

## Ford Motor Company(F)

**\$7.09** (As of 08/10/20)

Price Target (6-12 Months): **\$8.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Outperform**

(Since: 08/10/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**1-Strong Buy**

Zacks Style Scores:

VGM:D

Value: C

Growth: F

Momentum: F

### Summary

Strong vehicle mix supported by F-series trucks and SUV models, including Escape, Explorer, Expedition, EcoSport and Edge, among others, all of which offer hybrid and electric options, is expected to bolster the company's long-term revenues. Ford's big push toward the development of electric and autonomous vehicles will drive profitability. Amazing future lineup of EVs including Mustang Mach-E sports SUV and the F-150 pick-up is catching attention. The firm's alliance with Volkswagen is likely to accelerate execution of EV strategy and boost Argo AI prospects. Focus on cost-cut efforts are expected to enable the firm to navigate through the coronavirus-induced financial crisis. Auto market recovery in China—which happens to be Ford's second-largest market—also bode well. Thus, the stock warrants a bullish stance.

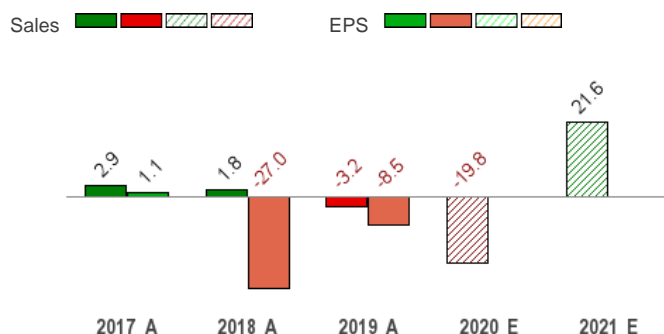
### Price, Consensus & Surprise



### Data Overview

52 Week High-Low	<b>\$9.65 - \$3.96</b>
20 Day Average Volume (sh)	<b>72,656,048</b>
Market Cap	<b>\$28.2 B</b>
YTD Price Change	<b>-23.8%</b>
Beta	<b>1.33</b>
Dividend / Div Yld	<b>\$0.00 / 0.0%</b>
Industry	<a href="#">Automotive - Domestic</a>
Zacks Industry Rank	<b>Top 11% (27 out of 253)</b>

### Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	<b>72.0%</b>
Last Sales Surprise	<b>28.6%</b>
EPS F1 Est- 4 week change	<b>47.1%</b>
Expected Report Date	<b>10/28/2020</b>
Earnings ESP	<b>0.0%</b>

### Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021					140,025 E
2020	31,340 A	19,371 A	33,559 E	33,724 E	115,184 E
2019	37,239 A	35,758 A	33,931 A	36,671 A	143,599 A

### EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021					\$0.62 E
2020	-\$0.23 A	-\$0.35 A	\$0.15 E	-\$0.20 E	-\$0.71 E
2019	\$0.44 A	\$0.32 A	\$0.34 A	\$0.12 A	\$1.19 A

\*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 08/10/2020. The reports text is as of 08/11/2020.

## Overview

Dearborn, MI-based Ford Motor Company designs, manufactures, markets and services cars, trucks, sport utility vehicles, electrified vehicles, and Lincoln luxury vehicles. Apart from vehicles, the company provides financial services through Ford Motor Credit Company LLC ("Ford Credit"). It employs approximately 199,000 employees worldwide.

Ford has three reportable operating segments:

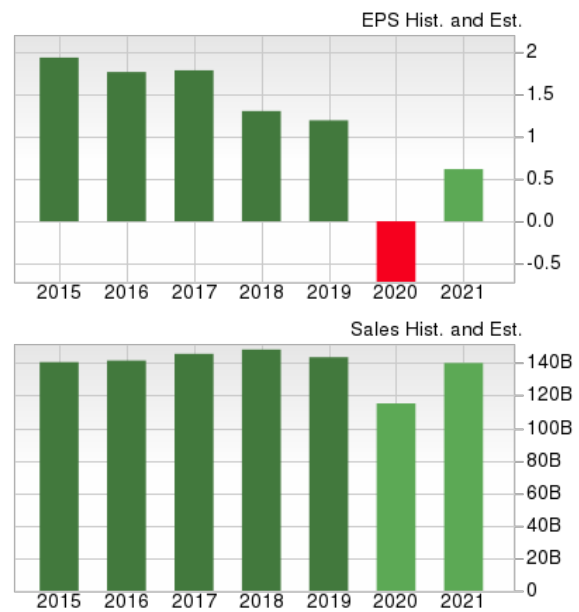
The **Automotive** segment (contributed 92.1% to company's total revenues in 2019) is engaged in the design, development, manufacture, sale and service of Ford and Lincoln vehicles as well as service parts, and accessories. The segment covers five regional business units: North America, South America, Europe, Middle East & Africa, and the Asia Pacific (including China).

