

Ford Motor

Strike averted at Kentucky Truck, more local contract noise remains

Maintain Rating: BUY | PO: 21.00 USD | Price: 12.25 USD

Ford and UAW avoid strike at Kentucky Truck Plant

On Wednesday 2/21/24, the UAW released a statement that workers at the Ford Kentucky Truck Plant represented by UAW Local 862 and Ford have reached a tentative local agreement, averting a potential strike. Recall, On Friday 2/16/24, the UAW served a strike notice for Kentucky Truck plant workers with a deadline of Friday the 23rd (see our note: [Ford would be singing the Kentucky blues with a strike.](#)) Although we viewed the likelihood of a strike as relatively low, the news was material as Ford's Kentucky Truck plant is where the company's most profitable vehicles are assembled (F-Series Super Duty, Ford Expedition, and Lincoln Navigator) and generates ~\$25bn of revenue per year. Although the UAW and the Detroit Three came to terms on the Master Contract Agreement in late 2023, local contracts that focus on plant-specific work rules still need to be agreed upon.

Many more local agreements to go across the D3

Although a material strike at the Kentucky Truck plant was averted (pending ratification vote next week), there is still some strike risk for the Detroit Three as the companies continue to negotiate local contract agreements with the UAW. There are still 19 other open local agreements across Ford, along with several open local agreements at GM and Stellantis, according to the UAW. Typically, the negotiations for local agreements around plant-specific rules are less controversial than the broader Master Agreement negotiations, however, there seems to be some lingering disagreements between the Union and OEMs as it is now approaching the 5th month since the Master Agreement was ratified in late 2023. In our view, the contentious relations between the Union and the D3 OEMs throughout the Master Agreement, and now Local Agreement negotiations are likely to remain.

Maintain Buy on Ford

Ford continues to leverage its core strength in the Ford Blue and Ford Pro businesses to fund its developing Model e business. There is a long way to go, but with a strong near-term product cadence (Super Duty, Navigator, Expedition) combined with management focus, we expect strong profits and progress. We maintain our Buy rating on Ford.

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Refer to important disclosures on page 3 to 5. Analyst Certification on page 2. Price Objective Basis/Risk on page 2.

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Stock Data

Price	12.25 USD
Price Objective	21.00 USD
Date Established	7-Feb-2024
Investment Opinion	B-1-7
52-Week Range	9.63 USD - 15.42 USD
Mkt Val (mn) / Shares Out (mn)	49,551 USD / 4,045.0
Free Float	99.8%
Average Daily Value (mn)	738.94 USD
BofA Ticker / Exchange	F / NYS
Bloomberg / Reuters	F US / F.N
ROE (2024E)	4.6%
Net Dbt to Eqty (Dec-2023A)	-5.0%
ESGMeter™	High

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UAW = United Auto Workers

D3 = Detroit Three OEMs

F = Ford

GM = General Motors

Exhibit 1: Stock Mentioned

Stock prices and ratings mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
F	F US	Ford Motor	US\$ 12.25	B-1-7

Source: BofA Global Research

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Price objective basis & risk**Ford Motor (F)**

Our price objective of \$21 is based on an EV/EBITDAP multiple (EV/EBITDA adjusted for pension) of roughly 4x on our 2024 estimates. This valuation methodology reflects a multiple within Ford's historical range (3-6x). We believe a multiple at this level is warranted considering the timing of the cycle and as the company is on the verge of executing something analogous to our Core to Future transition framework, by which it will strengthen its core business pillars to fund its future business.

Downside risks: 1) a more swift and/or material downturn in US auto sales, 2) a sharp and sustained rise in input costs, 3) disruption in the supply base, 4) significant increase in gas prices, 5) new vehicle pricing deteriorates, 6) market share losses pressure results, 7) unwillingness of dealers to shoulder inventory risk, 8) suppliers gain significant pricing power, 9) stress in capital markets makes borrowing more expensive, 10) Incremental execution risk as management ramps up.

Upside risks: 1) continued strength in US auto cycle, 2) growth in China remains robust, which Ford is able to leverage with product launches, 3) mix and pricing remain favorable, 4) capital allocation is directed towards shareholder returns (special dividend, etc.).

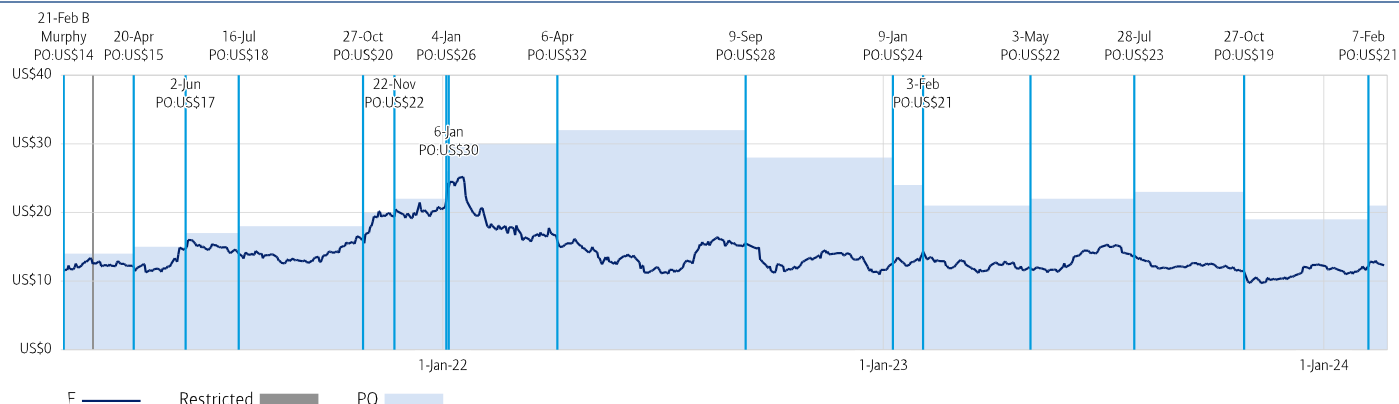
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Ford Motor (F) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Equity Investment Rating Distribution: Autos Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	67	55.83%	Buy	39	58.21%
Hold	30	25.00%	Hold	15	50.00%
Sell	23	19.17%	Sell	12	52.17%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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