

## Goodyear's 2Q Earnings Up 43 Percent

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

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Thomas J. Sheeran, Associated Press

CLEVELAND (AP) — Goodyear Tire & Rubber Co. reported a 43 percent surge in second-quarter earnings Thursday, helped by a 24 percent revenue increase.

But Chairman and CEO Richard J. Kramer expressed caution Thursday about its core North American market, however.

"These results will be difficult to repeat in the second half because of increasing raw material cost challenges and uncertain economic conditions," he said.

Goodyear is the biggest tire maker in North America and the third biggest in the world.

Its shares dropped \$1.24, or 7.2 percent, to close Thursday at \$15.93.

The Akron-based company said its net income rose to \$40 million, or 16 cents per share, in the three months ending June 30 from \$28 million, or 11 cents per share, a year ago.

Excluding one-time charges, the company earned 65 cents per share. That beat Wall Street's average estimate of 25 cents per share, according to a survey of analysts by FactSet. Analysts typically exclude one-time items from estimates.

Revenue rose to \$5.6 billion from \$4.5 billion a year earlier. Analysts had forecast \$5.2 billion in revenue.

An improved price-mix helped Goodyear overcome a 2 percent decline in the number of tires sold, reflecting weaker automotive industry production, particularly in North America.

North American sales increased 18 percent to \$2.4 billion, a second-quarter record, and reflected stronger sales of high-end tires. Revenue per tire was up 20 percent.

The number of original equipment tires sold to automakers dropped 9 percent in North America and 10 percent in the Asia-Pacific region, reflecting the impact of the tsunami in Japan.

Sales for the first quarter had been helped as retailers built up inventories in advance of any price increase amid rising raw material costs.

U.S. auto production fell 2.0 percent in June, after declines in May and April. U.S. automakers have had trouble getting component parts out of Japan in the months after the March 11 earthquakes and tsunami.

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The company said in part because of "a reduced outlook" for the sales of replacement tires in the United States, it expects that the number of tires sold for the year "will increase at the lower end of its previously announced range of 3 percent to 5 percent."

In North America, it said the company said the consumer replacement industry will be flat to up 2 percent, while it will rise between 4 percent and 6 percent in Europe.

Goodyear said it also expects its raw material costs for the remainder of 2011 will increase more than 30 percent compared with the prior year.

For the first six months of the year, Goodyear earned \$143 million, or 57 cents per share, on revenue of \$11 billion compared with a January-June 2010 loss of \$19 million, or 8 cents per share, on revenue of \$8.8 billion.

**Source URL (retrieved on 04/02/2015 - 2:58am):**

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