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# BERT Summary

Highlighting the troubles for luxury brands, shares of Aston Martin Lagonda Global Holdings PLC, the brand made famous by James Bond, plunged nearly 25% Wednesday after the company cut its outlook on weak sales to dealers. Earlier this month, Daimler issued its fourth profit warning in a year, lowering its overall outlook for 2019 after a bruising second quarter. The Stuttgart-based car manufacturer said earlier this month that these charges would result in a 1.6 billion loss before interest and taxes, the company's first quarterly loss since the fourth quarter of 2009.Ola Kllenius, a Swede who became chief executive of the premium car maker in May, replacing longtime CEO Dieter Zetsche, said his first task in the coming months would be to shore up the company's operations and stem the outflow of cash. Mercedes-Benz, the leader among Germany's big three luxury brands, has seen sales of its flagship passenger cars fall in nearly every major market except China in the first half of the year. Daimler will provide details about potential cost cuts and its strategy on November 14 during its capital markets day. These are certainly not external factors outside of managements control," analysts at Evercore ISI said. Daimler's diesel pollution levels are being investigated by prosecutors in Stuttgart, Germany, where it is headquartered, as well as by the U.S. Environmental Protection Agency (EPA) and the California Air Resources Board. Passenger car sales slowed 3% during the quarter and the return on sales at Mercedes-Benz Cars swung to a negative 3% in the quarter, down from 8.4% in the year-earlier period. ($1 = 0.8974 euros) (Reporting by Edward Taylor Editing by Muralikumar Anantharaman and Keith Weir). Car sales in Europe have plunged as the industry battles with a transition away from diesel, uncertainty around Brexit and the trade war between the U.S. and China. Profit jumped 10.6% to 3.4 billion, sending shares up 2% in early trading, as investors saw signs that the carmaker could break from the shackles of the sector slump. Daimler's second quarter results came in slightly above expectations with a loss of 1.2 billion - led by one-off costs related to diesel emissions and airbag recalls. Improvement in the second half of the year, or even an easing of pressures on the sector would boost their stock further. Last week Goldman Sachs initiated coverage on European auto makers, recommending selling shares of Daimler and buying Peugeot. The string of bad news has put greater urgency on the new CEO to show he can lift poor returns.

# Daimler's Travails Reflect Broader Pain in Luxury Autos; New Daimler CEO seeks to address slowdown in sales by stemming the outflow of cash

Highlighting the troubles for luxury brands, shares of Aston Martin Lagonda Global Holdings PLC, the brand made famous by James Bond, plunged nearly 25% Wednesday after the company cut its outlook on weak sales to dealers. Slumping earnings of Europe's luxury-car brands, once the industry's biggest earners, are now even trailing big-volume manufacturers, which traditionally earn much lower margins. The trend was highlighted by Peugeot on Wednesday, which reported a profit margin in its core automotive business of 8.7%, surprising analysts. Despite the luxury-car industry's travails, Daimler's descent into ill health is sudden and unexpected. The company produced record earnings for years and has been flush with cash to spend on new models, technology and factories. At the end of 2018, the company had around 16.3 billion ($18.2 billion) in the bank, but by the end of June just 6.7 billion remained, according to its second-quarter report, its lowest amount since the financial crisis. Earlier this month, Daimler issued its fourth profit warning in a year, lowering its overall outlook for 2019 after a bruising second quarter. Earnings in the three months to the end of June were dragged down by the Mercedes-Benz cars and Mercedes-Benz Vans divisions, which reported losses before interest and taxes of 672 million and 2 billion, respectively. Daimler's problems include an array of one-off issues including recalls of vehicles related to faulty Takata air bags, and criminal investigations into the company's business and emissions systems that prompted 4.2 billion ($4.7 billion) in extraordinary expenses in the second quarter. The Stuttgart-based car manufacturer said earlier this month that these charges would result in a 1.6 billion loss before interest and taxes, the company's first quarterly loss since the fourth quarter of 2009. Ola Kllenius, a Swede who became chief executive of the premium car maker in May, replacing longtime CEO Dieter Zetsche, said his first task in the coming months would be to shore up the company's operations and stem the outflow of cash. "We are intensifying the group-wide performance programs and reviewing our product portfolio in order to safeguard future success," Mr. Kllenius said in a statement as the company reported details of its second-quarter earnings. Mercedes-Benz, the leader among Germany's big three luxury brands, has seen sales of its flagship passenger cars fall in nearly every major market except China in the first half of the year. Overall, Mercedes-Benz's car sales fell 4.7% to 1.13 million vehicles world-wide in the first six months of the year. Mercedes-Benz's U.S. sales fell 7.2%, the steepest regional decline. "Getting to the top of a corporation is a life-long ambition for many hard-charging executives," said Max Warburton, an automotive analyst at Bernstein Research. "But right now, it probably doesn't feel like much fun." Daimler swung to a net loss of 1.33 billion in the second quarter from a profit of 1.73 billion a year earlier. Revenue rose 5% to 42.7 billion. Achieving a lasting turnaround may not be easy. In its interim report, the company listed numerous investigations into its business by regulators and public prosecutors in the U.S., Brussels and Germany. This week, Daimler's longtime Chinese partner, Beijing Automotive Group Ltd., said it was acquiring 5% of the company, bringing a second Chinese investor on board after billionaire Li Shufu's Geely group took a nearly 10% stake in the company last year. Having two rival Chinese auto companies as core shareholders with nearly 15% of the company between them could make it harder for the new management to focus on repairing the business, analysts said.