The company's wholesales primarily consisted of vehicles sold to dealerships. In 2019, it sold roughly 5,386,000 vehicles at wholesale throughout the world. Beside retail sales, Ford's dealerships sell vehicles to fleet customers, including commercial fleet customers, daily rental car companies and governments. It also sells parts and accessories to authorized parts distributors and offers extended service contracts. At the end of 2019, the company's retail segment held 13.2% market share in North America, 7.2% in South America, 6.8% in Europe, 3.2% in Middle East & Africa and 2.2% in China.

The **Mobility** segment (0.01%) focuses on designing, building, growing and investing in mobility services, and autonomous technology businesses for the company. The segment works as a subsidiary of Ford under the name Ford Smart Mobility LLC ("FSM").

The **Financial Services** segment (7.8%) deals with vehicle-related financing and leasing activities at Ford Credit.

Ford expects extensive product introductions, featuring electric commercial and passenger vehicles, and investments in smart-vehicle capabilities throughout 2020. Apart from Mustang Mach-E, the company plans to launch F-150 — featuring a first-ever hybrid-electric version, a small off-road utility vehicle, the first of 30 market-specific Ford and Lincoln vehicles in China, and Electrified versions of the Lincoln Corsair and Ford Escape/Kuga.



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## Reasons To Buy:

- ▲ Strong vehicle mix supported by F-series trucks and SUV models, including Escape, Explorer, Expedition, EcoSport and Edge, among others, all of which offer hybrid and electric options, is expected to bolster the company's long-term revenues. Ford is sharpening focus on SUVs and trucks, as these vehicles are experiencing higher demand. This is likely to boost sales once the impact of the COVID-19 pandemic cools down. Simplifying the business by retiring some of its old models and doubling down on these spacious vehicles bode well for the firm.
- ▲ Ford's focus on cost-containment efforts — lowering operating costs, reducing capital expenditures and deferring portions of executive salaries — are likely to enable the firm to navigate through the coronavirus-induced financial crisis. Ford had cash and cash equivalents of \$30.9 billion as of Jun 30, 2020 compared with \$17.5 billion on Dec 31, 2019.
- ▲ Ford is accelerating its efforts to develop electric and autonomous vehicles. The company has several electric vehicles coming up, including Mustang Mach-E sports SUV and the F-150 pick-up. These vehicles are likely to enhance the profitability of the firm, which will help pay back the heavy investments Ford has made in the technology.
- ▲ Ford's alliance with Volkswagen is likely to accelerate execution of its commercial vehicles and EV strategy. The partnership also enhances Argo AI prospects, wherein both firms will collaborate to create highly capable autonomous vehicle businesses based on the self-driving technology of Argo AI.
- ▲ Auto market recovery in China—which happens to be Ford's second-largest market— bode well. The firm's second-quarter sales rose 3% year over year which marked its first quarterly gain in nearly three years in the country. The company's efforts to strengthen product line-up, with more customer-centric products and focus on customer experiences are likely to have yielded results. These measures along with improving economic conditions in China are likely to continue the sales growth in the country, going forward.

Ford's focus on SUVs and trucks along with EV launches are likely to boost its long-term prospects.

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## Risks

- As of Jun 30, 2020, the company's automotive long-term debt increased to \$37.4 billion from 13.2 billion as of Dec 31, 2019. Its total debt-to-capital ratio stands at 0.85, higher than its industry's 0.82. The elevated leverage of the company restricts its financial flexibility. Notably, the firm reported negative second-quarter adjusted free cash flow of \$5.3 billion. Moreover, Ford's credit ratings are non-investment grade by Moody's and S&P. The firm's weak financial position is likely to increase its credit cost. High funding costs may weigh on Ford's ability to invest in programs which would benefit the firm over the long term.
  - The coronavirus pandemic has rattled the auto industry amid factory closures, low footfall at dealerships and supply-chain distortions. Fears of spike in coronavirus infections loom large, which could lead to another round of factory closures. Depressed demand of vehicles amid weak consumer confidence is likely to hurt Ford's sales and earnings in the near future. Amid the coronavirus uncertainty, Ford has suspended its dividend, dampening investors' confidence.
  - Bleak outlook has spooked investors. For full-year 2020, Ford expects an adjusted EBIT loss. For the upcoming quarter, the company anticipates adjusted EBIT of \$0.5 billion to \$1.5 billion, down from \$1.8 billion in the corresponding period of 2019.
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## Last Earnings Report

### Ford Posts Narrower-Than-Expected Loss in Q2

Ford reported second-quarter 2020 adjusted loss per share of 35 cents, narrower than the Zacks Consensus Estimate of a loss of \$1.25. Higher-than-anticipated automotive sales in North America and Europe resulted in this narrower-than-estimated loss.

