

COMPANY PROFILE

Ford Motor Company

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COMPANY OVERVIEW

Ford Motor Company (Ford or 'the company') is one of the largest automotive manufacturers in the world. The company manufactures and distributes automobiles across six continents. It also provides financial services through Ford Motor Credit. The company's key automotive vehicle brands include Ford and Lincoln. Ford primarily operates in North America, Europe, Asia Pacific, South America, and the Middle East and Africa. It is headquartered in Dearborn, Michigan.

The company reported revenues of (US Dollars) US\$156,776 million for the fiscal year ended December 2017 (FY2017), an increase of 3.3% over FY2016. In FY2017, the company's operating margin was 3.1%, compared to an operating margin of 3.8% in FY2016. In FY2017, the company recorded a net margin of 4.8%, compared to a net margin of 3% in FY2016.

The company reported revenues of US\$38,920.0 million for the second quarter ended June 2018, a decrease of 7.2% over the previous quarter.

KEY FACTS

Head Office	Ford Motor Company 1 American Rd Michigan 48126 DEARBORN Michigan DEARBORN Michigan USA
Phone	1 313 3223000
Fax	1 302 6555049
Web Address	corporate.ford.com
Revenue / turnover (USD Mn)	156,776.0
Financial Year End	December
Employees	202,000
New York Stock Exchange Ticker	F

SWOT ANALYSIS

Ford Motor Company (Ford or 'the company') is one of the largest automotive manufacturers in the world. The company manufactures and distributes automobiles across six continents. It also provides financial services through Ford Motor Credit. The company's global platform consolidation efforts coupled with strong focus on affordable mobility blueprint has provided significant cost savings, thus delivering sustainable growth prospects. However, intense competition presents a significant risk to Ford's ability to enhance its revenue per vehicle and maintain its market share during difficult economic times.

<p>Strength</p> <p>Significant Research and Development Capabilities Help Launch New Vehicles Strong Market Share in Several Regions Could Enhance Brand Value Robust Portfolio of Automotive Products Provides Competitive Advantage</p>	<p>Weakness</p> <p>Frequent Product Recalls Could Affect Brand Image</p>
<p>Opportunity</p> <p>Establishment of New Plants to Expand Business Prospects Growing Global Automotive Industry Could Provide Immense Opportunities to Boost Financial Performance Focus On Hybrid Electric and Fuel Cell Vehicle Market</p>	<p>Threat</p> <p>Stringent Environmental Regulations Affect Business Performance Fluctuations in Foreign Currency Could Impact Profitability Intense Competition and Pricing Pressure Could Impact Market Share</p>

Strength

Significant Research and Development Capabilities Help Launch New Vehicles

Ford has strong engineering, research and development (R&D) capability. The R&D efforts are directed at improving the performance (including fuel efficiency), safety, customer satisfaction, and developing new products. The company operates use nine regional engineering, research, and development centers. Ford recorded \$7.3 billion of engineering, R&D costs in FY2016 and \$6.7 billion in both FY2015 and FY2014. Also, the company currently has approximately 48,000 active patents and pending patent applications globally, with an average age for patents in its active patent portfolio of just over five years.

Due to the strong R&D efforts, the company was able to develop and launch a number of new vehicles. For instance, the company introduced Ford Ranger in China, which will be launched in 2018. Also, in 2017, Ford unveiled the new F-150 pickup. Also, in 2015, Ford in collaboration with Tonka launched the F-750 Tonka dump truck and F150 trucks, which has an aluminum-alloy body and steel frame. The company unveiled the all-new GT, a supercar that serves as a technology showcase for top EcoBoost

performance, aerodynamics and lightweight carbon fiber construction.

Thus, strong R&D capabilities support and enhance Ford's existing product offerings as well as enable it to launch new vehicles in the market place.

Strong Market Share in Several Regions Could Enhance Brand Value

Ford is one of the leading automotive manufacturers in the world. The company has a strong market presence across the globe, with a global market share of 7.3% in FY2016. Ford primarily operates in North America, Europe, Asia Pacific, South America, and the Middle East and Africa. The company had a market share of 14.6% in the US automotive market in 2016. Also, the company occupied a market share of 15.4% in the Canadian automotive market. Ford was Canada's leading automaker in terms of volumes sold in 2016. Ford maintained an overall strong position in the North American automotive market. In addition, the company has robust market share of 7.7% in Europe, with 14% and 11.4%, in the UK and Turkey, respectively.

In the South American market, Ford has been consistently maintaining a strong market share of more than 9% in Brazil since 2014, even though of a gradual decrease in sales. The company's market share in Argentina has decreased to 13.6% in FY2016 from 14.9% in FY2015. In the Asia-Pacific region, Ford occupied a market share of 4.8% in China in both FY2015 and FY2016. Thus, Ford's strong market share in several regions could enhance brand value leading to greater demand and higher profitability.

