



Financials Report Overview

July 31, 2020

Financials Report Overview

- **What is the purpose of a financials report?**
 - A financials report is a quarterly filing made by a public company to communicate results to its shareholders and the investing community
 - The financials report is a summary of the company's financial results and provides insights to better analyze company performance
 - Company management, and the investing community, use the financial information to create key metrics that guide decision making
- **What is included in a financials report?**
 - Companies include information from three financial statements: Income Statement, Balance Sheet and Cash Flow; additional information of interest, not limited to financials, may also be included
 - The financials report is a summary of a more detailed report, Form 10Q, filed with a regulatory entity of the U.S. Government, the Securities and Exchange Commission (SEC). The 10Q, along with the annual 10K, is more comprehensive than the earnings report and provides more detailed information

Generally Accepted Accounting Principles



Publicly traded companies are required to prepare their financial statements, and related disclosures, in accordance with Generally Accepted Accounting Principles (GAAP)



GAAP is administered by policy boards with the goal that financial statements are complete, consistent and comparable



GAAP compliance is verified in the annual external audit; Ford's external auditor is PricewaterhouseCoopers (PwC)



If companies use the same accounting rules, investors can compare results across companies and across industries, knowing that differences in results likely reflect different operating and financing decisions, not different accounting treatment

Clear, Transparent Communication Is Important

Clear, Consistent Company Message

The market has a short, limited attention span. Messages must be concise, easy to understand and consistent

Deliver On The Operating Line

The company has to make money on the products it sells. The company / strategy model must be sustainable over the long term

Deliver On The Cash

Cash is King – it's the lifeblood of the company. Adjusted Free Cash Flow is our most important financial metric

Consistent, Predictable Earnings Growth

The market does not like surprises and will generally react negatively to these



What To Look For In An Earnings Report



Identify Key Performance Indicators

We focus on Adjusted Free Cash Flow, Revenue and Earnings Before Income and Taxes (EBIT)



Trends

How did the company perform during the reported quarter, and how does the performance compare with the prior quarter and the same quarter last year?



Cash Flow

Was cash flow positive – did the company generate cash or use cash? If cash flow is negative, does it reflect a large expenditure?



Profitability

Did the company make a reasonable amount of profit given the amount of sales? Are margins expanding or contracting?

Financial Statements

INCOME STATEMENT

- Reports revenue (the “**topline**”) and itemizes the cost of doing business
- Net income (the “**bottom line**”) ties the Income Statement to the Statement of Cash Flows
- Reported numbers summarize activity during the reporting period

CASH FLOW

- Itemizes “**cash in**” and “**cash out**” in the course of doing business during the reporting period
- **Free cash flow** is cash **remaining** after paying operating expenses and capital expenditures on physical assets
- Investors have a saying ... “**Cash is King**” and they look at this closely when analyzing company performance

BALANCE SHEET

- Listing of all assets (both tangible and intangible) and debts and obligations
- A “**snapshot**” on the last day of the reporting period
- **Total Assets** (what a company owns) always equals Total Liabilities (what a company owes) + **Equity** (residual value of the firm)

Financial Statements

EXAMPLE* - HOW ARE FINANCIAL STATEMENTS LINKED? FOLLOW THE CASH ...

Cash is king and
is the ultimate
driver of value!

INCOME STATEMENT

Revenue	\$ 53.7 B
Costs & Expenses	(58.0)
Interest, Taxes, Specials	3.4
Net Income / (Loss)	\$ (0.9)B

FREE CASH FLOW

Net Income / (Loss)	\$ (0.9)B
Net Cash (Op. Activities)	9.5
Net Cash (Inv. Activities)	(14.2)
Net Cash (Fin. Activities)	19.4
Net Cash at Period End	\$31.1 B

BALANCE SHEET

<u>Assets</u>	
- Cash	\$ 31.1B
- Other	<u>238.3</u>
Total Assets	\$269.4B
<u>Liabilities & Equity</u>	\$269.4B

