JLR: Back in Black

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A rebound in sales in China helped and a big cost cutting push have helped Jaguar Land Rover to get back into profit for the last quarter. It comes as welcome news.

JLR posted a pre-tax profit of £156m in its second financial quarter; this compares to a loss of £90m during the same period last year.

The firm had seen a dismal first half of 2019 and is deep into a painful cost-cutting push designed to improve its bottom line by £2.5bn, which includes axing 4,500 jobs (on top of the 1,500 lost in 2018). The firm had achieved £2.2bn of savings by the end of September.

The firm lost £3.6bn last year after taking a £3.1bn charge linked to diesel's demise, plummeting sales in China and a slowdown in the UK market in part linked to Brexit uncertainty.

JLR's improved performance helped its owner, Tata Motors, to report a smaller than expected loss for the quarter; its loss for the quarter narrowed to 2.2bn rupees ($31m; £24m) from nearly 10.5bn rupees a year earlier. Tata had been hit by a major fall in India's car market as well as JLR's woes in China.

So the latest figures are a big boost for the firm. They offer hope going forward and may be enough to assuage twitchy Tata investors who have been getting increasingly nervous about JLR's performance of late (for now, at least).

Revenues rose 8% year-on-year to £6.1bn in the second quarter, driven mainly by a near 25% year-on-year increase in Chinese sales.

Things had been pretty awful for JLR in China with big falls in sales in 2018 as the market there cooled for the first time in 20 years (although quite why JLR did so badly in China as compared with the likes of BMW still isn't at all clear).

The firm is thought to have worked hard to improve relations with dealers and to sort supply issues around its joint venture factory in Changshu.

This much better performance in China largely offset weaker sales elsewhere. Overall sales fell 0.7%, with the UK market down by 5%.

The arrival of the new Range Rover Evoque helped, with sales of that model up over 50% compared with the same period a year ago. Range Rover Sport sales rose by 18% over the same period.

The firm has also invested in new facilities, such as the recently opened Product Creation Centre.

Ralf Speth, JLR's chief executive, said that the company had weathered "challenging circumstances" and was now on a "product offensive". The firm recently unveiled its new version of the iconic Land Rover Defender model.

"Jaguar Land Rover has returned to profitability and revenue growth," Speth stated, adding that "our people have responded very positively to the challenging circumstances over the past year," said Speth. "The improved performance this quarter reflects their ongoing passion and determination."

JLR is closing its UK factories for a week in November to guard against disruption to supply chains from a possible no-deal Brexit.

Analysts at Bernstein last month described JLR as "severely challenged" and suggested that Tata Motors should look at BMW as a buyer for the unit because the German company is "awash with cash" (although BMW will no doubt need that cash for investment in new technologies).

That promoted Tata to deny that it was looking to sell off the carmaker (whilst not denying earlier reports that it had discussions with Peugeot which had fuelled takeover rumours).

Tata did say that it would consider further partnerships like that formed recently with BMW to develop electric motors.