Robust Portfolio of Automotive Products Provides Competitive Advantage

Ford is engaged in designing, manufacturing and selling cars, utilities vehicles and trucks. Through its automotive business, the company produces a range of vehicles, including cars for the small, medium, large and premium segments; trucks; buses/vans (including minivans); full-size pickups; sport utility vehicles (SUV); and vehicles for the medium/heavy segments. Ford produces vehicles under the Ford and Lincoln brands. In FY2016, the company sold approximately 6,651,000 vehicles (wholesale) throughout the world.

The company also provides a wide range of after-sale vehicle services and products, including maintenance and repairs, vehicle accessories and parts, and extended service contracts. Thus, robust portfolio of automotive products helps the company to meet the evolving needs of its customers which in turn provides significant competitive advantage.

Weakness

Frequent Product Recalls Could Affect Brand Image

In the recent past, string of product recalls have hit Ford's quality image. Ford has recalled some of its most popular models due to manufacturing and design problems. For instance, in 2017, Ford issued separate recalls for more than 441,000 vehicles in North America, including certain versions of the popular Escape sport-utility vehicle and Fusion sedan. The repairs included a new recall to prevent engine fires and expansion of an ongoing campaign to fix doors that could swing open while the vehicle is

in motion.

In 2016, the company recalled approximately 271,000 2013–2014 Ford F-150 vehicles to replace brake master cylinders. Also in 2016, the company expanded its safety recalls on vehicles that have certain Takata airbag inflators after Takata declared that those inflators are defective, bringing the total number of Ford vehicles recalled for Takata airbag inflators to 1,902,228 vehicles until 2015.

In 2015, Ford issued safety recall for nearly 423,000 vehicles, including certain 2011–2013 Ford Taurus and Flex vehicles, Lincoln MKS and MKT vehicles, for certain 2011–2012 Ford Fusion and Lincoln MKZ vehicles, and for certain 2011 Mercury Milan vehicles in North America for a potential intermittent electrical connection in the steering gear that might result in the loss of electric power steering assist while driving.

Hence, frequent product recalls could negatively impact the consumer's confidence on Ford which in turn may affect the brand name and reduce trust on the company's products.

Opportunity

Establishment of New Plants to Expand Business Prospects

Ford has established several new plants and also expanded the capacity of existing plants in recent times. For instance, in 2016, the company invested \$60 million to develop Wagner Place into new urban office, retail space in West Dearborn. Also, in 2016, Ford invested \$1.2 billion in three Michigan manufacturing facilities to strengthen its leadership in trucks and SUVs, as well as \$1.3 billion into the Kentucky truck plant to support the launch of the all-new 2017 Ford F-Series Super Duty truck. Also, in 2015, the company invested \$2.5 billion in new engine and transmission plants in the Mexican states of Chihuahua and Guanajuato, respectively. The investment is part of the company's One Ford plan, which emphasizes global competitiveness.

The establishment of new plants could enable the company to further drive its profitable growth and enhance its overall revenue base.

Growing Global Automotive Industry Could Provide Immense Opportunities to Boost Financial Performance

The global automotive manufacturing industry has produced relatively stable and consistent levels of growth overall in recent years. The industry is expected to continue to follow a similar pattern through to the end of the forecast period in 2019. According to MarketLine, the global automotive manufacturing industry generated total revenues of \$1,390.4 billion in 2016, an increase of 3.6% over the previous year. Furthermore, the industry is expected to grow at a compound annual growth rate (CAGR) of 4% for the 2016–20 period to reach a value of approximately \$1,616.4 billion in 2020. In addition, the industry production volume is expected to rise to 163.6 billion units by the end of 2020, representing a CAGR of 3% for the 2016–20 period.

Ford, one of the oldest car manufacturers in the world, designing, manufacturing, marketing, and

servicing a full line of Ford cars, trucks, and SUVs, as well as its luxury vehicles. The company's core and affiliated automotive brands include Ford and Lincoln. Thus, the growing global automotive industry provides incremental growth opportunities for Ford to enhance its financial performance.

Focus On Hybrid Electric and Fuel Cell Vehicle Market

The company has been focusing on developing cars running on hybrid electric and fuel cell technologies. The demand for hybrid electric and fuel cell vehicles (FCVs) is primarily driven by the growing global concerns about carbon emissions coupled with highly volatile fuel prices. According to MarketLine, the sales of electric vehicle are anticipated to reach approximately 5.1 million units by the end of 2020, growing at a CAGR of 11% for the 2016–20 period.

Ford is currently increasing its hybrid volume and preparing for hybrid capability across its highest-volume global product platforms. For instance, in FY2016, Ford detailed seven of the 13 new global electrified vehicles it planned to introduce in the next five years, including hybrid versions of the iconic F-150 pickup and Mustang in the US, a plug-in hybrid Transit Custom van in Europe and a fully electric SUV with an expected range of at least 300 miles for customers globally. Thus, Ford's strong emphasis on hybrid electric and alternate fuel vehicles coupled with the growing demand from the end markets is expected to enhance its revenues and market share in the coming periods.

