

CNH Posts 3Q Loss, but Sees Sales Improvement in 2010

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CHICAGO (Oct. 21, 2009) — CNH Global NV (CNH) said it expects gradual improvement in sales of its farm and construction equipment next year, but swung to a third-quarter loss Wednesday.

The company, whose brands include Case and New Holland, offered a more subdued sales outlook for its construction business than rival Caterpillar Inc. (CAT), which said Tuesday that 2010 sales could be up by as much as 25%.

"I wouldn't say it's time to be bullish, but we're close to bottom and moving forward," said Chief Executive Harold Boyanovsky during a conference call with analysts. "We anticipate that we'll see some improvement in the fourth quarter and moving into 2010."

Boyanovsky said he isn't ready yet to offer specific sales guidance for 2010.

The company sees industry-wide sales of construction equipment down by 40% to 45% this year from the robust sales levels of 2008. CHN has pulled back production significantly this year to lower inventories on dealer lots. Its fourth-quarter production will be at least 50% below the retail sales rate of equipment.

CNH, the world's second-largest farm equipment company by sales behind Deere & Co. (DE), expects industry sales of tractors to end 2009 down 10% to 15% from the record-setting levels of 2008. The company sees industry sales of farm combines falling 20% to 25% this year.

Falling prices for farm commodities have damped sales of farm equipment this year. Equipment sales typically track farm income levels. CNH said weak prices are particularly acute in the dairy and livestock sectors.

The Illinois-based company said its North American order book for high-horsepower tractors and combines is down 50% from 2008. But it added that orders remain higher than order levels prior to 2008.

For the fourth quarter, CNH said it expects its overall net sales to be 10% lower than the same period in 2008.

CNH, a unit of Italian auto maker Fiat SpA (F.MI), reported a third-quarter loss of \$25 million, or 11 cents a share, compared with a profit of \$252 million, or \$1.06 a share a year earlier. Net revenue in the quarter fell 31% to \$3.2 billion as sales of agricultural

equipment fell 23% and construction machinery fell 56%. Excluding charges for restructuring, the company lost 9 cents per share. That's better than Wall Street analysts' estimated loss of 14 cents a share on sales of \$3.04 billion.

CNH raised cash flow and reduced debt by controlling costs and said it expects further improvements in cash flow at its agricultural equipment operations in the fourth quarter.

Boyanovsky said the company is on track to reduce personnel by 11% to 12% by the end of the year. "We expect to further reduce working capital by \$700 million in the fourth quarter, resulting in a full year working capital reduction of approximately \$1 billion," he said.

The company said it is also on the lookout for new opportunities in the market, after it announced a joint venture in Russia with truck maker Kamaz JSC earlier this month.

CNH shares were up 6.4% at \$21.14 in recent trading.