

Ford 2Q Shines As N. America, Asia Lead The Way

Dee-Ann Durbin, AP Auto Writer

DEARBORN, Mich. (AP) — Ford Motor Co. is finally becoming the well-rounded company it aspires to be.

Almost bankrupt last decade because it relied too heavily on selling big trucks and SUVs in North America, the second-largest U.S. automaker is now making small and midsize cars at a profit and selling them across the globe.

Ford's Asian operations earned a record quarterly profit of \$117 million in the three months ended June 30, and 20 percent of Ford's sales came from the region. That's up from 11 percent five years ago. Sales also grew in South America, where second-quarter profit jumped to \$151 million from \$5 million a year ago. Ford even narrowed its losses in recession-weary Europe.

"I call it a green shoot. We're at the beginning of the phase where you'll start to see — over the next several years — the operations outside of North America take on a lot more significance," Ford's Chief Financial Officer Bob Shanks told media Wednesday at the company's Dearborn, Mich., headquarters. "You're starting to see what's possible."

North America still contributed the bulk of Ford's net income, which grew 18.5 percent to \$1.23 billion in the April-June period. But Shanks noted that the rest of Ford's global regions broke even for the first time in two years, clawing their way back from a \$600 million loss in the first quarter.

Ford handily beat Wall Street's earnings and revenue forecasts and raised its profit guidance for the year. The company now expects 2013 profit, before taxes, to be equal to or better than the \$8 billion it reported a year ago. Previously the company had expected to match that profit. Ford also expects sales in the U.S., Europe and China to be at the upper end of its previous forecasts.

Ford's stock rose 2.5 percent to close at \$17.37 Wednesday, its highest close since Jan. 27, 2011.

The company's results were propelled by a \$2.3 billion profit in North America, a second-quarter record for that region. Pickup truck sales are booming in the U.S., where construction companies and other businesses are rapidly replacing the fleets they held onto during the recession. Sales of Ford's F-Series pickup — which has long been the best-selling vehicle in the U.S. — jumped 26 percent in the second quarter, or more than three times the average industry increase.

Ford's total U.S. sales rose 15 percent during the quarter, according to Kelley Blue Book.

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Bill Selesky, an analyst with Argus Research in New York, said Ford is attracting new buyers worldwide with the strongest lineup it's ever had. In the U.S., Ford set a quarterly record for hybrid sales thanks to its new C-Max, and the company has said that more than 60 percent of its U.S. hybrid buyers are trading in other brands. In South America, the Ranger small pickup helped revive sales and gain market share despite social unrest in Brazil. In Europe, the tiny Fiesta and B-Max helped Ford's sales increase 6 percent in June even as the rest of the industry declined.

"If things get better in Europe, all the geographic areas will be making a contribution," Selesky said. "You're going to see a lot of revenue going forward, and that's what Wall Street wants to see."

Selesky has a price target of \$21 on Ford's stock. He said he might raise it after Wednesday's report.

Barclays analyst Brian Johnson said the second-quarter results should reassure investors concerned about international losses biting into North American profits.

"The results provide some comfort that break-even in Europe is achievable and South American losses will be contained," he wrote.

Ford narrowed its expected loss for the year in Europe, to \$1.8 billion from \$2 billion. The company has said it expects to break even in Europe in 2015.

Ford lost \$348 million in Europe in the second quarter, its eighth straight quarterly loss in the region, but a \$56 million improvement over the same quarter last year. Shanks noted that Ford gained market share thanks to its new vehicles.

Asia was a drag on Ford's earnings for most of the last two years. But Ford's sales jumped 47 percent in China in the first six months of this year as Ford introduced popular new vehicles like the EcoSport and Kuga SUVs. Total industry sales grew 17 percent in China.

Ford has poured money into new factories and product development in Asia as it tries to catch up to rivals such as General Motors and Volkswagen who appreciated the region's potential sooner. Ford wants a third of its sales to come from Asia by 2020.

Ford's earnings amounted to 30 cents per share in the latest quarter, the same as a year ago. Without one-time items, including separation payments in Europe, where Ford is closing several plants, the company earned 45 cents per share. That surpassed analysts' forecast of 37 cents, according to FactSet.

Revenue was up 14 percent to \$38.1 billion, beating analysts' forecasts of \$34.9 billion.

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