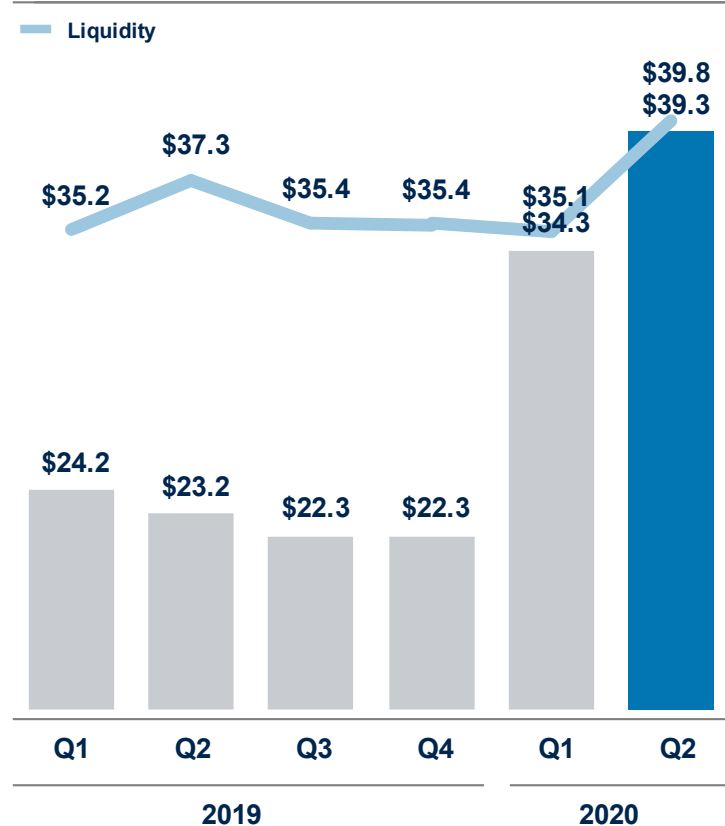
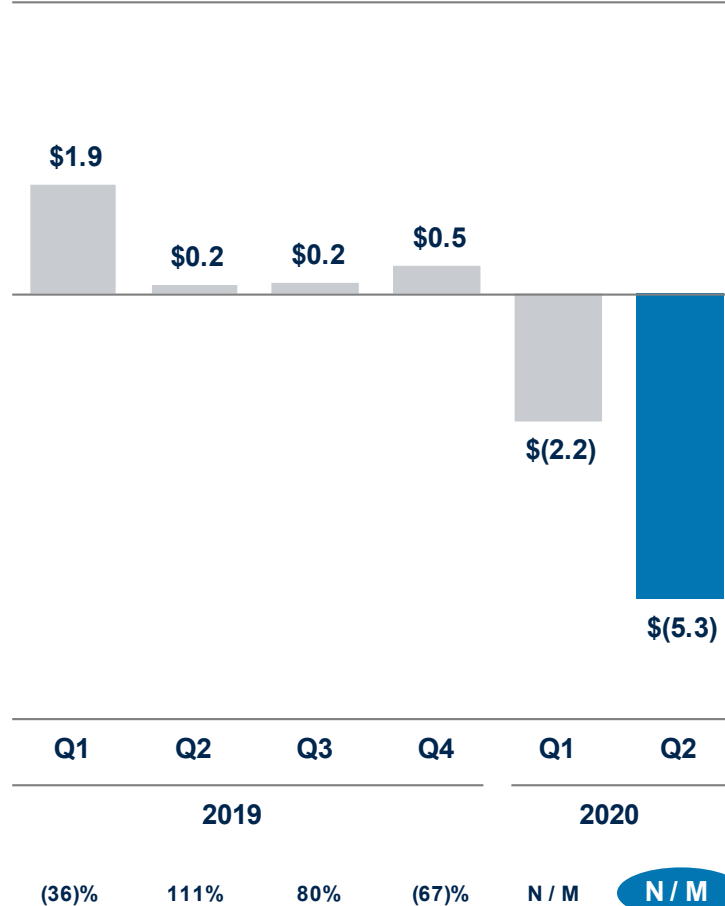
* Financial information represents First Half 2020



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Cash Flow, Cash Balance And Liquidity (\$B)

