



Ford Motor Company (F)

Updated February 11th, 2025, by Josh Arnold

Key Metrics

Current Price:	\$9.24	5 Year CAGR Estimate:	6.7%	Market Cap:	\$37 B
Fair Value Price:	\$9.30	5 Year Growth Estimate:	1.0%	Ex-Dividend Date:	02/18/2025
% Fair Value:	99%	5 Year Valuation Multiple Estimate:	0.1%	Dividend Payment Date:	03/03/2025
Dividend Yield:	6.5%	5 Year Price Target	\$9.77	Years Of Dividend Growth:	0
Dividend Risk Score:	D	Retirement Suitability Score:	B	Rating:	Hold

Overview & Current Events

Ford Motor Company was first incorporated in 1903 and in the past 120 years, it has become one of the world's largest automakers. It operates a large financing business as well as its core manufacturing division, which produces a popular assortment of cars, trucks, and SUVs. Ford could produce \$170+ billion in revenue this year and it trades with a \$37 billion market capitalization.

Ford posted fourth quarter and full-year earnings on February 5th, 2025, and results were better than expected. Adjusted earnings-per-share came to 39 cents, which was seven cents ahead of estimates. Revenue was up almost 5% year-over-year for the quarter to \$48.2 billion, which also beat estimates by \$5.37 billion. The fourth quarter was the highest revenue total the company has ever produced.

Ford Blue increased 4.2% to \$27.3 billion in revenue for the fourth quarter, beating estimates of \$25.9 billion. Model e revenue was down 13% year-over-year to \$1.4 billion, \$400 million less than expected. Ford Pro revenue was up 5.3% to \$16.2 billion, beating estimates for \$15.6 billion.

For this year, Ford expects full-year adjusted EBIT of \$7 to \$8.5 billion, and for adjusted free cash flow of \$3.5 billion to \$4.5 billion, with capex of \$8 to \$9.5 billion.

Full-year EBIT is expected to be \$7.5 billion to \$8 billion for Ford Pro, \$3.5 billion to \$4 billion for Ford Blue, and an EBIT loss of \$5 billion to \$5.5 billion for Ford Model e. Ford Credit is expected to add \$2 billion.

Ford declared a supplemental dividend of 15 cents per share for March payout. We do not count supplemental dividends in the tables below.

We start this year with an estimate of \$1.43 in adjusted earnings-per-share, noting that Ford continues to struggle and underperform because of its Model e division.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$1.73	\$1.76	\$1.90	\$1.30	\$1.19	\$0.41	\$1.59	\$1.88	\$2.01	\$1.84	\$1.43	\$1.50
DPS	\$0.60	\$0.60	\$0.60	\$0.60	\$0.60	\$0.15	\$0.10	\$0.50	\$0.60	\$0.60	\$0.60	\$0.60
Shares¹	3,960	3,974	3,974	4,000	4,003	4,025	4,000	4,000	3,974	3,963	3,950	3,900

If we look at the company's earnings-per-share history, Ford has performed rather abysmally. 2019's earnings-per-share were below that of 2010, and every other year from the past decade except for 2014, which is something no company would be proud to admit; 2020 was obviously much lower still. Ford has struggled with volume at times and at others, with profitability, particularly from its international businesses, and more recently, EVs. Recent results show the impacts of Ford's move away from sedans and other low-margin products and into electrification. It is becoming clearer that Ford's EV efforts are a struggle as margins remain very deep in negative territory, with no signs of improvement in margins or demand from consumers for the products themselves. We also note the legacy Blue and Pro divisions are highly profitable and Ford therefore has plenty of liquidity to fund its EV expansion for years to come. We have moved

¹ Share count in millions

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our estimate of growth to 1% given the continued deterioration in margins. We note the company is pulling back on investments in EVs given price wars that are making profitability extremely difficult.

Ford can achieve this growth mostly from margin gains as it shifts its mix to more profitable vehicles over time. Ford will also benefit from the cost savings program it has in place. Ford's revenue is not likely to move much in either direction going forward but with more profitable vehicles in focus, as well as many billions of dollars of cost savings, Ford should be in a position to see at least steady rates of profitability in the coming years. We note margins are gradually moving higher in non-EV segments, but the big wildcard at the moment is the company's ability to produce electric vehicles profitably, which is a long way off at the moment. We think the move to reduce ambition in this area is a good one for earnings, ultimately, as it remains a massive drag.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	8.1	7.2	6.2	8.0	7.8	17.2	8.9	6.2	6.1	5.4	6.5	6.5
Avg. Yld.	4.0%	4.8%	5.1%	5.8%	6.5%	2.1%	0.7%	4.3%	4.9%	6.1%	6.5%	6.1%

Ford's price-to-earnings multiple has been very low for most of the past decade, and we don't expect that will change. Its current multiple of 6.5 times earnings is equal to our estimate of fair value at 6.5 times earnings. We therefore forecast no impact to total returns from the valuation. The dividend now yields a very respectable 6.5%, excluding any supplemental dividends declared.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	32%	48%	32%	46%	50%	37%	6%	27%	30%	33%	42%	40%

