



Ford Calls Position for Strong 2020

Ticker/Price: F (\$9)

Analysis:

Ford Motor (F) with a long weekly base forming and seeing 50,000 January 2021 \$10 calls being bought \$0.55 to \$0.58 this morning, spot with over 100,000 in OI already. Ford has seen buyers in the June \$9 calls recently while the January 2020 \$10 calls with over 112,000 in OI as well from buyers. On the chart, shares are just above the recent 8/20 EMA crossover on the daily while carving out a large weekly base. The pullback in 2019 forming a higher low vs 2018 with a move over \$10 key to triggering a trend shift out of a long downtrend. The \$36B auto manufacturer trades 6.9X earnings, 0.23X sales, and 5.8X FCF with a 6.62% yield. They see high-single digit EPS growth in 2020 before 20% growth in 2021 with sales momentum re-accelerating as well. 2019 has largely been a transition year for Ford that has also been weighed down by legacy warranty issues that are expected to flow through to early 2020. However, 2020 can be a significant inflection point for the company with new launches F-150 and Bronco lines as well as the first FY of benefits from Explorer and Escape. The scope of the line represents a big pivot away from sedans and into more SUV style cars which is already showing positive benefits with about \$2B in incremental revenue from better volumes/pricing in recent quarters. Ford is also expected to launch their Mach-E, their Mustang BEV that will be their biggest move into the EV market ever. CEO Jim Hackett has lauded the new model as not just being a look at the future of Ford but also production with leaner, more efficient chain helping drive better profitability per unit and a design that can be applied to other models. Finally, Ford also expects their China JV to return to growth in 2020. The company has been working with Changan about product planning to better attract buyers in the market. Analysts have an average target for shares of \$10.60 with 5 buy ratings, 6 hold, and 2 sell. JMP positive on 11-22 noting that Tesla's Cyber Truck event is likely a non-issue for the company with many F-150 buyers not likely to make the switch. Deutsche Bank downgrading to Hold in October with a \$11 PT seeing 2020 as another year for pressure on earnings. They think Ford has a large opportunity in fixing its international operations, but the benefits from its \$7B restructuring program will take longer than expected. Short interest is 2.6% and down from 3.4% in early November. Hedge fund ownership was down sharply in Q3 but largely due to Citadel selling 46.5M shares. Greenhaven a buyer of 2.2M shares and now with 34.5M shares. Ford has seen a number of insiders buy in 2019. On 10-25, a director bought \$216k in stock at \$8.68 while William Ford Jr bought \$8M in stock in August at \$9.51.

Hawk Vision:



Hawk's Perspective: F looks intriguing at this valuation for a value/yield investor into 2020 with a nice support base in place.

Confidence Ranking: \$\$