

## **Hyundai profit misses estimates**

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**By Rose Kim, Bloomberg**

Hyundai Motor Co reported profit that missed analysts' estimates, illustrating how Asia's fastest-appreciating currency in the past year threatens to set back corporate earnings for exporters. The shares fell.

Net income dropped 0.9% to 1.93 trillion won (RM6.1 billion) in the first quarter, from 1.95 trillion won a year earlier, South Korea's largest carmaker said in a statement today. Profit missed the 2.12 trillion won average of 16 analyst estimates compiled by Bloomberg.

The won's appreciation — it's trading near levels not seen since 2008 — is draining profits from a country where exports account for most of economic output. Still, a pickup in domestic consumption and a hit model, the new 46.6 million won Genesis that was introduced in November, helped bring relief as it faces intensifying competition from Toyota Motor Corp and Volkswagen AG in overseas markets.

"For the remainder of the year, the company should be able to continue posting four to five percent volume growth compared with a year earlier," Shin Chung Kwan, an analyst at KB Investment & Securities Co said before the announcement. "Still, the won will stay a concern as it is expected to remain stronger against major currencies."

Hyundai shares fell as much as 2.7% to 238,500 won after the company reported results. Operating profit, or sales minus the costs of goods sold and administrative expenses, rose 3.7% to 1.94 trillion won. That compares with the 2.04 trillion won average analyst estimate compiled by Bloomberg.

### **Rising Won**

The won has appreciated in the past year against every major currency, except for the British pound, gaining about 8% versus the dollar, hampering Korean exporters' ability to compete in global markets.

For Hyundai, competition is getting tougher in markets such as China, where it ranks fourth in terms of sales among foreign automakers. Its 8.8% growth last

quarter lagged behind the industrywide expansion of 10%, data compiled by Bloomberg shows. Among the competition is Ford Motor Co, which saw its China deliveries surge 45% in the first quarter.

One bright spot for Hyundai's been in Korea, where first-quarter gross domestic product expanded 3.9% from a year earlier, the fastest pace in three years. It was also helped by the introduction of the second-generation Genesis, the company's second-most expensive sedan. Premium models typically carry higher profit margins, said Lee Sang Hyun, an analyst at NH Investment & Securities Co.

### **New Sonata**

Korea accounted for 66% of the company's global premium sedan sales in 2013 and 44% of total revenue, according to company figures and data compiled by Bloomberg.

Last month, Hyundai unveiled a revamped Sonata, of which Hyundai targets to sell 228,000 units. That missed the 245,000- unit average of three analysts' estimates in a Bloomberg survey. As many as 63,000 Sonatas will be sold in South Korea and the rest overseas, the automaker said in March 2014.

The Sonata, Hyundai's most important new model for this year, made its US appearance at the New York International Auto Show this month.

In the US, Hyundai's second-biggest market by volume, the automaker's sales fell 2.6% in the quarter. Hyundai's incentives in the US surged 51% in the three months ended March, compared with a 11% rise at Toyota and the industrywide average of a 7.4% increase, according to Autodata Corp.

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