# UPDATE 2-Daimler vows to cut costs after one-offs bring loss

Luxury carmaker Daimler said it would intensify cost cuts after legal risks for diesel-related issues and the cost of replacing Takata airbags triggered a 1.56 billion euros ($1.74 billion) loss before interest and taxes in the second quarter. The company reduced its sales outlook for Mercedes-Benz cars and said 4.2 billion euros in one-off expenses hit earnings, mainly at the cars and vans divisions, contributing to an operating loss at group level, compared with a 2.6 billion profit in the second quarter last year. "We can't help but note that this is the lowest level of money in the bank since the depths of the financial crisis," Bernstein Research analyst Max Warburton said. "Raising Daimler's operating performance is not going to be a quick fix." Daimler pledged to cut costs in response but provided few details under new Chief Executive Ola Kaellenius, who took up the top job two months ago. "In general, we are intensifying the group-wide performance programs and reviewing our product portfolio in order to safeguard future success," Kaellenius said on Wednesday. Rival Aston Martin also announced cost cuts and its shares tumbled after it lowered its outlook for operating profit on slowing demand, while peer Peugeot bucked the industry downturn with a sharp increase in first-half profit. Daimler will provide details about potential cost cuts and its strategy on November 14 during its capital markets day. Earlier this month, the Stuttgart-based carmaker had given an initial outline of earnings in what amounted to its fourth profit warning in 13 months, saying its 2019 group EBIT would be "significantly" lower than last year. Its shares traded 1.4% higher by 0910 GMT. MERCEDES SALES STALL  
  