Threat

Stringent Environmental Regulations Affect Business Performance

The automobile industry worldwide is influenced by a broad spectrum of regulations governing the emission levels of exhaust fumes, carbon dioxide/fuel economy guidelines, noise level limitations, recycling-related restrictions and safety standards. These regulations have become increasingly stringent. For instance, in the US, the Federal Clean Air Act imposes stringent limits on the amount of regulated pollutants that lawfully may be emitted by new vehicles and engines produced for sale in the US. In 2014, the Environmental Protection Agency (EPA) finalized new Tier 3 regulations that phase in increasingly stringent motor vehicle emissions standards beginning with the 2017 model year; compliance with these standards could be challenging. Pursuant to the Clean Air Act, California may establish its own unique vehicle emissions control standards; the California standards can also be adopted by other states. The California Air Resources Board has adopted LEV III standards, which took effect with the 2015 model year and impose increasingly stringent tailpipe and evaporative emissions requirements for light and medium duty vehicles. Thirteen states, primarily located in the Northeast and Northwest, have adopted the LEV III standards. Moreover, the California vehicle emissions program also includes requirements for manufacturers to produce and deliver zero-emission vehicles (ZEVs) for sale.

Furthermore, European Union (EU) directives and related legislation limit the amount of regulated pollutants that may be emitted by new motor vehicles and engines sold in the EU. Stringent new Stage V emissions standards took effect for vehicle registrations starting in 2011; Stage VI requirements applied from 2014, with a second phase beginning in 2017. Stage VI further tightened the standard for oxides of nitrogen. Many countries, in an effort to address air quality concerns, are adopting previous versions of European or United Nations Economic Commission for Europe (“UN-ECE”) mobile source emission

regulations. Some countries have adopted more advanced regulations based on the most recent version of European or U.S. regulations; for example, China adopted emission regulations based on European Stage VI emission standards and U.S. evaporative emissions and on-board diagnostic requirements. Korea and Taiwan have adopted very stringent U.S.-based standards for gasoline vehicles and European-based standards for diesel vehicles. Although these countries have adopted regulations based on UN-ECE or U.S. standards, there may be some unique testing provisions that require emission-control systems to be redesigned for these markets. Canadian criteria emissions regulations are aligned with U.S. Tier 2 requirements.

Thus, any significant change in the regulation structure in any of the countries where Ford operates may have a serious impact on its business operations.

Fluctuations in Foreign Currency Could Impact Profitability

Ford is an enterprise with global operations. The company operates 62 plants spread across North America, Europe, South America, Asia Pacific, and the Middle East and Africa. During FY2016, the company operated approximately 11,737 dealerships across the world, including 10,608 Ford dealerships and 214 Lincoln dealerships. In addition the company operated 915 Ford and Lincoln combined dealerships.

Foreign currency risks affect Ford's automotive and financial services sector alike. In the automotive sector, the company is exposed to foreign exchange risk arising from high proportion of export in sales amount, which is denominated in foreign currencies. Also, Ford Credit, in order to meet funding objectives, borrows in a variety of currencies, principally US dollars, Canadian dollars, Euros, Pound Sterling, and renminbi. Ford Credit faces exposure to currency exchange rates if a mismatch exists between the currency of receivables and the currency of the debt funding those receivables. In addition, the value of the company's equity investment in foreign countries may fluctuate based upon changes in foreign currency exchange rates. Thus, any unfavorable change in other currencies would have an adverse impact on the profitability of the company.

Intense Competition and Pricing Pressure Could Impact Market Share

The global automotive industry is highly competitive which pressurizes manufacturers' ability to increase prices. The principal competitive factors include price, quality, available options, style, safety, reliability, fuel economy and functionality. Ford faces strong completion from companies such as Fiat Chrysler Automobiles, General Motors, Honda Motor, Hyundai-Kia Automotive Group, PSA Peugeot Citroen, Renault-Nissan, Suzuki Motor, Toyota Motor, and Volkswagen, among others. In the future, Chinese and Indian manufacturers are expected to enter the US and European markets, further intensifying competition. Over the long term intense competition and apparent excess capacity is expected to continue to put downward pressure on inflation-adjusted prices for similarly-contented vehicles in the US and contribute to a challenging pricing environment for the automotive industry. In Europe, the excess capacity situation is exacerbated by weakening demand along with the lack of reductions in existing capacity, which could result in negative pricing pressure to continue for the foreseeable future.

Thus, these actions might influence Ford's vehicle pricing, which in turn could have a significant negative impact on the company's market share and operating results. It also presents a significant risk to Ford's

ability to enhance its revenue per vehicle and maintain its market share during difficult economic times.

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