




## Ford May Narrow Loss as Mulally Seeks Sales Momentum (Update2)

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By Keith Naughton



Oct. 30 (Bloomberg) -- **Ford Motor Co.** may narrow its third-quarter operating loss after winning more U.S. market share on the strength of a reputation enhanced by avoiding bankruptcy.

Ford will post an adjusted loss Nov. 2 of 22 cents a share, down from a year-earlier loss of \$1.31, or \$2.98 billion, based on the average of 11 **analysts' estimates** compiled by Bloomberg. That would be a \$632 million loss, according to 6 estimates.

Chief Executive Officer **Alan Mulally**, who kept Ford out of Chapter 11 as General Motors Co. and Chrysler Group LLC reorganized, is trying to extend his sales momentum with new

models such as the Focus and Fiesta small cars due in 2010. He projects reaching break-even or an operating profit by 2011.

"Next year is all about delivering the goods," said **Bernie McGinn**, president of McGinn Investment Management of Alexandria, Virginia, which owns about 320,000 **Ford shares**. "Ford will be rewarded for its performance in the darkest days, and I think the other guys will be penalized."

The Dearborn, Michigan-based automaker accounted for 13.1 percent of third-quarter U.S. auto sales to retail buyers, up from 11 percent a year earlier, **Ken Czubay**, Ford's U.S. sales chief, said in an interview. Total market share, including fleet purchases, was 15.8 percent through September.

"Reputations are not built or lost over the course of six months," **Jim Farley**, Ford's group vice president of marketing, said in an interview. "The burden is on us to explain to the customer the difference in our products and not just our management of the company."

'A Bit Cautious'

Ford may struggle to hold ground gained while GM and Chrysler were hobbled by Chapter 11, said **Brian Johnson**, a Barclays Capital analyst in Chicago who raised his **rating** on the shares to "equal weight" from "underweight" on Oct. 20.

"We're a bit cautious about extrapolating out Ford's summer market share," Johnson said. "We're looking more closely at the next quarter, with GM and Chrysler out of bankruptcy."

Staying out of court has helped **Ford** post smaller 2009 sales declines than GM and Chrysler. U.S. deliveries through September fell 22 percent, less than the industry's 27 percent slide and drops of 36 percent for **GM** and 40 percent for Auburn Hills, Michigan-based **Chrysler**, according to researcher Autodata Corp. of Woodcliff Lake, New Jersey.

Stronger demand allowed Ford to raise prices and trim incentives, with spending on those discounts pared by \$300 a vehicle last quarter, Johnson said.

'Surprise Profit?'

**Himanshu Patel**, a JPMorgan Chase & Co. analyst in New York, said a “surprise profit” is possible. Earnings excluding some items will be \$504 million, or 16 cents a share, according to an Oct. 19 note by Patel, who rates Ford as “neutral.”

Ford has reported quarterly net income three times since Mulally became CEO in 2006, including \$2.26 billion in the second quarter after an accounting gain. He hasn’t presided over an annual profit at Ford, which has posted three straight full- year **losses** totaling \$30 billion.

**Bill Collins**, a Ford spokesman, said the automaker had no comment on its financial results.

Ford fell 30 cents, or 4.1 percent, to \$7 at 4 p.m. in New York Stock Exchange composite **trading**. The shares have declined 2.9 percent since the end of September after more than tripling this year.

Of 16 analysts **covering** Ford, 7 say buy, 6 advise holding the shares and 3 recommend selling, according to data compiled by Bloomberg.

Debt, Concessions

Headwinds buffeting Ford include a **debt load** larger than that of restructured rivals and resistance to cost-cutting contract concessions among United Auto Workers union members. While Detroit-based GM’s liabilities will be \$22.3 billion in 2011, Ford’s total will be \$38.1 billion, Johnson estimated.

Hourly employees at 11 plants with 16,300 union members have rejected a six-year ban on some strikes and a freeze on wages for new hires until 2015. Four factories, with 6,100 UAW- represented workers, have accepted the givebacks. Ford’s 41,000 U.S. hourly workers will finish voting on Nov. 1.

“The UAW situation is of concern,” said McGinn, who recently bought 20,000 more Ford shares. “But the union has been giving up things for quite a few years now, so it’s not surprising they’d start pushing back.”

Offerings in dealers’ showrooms, not how the company is run, will be the focus of Ford’s message as it works to keep up sales pressure, said Farley, the marketing chief. That’s a contrast to the approach at GM, which features new Chairman **Ed Whitacre** in TV spots discussing how the automaker is changing.

“Our strategy is very different from what appears to be our competitor’s strategy,” Farley said. “We are not trying to convince people we are a reinvented company. We’re explaining what’s here and now and what they can buy from us today.”

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