



Ford loss better than expected; turnaround appears on track

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DETROIT — Although there are plenty of factors that could still derail Ford Motor's current restructuring plan, the automaker posted third-quarter earnings Thursday, signaling that it is making steady progress.

Ford said that despite a weaker U.S. economy and marketplace, it is still on track to earn a profit in 2009. The third-quarter earnings were better than expected, evidence the turnaround plan may even be ahead of schedule.

This comes despite a rapidly weakening U.S. car market that likely will sell just 16 million cars and trucks this year. Earlier projections had the auto market hitting around 16.5 million. Last year, the industry sold 16.55 million vehicles in the USA.

Ford has been watching the market closely, adjusting production to more accurately match demand, CEO Alan Mulally said during a conference call to discuss results.

In the past, Detroit automakers continued pumping out cars and trucks that consumers weren't buying, and either pushing the excess vehicles into rental fleets or pumping up rebates and incentives.

Ford's market share is down 13% since the start of the year, yet its focus on selling fewer cars seems to be paying off. North American operations lost \$1 billion in the third quarter, showing the automaker still has a long way to go. But it's a \$1.1 billion improvement from a year ago.

Ford reported a third-quarter loss of \$380 million, compared with a \$5.2 billion loss a year ago — a swing of \$4.9 billion.

Ford said revenue increased \$3 billion to \$41.1 billion, as the automaker was able to get more for the cars and trucks it sells and benefit from changes in exchange rates.

Despite the quarterly loss, through the first nine months of the year Ford is posting net income of \$88 million. Ford said it may break even, on a pretax basis, this year. But if sales slow significantly, that could still throw the restructuring plan off course.

"Certainly, with slowing sales and potentially slowing revenue, that is the cash that's needed to continue financing the turnaround," said David Kudla, CEO of Mainstay Capital Management. "It adds a factor of risk to the turnaround plan."

Ford also said it is now planning on holding on to Volvo, one of its luxury brands. It had been trying to find a buyer for Volvo. But Mulally said the automaker will focus on improving Volvo's cost structure and brand lineup. Ford bought the Swedish automaker in 1999.

The automaker is continuing to look for a buyer for its Jaguar and Land Rover brands and plans to have a deal done by early 2008.

Himanshu Patel, an analyst at JPMorgan, says he suspects the automaker has already found a buyer.