

Ford expects lower profit in 2017

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In this Jan. 12, 2015, file photo, Ford vehicles sit on the lot at a car dealership, in Brandon, Fla. Ford Motor Co. expects its pretax profit to fall in 2017 but improve in 2018 as it invests in emerging businesses. Ford updated its outlook Wednesday, Sept. 14, 2016, at its annual investor day. (AP Photo/Chris O'Meara, File)

Ford Motor Co. said Wednesday that a plan to embrace "mobility" and spend billions on electric and autonomous vehicles will hurt its bottom line in the short term but lead to frothier profit margins in the future.

Ford said profit from its core business of selling cars and trucks will improve over the next three years. But its ambitious plan to invest in emerging businesses will damp pretax profit next year before it rebounds in 2018.

The maker of the best-selling F-150 pickup truck and the iconic Mustang muscle car has said it will invest \$4.5 billion to bring 13 new electric and hybrid vehicles to market by 2020. Ford has also promised to put a fully autonomous vehicle into ride-hailing or car-sharing fleets by 2021.

"We are making choices: Where to play, where not to play and how we're going to win," Ford CEO Mark Fields told investors and Wall Street analysts who gathered at the company's headquarters for a day-long presentation.

Fields said Dearborn, Michigan-based Ford has a unique opportunity to remake its business at a time when it's healthy and profitable.

"Usually when we had to do it, our backs were up against the hot pipes and we were in crisis," Fields said.

The company recently bought Chariot, a crowd-sourced shuttle service in San Francisco, and is partnering with bike-share company Motivate. It's also investing in companies that make sensors and maps for [autonomous cars](#).

Ford says 30 vehicles are sold each minute in the U.S., but 9 million miles are traveled. If people want to travel by autonomous taxi or shared rides, Ford wants to provide the cars, the service or both. The company believes autonomous cars could make up 20 percent of global vehicle sales by 2030.

"This is very different thinking for us. For years, we have thought about the thing and how many things we sold," Fields said.

Ford is projecting an adjusted pretax profit of \$10.2 billion this year, lower than the record \$10.8 billion it booked last year. The deficit is largely due to a recall of 2.4 million vehicles for defective door latches that will cost Ford \$640 billion.

Ford shares fell 1.9 percent to close at \$12.14. The stock is down almost 14 percent so far this year.

Among other topics Ford discussed at the event:

— **ADIOS, SMALL CARS:** Ford confirmed all of its U.S. small car production is moving to Mexico. Production of the Focus and C-Max small cars will move to a new \$1.6 billion assembly plant in San Luis Potosi, Mexico, from Ford's Michigan Assembly plant. But the suburban Detroit plant will get new products. Republican presidential candidate Donald Trump has been critical of Ford for building vehicles in Mexico. Fields has responded that Ford invests far more in the U.S., and needs to make sure it can build its smallest vehicles profitably.

— **WATCH IT, TESLA:** Ford technology chief Raj Nair suggested that Tesla Motors' semi-autonomous Autopilot system was put into public hands too early. Autopilot keeps a car within its lane, brakes automatically and maintains a set speed without a driver's hands on the wheel. A driver whose car was using the system died in Florida in May in a collision with a tractor-trailer. Nair said accidents like that could cause regulators to clamp down on the technology. Autopilot's role in the Florida crash is under investigation.

— **PROFIT MARGINS:** Fields said Ford's emerging mobility businesses may not make money right away, but will have to show a path to

profitability. The CEO said the automotive business needs to deliver [profit margins](#) of 8 percent or more, while emerging businesses will need to deliver margins of 20 percent or higher. Ford's automotive operating margin was 6.8 percent last year but is expected to rise through 2018. Fields said Ford isn't afraid to change course if the goals aren't being met.

— CUTTING COSTS: Ford says it will gain \$3 billion each year in efficiencies between 2016 and 2018. That includes making its vehicles less complex. Right now, for example, there are 200,000 buildable combinations of the Ford Focus sedan in North America. Ford is reducing that to 300 in 2017 and 30 in the next-generation Focus. That will save \$250 to \$300 per vehicle, Ford's Chief Financial Officer Bob Shanks said.

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