In the prior-year quarter, adjusted earnings had come in at 32 cents per share. The dismal results resulted from lower automotive sales across all markets served. The firm's second-quarter sales were affected by depressed demand for vehicles, thanks to the coronavirus outbreak.

In the second quarter, the company reported adjusted negative EBIT of \$1.9 billion, as against the profit of \$1.7 billion recorded in the corresponding period of 2019. The U.S. auto giant reported net profit of \$1.1 billion.

Ford registered revenues of \$19,371 million in the June-end quarter, down from the year-ago quarter's \$38,853 million. During the reported quarter, the company generated automotive revenues of \$16,622 million. The figure surpassed the Zacks Consensus Estimate of \$14,976 million. In the prior-year quarter, the figure had amounted to \$35,758 million.

Revenues from Ford Credit declined 11.3% year over year to \$2,739 million. Revenues from Ford Mobility came in at \$10 million, up from the \$6 million recorded in the second quarter of 2019.

### Ford Automotive

During the April-June quarter, wholesale volume in the Ford Automotive segment plummeted 53% from the prior-year period to 645 million. The segment recorded negative EBIT of \$2,089 million, as against the prior-year profit of \$1,373 million.

In North America, revenues plunged 54% year over year to \$10.9 billion during the reported quarter. Wholesale volume dropped 61% from the prior-year quarter to 272,000 units. Further, negative EBIT was \$974 million, as against the positive EBIT of \$1696 million reported in the year-ago quarter.

In South America, revenues slumped 75% year over year to \$0.2 billion. Wholesale volume tanked 81% from the year-ago quarter to 14,000 units. The region reported a negative EBIT of \$165 million, narrower than the prior-year loss of \$205 million.

In Europe, revenues significantly fell 51% to \$3.6 billion, year on year. Wholesale volume decreased 58% from the year-ago period to 154,000 units. The region registered a negative EBIT of \$664 million against a profit of \$53 million reported in the year-ago quarter.

In China, revenues declined 12% year over year to \$0.8 billion. Further, wholesale volume increased 34% from the prior-year figure to 169,000 units. The region reported a negative EBIT of \$136 million, narrower than the year-ago loss of \$155 million.

In the International Markets Group, revenues dropped 60% from the year-ago figure to \$1 billion. Wholesale volume dipped 64% from the prior-year level to 36,000 units. Further, the region reported a negative EBIT of \$150 million, widening from the loss of \$72 million witnessed in the prior-year quarter.

### Financial Position

The company reported negative second-quarter adjusted free cash flow of \$5,309 million. Ford had cash and cash equivalents of \$30.9 billion as of Jun 30, 2020 compared with \$17.5 billion on Dec 31, 2019. Automotive long-term debt stood at \$37.4 billion as of Jul 30.

### Outlook

The pandemic-induced mayhem has caused massive damages, and the situation is unlikely to improve anytime soon. Given the rate at which the virus is spreading and the fact that customers are likely to put off spending on big-ticket discretionary items for quite some time, Ford is unlikely to churn big profits for a while. Importantly, the firm expects third-quarter adjusted EBIT in the range of \$0.5-\$1.5 billion.

Ford also intends to launch the revamped version of F-150, Mustang Mach-E and Ford Bronco this year, which were delayed due to the pandemic.

Quarter Ending	06/2020
Report Date	Jul 30, 2020
Sales Surprise	28.57%
EPS Surprise	72.00%
Quarterly EPS	-0.35
Annual EPS (TTM)	-0.12

## Valuation

Ford's shares are down 23.8% and 23.6% in the year to date period and over the past year, respectively. Year to date, stocks in the Zacks Automotive – Domestic industry are up 80.3% and the Zacks Automotive sector is up 20.3%. Over the past year, the Zacks sub-industry and sector are up 121.5% and 40.4%, respectively.

The S&P 500 index is up 3.9% in the year-to-date period and 16.4% in the past year.

The stock is currently trading at 0.22X forward 12-month sales, which compares to 1.52X for the Zacks sub-industry, 0.87X for the Zacks sector and 3.66X for the S&P 500 index.

Over the past five years, the stock has traded as high as 0.44X and as low as 0.12X, with a 5-year median of 0.3X. Our Outperform recommendation indicates that the stock will perform better than the market. Our \$8 price target reflects 0.25X F12M sales.

