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Ford: $100 million first-quarter profit

By Bryce G. Hoffman
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Ford Motor Co. once again surprised Wall Street, posting an unexpected profit and its sixth consecutive quarter of year-over-year improvement despite serious problems in the U.S. automobile market.

But the Dearborn automaker warned that additional downsizing will be necessary in order to meet its stated goal of returning to profitability in 2009.

"Our plan is working, and we continue to show significant progress," CEO Alan Mulally told reporters and analysts during a conference call Thursday morning. "We will continue to right-size the business."

Ford reported net income of $100 million, or 5 cents per share, for the first three months of 2008. This compares with a net loss of $282 million, or 15 cents per share, in the first quarter of 2007.

Excluding special items, Ford made $525 million after taxes, or 20 cents per share. That was significantly better than the 16-cents-per-share loss Wall Street was expecting, according to a survey of 13 analysts by the Thomson Financial Network.

The company's first quarter pre-tax operating profit from continuing operations, excluding special items, was $736 million, up $669 million from a year ago.

Mulally said continued cost-cutting could include shift reductions at some U.S. factories, as well as additional buyouts targeted at specific factories and product lines. He said Ford has no plans to sweeten its offers, despite a lower-than-hoped-for take rate during the latest round of buyouts for U.S. hourly employees.

Ford revealed today that 4,200 workers signed up this time around -- about half what the company was hoping for as it struggles to match production with decreasing demand for its cars and trucks in the United States.

To do that, Ford also announced that it will cut North American factory output by another 20,000 units in the second quarter. That comes on top of an already reduced 2008 production plan. The company now plans to produce more than 100,000 fewer cars and trucks in the region in April, May and June of this year than it did in the same three-month period last year.

"The external environment certainly is challenging," Mulally acknowledged. "(But) we have been adapting."

In 2007, the Dearborn automaker lost $2.7 billion, compared to its $12.6 billion Ford loss in 2006.

Ford has continued to lose sales in the United States since then, while aggressively downsizing its North American operations. It has eliminated nearly 11,000 salaried positions and convinced more than 30,000 hourly workers to take buyouts since the end of 2005. It has closed factories and cut production at many that are still operating.

In November, Ford reached a landmark labor agreement with the United Auto Workers, a contract it says will allow the company to narrow its competitiveness gap with Asian transplants.

The automaker shaved off another $1.7 billion in cost in the first quarter, with most of those cost-cuts coming from the United States.

Still, Ford's North American automobile operations lost $45 million before taxes, an improvement over the $613 million loss the company reported for the same period last year.

"We expect the consumer environment to remain weak and Ford to continue to burn cash this year," said analyst Eric Selle of JPMorgan in a report released earlier this week.

Ford is making money overseas, where a weak dollar favors imports from the United States, and where its cars are better aligned with consumer demand.

"Profits in the first quarter were boosted by strong results from South America and Europe, which helped offset the slowing U.S. economy's impact on car and truck sales in North America," said analyst David Kudla, chief investment strategist at Mainstay Capital Management LLC. "While Ford continues to execute its turnaround in North America, they continue to succeed as a global automaker."

It posted pre-tax profits of $739 million in Europe, up from $219 million a year ago. In South America, Ford's profit increased to $257 million from $113 million. Ford's operations in Asia, the Pacific and Africa netted a $1 million profit for the quarter, swinging back to the black from last year's first-quarter loss of $26 million thanks largely to its growth in China.

Ford earned $49 million from its share of Japan's Mazda Motor Corp., in which it owns a controlling stake, compared to $21 million a year ago.

One part of the company that swung in the other direction was its Swedish brand, Volvo, which reported a first-quarter loss of $151 million. Volvo made $94 million in the first quarter of 2007.

Ford has tabled plans to sell Volvo until market conditions improve.

The numbers released today do not include Jaguar and Land Rover. Ford is in the process of selling the two British luxury brands to India's Tata Motors.

One source of concern in today's numbers is the weakening performance of Ford Credit, which is suffering amid a global lending crisis. The automaker's consumer lending arm reported pre-tax earnings of $36 million in the first quarter, compared with $293 million a year ago.

While some analysts applauded Ford's progress, others struck a cautionary note.

"Ford continues to make progress, but the (first quarter) earnings beat doesn't compensate for challenges ahead," said Citigroup's Itay Michaeli.

Ford said it expects the second quarter to be worse than the first. And while he predicted significant improvement over last year, Chief Financial Officer Don Leclair said the company will still end the year with a loss.