

Ford earnings double after key products boost profits

By Alisa Priddle (excerpt)
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North American profit of \$2.7 billion is new record and profit margin jumps to 11.3%

Ford reported third-quarter earnings of \$1.9 billion — more than double its year-ago results — evidence that the automaker will make good on promises of a strong second half of the year armed with full inventories of profitable vehicles such as the F-150.

With stocks of the F-150 pickup and other important vehicles back to normal levels, Ford is expected to produce profits, not excuses, in the second half of the year.

Earnings more than doubled the \$835 million reported in the same quarter a year ago when sales and profits in North America felt the short-term impact of an aggressive year of product launches.

The F-Series has a big impact on Ford's bottom line.

Ford sells about 700,000 pickups annually, making it a high-volume, high-margin vehicle that is sold in the U.S. which is the most profitable market, said Bob Shanks, chief financial officer. F-Series pickups have an average transaction price of \$42,000 which is \$2,000 higher than a year ago.

"The F-150 margins are very very profitable," said Shanks.

When the two plants that make the F-150 were down for tooling in late 2014 and the first quarter of this year, the company saw profits, margins and market share fall. Analysts started getting antsy and questioned the decision to switch to an aluminum-bodied truck when sales declined for more months than they were comfortable with.

CEO Mark Fields and his management team kept insisting the company would return to full inventories late in the second quarter and be in a position to reap the benefits of dealers flush with inventory and the ability to fill fleet orders again which had been largely suspended for the bulk of a year. ...

..."The Ford team delivered an outstanding quarter with record third quarter profit, best quarter ever for North America, higher wholesales, higher revenue, higher market share and improved margin," said Fields. "We are delivering a breakthrough year."

Credit goes to North American operations which also notched earnings of \$2.7 billion.

Fields told investors in 2014 that the record 24 new vehicle launches — including the F-150, Mustang and Edge and 13 others in North America — would pay dividends in 2015 which would be a "breakthrough year." ...

..."We feel really good about where we're heading in the fourth quarter and into next year," Fields said.

"With the F-150 plants now operating at full speed, Ford has the right products available to meet this demand," said David Kudla, CEO and Chief Investment Strategist of Mainstay Capital Management. "Sales should continue on a swift pace and add to the bottom line into 2016." ...