

Ford Posts Surprise \$2.8 Billion Profit In Second Quarter

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DEARBORN, Mich. (AP) — Helped by a lightened debt load, Ford Motor Co. posted a surprise second-quarter profit of \$2.8 billion Thursday, following the worst loss in company history a year earlier. Shares rose 10 percent.

The net profit ends a string of four straight quarterly losses for the nation's second-largest automaker, which has gained U.S. market share at the expense of crosstown rivals Chrysler Group LLC and General Motors Co., both of which spent time under bankruptcy court supervision. Ford last went into the black in the first quarter of 2008, with net profit of \$70 million.

However, excluding its debt reduction and other items, Dearborn, Mich.-based Ford would have reported a quarterly loss, though smaller than Wall Street expected.

Chief Financial Officer Lewis Booth said the improved second-quarter results are a sign that the company's cost cuts and emphasis on new products are paying off. He stuck to Ford's earlier prediction that it would return to annual profitability in 2011.

"We're 18 months away, I guess," he told reporters on Thursday, adding that a full year of profitability hinges on improved auto sales in the U.S. and Europe.

Ford reported second-quarter net income of 69 cents a share, compared with a loss of \$8.7 billion, or \$3.89 a share, for the same quarter a year ago.

The second-quarter profit came because of a \$3.4 billion gain due to debt reduction. In March Ford swapped stock and cash to reduce its loan and bond debt by \$7.7 billion. The company has reduced its debt by \$10.1 billion in 2009. At the end of June, Ford had \$26.1 billion in outstanding secured and unsecured debt.

The company is likely to take further steps this year to cut debt and raise cash.

But excluding special items, including the debt reduction, Ford would have lost \$424 million, or 21 cents a share. Still, that beat analysts' expectations of a per share loss of 50 cents on revenue of \$24.7 billion. Excluding special items, the company lost just over \$1 billion in the second quarter of last year.

Revenue totaled \$27.2 billion, \$11 billion less than a year earlier.

Ford spent \$1 billion more in cash than it earned in the quarter, compared to \$1.4 billion in the first quarter of 2009.

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In its main market of North America, Ford reported a much smaller pretax loss of \$851 million, down from a loss of \$1.3 billion in the year-ago quarter.

The company said it made \$1.8 billion in structural cost cuts during the quarter, with \$1.2 billion coming in North America.

"We continue to make really good progress on cost reductions," Booth said.

Ford is predicting a modest improvement in U.S. sales next year to about 12.2 million light vehicles. Sales so far this year have run below an annual rate of 10 million.

Ford's shares rose 64 cents, or 10 percent, to \$7.02 in pre-market trading on Thursday.

The automaker also reached a new agreement with the United Auto Workers union to change how it will pay the \$13.1 billion it owes to a health care trust. That trust will take over retiree medical costs starting in January.

Ford now will be able to pay up to \$6.5 billion in company stock at market value, company spokesman Mark Truby said. An agreement reached earlier this year set the stock price at \$2 to \$2.20, but the share price has risen to \$7.

He said the new deal would require the company to issue fewer shares, reducing dilution for existing shareholders.

The company and union are still talking about other aspects of the union contract, as the company seeks to be competitive with concessions the UAW granted GM and Chrysler.

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