The table below shows summary valuation data for F:

Valuation Multiples - F					
		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	0.22	1.52	0.87	3.66
	5-Year High	0.44	1.52	0.87	3.66
	5-Year Low	0.12	0.52	0.49	2.53
	5-Year Median	0.3	0.65	0.61	3.05
EV/EBITDA TTM	Current	15.72	25.71	15.87	12.62
	5-Year High	16.96	26.89	15.99	12.84
	5-Year Low	4.72	6.16	6.82	8.24
	5-Year Median	11.01	12.1	9.33	10.9
P/E F12M	Current	72.18	45.41	24.2	22.75
	5-Year High	81.99	77.05	25.42	22.75
	5-Year Low	NA	7.95	8.2	15.25
	5-Year Median	7.1	10.58	9.9	17.58

As of 08/10/2020

## Industry Analysis Zacks Industry Rank: Top 11% (27 out of 253)



## Top Peers

Company (Ticker)	Rec	Rank
Fiat Chrysler Automobiles N.V. (FCAU)	Outperform	2
Fox Factory Holding Corp. (FOXF)	Outperform	2
General Motors Company (GM)	Outperform	1
Polaris Inc. (PII)	Outperform	1
Autobytel Inc. (AUTO)	Neutral	3
HarleyDavidson, Inc. (HOG)	Neutral	3
PACCAR Inc. (PCAR)	Neutral	3
Tesla, Inc. (TSLA)	Neutral	3

Industry Comparison Industry: Automotive - Domestic				Industry Peers		
	F	X Industry	S&P 500	GM	PCAR	TSLA
Zacks Recommendation (Long Term)	Outperform	-	-	Outperform	Neutral	Neutral
Zacks Rank (Short Term)	1	-	-	1	3	3
VGM Score	D	-	-	D	A	B
Market Cap	28.21 B	6.36 B	23.56 B	40.04 B	31.10 B	264.37 B
# of Analysts	6	5	14	6	8	10
Dividend Yield	0.00%	0.00%	1.71%	0.00%	1.42%	0.00%
Value Score	C	-	-	A	B	F
Cash/Price	2.09	0.10	0.07	0.98	0.14	0.03
EV/EBITDA	10.26	10.25	13.39	4.26	7.84	112.71
PEG Ratio	NA	3.86	2.92	1.16	2.73	4.68
Price/Book (P/B)	0.91	3.18	3.18	0.92	3.18	24.65
Price/Cash Flow (P/CF)	2.19	9.61	12.69	1.89	8.97	172.76
P/E (F1)	NA	32.88	22.16	11.48	27.29	163.90
Price/Sales (P/S)	0.22	0.97	2.55	0.35	1.50	10.28
Earnings Yield	-10.01%	2.38%	4.33%	8.72%	3.66%	0.61%
Debt/Equity	3.89	0.76	0.77	2.00	0.76	0.98
Cash Flow (\$/share)	3.24	3.23	6.94	14.84	10.02	8.21
Growth Score	F	-	-	F	B	A
Hist. EPS Growth (3-5 yrs)	-13.69%	-1.64%	10.41%	-6.47%	11.45%	NA
Proj. EPS Growth (F1/F0)	-159.94%	-40.23%	-6.51%	-49.41%	-52.07%	6,557.69%
Curr. Cash Flow Growth	-2.64%	7.98%	5.26%	-8.62%	6.65%	36.54%
Hist. Cash Flow Growth (3-5 yrs)	1.90%	7.39%	8.55%	9.37%	11.72%	54.29%
Current Ratio	1.34	1.42	1.34	1.12	2.48	1.25
Debt/Capital	79.53%	50.80%	44.59%	66.71%	43.14%	50.80%
Net Margin	-1.63%	1.59%	10.13%	1.46%	7.95%	1.43%
Return on Equity	-1.49%	4.19%	14.59%	6.27%	16.85%	4.19%
Sales/Assets	0.50	0.74	0.51	0.49	0.75	0.72
Proj. Sales Growth (F1/F0)	-19.79%	-10.99%	-1.54%	-12.15%	-35.43%	18.38%
Momentum Score	F	-	-	C	A	A
Daily Price Chg	3.35%	0.00%	0.91%	4.72%	1.41%	-2.35%
1 Week Price Chg	3.78%	5.75%	2.30%	7.35%	4.14%	1.53%
4 Week Price Chg	17.00%	11.28%	8.54%	12.55%	18.79%	-5.24%
12 Week Price Chg	33.52%	30.39%	13.68%	12.78%	28.41%	74.35%
52 Week Price Chg	-23.68%	-4.50%	3.71%	-28.00%	38.70%	519.44%
20 Day Average Volume	72,656,048	2,459,660	2,015,804	13,054,494	2,038,027	13,014,475
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	47.10%	19.39%	1.67%	61.12%	19.39%	564.29%
(F1) EPS Est 12 week change	50.46%	19.08%	2.27%	72.32%	16.75%	19,599.96%
(Q1) EPS Est Mthly Chg	2.27%	5.94%	0.67%	-6.42%	57.10%	359.46%

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## Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

### Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

### Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

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### Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	C
Growth Score	F
Momentum Score	F
VGM Score	D

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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### Disclosures

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