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Business

Ford posts \$2.7B profit Automaker has first profitable year since 2005

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By JOSEPH SZCZESNY
Of The Oakland Press

More people are considering buying a Ford now as the company completed its first profitable year since 2005 by earning \$2.7 billion. The company has promised to distribute profitsharing checks to blue-collar workers.

Meanwhile, a new study of how American motorists perceive automotive quality indicates Ford has moved ahead of Toyota Motor Corp., which dropped from second place, a position it has held since 1997, to seventh. Ford moved into the 6th spot in the survey, which covers both luxury and mid-market brands.

Art Spinella of CNW Marketing Research of Bandon, Ore., and the principle researcher, also said Korean maker Hyundai, which has targeted Toyota's reputation, has moved into the 8th spot in CNW's survey, which contacts 150,000 consumers. Toyota's high-line Lexus brand has fallen behind European makers such as Porsche and Mercedes-Benz, as well as GM's Cadillac division.

"Ford separated itself from GM and Chrysler by not taking loans from the federal government and began preparing for an overhaul years before the current downturn in the economy. Today, Ford shows growth in all regions that it is doing business in," said Michael E. McGrath, executive chairman of the Thomas Group and author of the book, "Business Decisions." McGrath said the actions taken by Ford over the past decade were among the best made in business and other companies could learn from Ford's experience.

Ford President and CEO Alan Mulally also said Toyota's multiple recalls do give Ford the chance to win over new customers. "It is an opportunity for our products," said Mulally, adding the size of the opportunity will depend on how quickly Toyota "gets this behind them."

Mulally also felt confident enough to state publicly and definitively for the first time that Ford expected to be profitable for full year 2010 on a pre-tax basis, excluding special items, for North America, as well as positive for operating-related cash flow.

Toyota's woes are unfortunate and probably could happen to any manufacturer, said Rebecca Lindland, an analyst with IHS Global Insight.

"I don't see it dramatically impacting their sales to current owners — but it will impact their sales to future buyers and conquest sales," she said.

Lindland also said Ford is in a strong position to attract new customers.

"Ford got sick first so they are recovering first," she said.

Ford breathed new life into the battered domestic auto industry as it reported net income of more than \$2.7 billion, or 86 cents per share, a \$17.5 billion improvement from a year ago, as its comeback plans exceeded expectations and its announced its first full year of profitability in four years.

The full-year profit included net income of \$868 million, or 25 cents per share, in the fourth quarter, Ford said Thursday. This was \$6.8 billion better than the company reported a year ago when many analysts were predicting the company would be forced into bankruptcy right along with General Motors and Chrysler.

The fourth quarter included a pre-tax operating profit of \$707 million in North America, which many observers had written off as hopeless. Last year, Ford's North American Operations lost \$2.6 billion in the fourth quarter.

Ford also posted pre-tax operating profits of \$454 million for the full-year, a \$7.3 billion improvement from a year ago, with significant help from Ford Credit, which rebounded in 2009 to post a \$1.1 billion profit.

"While we still face significant business environment challenges ahead, 2009 was a pivotal year for Ford and the strongest proof yet that our One Ford plan is working and that we are forging a path toward profitable growth by working together as one team, leveraging our global scale," Mulally said.

"Our progress has helped us gain market share in most of our major markets," said Mulally, adding Ford planned to spend \$4.5 billion to \$5 billion as Ford continues to focus on its product plans.

The product plans produced both Car of The Year, the Ford Fusion Hybrid, and the Truck of The Year, the Ford Transit Connect, at the recent North American International Auto Show in Detroit.

"We delivered very encouraging results in the fourth quarter and for full year 2009 despite severe economic headwinds, although our transformation remains a work in progress," said Lewis Booth, Ford executive vice president and chief financial officer.

Booth, however, also said during a conference call with journalists and analysts the automaker has to make arrangements to reduce its outstanding debt totaling \$34 billion. "We have too much debt on our balance sheet," he said.

Ford executives also emphasized the company was continuing to trim automotive structural costs, reducing them by \$500 million compared with the fourth quarter of 2008, bringing the total 2009 reduction to \$5.1 billion, exceeding the company's target of about \$4 billion.

Ford also ended the year with \$25.5 billion of automotive gross cash and \$34.3 billion in automotive debt, while posting positive cash flow for the fourth quarter and positive cash flow for the entire year.

"We are more convinced than ever that Ford has the right plan to lead us through the near-term economic and external operating pressures and continue to deliver profitable growth," Mulally said. "The entire extended Ford team is absolutely committed to building on our progress and working together as a lean global enterprise focused on automotive leadership and delivering products with the best quality, fuel efficiency, safety, smart design and value around the world."

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