

Deere Says 1Q Profit Up On Strong Sales

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Deere & Co. said Wednesday that strong equipment sales, particularly abroad, boosted its quarterly net income by 4 percent and the company raised its outlook for 2012.

The world's largest maker of agricultural equipment posted first-quarter earnings of \$532.9 million, or \$1.30 per share in its fiscal first quarter. That's up from \$513.7 million, or \$1.20 per share, last year.

Deere's quarterly revenue grew 11 percent to \$6.77 billion from last year's \$6.12 billion.

The results topped Wall Street expectations, but Deere's 11 percent sales growth fell short of the 16 percent to 18 percent growth the company had predicted for the quarter. The analysts surveyed by FactSet expected earnings per share of \$1.23 on revenue of \$6.56 billion, on average.

Deere's stock slid more than 3 percent, or \$2.75, to \$86.26 in early trading.

Deere, based in Moline, Ill., says it still expects equipment sales to be up about 15 percent in fiscal 2012, but the company now predicts net income of \$3.275 billion. That's up from last fall's forecast of \$3.2 billion in net income.

CEO Samuel Allen the company is investing in numerous new products and seven new factories throughout the world to make sure it is ready to meet growing demand for its heavy equipment as the economy improves and the developing world upgrades its infrastructure.

"Our substantial investment in new products and additional capacity puts Deere on a sound footing to respond to further improvement in key markets that are in the early stages of recovery," Allen said.

Credit Suisse analyst Jamie Cook said in a research note that Deere delivered a solid quarter, but the outlook for the year was only modestly improved. She said there will be questions about why Deere was so conservative.

Deere said equipment sales grew 11 percent during the first quarter. Sales outside the United States and Canada led the way with a 21 percent increase while sales in those two countries grew only 5 percent.

Deere said it was also helped by strong 22 percent sales growth in its construction and forestry division. That unit contributed \$1.4 billion to Deere's sales in the quarter, up from \$1.1 billion a year ago.

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Quarterly sales of the company's agriculture and turf equipment grew 8 percent to \$4.7 billion from last year's \$4.4 billion. Deere expects sales percentage growth of 15 percent in the sector for the year, with farmers in major markets seeing strong demand.

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