

# Ford deepens cost cuts even as earnings rise

April 26 2018

---



Dwindling demand for small vehicles like the Ford Focus prompted the company to phase out some models and ramp up cost cutting plans

Ford will deepen planned cost cuts and phase out several small models in North America even as it reported better-than-expected quarterly earnings, the company announced Wednesday.

It is another sign of a broader trend in the US market away from small vehicles.

The number-two US automaker after General Motors, Ford now plans \$25.5 billion in cost and efficiency cuts across the company through 2022, a significant increase from the \$14 billion in cuts previously announced.

Ford also will trim its capital spending plans over the 2019 to 2022 period to \$29 billion from \$34 billion.

Chief executive Jim Hackett, under pressure from Wall Street to turn the company's fortunes around, said the cuts would enable it to realize important profit targets in 2020, two years ahead of the prior plan.

"We are committed to taking the appropriate actions to drive profitable growth and maximize the returns of our business over the long term," Hackett said.

"Where we can raise the returns of underperforming parts of our business by making them more fit, we will. If appropriate returns are not on the horizon, we will shift that capital to where we can play and win."

The plan came as Ford reported first-quarter net income of \$1.7 billion, up 9.0 percent and boosted in part by lower tax costs that offset the impact of higher costs for aluminum and other materials.

Revenues climbed 7.2 percent to \$42.0 billion.

The automaker pointed to strong sales of larger vehicles, including the F-150 pickup truck, the best-selling auto in the United States.

But citing weak demand for smaller cars in the US, the company said it

"will not invest in next generations of traditional sedans for North America," narrowing its offerings in the region to just the Mustang and the Focus Active crossover vehicle.

The press release did not specify which models would be phased out. Ford sales have struggled in North America with the Fiesta, Fusion and Focus models.

By 2020, Ford expects almost 90 percent of its North America portfolio to consist of trucks, utilities and commercial vehicles.

"This quarter is in line with expectations and consistent with our outlook for the full year, but we know we can, and must, do better," said Ford chief financial officer Bob Shanks.

Ford's earnings translated to 43 cents per share, two cents above analyst expectations.

Shares rose 2.6 percent to \$11.49 in after-hours trading.

Auto industry analysts Jessica Caldwell at Edmunds said the company "realized it can't be everything to everyone."

"The key to success is focusing on where your customers are and where your strengths lie, and for Ford doubling down on trucks and SUVs could be just what the brand needs," she said

"But this move isn't without risk: Ford is willingly alienating its car owners and conceding market share in segments that, while declining, are still relevant to some buyers."

© 2018 AFP

Citation: Ford deepens cost cuts even as earnings rise (2018, April 26) retrieved 13 March 2024 from <https://phys.org/news/2018-04-ford-deepens.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.