

Example of business plan on financial analysis

[Business](#), [Company](#)



Company Overview

Ford Motor Company is a US publicly traded multinational carmaker with its headquarters in Dearborn, Michigan. The company was founded in 1903 by Henry Ford. Ford operates in two sectors including financial services and automotive sector. It focuses on manufacturing and selling auto vehicles and commercial automobiles under the Ford and Lincoln brands. This sector is divided into several regional sectors including Ford North America (United States, Canada, and Mexico) and Ford South America (Argentina, Brazil, Chile, Colombia, Ecuador, and Venezuela) as the main markets. It also operates in these regions Ford Europe including countries such as Europe, Turkey, and Russia Austria, Belgium, Britain, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, and Switzerland. Ford Asia Pacific Africa operates in these regions Indonesia, Malaysia, the Philippines, Thailand, Vietnam, Australia, China, India, and South Africa. The segment deals with manufacture and sale of Lincoln and Ford branded automobiles, accessories, and service parts. These products are sold through retail dealers with in America, Canada, and Mexico as well as through dealers and distributors outside North America. Additionally, Ford has around 20, 000 active and pending patents in its 5 years of active patent portfolio (Duprey, 2013).

Its financial service sector operates under the Ford Motor Credit Company LLC (Ford Credit). The company offers numerous automobile financing products to and via automobile traders internationally. Ford Credit involves funding the company's automobiles and supporting its traders. The credit

sector has a collection of finance leases and receivables, which Ford classifies in two divisions, consumer and non-consumer. Finance leases and receivables in the consumer section focus on products provided to individuals and to companies that finance the procurement of automobiles from retailers for individual and commercial use. These financing products comprise of retail repayment sale contracts for used and new cars, and leases for new cars to retail consumers, fleet customers, daily rental car businesses, and government entities. In the non-consumer division, finance receivables are offered vehicle dealers include loans to meet capital requirements for purchase of automobile inventory, for working capital, for developments to showroom facilities, and for buying showroom real estate. Furthermore, Ford finances some research, engineering, and development projects worldwide that accounted for \$5.5 billion in expenses in 2012 (Hiraide & Chakraborty, 2012). A significant event for the company is the recent agreement between General Motors and Ford to develop new vehicles with advanced nine and ten automatic speed transmissions collaboratively. Ford also owns small shares in UK's Aston Martin and Japan's Mazda. It is publicly traded on the New York Stock Exchange and is controlled by Ford Family, despite their minority ownership of the company.

Vulnerability to Financial Threat

Ford Motor Company faces several financial threats including intense competition, shifting exchange rates, decreasing fuel prices, and rising raw prices for raw materials. The company's vulnerability to competition is on average, as it possesses increased strengths to counter intense competition. Ford has a strong position in the market, especially the local market as the

second largest automobile manufacturer. Additionally, according to Duprey (2013), current Ford sales (20%) from other key markets such as Europe continue to dominate over key competitors such as General Motors (15%) and Toyota (9%). Moreover, based on its exceptional financial performance from the motor industry financial crisis, Ford will be able to beat most of its competitors. Lastly, there is significant growth in one of the world's largest emerging markets, China as sales grew by 46% in 2012 (Duprey, 2013). Because of increased globalization, Ford is highly vulnerable to inconsistent exchange rates. However, this can be effectively addressed by the high gains realized in emerging markets in the Asian Pacific and China. With the significant growth and rates realized in such markets, the exchange rate risk are worth taking. Ford is highly vulnerable to reducing fuel prices as extraction of shale gas reduce. This will affect Ford's increased focus on fuel-efficient cars, as well as hybrid cars that will see the reduction of their demand when fuel prices drop. Lastly, Ford is also vulnerable to the increasing prices for raw material that will increase costs for the company squeezing profits.

Financial Performance

Ford has recorded a substantial financial performance, especially because of increased sales of its hybrid line of vehicles that sold hybrid vehicles more than other segments under Ford in the past five years. Notably, Ford recorded results of 2012 as Ford attained 14 straight quarters for operating profits and four successive years of optimistic Net Income. Again, dividend payments restarted in 2012 after their suspension five years ago following the global economic crunch (Hiraide & Chakraborty, 2012). This significant

financial performance has seen Ford regain investment grade ranking from two rating organizations. Its upgrade in investment attraction is due to its high profitability and strong market position in North America, an ability to match the production with market demand, a high cash balance, and sound financial and operating management. Additionally, the company has gotten back their asset that was part of the security needed to secure a loan back in 2006 (Hiraide & Chakraborty, 2012).

Based on its financial performance, Ford is expected to excel significantly in its financial performance. This is due to the current economic climate that is from the recession. Ford will be able to level up to its provision state through strategic financial management. The company's business operations from vehicle manufacturing to credit financing are well suited to ensure effective financial performance in future. Again, its high growth in the Asian, Chinese, and European markets will see sales grow effectively increasing profits and the overall financial performance. Ford's financial strategy of maintaining sufficient liquidity to finish its operational restructuring is effectively paying off, which will see the same trends in future. The company will be able to pay its current debts and increase shareholder dividends. This is based on Ford's strategy of producing standardized vehicles that can be taken to the international market without having to produce unique products for every market. Overall, through its strategic financial management, Ford's financial trends will continue to illustrate positive performance in future.

Stock Analysis

Ford's stock has increasingly grown in numbers and reputation due to increased foreign sales and a big amount of pent up demand. In 2012, Fords

dividends recorded a yield of 1.61% with a ratio payout from incomes at about 10-15% (Alden, 2012). It is highly significant since this was the reopening of dividends following its suspension in 2006 due to the global recession. According to Alden (2012), the move can offer a price floor for Ford's stock, from a management perspective. Additionally, paying the dividend also increases Ford's reputation to investors because it says Ford is here to stay. Compared with competitors, Ford shares are comparatively dear with high chances of returns. As earnings are expected to grow by 22.69% in 2013, Ford shares will be increasingly attractive to investors in the future (Duprey, 2013). The future trends are likely to attract investors looking for high yielding dividends on the long-term. Overall, Ford's stock is set to increase in terms of value as well as earnings on dividends.

Ford's management can also apply several recommendations to improve their stock performance. One the company must consider if it is undervaluing its stock based on projected future earnings. According to Cinnamon (2010), stock prices and performance can be highly affected by undervaluing especially if high earnings are projected. Ford expects high earnings based on their current earning trends, meaning the shares will increase in value as the company increases its worth. The management must also conduct effective financial forecasts and analysis to determine key financial threats including inflation rates, interest rates, exchange rates, and the overall economic climate. The company must also adopt a strategy to increase cost cutting or cost efficiency in its operations. This will see increased savings in operations, allowing for increased profits or capital to expand and meet other significant investment needs. Lastly, management must increase their

overall strategy in driving Ford to a major automobile maker. This is through increased innovation, sound production, marketing, and distributions strategies (Gibson, 2012). This combination will offer increased effectiveness in Ford's operations that will reflect positively in their stock performance. Overall, Ford Motor Company is a valuable investment for investors looking for dividends. Ford has proved it has the ability and strategies to restructure back to a leading company in the United State, which is a good sign of a positive future performance.

References

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