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May 2017 Sales and Revenue Call

CORPORATE PARTICIPANTS

Mark R. LaNeve
Vice President-US Marketing, Sales & Services, Ford Motor Co.

Bryan Bezold
Senior Americas Economist, Ford Motor Co.

OTHER PARTICIPANTS

Erich Merkle
U.S. Sales Analyst, Ford Motor Co.

David Tamberrino
Analyst, Goldman Sachs & Co.

James J. Albertine
Analyst, Consumer Edge Research LLC

John Murphy
Analyst, Bank of America Merrill Lynch

Brian A. Johnson
Analyst, Barclays Capital, Inc.

Rod Lache
Analyst, Deutsche Bank Securities, Inc.

Colin Langan
Analyst, UBS Securities LLC

Keith Naughton
Reporter, Bloomberg LP

Brent Snavely
Automotive Reporter, Detroit Free Press, Inc.

Todd Lassa
Detroit Bureau Chief, Automobile Magazine

MANAGEMENT DISCUSSION SECTION

Operator: Good morning. My name Calia, and I will be your conference operator today. At this time, I would like to welcome everyone to the Ford Monthly Sales Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] Thank you.

I would now like to turn the call over to our host, Erich Merkle, U.S. Sales Analyst. Please go ahead.

Erich Merkle
U.S. Sales Analyst, Ford Motor Co.

Thank you. Calia. Good morning, everyone, and welcome to Ford's May 2017 U.S. sales call. Today, we're joined by Mark LaNeve, Ford Vice President, U.S. Marketing, Sales and Service; and Bryan Bezold, Ford's Senior Americas Economist.

So to start things off and taking a look at the industry here, I'm going to flip things over to Mark. Mark, what do you have for us?

Mark R. LaNeve
Vice President-US Marketing, Sales & Services, Ford Motor Co.

Thank you, Erich. Good morning, everyone. Lot to cover here this morning, so let's get started and looking at the early incoming data, we anticipate the overall industry to be flat compared to May of last year. With the [ph] data we have in (01:12) so far, from what we could see, it appears the industry, including medium and heavy trucks, totaled approximately 1.56 million vehicles per month. This would equate to a total SAAR in the low 17 million unit range.

Our retail outlook at this point is about 1.22 million vehicles, which would be – also be consistent with last year's results. We didn't see really anything unusual in industry incentive spending. In fact, it was pretty tempered with sequential spending up only $30 from April. This is actually a pretty small increase in what is a strong seasonal merchandising month, the month of May. On a year-over-year basis, incentive spending increased about $310. This represented 10.5% of overall industry vehicle pricing. This is also consistent with April and down [ph] relative to (02:04) 11% of vehicle – of total vehicle price that was achieved in the first quarter this year.

We are maintaining our industry guidance for the year of 17.7 million vehicles. Including May sales estimate, we believe year-to-date industry sales are down about 2%, consistent with our projection of an industry that will be down marginally from 2016.

Moving on to Ford and looking at our company's results, total U.S. Ford sales were up 2% or 241,126 vehicles sold. At retail, we were down slightly, 0.8%, and within that number, we were up significantly in trucks and SUVs and down in cars, which has been a consistent story.

Our strong pricing performance continued in May as we [ph] grew our (02:54) $2,100 in transaction pricing over last year, once again, far outpacing an overall industry increase of $500. Our incentive spending across our entire lineup was essentially flat year-over-year and was flat sequentially from April. On the inventory side, we were down 32,000 units year-over-year and our days' supply at 72 dropped both year-over-year and sequentially from April and that's noted in our release.

Our fleet volumes for May, I want to take a minute on this, totaled 82,844 vehicles, that was up 8% versus a year ago. On a year-to-date basis, even though we were up 8% in May on a year-to-date basis, our fleet sales are down 6% as we talked about versus a very strong first quarter a year ago.

So, while fleet volumes were up for the month, we said that fleet sales timing can really vary substantially month to month, particularly in our rental business, and sometimes with our large commercial accounts. But you know – and a lot of that depends on our ability to deliver the vehicles at the desired timing that our customers want.

So, following the strong May where we had really good numbers versus a year ago, conversely, we anticipate – we anticipate fleet sales could be down as much as 15% looking ahead to June. If you really look at the big parts of our fleet business and you combine May and June, it'd be roughly similar performance to a year ago.

Taking a look at individual vehicle performance, let's start by talking about F-Series. We had a sensational month. F-Series sales totaled 76,027 pickups in May, up 13% with strong gains in both fleet and retail. This was our best May sales for F-Series since our record year in 2004. F-Series average transaction pricing totaled $45,400 for the month, representing a $3,300 increase versus a year ago. Incentive spending was down $500 year-on-year.

A few other highlights. F-Series continues to gain share this year, market share. In April, F-Series gained an extra 1.6 points of share compared to the same four-month period a year ago. We don't have all May in yet, but we anticipate a strong – another strong market share performance in May, with gains in every region of the country with especially strong performance on both coasts.

F-Series sales are up 9% calendar year-to-date through May. This is our best performance, as I said, since achieving the record year of 2004. And in fact we're only slightly behind that record and it's just 2% behind through the first five months of the year.

So, the F-Series momentum story continues with sales and share up, transaction pricing up and incentive spending down. And most importantly, our [ph] customers' (05:46) feedback we consistently get really love this groundbreaking new truck. No other truck maker is delivering these kind of results and we continue to be very pleased with our truck performance and really the excellent job that our dealers do in servicing our loyal customers.

