

Ford Motor Co. Ticker: F Sector: Consumer Discretionary Industry: Auto Makers	Intrinsic Value: \$26.47 Current Price: \$15.24 Stop Loss: \$12.95 Upside Review: \$18.29	TTM P/E: 8.65 Forward P/E: 8.1 FV Imp. P/E: 14.0 Beta: 1.32	Market Cap: \$60.1 BN Dividend Yield: 3.3% 52 Wk Range: \$12.10 - \$18.02
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Industry Trends:

Competition is high in the auto industry with many large-scale producers reducing costs and competing, to an extent, on price. The industry is very sensitive to changes in the macro-economy (and expectations of the macro-economy), and was hit very hard by the great recession. As the economy continues to recover, the industry has been gradually bouncing back, with significant growth in demand expected in the coming years. January 2014 industry revenues were an exception to this rule, with industry-wide decreases of 3.1%, thought to be largely due to bad weather. Evidence of pent-up demand can be seen from the record car and light truck fleet age of 11.4 years. The January reduction in revenues has likely added to the pent-up demand.

Investment Thesis:

Ford continues to improve the quality, design, and fuel efficiency of its vehicles, which is growing demand steadily. This growth in demand has come while Ford has gradually reduced its paid incentives, meaning that customers are increasing buying the vehicles because they really "want" them. The long-term short, mid, and long term trends of the company remain strong. The recent drop in share price was due to reduced January 2014 US sales, which were due to supply issues caused by weather. Sales in the warm Western US region actually increased during this period.

Business Overview:

Ford manufactures automobiles under the Ford and Lincoln brands. The company has market shares of 16.5% in the United States and 8.3% in Europe. The company also owns 3.5% of Mazda. Ford has about 171,000 employees and is based in Dearborn, Michigan.

Pros:

- Revamped car models such as Fiesta, Focus, Fusion appeal to customers due to design, quality, and fuel efficiency.
- Recent drop in share price of over 15%, caused mainly by supply issues due to weather, makes stock very good value.
- Cost reductions and increased profitability are continuing, with common platforms and streamlined operations.

Risk Factors:

- Ford shares are extremely sensitive to macro-economic expectations, even when the company has strong performance.
- Despite capital intensity, barriers to entry are decreasing from developing markets due to high potential sales.
- The auto industry is very cyclical, and Ford has struggled to prevent revenue and earnings fluctuations. We cannot say for sure that the Jan 2014 decrease was not a significant event.

Total Return Estimates:

3 Yr FV Reversion*: 20.2%
5 Yr FV Reversion*: 11.7%
(* - From limit order price of \$0)

Key Valuation Assumptions:

Est. Revenue Growth: 3.5%
WACC: 5.6%
Expected Inflation: 3.0%
Terminal Growth Rate: 2.5%
10 yr. Risk Free Rate: 2.82%
Equity Risk Premium: 5.9%
Effective Tax Rate: 27%

Key Financial Data:

Est. 2013 EPS: 1.90
Est. 2014 EPS: 1.97
Credit Quality: BBB-
ROE: 29.07%
ROA: 2.96%

Price /Book: 2.9
Current Ratio: 2.21
Quick Ratio: 2.08

CSR Scores vs. Industry Average:

Human Rights: 1 / 0.93
Business Ethics Policy: 1 / 1
ESG Disclosure: 42 / 46:
Equal Opportunity: 1 / 0.93
Emission Reduction: 1 / 1
Environmental Disclosure Score: 37.98 / 44.91

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5-year stock performance



Competitor Comparison

	Market Cap	Net Income	P/B	P/E	Div. Yield	Op. Mar	D/E
Ford	59,033	5,714	2.9	8.6	2.8	4.7	4.6
Toyota	183,377	1,840,067	1.3	10.2	2	1.9	0.6
Daimler	98,296	7,342	1.7	9.8	2.3	7.4	1
VW	81,975	8,372	0.7	169.5	1.2	5.6	0.7
BMW	70,817	5,211	1.5	9.9	1.9	8.4	1.2
Honda	66,594	479,351	1.2	14.2	0.5	4.2	0.6
GM	57,152	5,346	1.4	16	—	3.3	0.6
Nissan	37,428	416,487	0.8	9.9	2.9	5.4	0.8
Average	85,091	394,597	1.2	34.2	1.8	5.2	0.8
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Ford	59,033	5,714	2.9	10.8	2.8	4.7	4.6