

Ford projects \$2 billion net income loss in Q1, heads to debt markets to raise cash

By Jordyn Grzelewski
(excerpt)

Ford Motor Co. expects to post a \$2 billion net income loss for the first quarter, the latest indication that the ongoing production shutdown is battering automakers' bottom line. And the company announced a debt offering in a bid to raise another \$8 billion in cash.

The Dearborn automaker had alluded to such a move earlier this week when it said it was considering "additional financing actions" to shore up its balance sheet amid the coronavirus pandemic hammering economies around the world.

In a filing with the Securities and Exchange Commission, Ford reported it expects first quarter revenue of approximately \$34 billion. And in another measure of the financial impact of the shutdown, Ford said Monday that it expected to post a \$600 million adjusted pre-tax earnings loss for the quarter. These numbers are preliminary; Ford will release first quarter earnings April 28.

The automaker had previously withdrawn all guidance for 2020 and suspended its dividend. In a statement Monday, the automaker said it had enough cash on hand to weather the third quarter, at least, even without restarting production. ...

.... "All of the automakers are bleeding through (their cash) fast right now, with production being down. It makes sense that they're going to go to the debt markets," said David Kudla, CEO and chief investment strategist at Grand Blanc-based investment advisory firm Mainstay Capital Management LLC. "Shoring up the balance sheet, having that cash available, with uncertainty (about when the economy will reopen), just makes sense."



David Kudla (Photo: Mainstay Capital Management, LLC)

"COVID-19 is an external shock to the system," said Stephanie Brinley, principal automotive analyst at IHS Markit. "It has affected both the supply and demand sides to the industry. As a result of the broad scope of this, it'll be a rough quarter for the entire industry. This is one of the first early statements. There is more to come on what was a difficult quarter, what will be a difficult half of the year and a difficult full year."

Kudla said he expects to see many companies looking to raise cash by issuing bonds. Brinley noted that Ford, General Motors Co. and Fiat Chrysler Automobiles NV have all taken steps to cut costs. ...

"Accordingly, the ultimate impact on our financial conditions and results of operations cannot be determined at this time," the automaker said. "Nevertheless, despite the uncertainty of the COVID-19 situation, we expect our full year 2020 results to be adversely affected."

Additionally, Ford reported that the South Carolina production facility of a supplier, BorgWarner Inc., was damaged this week by a tornado. The automaker said it could not yet estimate when the plant will be back online or how it will impact plans to restart production.