crain
Automotive News
February 9, 2020

At Ford, bad numbers, exec moves play on repeat

Michael Martinez
Automotive News

DETROIT — After nearly three years into Jim Hackett's tenure, the Ford Motor Co. CEO's sweeping fitness plan has yet to produce the positive financial results he has promised, and the automaker served notice last week that its turnaround remains at least another year away from bearing fruit.

Amid a growing sense of urgency within the company, Hackett last week again shuffled his senior leadership team, promoting Jim Farley to be his COO — and heir apparent — while parting ways with a seasoned manufacturing guru and dealer ally in Joe Hinrichs.

The executive shake-up, coming as Ford enters a crucial stretch of high-profile product launches, followed another round of dismal financial results that prompted Ford's stock to drop the most in nine years.

Hackett has indicated that his restructuring efforts would take time, but even he has been critical of the financial results produced during his tenure. Net income dropped from $7.7 billion in 2017, a performance he labeled unsatisfactory, to a "mediocre by any standard" $3.7 billion the following year, before plunging 99 percent in 2019, to just $47 million. "Simply not nearly good enough," Hackett concluded after a fourth quarter in which General Motors weathered a lengthy UAW strike and still outperformed Ford. …

… "There were those that thought 2019 wouldn't be a good economy, but it was, and [Ford] only did OK in North America," David Kudla, CEO and chief investment strategist with Mainstay Capital Management in Grand Blanc, Mich., told Automotive News. "They have to make hay and execute now and take advantage of the good economy because we know we have some leaner times to come."

Investor impatience

Analysts grumbled, and Ford stock tumbled, after executives warned of financial headwinds in 2020 from upcoming launches, including the F-150, the revived Bronco SUV and the new Mustang Mach-E electric crossover. Ford's projections of $2.4 billion to $3.4 billion in adjusted free cash flow and adjusted earnings of $5.6 billion to $6.6 billion fell short of analysts' expectations.

"We're looking at guidance ... that doesn't give you a warm, cozy feeling," Kudla said. "I'd like to think they're setting Wall Street up for an underpromise, overdeliver earnings surprise. That kind of guidance is disconcerting."

Investors, who chided Hackett in his early days at Ford for providing scant details of his turnaround plan, again criticized him last week for a lack of transparency about the company's expectations this year. …