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Analyst says Ford needs to 'rip the Band-Aid off' after \$2B loss: What he means

By Phoebe Wall Howard (excerpt)
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Ford Motor Co. and its competitors have warned for weeks that their finances are teetering on the brink of uncertainty as a global pandemic continues to brutalize the U.S. economy and bring manufacturing to a standstill.

While the current landscape is grim, coming months promise to be unrelenting.

The cold reality for Ford: On Tuesday it reported a \$2 billion loss in the first three months of 2020.

This is Ford's first quarterly earnings net loss since April 2009 during the Great Recession.

The company reported Tuesday that first-quarter earnings before interest and taxes — adjusted EBIT — was negative \$632 million, down from a positive \$2.4 billion in the first quarter of 2019 and \$2.2 billion a year earlier. Net income was negative \$2 billion, down from a positive \$1.1 billion in the same quarter last year, when it slipped from \$1.7 billion in 2018. ...

... Tim Stone, chief financial officer at Ford, told reporters on a conference call Tuesday that the company is confident it has enough money to operate "through the end of the year."

Ford ends the quarter with \$34 billion in cash on hand and \$35 billion in liquidity.

A year ago, Ford had \$24 billion in cash on hand and \$35 billion in liquidity. ...



'Cash is king'

David Kudla, CEO and chief investment strategist with Mainstay Capital Management, a Grand Blanc investment adviser who manages \$2.7 billion in assets for clients who include many Ford employees, noted Ford proactively alerted investors that revenue for the first three quarters of the year would fall below expectations at around \$34 billion along with a net loss of about \$2 billion. ...

... "Cash is king for industrial companies during a crisis, and we expect that the company's cash burn will be the new point of focus," Kudla said. "Ford's management has done a commendable job bolstering their balance sheet by drawing down credit lines and suspending shareholder return programs." ...

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