# We do not see the opportunity for an asymmetric value investment strategy in WMT at this time

2/11/2018

## **IOI Tear Sheet: Ford Motor Co. (F)**

## **Valuation Only**



Ford has done a good job of reengineering its cars and increasing efficiency, but the essential difficulty is a home market that is oversaturated and increasingly unable to buy its products outright. To stimulate demand, Ford has begun effectively lending money to its customers so they can buy the company's products. Our original valuation in April 2014 did not view these financing flows as investments, but we have reassessed our opinion, and lowered our fair value range as a result. Please also see our 2/9/2016 note detailing our present valuation assumptions.

### **Drivers**

IOI's Take

Revenues	Revenue growth has been spurred by leasing deals. We believe auto makers face structural declines in the U.S.
Profitability	Profitability has been terrific at Ford thanks to platform consolidation and a combination of good revenues and operational leverage.
Investment Level / Eff.	Considering loans made to customers as a form of investment, the firm routinely spends all of its owners' profits and then some.

Balance Sheet No hidden issues found in our analysis.



<b>&gt;</b> -		Case / Scenario	Value	Scenarios Key
Probability / Materiality		PSR Implied Low	3	ST Rev Growth   ST OCP Margin   Med-Term Growth
ë		-2%   2%   0%	4	
<b>√</b> at		3%   2%   0%	5	
_		*-2%   2%   8%	5	
<u>i</u> f		3%   2%   8%	6	
lide		252-day Low	11	
ĝ		<b>■</b> -2%   7%   0%	14	<b>4</b>   1
<u>r</u>	- 111	252-day High	17	
	- 111	*3%   7%   0%	17	
	- 111	-2% / 7%   8%	18	1 1
	- 111	P&R Implied High	20	
		3%   7%   8%	22	
0	4	9 Stock	Price 1	13 18 22

# We published a valuation in April 2014 whose range was significantly higher than our most recent estimate. A reassessment of the ability of the firm to generate cash flows on behalf of its owners leads us to the \$5-\$17 range shown here. Profitability at Ford is tracking closer to our best-case estimates. See our valuation note for details. \$17 10 \$11

## Valuation & Return

2/11/2015

	Low	Likely	High
Stock Fair Value (\$)	5	11	17
Stock Return (%)	-56	0	50
Option Period Return (%)	NA	NA	NA
Option Annual Return (%)	NA	NA	NA

2/11/2016

## **Historical Metrics**

	Historical Median		
	5-year	10-year	
Revenue Growth (%)	0	-1	
Profit Margin (%)	4	2	
Med-term Growth	GDP+5%	NA	

## Market Risk

2/11/2017

If Ford's' shares trade according to previous PS Ratio multiples and revenues hit our worst-case value, the market price may fall as low as the low single digits. Best-case revenues imply \$20/sh

Valuation Uncertainty: High