BMW Net Profit Rose 23.8 Percent

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FRANKFURT, Germany (AP) — Germany automaker BMW AG said net profit rose 23.8 percent in the third quarter on stronger sales of newer models such as its 5-series sedan and compact 1-series. But it warned about the impact of Europe's sovereign debt crisis on growth in coming quarters.

The company's results were slightly higher than analyst expectations and it reaffirmed its profit target for the year.

It said global auto markets were slowing and that it saw "some dark clouds on the horizon," citing risks from high levels of government debt in Europe and the United States.

The company made €1.08 billion ($1.47 billion) in profit, up from €874 million in the same quarter last year, on sales that rose 3.8 percent to €16.55 billion. The net figure was just higher than average estimates of €1.04 billion among analysts surveyed by FactSet.

Munich-based BMW said Thursday its younger model line helped sales, with newer versions of its 5-series sedan, 1-series compact and Mini Coupe boosting volumes. The new version of the 1-series has been on sale since mid-September and is expected to further boost sales in the fourth quarter.

"As a consequence we have one of the youngest product portfolios in the sector," the company said. Sales decline for older models as they near the end of their lifespan.

Sales declined by 2.5 percent for instance for the company's volume leader, the mid-size 3-series. A new version however is headed for dealers in February.

Sales rose 10 percent in its home market in Germany, 8 percent in North America and 19 percent in Asia, with the main contributor to the increase being China. Red-hot growth in China slowed to a still impressive 21 percent for the third quarter, though that is less than the 46 percent growth measured over the first nine months of the year.

The company reaffirmed its profit target even though it says the global car market "is currently showing signs of slackening." Shares rose 2.7 percent to €59.49.

"High sovereign debt and the accompanying massive efforts to consolidate spending could well hold down economic development in the near future," the company said.

Chief financial officer Friedrich Eichiner said the company expected growth would be "a little more moderate" in China. "The Chinese market in our segment is still very strong. Of course, there will no longer be two-digit growth rates as there have been in the past."

Eichiner said the company was not expecting a recession because of the European debt crisis but was "much better prepared" for financial turmoil than it was ahead of the freezing of financial markets that happened in 2008. The company has a high cash reserve and lines of credit it can draw on.

Analyst Max Warburton at Bernstein Research said the results were "indisputably excellent" and that the main question about the company and its German competitors Daimler AG and Volkswagen AG's Audi division was how they would fare in a downturn in China. Booming Chinese sales of more profitable large cars and SUVs have fattened earnings for all three over recent quarters.

Warburton estimated that China provides BMW with roughly 50 percent of its operating earnings excluding interest and taxes, with average revenue per unit of €55-€60,000 "off the chart."

"Although the stock is cheap (and its peers are even cheaper) how will BMW and its peers react if Chinese premium sales suffer a setback?" he asked.