

Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

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MILWAUKEE (AP) — Johnson Controls Inc.'s fiscal second-quarter earnings climbed 29 percent on higher revenue as each of its main business segments reported double-digit sales increases amid a recovering global economy.

But the Milwaukee company, which makes auto parts and building climate control systems, forecast third-quarter earnings and revenue below Wall Street expectations, however. It said higher climate control sales will be offset by auto production cuts due to the earthquake and tsunami in Japan.

It raised its full-year revenue guidance, but one analyst questioned how much of that will be reflected in the bottom line because costs have been also rising.

Its shares fell \$1.42, or 3.5 percent, to \$39.31 in morning trading Monday.

Johnson Controls said Monday its net income rose to a record \$354 million, or 51 cents a share, for the quarter ending March 31, up from \$274 million, or 40 cents per share, a year ago.

Excluding acquisition and restructuring costs, the company said it earned 56 cents per share. That beat the 55 cents a share that analysts polled by FactSet expected.

Revenue rose 22 percent to \$10.1 billion from \$8.3 billion a year ago. Analysts expected \$9.4 billion.

The company reported that revenue at its auto parts operation jumped 25 percent from the a year ago to \$5.2 billion as it finished 18 major product launches in the quarter for Ford, Daimler, Kia, Volkswagen, Tata and Honda.

The power solutions business, which includes auto batteries, saw revenue jump 19 percent to \$1.4 billion as original equipment and replacement battery shipments rose.

Revenue rose 18 percent to \$3.5 billion at its building efficiency unit with strong demand in North America in the education, health care and government markets. The unit had an order backlog of \$5.1 billion, up 18 percent from last year, the company said.

But Jefferies & Co. Equity Analyst Peter Nesvold said in a note to investors Monday that JCI's selling, general and administrative costs rose more than \$1 billion for the quarter, up almost 20 percent from 2010.

JCI raised its revenue forecast for the full 2011 fiscal year by \$1 billion to \$39.5 billion. That's up 15 percent over 2010, due mainly to higher growth in the building

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efficiency operations, partially offset by lower auto production in the third quarter because of the devastating March 11 earthquake and tsunami in Japan. Analysts expected revenue of \$38.7 billion for the year.

But Nesvold wrote that it was unclear how much of the revenue increase would fall to the company's bottom line.

Johnson Controls said it expects third-quarter revenue to drop by \$500 million due to the earthquake, lowering earnings per share by 16 cents to 18 cents. Even with the production cuts, it still expects to earn 51 cents to 53 cents per share for the quarter.

Analysts expected earnings of 67 cents a share for the third quarter on \$9.7 billion in revenue.

The company predicted that the earthquake will have little impact in the fourth quarter, and it expects to recover lost third-quarter revenue and earnings in the first half of fiscal 2012.

"We are on track for a record year for sales and earnings in 2011, outpacing the growth rates of our key markets by gaining share and improving profitability in each of our businesses," CEO and Chairman Stephen Roell said in a statement.

He said there are uncertainties ahead about auto production because of the earthquake, but said he expects the impact to be short-lived.

Source URL (retrieved on 10/31/2014 - 3:52am):

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