

Ford burns up billions of dollars in 1Q, posts \$2B net loss

April 29 2020, by Tom Krisher

The coronavirus crisis is forcing Ford Motor Co. to burn through cash at an alarming rate, but its chief financial officer says there's enough money to make it through the year—even if U.S. factories aren't restarted.

The automaker, which posted a \$2 billion first-quarter net loss Tuesday that it blamed on the virus, used roughly \$3 billion to get from January through March. But the cash burn accelerated to \$7.7 billion during the first 24 days of April when nearly all of Ford's factories were shut down and little revenue was coming in.

All automakers are struggling with the crisis, which has forced factory closures globally to help stem the virus' spread. Since companies generally book revenue when vehicles are shipped from plants to dealers, plant closures have severed the revenue flow.

Most auto plants, including Ford's, have been idled since late March. Ford's China plants are reopening and those in Europe will restart on Monday. But the company and its Detroit competitors, Fiat Chrysler and GM, are still negotiating a U.S. restart date with the United Auto Workers union. The union says reopening in early May is still too risky for workers.

Ford Chief Financial Officer Tim Stone said the cash burn will slow considerably in early May as Ford finishes making \$13 billion worth of payments to parts suppliers.

"Our cash use will go down significantly," he said.

The Dearborn, Michigan, company finished the year with \$22.3 billion in cash and equivalents, and it borrowed \$15.4 billion in March from two credit lines. In April it sold \$8 billion worth of junk bonds and on April 24 had \$34.6 billion on hand.

"We've taken decisive actions to lower our costs and capital expenditures and been opportunistic in strengthening our balance sheet and optimizing our financial flexibility," Stone said.

Even so, Stone said the company expects a pretax loss of \$5 billion in the second quarter. Ford earlier withdrew its full-year guidance for 2020, and Stone said the situation is too uncertain to make any predictions for the year.

Ford's stock fell about 4% in after-market trading after the release of the earnings report.

The company also said it is delaying plans to launch an autonomous ride-hailing and goods delivery service in Miami by one year, until 2022, due to the virus. That move, Ford said, has more to do with the long-term impact of the virus on the passenger-carrying market.

Ford said Tuesday that its revenue from January through March fell nearly 15% to \$34.3 billion.

Excluding one-time items the company lost 23 cents per share. That was worse than Wall Street estimates of an 8-cent-per-share loss, according to FactSet.

Before taxes, Ford lost \$632 million for the quarter, and Stone said if it weren't for the virus it would have posted a pretax profit of \$1.4 billion

or more. That, he said, was on track or better than the company's guidance issued in February.

Ford is continuing with its \$11 billion restructuring plan despite the virus, Stone said.

Despite the [virus](#), the [company](#) made \$346 million before taxes in North America, its most lucrative market. But the rest of the world posted losses, driving automotive operations to a \$177 million pretax loss.

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