

FORD MOTOR CO
Form 10-Q
October 25, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2018

or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____
Commission file number 1-3950

Ford Motor Company
(Exact name of Registrant as specified in its charter)

Delaware 38-0549190
(State of incorporation) (I.R.S. Employer Identification No.)

One American Road, Dearborn, Michigan 48126
(Address of principal executive offices) (Zip Code)
313-322-3000
(Registrant's telephone number, including area code)

Indicate by check mark if the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Emerging growth company

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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

As of October 19, 2018, Ford had outstanding 3,907,051,309 shares of Common Stock and 70,852,076 shares of Class B Stock.

Exhibit Index begins on page
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FORD MOTOR COMPANY

QUARTERLY REPORT ON FORM 10-Q

For the Quarter Ended September 30, 2018

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements.

FORD MOTOR COMPANY AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT

(in millions, except per share amounts)

	For the periods ended September 30,			
	2017 Third Quarter (unaudited)	2018	2017 First Nine Months	2018
Revenues				
Automotive	\$33,646	\$34,660	\$107,234	\$109,577
Ford Credit	2,802	2,998	8,209	8,950
Mobility	3	8	7	18
Total revenues (Note 3)	36,451	37,666	115,450	118,545
Costs and expenses				
Cost of sales	30,275	31,568	96,317	100,515
Selling, administrative, and other expenses	2,919	2,882	8,439	8,407
Ford Credit interest, operating, and other expenses	2,259	2,352	6,680	7,052
Total costs and expenses	35,453	36,802	111,436	115,974
Interest expense on Automotive debt	284	328	840	890
Interest expense on Other debt	14	15	42	43
Other income/(loss), net (Note 4)	754	605	2,220	2,472
Equity in net income of affiliated companies	316	(32)	935	252
Income before income taxes	1,770	1,094	6,287	4,362
Provision for/(Benefit from) income taxes	191	101	1,054	555
Net income	1,579	993	5,233	3,807
Less: Income/(Loss) attributable to noncontrolling interests	7	2	22	14
Net income attributable to Ford Motor Company	\$1,572	\$991	\$5,211	\$3,793
EARNINGS PER SHARE ATTRIBUTABLE TO FORD MOTOR COMPANY COMMON AND CLASS B STOCK (Note 6)				
Basic income	\$0.40	\$0.25	\$1.31	\$0.95
Diluted income	0.39	0.25	1.30	0.95
Cash dividends declared	0.15	0.15	0.50	0.58

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(in millions)

	For the periods ended September 30,			
	2017 Third Quarter (unaudited)	2018	2017 First Nine Months	2018
Net income	\$1,579	\$993	\$5,233	\$3,807
Other comprehensive income/(loss), net of tax (Note 16)				

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Foreign currency translation	102	(134)	427	(434)
Marketable securities	(1)	(2)	2	(57)
Derivative instruments	(171)	(103)	(201)	(18)
Pension and other postretirement benefits	27	13	24	38
Total other comprehensive income/(loss), net of tax	(43)	(226)	252	(471)
Comprehensive income	1,536	767	5,485	3,336
Less: Comprehensive income/(loss) attributable to noncontrolling interests	7	1	20	13
Comprehensive income attributable to Ford Motor Company	\$1,529	\$766	\$5,465	\$3,323

The accompanying notes are part of the financial statements.

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Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(in millions)

	December 31, 2017	September 30, 2018 (unaudited)
ASSETS		
Cash and cash equivalents (Note 7)	\$ 18,492	\$ 18,562
Marketable securities (Note 7)	20,435	17,780
Ford Credit finance receivables, net (Note 8)	52,210	50,818
Trade and other receivables, less allowances of \$392 and \$368	10,599	11,244
Inventories (Note 10)	11,176	12,810
Other assets	3,889	3,629
Total current assets	116,801	114,843
Ford Credit finance receivables, net (Note 8)	56,182	57,043
Net investment in operating leases	28,235	29,540
Net property	35,327	35,762
Equity in net assets of affiliated companies	3,085	2,858
Deferred income taxes	10,762	10,553
Other assets	8,104	8,367
Total assets	\$258,496	\$ 258,966
LIABILITIES		
Payables	\$23,282	\$ 23,273
Other liabilities and deferred revenue (Note 12)	19,697	20,714
Automotive debt payable within one year (Note 14)	3,356	3,216
Ford Credit debt payable within one year (Note 14)	48,265	47,547
Total current liabilities	94,600	94,750
Other liabilities and deferred revenue (Note 12)	24,711	24,228
Automotive long-term debt (Note 14)	12,575	11,448
Ford Credit long-term debt (Note 14)	89,492	90,620
Other long-term debt (Note 14)	599	600
Deferred income taxes	815	602
Total liabilities	222,792	222,248
Redeemable noncontrolling interest	98	99
EQUITY		
Common Stock, par value \$.01 per share (3,999 million shares issued of 6 billion authorized)	40	40
Class B Stock, par value \$.01 per share (71 million shares issued of 530 million authorized)	1	1
Capital in excess of par value of stock	21,843	22,011
Retained earnings	21,906	23,384
Accumulated other comprehensive income/(loss) (Note 16)	(6,959)	(7,429)
Treasury stock	(1,253)	(1,417)
Total equity attributable to Ford Motor Company	35,578	36,590
Equity attributable to noncontrolling interests	28	29

