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Ford profit sharing to pay less than in '19

By Phoebe Wall Howard (excerpt)
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Ford said Tuesday that its U.S. factory workers will receive \$6,600 in profit-sharing checks, down \$1,000 from the year before — reflecting the company's lower profits in 2019.

A year ago, profit sharing for Ford workers averaged \$7,600, which was up from \$7,500 in 2017. This year's checks reflect a 13% decline.

Not all 56,000 hourly workers are eligible for the negotiated benefit; checks are expected in March.

Ford awards its UAW employees \$1,000 in profit sharing for every \$1 billion in North American profit before taxes. Last year, GM workers averaged a profit sharing check of \$10,750 while Fiat Chrysler workers averaged \$6,000. Those automakers' 2019 earnings reports come out later this week.

Tim Stone, Ford chief financial officer, said during a media briefing the company absorbed \$600 million in UAW contract-related cash bonuses that are unrelated to the profit sharing checks.

Ford reported 2019 earnings before interest or taxes — EBIT — of \$6.4 billion, down from \$7 billion in 2018 and \$9.6 billion in 2017. The company said it made \$6.6 billion pretax in North America. North America and Ford Credit continue to be the company's only profitable units.

Ford blamed its financial situation last year on "operational challenges" with the Explorer SUV launch, labor contract costs and "higher warranty costs," Stone said. ...

... Caution

"Management needs a quick turnaround in its SUV segment to alleviate operational concerns, especially in a busy product launch year for Ford," wrote David Kudla, CEO and chief investment strategist with Mainstay Capital Management, a Grand Blanc investment adviser who manages \$2.5 billion in assets for clients who include many Ford employees.

"Ford's all important SUV sales suffered due to complex production issues at Ford's Chicago plant, but it appears these problems are in the rearview mirror for the Explorer," he wrote to investors. "However, given the economy Ford was handed in 2019, the operational miscues resulted in missed opportunities to the bottom line."

He noted that Ford can't take its lead in the truck segment for granted and other issues have created challenges.

"Ford has long dominated the profitable truck wars, but 2019 saw strong competition from Ram, which surged past the Chevrolet Silverado for second-place in the full-size pickup segment," Kudla wrote. "The proposed \$30 million class-action settlement for defective dual-clutch transmissions on the Fiesta and Focus 2011-2016 models is an unfortunate black eye. China has been a struggle for the Big Three in 2019, and 2020 doesn't look like it will be much better. Ford China sales were down due to their outdated product lineup that doesn't seem to cater to Chinese consumers." ...