

# Ford posts \$523 million 4Q net loss on accounting charge for pensions but beats analyst estimates

February 7 2024, by Tom Krisher



United Auto Workers members walk the picket line at the Ford Michigan Assembly Plant in Wayne, Mich., Sept. 26, 2023. Ford Motor Co. swung to a net loss in the fourth quarter due to a large accounting charge on pension plans and the effects of a six-week strike at multiple factories by the United Auto Workers union. Credit: AP Photo/Paul Sancya, Ford

Ford Motor Co. on Tuesday reported that it swung to a net loss in the fourth quarter due to a large accounting charge on pension plans and the effects of a six-week strike at multiple factories by the United Auto Workers union.

The Dearborn, Michigan, automaker posted a \$523 million loss from October through December versus a \$1.26 billion profit for the same period a year ago.

Excluding one time items, the company made 29 cents per share, beating Wall Street estimates of 12 cents, according FactSet. Revenue for the period was \$46 billion, up 4% from a year ago, beating estimates of \$43 billion.

Ford reported a \$1.7 billion noncash accounting loss during the quarter on remeasurement of pension and other post-retirement employee benefits.

The company predicted it would have pretax earnings this year in a range of \$10 billion to \$12 billion.

Based on strong free cash flow, Ford announced a supplemental dividend of 18 cents per share, on top of the normal 15 cents per share.

Ford shares were up 6.3% in extended trading on Tuesday. The company released earnings just after the markets closed.

Chief Financial Officer John Lawler said about 58,000 UAW-represented workers will get profit-sharing checks averaging \$10,400 on March 14. The checks will vary by number of hours worked.

Ford said earlier that the strike cost the company \$1.7 billion in lost profits and cut sales to dealers by 100,000 vehicles. Most of the loss

happened in the fourth quarter.

Lawler said the company would have had a strong quarter without the lost profits and strike settlement costs that were booked late in the year.

Ford said the strike caused it to lose production of high-profit trucks and SUVs. UAW workers shut down the company's largest and most profitable factory in Louisville, Kentucky, which makes big SUVs and heavy-duty pickup trucks.



In this April 25, 2018, photo, visitors and journalists gather near a Ford Focus on display at the Ford exhibit during the media day for the China Auto Show in Beijing. Ford reports earnings on Tuesday, Feb. 6, 2024. Credit: AP Photo/Andy Wong, File

The UAW strike began Sept. 15, targeting assembly plants and other facilities at Ford, General Motors and Jeep maker Stellantis.

Ford and the other companies agreed to new contracts with the UAW that raise top assembly plant worker pay by about 33% by the time the deals expire in April of 2028. At the end of the contract, top-scale assembly workers will make about \$42 per hour, plus they'll get annual profit-sharing.

Lawler said Ford expects material cost reductions and manufacturing efficiency to save Ford \$2 billion this year, offsetting the cost of the new UAW contract.

Ford Blue, the company's combustion engine unit, posted pretax earnings of \$813 million during the fourth quarter, \$736 million less than in 2022. Ford Pro, the commercial vehicle operation, earned \$1.8 billion in pretax profits, up \$361 million from the prior year. But Model e, the electric vehicle business, lost \$1.57 billion, with the loss worsening by \$939 million over 2022.

The company expects pretax losses for Model e to widen from \$4.7 billion last year to a range of \$5 billion to \$5.5 billion this year. But it foresees Ford Pro making \$8 billion to \$9 billion, up from \$7.2 billion last year. Ford Blue is expected to make \$7 billion to \$7.5 billion, about even with last year.

CEO Jim Farley told analysts that there was a seismic change in EV demand during the last half of 2023, with price cuts of up to 20% worldwide widening company losses.

Coming out of the pandemic, with computer chip shortages driving up prices and cutting production, [early adopters](#) were willing to pay a premium for EVs, giving a "false read" on the strength of EV demand,



Lawler said.

But last year sales moved to the "early majority," many of whom aren't ready to pay extra or deal with range anxiety or a lack of charging stations, he said.

Still, Ford believes that EVs are the future, although it's slowing production of batteries and vehicles, Lawler said.

Farley said Ford will focus sales of larger EVs on areas where the company dominates, such as trucks and vans. It also plans to switch some capital spending to smaller EVs designed by a small independent team that developed a flexible platform on which to build them.

Ford, Farley said, is focusing on reducing EV costs and cutting capital spending so they make money within a year of hitting showrooms, he said.

"We're not going to go to market with a vehicle unless we have completely convinced ourselves that it is going to be profitable," he said. "I know it's a huge turnaround and it's a big number."

© 2024 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten or redistributed without permission.

Citation: Ford posts \$523 million 4Q net loss on accounting charge for pensions but beats analyst estimates (2024, February 7) retrieved 22 April 2024 from <https://techxplore.com/news/2024-02-ford-million-4q-net-loss.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.