Total equity	35,606	36,619
Total liabilities and equity	\$258,496	\$ 258,966

The following table includes assets to be used to settle liabilities of the consolidated variable interest entities (“VIEs”). These assets and liabilities are included in the consolidated balance sheet above.

	December 31, 2017		September 30, 2018	
	(unaudited)			
ASSETS				
Cash and cash equivalents	\$3,479	\$	2,746	
Ford Credit finance receivables, net	56,250		56,412	
Net investment in operating leases	11,503		12,441	
Other assets	64		55	
LIABILITIES				
Other liabilities and deferred revenue	\$2		\$	2
Debt	46,437		50,564	

The accompanying notes are part of the financial statements.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 (in millions)

	For the periods ended September 30,	
	2017	2018
	First Nine Months (unaudited)	
Cash flows from operating activities		
Net cash provided by/(used in) operating activities	\$ 14,949	\$ 13,665
Cash flows from investing activities		
Capital spending	(4,936)	(5,669)
Acquisitions of finance receivables and operating leases	(43,054)	(48,227)
Collections of finance receivables and operating leases	32,988	38,418
Purchases of marketable and other securities	(20,550)	(14,547)
Sales and maturities of marketable and other securities	22,953	17,341
Settlements of derivatives	62	290
Other	12	(201)
Net cash provided by/(used in) investing activities	(12,525)	(12,595)
Cash flows from financing activities		
Cash dividends	(1,988)	(2,308)
Purchases of common stock	(131)	(164)
Net changes in short-term debt	1,899	(1,268)
Proceeds from issuance of long-term debt	30,557	37,211
Principal payments on long-term debt	(31,378)	(33,935)
Other	(124)	(184)
Net cash provided by/(used in) financing activities	(1,165)	(648)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	442	(305)
Net increase/(decrease) in cash, cash equivalents, and restricted cash	\$ 1,701	\$ 117
Cash, cash equivalents, and restricted cash at January 1 (Note 7)	\$ 16,019	\$ 18,638
Net increase/(decrease) in cash, cash equivalents, and restricted cash	1,701	117
Cash, cash equivalents, and restricted cash at September 30 (Note 7)	\$ 17,720	\$ 18,755

The accompanying notes are part of the financial statements.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF EQUITY
(in millions, unaudited)

	Equity Attributable to Ford Motor Company						Equity Attributable to Non-controlling Interests	Total Equity
	Capital Stock Par Value of Stock	Cap. in Excess of Par Value of Stock	Retained Earnings	Accumulated Other Comprehensive Income/(Loss) (Note 16)	Treasury Stock	Total		
Balance at December 31, 2016	\$41	\$21,630	\$16,193	\$ (7,013)	\$(1,122)	\$29,729	\$ 17	\$29,746
Adoption of accounting standards	—	6	566	—	—	572	—	572
Net income	—	—	5,211	—	—	5,211	22	5,233
Other comprehensive income/(loss), net of tax	—	—	—	254	—	254	(2)	252
Common stock issued (including share-based compensation impacts)	—	168	—	—	—	168	—	168
Treasury stock/other	—	—	—	—	(131)	(131)	(1)	(132)
Cash dividends declared	—	—	(1,988)	—	—	(1,988)	(11)	(1,999)
Balance at September 30, 2017	\$41	\$21,804	\$19,982	\$ (6,759)	\$(1,253)	\$33,815	\$ 25	\$33,840
Balance at December 31, 2017	\$41	\$21,843	\$21,906	\$ (6,959)	\$(1,253)	\$35,578	\$ 28	\$35,606
Net income	—	—	3,793	—	—	3,793	14	3,807
Other comprehensive income/(loss), net of tax	—	—	—	(470)	—	(470)	(1)	(471)
Common stock issued (including share-based compensation impacts)	—	168	—	—	—	168	—	168
Treasury stock/other	—	—	—	—	(164)	(164)	—	(164)
Dividends and dividend equivalents declared	—	—	(2,315)	—	—	(2,315)	(12)	(2,327)
Balance at September 30, 2018	\$41	\$22,011	\$23,384	\$ (7,429)	\$(1,417)	\$36,590	\$ 29	\$36,619

The accompanying notes are part of the financial statements.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

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