The Stuttgart-based carmaker said it now expects unit sales for Mercedes-Benz Cars to be at the prior-year level, revising its previous forecast of achieving a slight increase, following a sharp slowdown in demand in China. Daimler said on Tuesday that China's Beijing Automotive Group Co Ltd (BAIC) has bought a 5% stake in the company, cementing their long-standing alliance. Unblocking supplier bottlenecks which have delayed production of Mercedes-Benz GLE and GLS models will help push sales of luxury cars in the second half of 2019, Kaellenius said. "Daimler is blaming supplier bottlenecks and quality issues pretty much across all divisions for its poor financial performance. These are certainly not external factors outside of managements control," analysts at Evercore ISI said. Daimler made a provision of 2.6 billion euros to cover diesel-related expenses in the first half of 2019 after German regulator KBA ordered a recall of 60,000 Mercedes-Benz GLK models, claiming the vehicles made use of illegal engine software. Daimler has appealed the KBA ruling. The carmaker declined to break down in detail how much of the amount was allocated for recalls, updates and potential fines and litigation. Daimler's diesel pollution levels are being investigated by prosecutors in Stuttgart, Germany, where it is headquartered, as well as by the U.S. Environmental Protection Agency (EPA) and the California Air Resources Board. Pressure to clean up combustion engines has come at a time when the industry has to invest heavily in electric and self-driving vehicles, and cope with slowing growth in China, weak markets in Europe and a rise in global trade tensions. Passenger car sales slowed 3% during the quarter and the return on sales at Mercedes-Benz Cars swung to a negative 3% in the quarter, down from 8.4% in the year-earlier period. ($1 = 0.8974 euros) (Reporting by Edward Taylor Editing by Muralikumar Anantharaman and Keith Weir).

# Mercedes and Peugeot owners see shares accelerate after earnings updates

Car sales in Europe have plunged as the industry battles with a transition away from diesel, uncertainty around Brexit and the trade war between the U.S. and China. A number of the sector's major players, including Daimler and BMW have issued profit warnings. Mercedes owner Daimler issued its fourth profit warning earlier this month, signalling a second quarter loss of 1.6 billion. The twist. Peugeot maker PSA Group had an impressive first half of the year given the industry-wide downturn, gaining market share in Europe. The French company, which also makes Citroen cars, boosted sales of its more expensive SUV range and intensified cost-cutting. Profit jumped 10.6% to 3.4 billion, sending shares up 2% in early trading, as investors saw signs that the carmaker could break from the shackles of the sector slump. Daimler's second quarter results came in slightly above expectations with a loss of 1.2 billion - led by one-off costs related to diesel emissions and airbag recalls. But the German car giant's stock rose as it set out a plan of action and said it expected "significant improvement" in the second half of the year. The company will review its product portfolio and ramp up cost-cutting. However, both companies signalled a continued slowdown in European car sales for the rest of the year. Moving forward. PSA and Daimler are showing signs of resilience despite the deck being stacked against European carmakers. Improvement in the second half of the year, or even an easing of pressures on the sector would boost their stock further. Last week Goldman Sachs initiated coverage on European auto makers, recommending selling shares of Daimler and buying Peugeot. Ford will also publish second quarter results after the market close on Wednesday, providing another important health check for the industry.

# China builds 5% stake in Mercedes-Benz maker Daimler

Daimler's Chinese partner, the State-backed Beijing Automotive Group, is buying a 5% stake, cementing a more than decade-long alliance of the car manufacturers. Together with Daimler's top shareholder - Zhejiang Geely Holding Group's billionaire owner Li Shufu - the transaction would take Chinese ownership in the world's biggest luxury-car maker to almost 15%. "This step reinforces our successful partnership and is a signal of trust in the strategy and future potential of our company," said Daimler chief Ola Kallenius. Daimler's shares rose by over 5% on the news. The company, which reports earnings today, has issued four profit warnings in just over a year after markets weakened and the carmaker increased provisions for charges including for the financial fallout from investigations into alleged tampering of diesel emissions. The string of bad news has put greater urgency on the new CEO to show he can lift poor returns. Beijing Automotive Group's investment is yet another example of how carmakers fight for survival by forging deeper partnerships as new technologies and regulations upend the industry. Margins at the core Mercedes-Benz cars division are expected to fall to 3% this year, trailing typically lower-returning mass-market carmakers like PSA Group, which owns Peugeot, Citroen, and Opel. Another Chinese shareholder at one of Germany's car companies could stir concerns in Europe about China's influence, while carmakers already battle a trade war that has left global shipments of cars at the mercy of tit-for-tat tariff measures. China and the US are the two largest markets for Mercedes-Benz. Beijing Automotive Group's transaction also raises the question of whether it and Daimler may reorganise their joint venture in China after restrictions for foreign investors in the world's largest motor market eased.