

Ford Expected To Unveil More Profits, Less Debt

Tom Krisher, AP Auto Writer

DEARBORN, Mich. (AP) — Ford Motor Co., the second-largest U.S.-based automaker, is scheduled to report first-quarter results before the market opens on Tuesday.

Ford had a very successful 2010, earning \$6.6 billion, more than double what it made in 2009 and its largest profit since 1999. The company also cut the staggering debt it amassed to stay in business and avoid bankruptcy protection during the recession. Last year, debt was slashed to \$14.5 billion from \$33.6 billion. Interest payments fell by more than \$1 billion, which should help earnings this year.

But the Dearborn, Mich., company faltered in the fourth quarter as profits dropped 79 percent to \$190 million, missing Wall Street's forecasts and ending two years of better-than-expected results.

WHAT TO EXPECT: Ford's sales in the U.S., by far its largest market, continued to grow. That should translate into first-quarter earnings that are at least as strong as the same quarter last year.

The company introduced a new, more fuel-efficient Explorer SUV in the quarter, and Ford's reputation for quality pushed up sales of the Fusion sedan, Escape small SUV and other models. Sales of the profitable F-Series pickup rose 23 percent as businesses started to replace trucks they've kept for a long time. Ford also says that it's getting higher prices per vehicle than it did last year. Many models have more expensive options.

Barclays Capital analyst Brian Johnson said Ford's new turbocharged V-6 engine, which gets better gas mileage than a traditional V-8, should help the company protect F-150 pickup truck sales as gasoline prices head toward \$4 a gallon.

But first-quarter sales growth of 12 percent over with the same period in 2010 is slower than last year's 16 percent rise. Ford shut down the Mercury brand and sold Volvo last year, so it's now operating only with the Ford and Lincoln brands in the United States. Ford brand captured some of the old Mercury buyers, rising almost 25 percent in the quarter. But Lincoln sales kept struggling, falling 11 percent.

During the quarter, Ford saw minimal impact from earthquake-related parts shortages that hobbled Japanese automakers starting in March. In April it closed a Louisville, Ky., truck plant for a week and planned shutdowns at several European plants.

Ford's fourth-quarter net earnings fell far short of Wall Street estimates, something Ford will try to avoid in the first quarter. Excluding charges for debt reduction and dropping the Mercury brand, Ford earned 30 cents per share, below the 48 cents analysts expected. Much of the drop was blamed on \$1 billion in higher costs from

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ramping up production and marketing of several new vehicles. Johnson estimated that half the costs were seasonal. They are unlikely in the first quarter.

WHAT TO WATCH FOR: CEO Alan Mulally remains upbeat about 2011 and expects profits and cash flow to improve. Debt reduction also will continue. Ford could also benefit from shortages of models at Toyota dealers and other Japan-based automakers due to the March 11 earthquake.

Ford, like other automakers, faces higher oil and steel costs, and that could affect earnings. The company raised prices by an average of \$117 per vehicle at the end of the first quarter to offset some of the cost increases.

WHY IT MATTERS: Car sales are an indicator of the health of the economy, since they are closely aligned to consumer confidence. The U.S. auto industry is recovering from 2009, when sales hit a 30-year low of 10.4 million cars and trucks. Most analysts expect sales to reach 13 million this year.

WHAT'S EXPECTED: Analysts surveyed by FactSet are forecasting first-quarter earnings of \$2.1 billion, or 50 cents per share, on revenue of \$30.5 billion.

LAST YEAR'S QUARTER: In the first quarter of 2010, Ford earned just over \$2 billion, or 50 cents per share, on revenue of \$31.6 billion.

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