Adjusted FCF

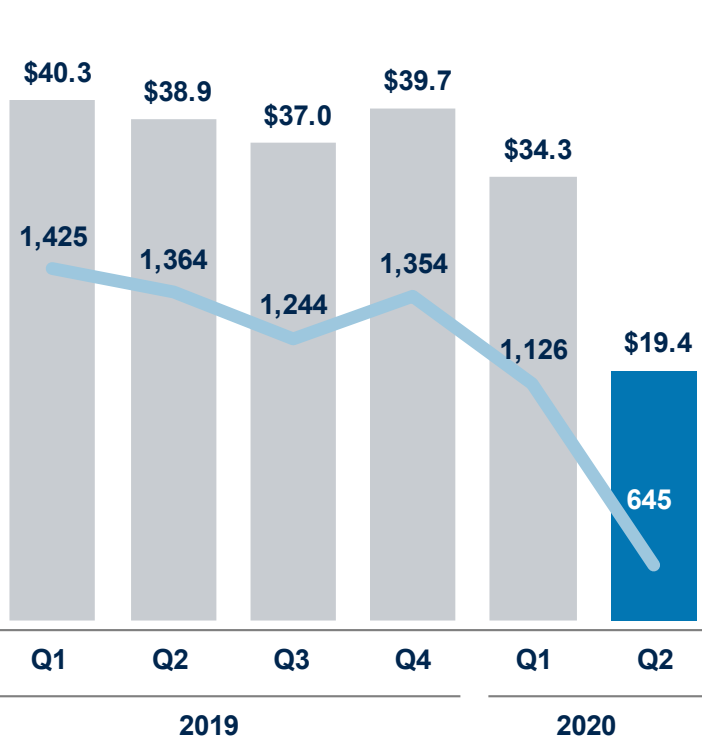


- **Adjusted FCF:**
 - Cash generated from normal business activities minus money spent on capital expenditures, adjusted for GAAP
- **Cash:**
 - The value of assets that can be converted into cash immediately
 - Cash fuels growth!
- **Liquidity:**
 - The ease at which something can be converted into cash

Revenue And EBIT Metrics

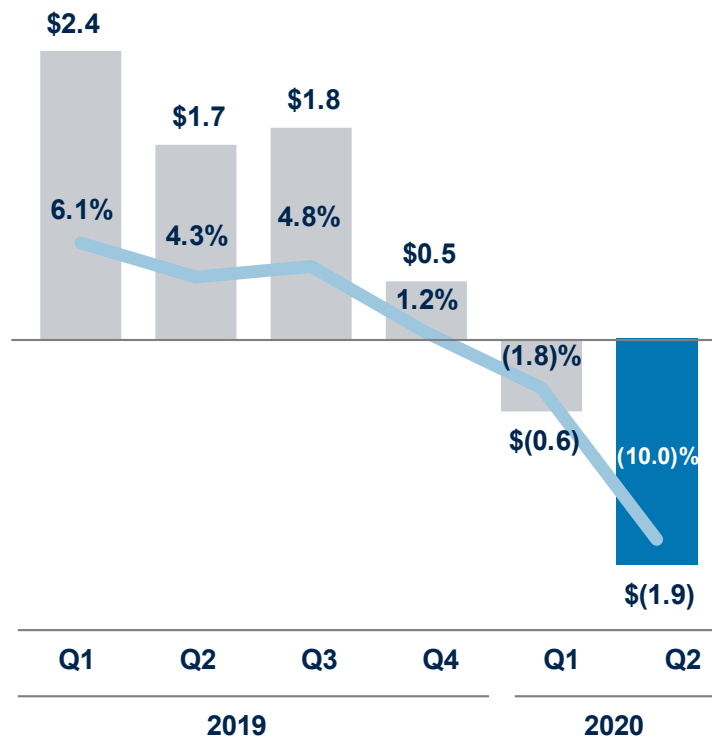
Revenue (\$B) & Wholesale Units (000)

— Wholesale Units



Adjusted EBIT (\$B) & EBIT Margin (%)

— Adj. EBIT Margin



- **Revenue:** Sales of goods and services that constitute a company's primary operations
- **Wholesales:** Sales to a retailer (or dealer) for resale
- **EBIT:** Earnings before interest and taxes; often called operating profit, equivalent to basic operating earnings
 - Helps to lend comparability across companies and industries
- **Adjusted EBIT Margin:** Often called operating margin; EBIT divided by Net Revenue

