BMW Growth Trails Mercedes in Tightening Luxury Car Race

By Elisabeth Behrmann - Nov 4, 2014

Bayerische Motoren Werke AG (BMW) failed to match the growth pace of Audi and Mercedes-Benz in the third quarter, as the world’s biggest maker of luxury vehicles battles to defend its lead.

BMW’s auto deliveries rose 5.8 percent to 509,669 vehicles, including Mini and Rolls-Royce models. Daimler AG’s Mercedes sales, including the Smart brand, rose 9 percent to 431,000 vehicles on new models like the GLA compact sport-utility vehicle, while Volkswagen AG’s Audi, which expanded with the A3 sedan, delivered 429,925 cars, 7.2 percent more than a year ago.

BMW has added models like the 4-Series coupe and the van-like 2-Series Active Tourer to thwart plans by Audi and Mercedes to take the No. 1 spot in luxury cars by the end of the decade. That lead may become tougher to defend as Audi pushes ahead with a program to invest 22 billion euros ($27.5 billion) by 2018 and Mercedes expands with vehicles like the upcoming M-Class coupe.

“Next year, I expect a slight tendency for BMW to lose market share as some models are a little older,” said Juergen Pieper, a Frankfurt-based analyst with Bankhaus Metzler.

BMW shares fell as much as 1.9 percent to 83.64 euros and were down 0.6 percent at 9:41 a.m. in Frankfurt trading. The stock has dropped 1 percent this year, valuing the company at 54.2 billion euros.

Profit Gains

Earnings before interest and taxes in the third quarter rose 17 percent to a record for the period of 2.26 billion euros, even as net income slipped 1.2 percent to 1.31 billion euros.

“The numbers were supported by a degree of overproduction in the quarter, which would have flattered earnings to a certain degree,” said Stuart Pearson, a London-based analyst with Exane BNP Paribas.

Buoyed by demand for the full-size X5 and the new coupe-like X4 SUVs, automotive profitability beat BMW’s two closest rivals. The auto unit, which also makes Mini and Rolls-Royce cars, generated Ebit equivalent to 9.4 percent of sales, improving from a margin of 9 percent a year earlier. That beat the 9.2 percent return on sales at Audi, while Mercedes reported a two-year high
profit margin of 8.5 percent.

BMW stuck to its forecast for a “significant” increase in 2014 pretax profit from last year’s 7.9 billion euros. BMW plans to deliver a record of more than 2 million vehicles this year, even as Mini demand takes a hit as the brand changes over to a new version of its basic hatchback model.

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