Johnson Controls 1Q Profit Falls 17 Percent

The Associated Press

MILWAUKEE (AP) — Johnson Controls saw its European operations hammered by the broad recession there and posted a 17 percent decline in net income for the first-quarter Friday.

A weak outlook for the current quarter sent shares tumbling in premarket trading.

The company, which makes heating and ventilation systems for buildings, as well as automotive batteries, has already begun restructuring operations overseas to adapt to the weak economy and said those initiatives will begin to pay off in the second half of the year.

For the quarter ended Dec. 31, Johnson Controls earned $354 million, or 52 cents per share, down from $424 million, or 62 cents per share, in the same quarter last year.

Revenue was flat at $10.42 billion.

Analysts, on average, expected a profit of 51 cents per share on $10.29 billion in revenue, according to FactSet.

Sales at the company's power solutions business, which makes batteries for hybrid and traditional vehicles, rose 4 percent to $1.68 billion on a double-digit increase in shipments to Asia and higher European demand.

But building efficiency sales were flat at $3.53 billion and automotive sales fell 1 percent to $5.21 billion. The company said Asian sales of building systems rose, but were offset by lower sales in North America and Europe. Automotive sales continued to be hurt by lower European vehicle production.

Car makers, from Ford to Honda, have been cutting staff and shuttering plants in Europe to account for falling demand. A number of countries in the European Union are suffering, with 25 percent of their populations unemployed. The rate is as high as 50 percent for young people in countries like Spain.

"European demand continued to soften and we began restructuring initiatives in the third and fourth quarters of fiscal 2012 to improve our performance in the region," said Chairman and CEO Stephen Roell. "We expect to realize the benefits of those actions in the second half of the year."

Johnson Controls warned that global markets remain shaky and said it still expects its results for the first half of fiscal 2013 to be significantly weaker than 2012. The company projected a second-quarter profit of 40 to 42 cents per share, far below the 51 cents expected on Wall Street.

The Milwaukee company maintained its fiscal 2013 guidance. In October, the company said it expected its fiscal 2013 earnings to be "flat to slightly higher" than fiscal 2012.

Shares of Johnson Controls Inc. fell $1.76, or 6 percent, to $30.20 in premarket trading.

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