

Ford Motor Co. Ticker: F Sector: Consumer Discretionary Industry: Auto Makers	Intrinsic Value: \$26.89 Current Price: \$17.18 Stop Loss: \$14.6 Upside Review: \$30.92	TTM P/E: 11.21 Forward P/E: 9.59 FV Imp. P/E: 15.4 Beta: 1.24	Market Cap: \$68.3 BN Dividend Yield: 2.35% 52 Wk Range: \$9.71 - \$17.77
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Industry Trends: Ford is in the Auto makers industry which was hit particularly hard during the great recession with many competitors forced into bankruptcy or government bail-out. Future outlook is very positive as companies firm up their balance sheets and the economy improves. Pent up demand lagging from the recession resulting in record fleet age of 11.4 years, low interest rates, and stabilizing gas prices are bringing consumers back to the show rooms. August industry sales of 1.5MM vehicles, up 18.8% from August 2012, and seasonal sales rates above 15MM units in 7 of the 8 past months is putting 2013 on pace to be the best year for the industry since 2007.

Investment Thesis: As the only major US automaker that didn't declare bankruptcy or accept a government bailout during the great recession Ford has an excellent opportunity to recapture Market share and reclaim dominance amongst the automakers. The success of the "One Ford Plan" has allowed F to fix its balance sheet, sell unprofitable brands, renegotiate retiree benefits plans, and improve the quality of their vehicles. Ford expects to reduce its platforms from 27 to 9 which could save the company billions and allow them to respond more quickly to demand shifts. Ford resumed its dividend in 2012 and doubled it in 2013, August sales were the strongest since 2006 growing at 12.4%, and Q2 \$2.3BN profit in North America was the best in company history. Ford's competitive positions, cost reduction measures, and financial performance make it a strong buy.

Business Overview: Ford Motor Company operates in the global automotive industry and is the second largest auto maker in the US. Ford operates in two sectors: Automotive and Financial Services. The Company manufactures or distributes automobiles across six continents. Its automotive brands include Ford and Lincoln. The Company's automotive sector includes Ford North America, Ford South America, Ford Europe, and Ford Asia Pacific Africa regions.

Pros:

- Emphasis on quality has improved sales: won six categories in the 2013 U.S. News & World Report Best Cars for the Money rankings and placed fourth out of 22 in ALG's 2012 perceived quality study
- Costs will continue to decrease as Ford reduces the number of platforms and negotiates with the UAW
- Reinstatement of dividend and record sales and profits have Ford poised for future growth

Risk Factors:

- Further economic slowdown or a US default would put dramatic pressure on sales
- Ford must renegotiate with the UAW in 2015 which could incense costs if a fair deal isn't struck
- Further entry from foreign automakers could reduce market share

Total Return Estimates:

3 Yr FV Reversion*: 17.0%
5 Yr FV Reversion*: 10.2%
 (* - From limit order price of \$00.00)

Key Valuation Assumptions:

Est. Revenue Growth: 3.0%
 WACC: 5.552%
 Expected Inflation: 3.0%
 Terminal Growth Rate: 3.0%
 10 yr. Risk Free Rate: 2.82%
 Equity Risk Premium: 5.9%
 Effective Tax Rate: 27.0%

Key Financial Data:

Est. 2013 EPS: \$1.55
 Est. 2014 EPS: \$1.59
 3-5 Yr. Est. EPS Growth
 PEG (TTM): 0.82
 Credit Quality: BBB-
 ROE: 33.17%
 ROA: 2.15%
 Price /Book: 3.51
 Current Ratio: 0.96
 Quick Ratio: 0.57

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:



Direct Competitor Comparison					
	F	PVT1	GM	TM	Industry
Market Cap:	66.85B	N/A	50.02B	202.23B	25.69B
Employees:	171,000	65,535 ¹	213,000	333,498	68.80K
Qty Rev Growth (yoy):	0.15	N/A	0.04	0.14	0.13
Revenue (\$m):	142,50B	65,78B ¹	152,84B	289,95B	65,16B
Gross Margin (\$m):	0.14	N/A	0.09	0.17	0.18
EBITDA (\$m):	11,99B	N/A	7,90B	36,35B	5,59B
Operating Margin (\$m):	0.05	N/A	0.01	0.08	0.07
Net Income (\$m):	6,07B	1,67B ¹	4,53B	15,68B	N/A
EPS (\$m):	1.52	N/A	2.79	9.90	2.90
PE (\$m):	11.18	N/A	12.95	12.90	13.16
PEG (5 yr expected):	0.82	N/A	0.67	0.35	0.82
P/S (\$m):	0.47	N/A	0.33	0.71	0.64

Pvt1 = Chrysler Group LLC (privately held)
 GM = General Motors Company
 TM = Toyota Motor Corporation
 Industry = Auto Manufacturers - Major
 1 = As of 2012