

Ford Q3 profits fall 57%, guidance lowered for the year

By Ian Thibodeau
(excerpt)

This is not shaping up to be quite the "year of execution" Ford Motor Co. CEO Jim Hackett promised. Amid a 57% slide in third-quarter net profits tied to its global restructuring, the automaker said Wednesday it is lowering its guidance for the year.

The Blue Oval expects higher warranty charges, higher-than-planned incentives and struggling sales in China to drag on profits through the end of the year, Ford officials said Wednesday. Ford expects to make between \$6.5 and \$7 billion in 2019; that could be lower than the \$7 billion in profits before taxes the automaker made in 2018.

"We're experiencing more headwinds than expected in the fourth quarter," Hackett said. "Of course, we're disappointed in this." ...

... The results came after the automaker reported sales through the third quarter of 2019 were down 3.5% as it continued to cut sedans from the lineup. But a slower-than-expected launch of the all-new Explorer and Lincoln Aviator have cut into sales and profits, too.

Ford SUV sales were off 5% through the first nine months of the year. Sales of the Explorer, one of Ford's top-selling and most-profitable vehicles, were off nearly 30% in that time.

Ford Chief Financial Officer Tim Stone said that production volumes of the Explorer have reached the "levels we expect" after lagging through the second quarter. The automaker adjusted its full-year outlook because it expects to spend more on incentives through the end of

the year to move vehicles in an increasingly competitive market, Stone said.

Another issue: Ford was too ambitious with the Explorer launch in Chicago, President of Automotive Joe Hinrichs said. Ford tried to launch the new product with a three-shift operation. But the automaker has largely overcome the slow start.

"We took on too much and we shouldn't have," Hinrichs said. "We actually feel really good where we are at right now."

The automaker pledged more than a year ago to drive profits by exiting sedans to lean more heavily on SUVs and crossovers. It's early days of that transition; Ford is still selling a few sedans, and only recently launched the new Explorer, Aviator and Escape models. But Ford officials said in late 2018 that 2019 would be a year of results, results analysts say haven't come.

"Ford's under-performing SUV sales in the third quarter will negatively impact profitability, there is no doubt," said David Kudla, chief investment strategist at Grand Blanc-based Mainstay Capital Management in a statement. "This is not a vehicle segment you want to lose ground in the U.S. market. Ford will need a swift turnaround in the next few quarters to make up ground. GM and Fiat Chrysler are not sitting idly by." ...