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Ford's earnings drop off

Explorer glitches, China sales issues take toll

By Phoebe Wall Howard | Front Page
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(excerpt)

Things don't appear to be going as well as hoped.

Ford Motor Co. predicted that sales of its 2020 Explorer, a redesigned version of the best-selling SUV in history, would help lead to a strong earnings performance in 2019. But the company has seen disruptions in getting vehicles from the Chicago Assembly Plant to dealerships because of manufacturing challenges first documented by the Free Press.

Ford CFO Tim Stone on Wednesday called the Explorer launch "very challenging" with "many opportunities to improve" and promised the company is "taking steps" to fix issues.

Overall, $1.5 billion in special charges, including $1 billion for global restructuring, caused net income in the third quarter to drop 57% from with the same period a year ago — $425 million this year, versus $991 million in 2018. Revenue was $37 billion, compared with $37.6 billion. …

… "We think Q3 was a good quarter," Stone said in a media briefing. "It also indicates we have more work to do."

The company's "focus is right," he said. "It's the same strategy we've been talking about for some time. We think the trajectory is improving across the business."

lowering full-year profit expectations, Stone pointed to unspecified warranty costs that are greater than the company anticipated, plus bigger incentives to remain competitive on vehicles in North America and lower sales in China.

For the first three quarters of the year, Ford's net income is $1.7 billion, down 55% from $3.8 billion through the first three quarters of 2018. The main drop, the company said, is in restructuring costs associated with buyouts, facility closures and other reductions in Europe, South America and India.

North American profit

On the eve of second-quarter earnings this year, Ford's stock closed at $10.17 per share. The stock closed at $9.21 on Wednesday.

Consumers in North America continue to display an appetite for F-Series trucks and SUVs, which power earnings at Ford.

But, "Ford stumbled with the production launch of its new Explorer in the third quarter, and competitors took advantage," said David Kudla, CEO and chief investment strategist with Mainstay Capital Management in Grand Blanc, who manages $2.5 billion in assets for clients.

"Ford will have an opportunity to right the ship should they resolve these issues as General Motors must shift into high gear to replace lost production due to the strike. The demand for higher-margin Ford trucks and SUVs is still strong. Ford's priority in the fourth quarter and in 2020 should be executing its higher-margin truck and SUV model refresh." …