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Ford posts 7% drop in Q1 profit, still sees 'breakthrough year'

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Automotive News

DETROIT -- Ford Motor Co., which has forecast a "breakthrough year" for itself after remaking a large swath of its global lineup, today said its first-quarter net income fell 6.6 percent to \$924 million as the launch of its aluminum-bodied pickup cut production.

Ford said the F-150 introduction has gone so well that it is increasing its projections for North American profit margins slightly but that economic conditions in South America have been worse than expected.

Revenue in the quarter fell 5.6 percent to \$33.9 billion.

"The first quarter was a good start to a year in which our results will grow progressively stronger as the new products we have been launching start to pay off," Ford CEO Mark Fields said in a statement. "We are re-confirming that 2015 will be a breakthrough year for Ford."

F-150

Chief among those new products is the redesigned F-150, which

analysts say accounts for a majority of Ford's profits. The truck went on sale at the end of 2014, but sales have been slow because the plant changeover process has kept it in short supply so far. ...

...The F-150 and other introductions have reduced margins and contributed to a U.S. market share decline. Ford's U.S. vehicle sales in the first quarter rose 2 percent, but its share fell half a point to 15 percent.

Higher margins

Last week, Ford confirmed plans to cut 700 jobs and eliminate a shift at a small-car plant outside Detroit as low gasoline prices dampen sales of the Focus and C-Max it builds there.

But Ford said it now expects North American margins of 8.5 percent to 9.5 percent for the year, up from earlier guidance of 8 percent to 9 percent, largely because buyers have been choosing more high-priced F-150s than expected.

"We don't see that we're going to miss a beat whatsoever in terms of the contribution of the F-150 to our overall business," Shanks said. "We do expect that, over the remainder of the year, we'll see a share increase in North America." ...

New products

Ford is introducing 15 new or

refreshed vehicles this year, including three in the first quarter, after rolling out 24 in 2014. The Edge went on sale in March, and the Explorer is on the way this summer. It's also in the midst of a major product offensive in China, where it last week showed a new SUV called the Everest and a version of the Taurus sedan designed specifically for that market, with massage units built into the rear seats.

Ford executives have said the product-launch schedule means the company will post stronger results in the second half of the year, when sales of the new vehicles begin to hit their stride.

"Since the recession, Ford has been spending on technology and expansion overseas in key markets. This year these risks will start to pay off," David Kudla, CEO of Mainstay Capital Management in Grand Blanc, Mich., said in a report last week. "We believe the new model launches around the world, particularly with the ramp-up of the F-150, are beginning to take effect and will provide a much needed jumpstart to the stock's performance this year."