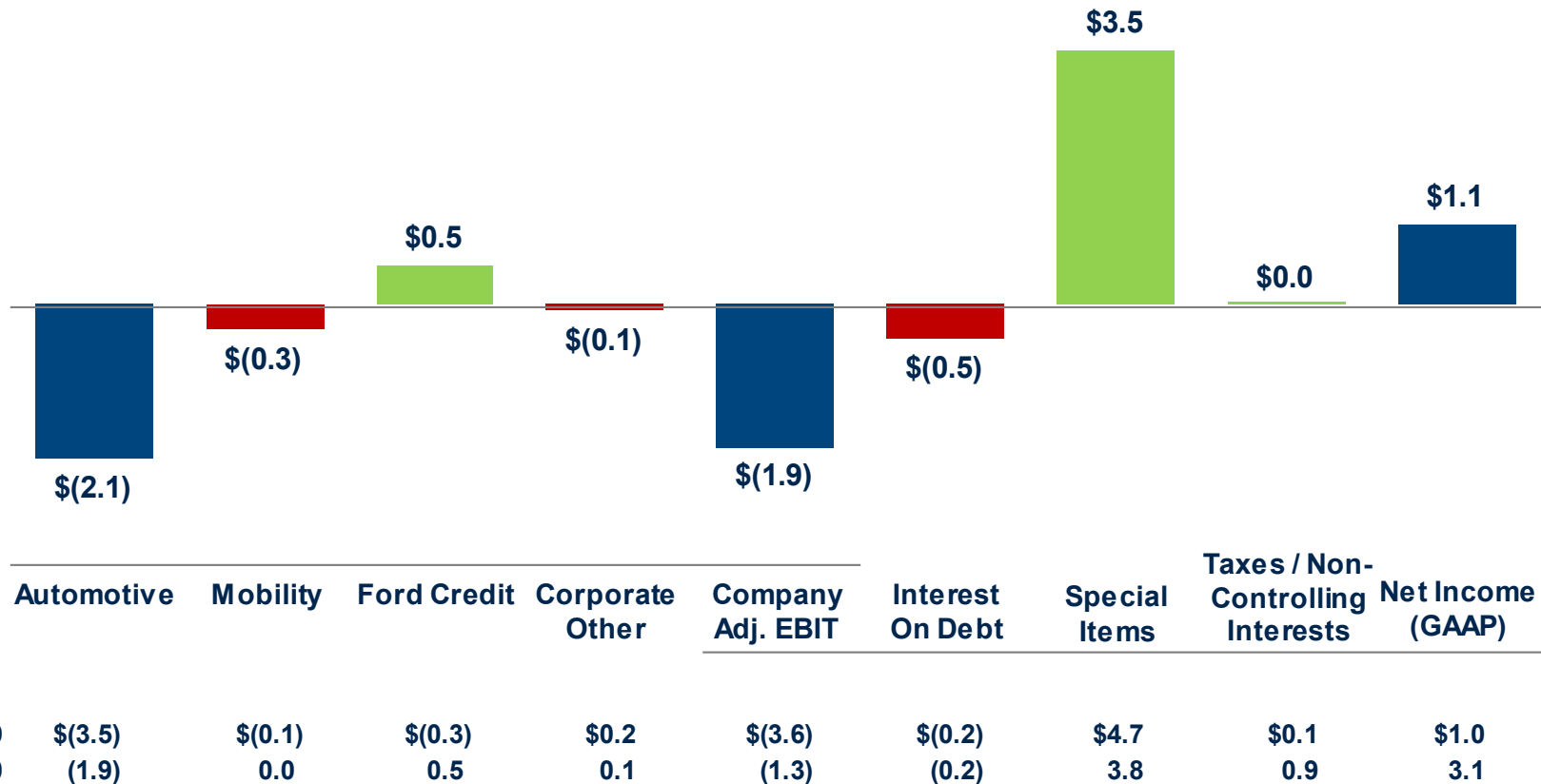
YoY:

Revenue	(4)%	(0)%	(2)%	(5)%	(15)%	(50)%	Adj. EBIT	12%	(2)%	8%	(67)%	(126)%	N / M
Wholesale Units	(14)%	(9)%	(8)%	(8)%	(21)%	(53)%	Adj. Margin	0.9 ppts	0.0 ppts	0.4 ppts	(2.3) ppts	(7.9) ppts	(14.3) ppts



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Q2 2020 Results (\$B)



- This slide shows the walk from EBIT (e.g. operating profit) to Net Income
- Net Income:
 - Ties Income Statement to Statement of Cash Flows
 - “The bottom line” or “earnings”
- Costs associated with restructuring is an example of a Special Item included in Net Income but not included in EBIT

Outlook

Adjusted EBIT

- Q3
- Q4
- Full Year

Capital Spending

Pension Contributions

Global Redesign EBIT Charges

Global Redesign Cash Effects

2019

\$1.8B

\$0.5B

\$6.4B

\$7.6B

\$0.7B

\$3.2B

\$0.9B

2020*

\$0.5B - \$1.5B

Loss

Loss

\$6.1B - \$6.6B

\$0.5B - \$0.7B

\$0.7B - \$1.2B

\$0.7B - \$1.2B

We also provide guidance on select performance metrics as an indication of our future earnings



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* Our guidance assumes no material change to the current economic environment, continued steady improvement in the stability of the global automotive supply base, and no further significant COVID-related disruptions to production or distribution. Our actual results could differ materially from our guidance due to risks, uncertainties, and other factors, including those detailed in our Cautionary Note on Forward-Looking Statements