

# Automotive News

SUNDAY, OCTOBER 30, 2016

## GM up, Ford down. Why?

### Profit gap widens as U.S. market plateaus

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Automotive News

DETROIT -- General Motors and Ford Motor Co. both posted single-digit U.S. sales declines in the third quarter. But financially, Detroit's two largest automakers appear headed in opposite directions, with GM achieving a record third-quarter profit at the same time that Ford had its weakest quarter in nearly two years.

GM is increasing North American production in the fourth quarter, according to analysts, whereas Ford has taken or scheduled downtime at six of its 11 North American assembly plants to reduce inventories.

Time will tell whether Ford is getting ahead of a coming downturn in the market, as it did in 2006 by mortgaging major assets before credit markets dried up, or is acting too conservatively

at a time when U.S. sales remain near record levels. ...

...Fiat Chrysler Automobiles also is on an upward trajectory. It posted a 29 percent gain in third-quarter net income and raised its full-year operating profit forecast to at least \$6.3 billion. ...

...Ford's full-year guidance implies a 23 percent drop in its fourth-quarter adjusted pretax profit, while GM's forecast suggests a decline of at least 16 percent in the quarter. ...

#### Industry results mixed

Results from dealership groups, suppliers and lenders have been mixed as consumer demand levels off and growth becomes harder to achieve. ...

...Ford generated about \$500 more revenue per vehicle sold in the last quarter in North America than GM, but GM's profit per vehicle was more than double that of Ford's. Even when excluding a \$600 million charge that Ford took in the quarter for recalling faulty door latches, GM earned 40 percent more from each sale.

The disparity correlates to the higher transaction prices generated from retail sales, which

accounted for 85 percent of GM's third-quarter volume and 77 percent of Ford's.

"That all translates right through to the bottom line," David Kudla, CEO of Mainstay Capital. "A car sold at retail versus a car sold at fleet, that's a big deal when you take that down to the net profit per car. It matters." ...

#### Strong full-year profits

GM raised its full-year guidance last week, affirming that it's on track for one of its best annual profits ever -- but so is Ford, despite the weaker third quarter.

Beyond that, about the only similarity between the two companies right now is the level of apathy toward their results on Wall Street, particularly in comparison to the far-less-profitable Tesla. GM shares dropped more than 4 percent last Tuesday after beating analyst expectations by almost 20 percent. Ford shares tumbled after its own announcement on Thursday. ...