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Ford's dividend cut a sign to investors

By Susan Tompor (excerpt)
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Ford Motor did what anyone would do when staring at a dramatic loss in cash flow. It took a step back and aimed to keep as much money in its pocket as possible.

Ford announced Thursday that, among other moves, it would suspend its quarterly dividend payments to shareholders. The dividend represents an annual cost of \$2.4 billion to the Dearborn-based auto maker.

The most recent quarterly dividend payout was 15 cents per share, which was last paid March 2. Thursday's announcement did not specify for how long the dividend would be suspended.

Wild swings on the stock market drove up prices overall on Thursday, while Ford closed at \$4.47 a share, down 3 cents or 0.67%.

Ford's stock price has fallen precipitously in just the past month. Ford has plunged by about 50% since it closed at \$9.18 a share on Feb. 4. ...

... As part of its announcement, Ford said Thursday that it notified lenders that it will borrow \$15.4 billion in unused amounts against two credit lines.

The added cash will offset the impacts of the coronavirus-related production shutdowns and give Ford more financial flexibility.

"While we obviously didn't foresee the coronavirus pandemic, we have maintained a strong balance sheet and ample liquidity so that we could weather economic uncertainty and continue to invest in our future," Hackett said in the statement.

David Kudla, CEO of Mainstay Capital Management, said Ford and other auto manufacturers were significantly affected by the temporary suspension of operations at factories in North America. And a dividend cut, he said, was expected.

"We are seeing similar corporate actions from other companies, and expect more to come," Kudla said.

"The dividend cut at Ford will keep \$2.4 billion per year on the balance sheet." ...

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