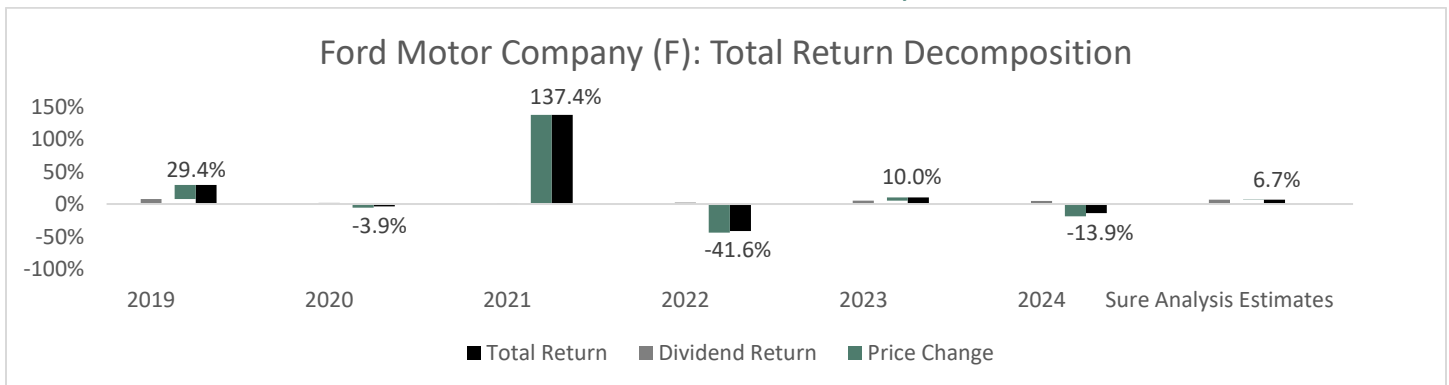
Ford is back to paying its dividend steadily, which is a great sign of confidence from management, and it was raised sharply for Q3 2022. The payout ratio is just 42% of earnings, so even a downturn in earnings shouldn't put the payout at risk. This excludes supplementary dividends paid.

Of course, recessions are not kind to automakers, so the COVID-19 slowdown crushed Ford's earnings. However, the company rebounded very quickly in 2021. Its competitive advantage is easily defined as its market share in trucks, particularly with its F-Series, and it is working to build an advantage in electric vehicles.

Final Thoughts & Recommendation

We see Ford as a fairly valued stock with modest future prospects. We are forecasting 6.7% annual total returns going forward due to a mix of the valuation and the ample yield. With 1% growth, a 6.5% yield, and no impact from the valuation, we are reiterating the stock at a hold rating after Q4 results, and underwhelming 2025 guidance.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue (\$B)	150	152	157	160	156	177	136	158	176	185
Gross Profit	25,112	25,605	25,455	24,069	21,207	14,392	21,690	17,164	16,160	15,506
Gross Margin	16.8%	16.9%	16.2%	15.0%	13.6%	11.3%	15.9%	10.9%	9.2%	8.4%
SG&A Exp.	10,763	10,972	11,527	11,403	11,161	10,193	11,915	10,888	10,702	10,287
D&A Exp.	7,966	8,717	8,572	8,413	8,490	7,457	5,960	6,493	6,523	5,867
Operating Profit	6,981	5,786	4,881	3,203	574	-4,408	9,775	6,276	5,458	5,219
Op. Margin	4.7%	3.8%	3.1%	2.0%	0.4%	-3.5%	7.2%	4.0%	3.1%	2.8%
Net Profit	7,373	4,589	7,731	3,677	47	-1,279	17,937	-1,981	4,347	5,879
Net Margin	4.9%	3.0%	4.9%	2.3%	0.0%	-1.0%	13.2%	-1.3%	2.5%	3.2%
Free Cash Flow	9,030	12,858	11,047	7,237	10,007	18,527	9,560	-13	6,682	6,739
Income Tax	2,881	2,184	402	650	-724	160	-130	-864	-362	1,339

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets (\$B)	225	238	258	257	259	267	257	256	273	285
Cash & Equivalents	14,272	15,905	18,492	16,718	17,504	25,243	20,540	25,134	24,862	22,935
Acc. Receivable	56,179	57,368	62,809	65,548	62,888	52,394	43,913	54,449	62,026	66,573
Inventories	8,319	8,898	11,176	11,220	10,786	10,808	12,065	14,080	15,651	14,951
Goodwill & Int.	---	---	288	442	466	402	2,090	2,350	---	---
Total Liab. (\$B)	196	209	223	221	225	236	208	213	231	240
Accounts Payable	20,272	21,296	23,282	21,520	20,673	22,204	22,349	25,605	25,992	24,128
LT Debt (\$B)	133	143	154	154	155	162	138	139	149	159
Total Equity	28,642	29,170	35,578	35,932	33,185	30,690	48,519	43,242	42,773	44,835
LTD/E Ratio	4.64	4.90	4.34	4.29	4.68	5.27	2.85	3.21	3.49	3.54

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	3.4%	2.0%	3.1%	1.4%	0.0%	-0.5%	6.8%	-0.8%	1.6%	2.1%
Return on Equity	27.8%	15.9%	23.9%	10.3%	0.1%	-4.0%	45.3%	-4.3%	10.1%	13.4%
ROIC	4.8%	2.8%	4.3%	1.9%	0.0%	-0.7%	9.5%	-1.1%	2.3%	3.0%
Shares Out.	3,960	3,974	3,974	4,000	4,003	4,025	4,034	4,056	4,041	4,021
Revenue/Share	37.37	37.96	39.21	40.10	38.94	32.00	33.80	38.97	43.60	46.01
FCF/Share	2.26	3.22	2.76	1.81	2.50	4.66	2.37	0.00	1.65	1.68

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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