Ford raises 2023 profit outlook but sees bigger EV loss

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Ford raised its 2023 forecast for its overall business but sees a deeper loss from electric vehicles.

Ford lifted its full-year forecast Thursday after quarterly earnings nearly tripled on strong vehicle pricing in conventional autos that offset losses in electric vehicles (EV).

Shares of the big US automaker initially climbed on results flattered by higher auto sales in its internal combustion engine (ICE) vehicle business, but later retreated as the company signaled near-term losses in EVs would be bigger than previously thought.

Profits in the second quarter were $1.9 billion, nearly triple the year-ago level on revenues of $45 billion, 12 percent.

Chief Financial Officer John Lawler described the period as "a really strong quarter," saying the raised forecast reflected stronger than expected pricing through the first half of 2023.

But Ford also now sees operating losses in its EV business of $4.5 billion, up from the prior $3 billion.

The automaker slowed its timeframe for ramping up EV production, pushing back the timeframe to reach 600,000 per year in 2024 instead of this year.

However, Ford reiterated the company's commitment to show positive EV profitability by the end of 2026.

EV adoption "is not going to be a straight line," Lawler said at a briefing with reporters. "We have flexibility. We are going to optimize."

On July 17, Ford announced it was temporarily shutting its Rouge electric plant in Michigan as part of a plan to boost production of the F-150 Lightning pickup.

Ford also announced price cuts of as much as $10,000 on the vehicle, following several similar pricing actions at Tesla.

Ford's EV experience shows "we have to have very competitive products from a cost standpoint," said Lawler, who pointed to surveys that show 20-30 percent of consumers express interest in EVs but only seven percent end up buying.

Chief Executive James Farley predicted the EV market would "remain volatile," noting that "the pricing pressure has dramatically increased in the past 60 days."

Ford now expects 2023 earnings before interest and taxes—a measure of profitability—of between $11 and $12 billion, up from $9 to $11 billion.

Lawler said the company expects higher costs due to a new labor contract with the United Auto Workers, but did not release estimates.

Garrett Nelson, analyst at CFRA Research, said he remained "cautious" on Ford shares in light of risks related to the UAW talks, nothing that the company's EV production growth "has also been disappointing."

Shares of Ford declined 1.0 percent to $13.59 in after-hours trading.

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