

Ford makes \$1.3 billion in quarter

By Alisa Priddle
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Ford's \$1.3-billion third-quarter profit fell, as expected from the second quarter and was down 22% from a year ago, but the automaker has raised its overall projections for the year.

The rosy outlook is because the automaker made a third-quarter record \$2.6 billion in pretax profit or 45 cents per share beating Wall Street expectations of 37 cents per share.

The quarter's overall results were down \$359 million from a year ago, in part due to special charges related to restructuring costs in Europe and lump-sum payments offered to retired salary workers to settle about \$700 million in pension costs.

Ford now expects 2013 pretax profit to be higher than 2012 — the previous guidance was to mirror last year's results.

Ford also expects its automotive operating margin to be higher than last year and for cash flow from its automotive operations to increase substantially.

The record pretax profit was buoyed by the strength of North America and strong demand for profitable pickups, a segment where Ford continues to lead against newer models from General Motors and Chrysler.

North America generated a \$2.3-billion quarterly profit with an operating margin of 10.6%, down from 12% a year earlier. Ford raised its third-quarter U.S. market share from 14.9%, up slightly, with construction starts and pent-up demand fueling sales of the F-Series.

But the automaker also had the best combined results outside North America since the second quarter of 2011.

"Ford's record results in the third quarter show the strength of our One Ford plan around the world," said CEO Alan Mulally in a statement.

It was the best quarter ever for Ford in Asia Pacific where market share reached 3.7%.

All eyes are still on Europe where Ford narrowed its losses from \$468 million a year ago to \$228 million. The automaker is now expecting the loss to be smaller than the \$1.8 billion recorded last year in a region slowly turning a corner back to health.

"We believe Europe has reached a level of stability," said Chief Financial Officer Bob Shanks. "We are seeing evidence and signs where we will start to see modest growth take hold over the near term."

Ford has also been investing heavily in Asia and being rewarded with market share gains and a \$126-million profit, up from \$45 million a year ago.

South America recorded a pretax profit of \$159 million.

In the U.S., the automaker's effort to develop a strong car lineup is also being rewarded.

Ford U.S. sales improved 10% in the quarter and transaction prices increased 2%, said Alec Gutierrez, analyst with Kelley Blue Book.

"Ford's redesign of its F-Series truck line has really gained traction year-to-date over rivals GM and Chrysler as Ford continues to widen market share lead," said David Kudla, CEO of Mainstay Capital Management.

"This is especially critical for a product line that accounts for the majority of the company's earnings in North America," Kudla said. "Other successful product standouts are the Fusion and Fiesta, both up sharply in year-over-year sales."