

North America Boosts Ford In 4Q

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DEARBORN, Mich. (AP) — For Ford, there's no place like home.

North America propped up the company in the fourth quarter as the European debt crisis and flooding in Thailand hurt profits elsewhere. Ford Motor Co.'s shares took an initial hit after the company missed Wall Street's expectations, but moderated once the company promised better — if still bumpy — results in 2012.

Ford reported \$13.62 billion in net income, but investors brushed off the result because most of that came from an accounting change. Excluding that change, earnings totaled \$1.1 billion, or 20 cents a share, missing Wall Street expectations by 5 cents.

Ford's stock price fell as much as 6 percent in premarket trading. The stock price was down 3.5 percent to \$12.29 in early afternoon trading.

Ford said Thai flooding and the rising cost of steel and other commodities hurt the company more than analysts had expected.

Chief Financial Officer Lewis Booth said the November floods, which affected Thai parts suppliers, cost 34,000 units of production in Thailand and in South Africa, which relies on Thai-made parts. Ford also spent \$2.3 billion more on commodities in 2011 than the prior year, which was \$100 million more than it had forecast.

The company lost money in Europe and Asia in the fourth quarter, and profits fell in South America. But its North American operating profit rose 33 percent to \$889 million.

"The quarter was really driven by North America," Booth said.

For the full year, North American profits rose 15 percent to \$6.2 billion. Ford's U.S. market share slipped slightly in the fourth quarter but was up for the year, and the company got higher prices for new vehicles like the Ford Explorer and Ford Focus.

Elsewhere, the company suffered. In Europe, Ford's second-most important region by sales, fourth-quarter operating losses more than doubled to \$190 million as the region's debt crisis hurt car sales.

Ford is cutting European production by 36,000 vehicles in the first quarter. It's also trying to limit promotions, which could hurt sales to deal-hungry buyers.

Still, Ford CEO Alan Mulally said the company feels good about its prospects in Europe this year. Ten new or revamped vehicles are coming to that market.

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Europe is the wild card that could prevent Ford from reaching its financial goals in 2012, said Bill Selesky, an auto analyst with Argus Research. He said Ford's investors calmed down after the company said it expects operating margins to increase this year. Ford's operating margin fell to 2.2 percent in 2011 because of higher commodity costs.

In Asia, Ford's sales fell 7 percent in the fourth quarter, largely because of the slowing pace of Chinese sales. Ford's Asia Pacific region lost \$83 million in the fourth quarter and \$92 million for the full year after posting profits in 2010.

Booth said things will be bumpy in Asia for the next several years as Ford embarks on a major expansion that includes the construction of seven plants. The company aims to triple the cars in its Chinese lineup to 15 in the next three years.

Booth said the South American market is also getting more competitive, and Ford's products there are older than some other brands. He expects that to turn around in 2013, when the company introduces more new products there. But in the meantime, fourth-quarter profits fell by more than half to \$108 million.

For the full year, the Dearborn-based company made \$20.2 billion, or \$4.94 per share. Without the accounting gain, it earned \$8.76 billion, or \$1.51 per share, its highest operating profit since 1999. Full year revenue rose 13 percent to \$136.3 billion.

Analysts had forecast full-year earnings of \$1.86 per share on revenue of \$127.31 billion.

Based on its full-year North American results, Ford said it will make profit-sharing payments of around \$6,200 each to its 41,600 U.S. hourly employees. Employees will get their checks in March.

Ford moved \$15.7 billion worth of tax credits and other assets off its books starting in 2006 because it wasn't making money so it couldn't take advantage of them. The company moved most of them back onto its books in the fourth quarter because it anticipates using them now that it's profitable.

The change will affect Ford's tax rates going forward. Ford's tax rate was 9 percent in 2010 because of the assets that were being held under the valuation allowance. Ford's new rate will be closer to 30 percent.

Booth called the change a "significant milestone" and said it's a strong indication that the company expects to remain profitable. Another is Ford's decision last month to reinstate a 5-cent quarterly dividend starting in March.

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