On the car side, overall car sales declined although it was a little less than what we've seen in previous months, dropping 10% for the month of May. The consumer shift away from cars and into SUVs and trucks continued. However, our car incentive spending was down $300 compared to a year ago due to continued discipline, overall discipline, and the continued trimming of our lease portfolio. Industry incentives were up $400 in passenger cars year-on-year versus our $300 decline.

Next up, SUVs, another great story. Ford brand SUVs achieved record performance last month to bolster a record start to the year. Ford brand SUVs totaled 74,910 vehicles for May, an increase of 4%. Within that number, Explorer was up 21% with a total of 22,715 vehicles sold, representing Explorer's best May performance since 2004. Edge sales were up 11% and Expedition posted a 14% gain.

Finally, a look at Lincoln, which continued its string of retail sales gains in the month of May. Lincoln retail sales were up 10%. This is the brand's 16th consecutive month of gains. Within that number, MKC was up 17% and the all-new Lincoln Continental posted over 1,000 units, actually, 1,061 in the month of May.

So with that, I'm going to turn it over to Bryan for an update on the economic front.

Bryan Bezold

Senior Americas Economist, Ford Motor Co.

Thank you, Mark, and good morning, everyone. Available economic data shows that the U.S. economy is continuing to grow at a moderate pace. The latest estimates of first quarter GDP showed growth of 1.2%, down from 2.1% in the fourth quarter of 2016, but up from the initial estimate of 0.7%. Data for April suggests economic activity will accelerate in the second quarter. Specifically, U.S. employers added 211,000 jobs to their payrolls in April. The unemployment rate fell to 4.4%.

The U6 unemployment rate, which is adjusted for discouraged workers and part-time workers who would prefer full-time work, fell to 8.6%. Both those measures of unemployment are back to levels last seen in 2007.

New claims for unemployment insurance remained at relatively low levels through last week, implying that labor market strength should continue into May. The growing labor market is supporting growth of spending and income. Inflation-adjusted disposable income rose by 0.2% in April and by 1.9% from a year ago, while spending rose by 0.2% from March and 2.6% from a year ago.

Inflation slowed in April, with the CPI rising 2.2% from last April. Excluding food and energy, prices rose by 1.9% from prior year as the gasoline component of the index rose 14.3% from a year ago, down from 19.9% in March and 30.7% in February. Despite the year-over-year increases, the price of gasoline remains relatively low with AAA reporting a national average of $2.37 per gallon.

The University of Michigan Consumer Sentiment Index edged up 0.10 point to 97.1 in May as a weaker assessment of current conditions was offset by improving expectations. The share of survey respondents reporting that it was a good time to buy a car fell 8 percentage points to 65% on concerns about prices and interest rates.

Housing market data were weaker in April. Housing starts fell 2.6% from March to 1.172 million as a small increase in single-family starts was offset by a 9.2% decline in multifamily starts. Permits for new residential construction fell 2.5% from March as single-family permits fell 4.5%. Sales of new and existing homes both declined in April, with new home sales down 11.4% and existing home sales down 2.3%. The National Association of Realtors attributed the decline in existing home sales to a lack of supply and the uneven nature of the housing recovery in recent years is likely partially due to supply constraints.

Industrial production continued to improve in April, rising by 1.0% from March and by 2.2% from last April. The May Purchasing Managers Index edged up slightly in May to 54.9 from 54.8 in April as new orders accelerated.

Broadly speaking, incoming data remains consistent with U.S. economic growth of 2.2% this year, supported by employment and wage gains. That growth should continue to support a relatively high level of auto sales. As Mark noted, we see April vehicle sales in the low 17 million unit range, putting the year-to-date average at approximately 17.3 million units. Our full-year guidance is unchanged at 17.7 million units, all data including medium and heavy trucks.

And with that, I will turn it back over to Erich.

Erich Merkle

U.S. Sales Analyst, Ford Motor Co.

Thank you, Bryan. And to take a look at some additional industry segment trends that we saw for the month, in the month of May, again, it shouldn't surprise anyone, but small SUVs continued to grow. The segment represented approximately 21% of the industry last month, which is consistent with what we saw in April, but up more than a point compared to a year ago.

We continue to kind of highlight and draw out mid-sized SUVs as we've been seeing some real growth there all year long. So, if you look at mid-sized SUVs, they represented 14% of the industry in May which was up by more than 1 full point compared to a year ago. Taking a look at mid-sized cars, they represented about 11% of the industry last month. That's up about a 0.5 point compared to April really because – due to seasonality, but they are still down compared to May 2016 when they represented 12% of the industry. Taking a look at small cars, they represented about 17% of the industry last month, which was off compared to just over 18% in May of last year.

Lastly, taking a look at full-sized pickups. Full-sized pickups had a very good month. They represented about 13% of the industry in the month of May, and that's up more than a point compared to a year ago. So, really strong performance from full-sized pickup trucks for the month of May.

With that, Calia, we're going to turn things over and start taking some questions. We'll start with the folks in the analyst community, please.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question will come from the line of David Tamberrino of Goldman Sachs.

David Tamberrino
Analyst, Goldman Sachs & Co.

Q

Good morning. Thank you for taking the questions here. Really want to understand the pace of sales throughout the month in incentives. I think during some of our preliminary checks, we were hearing that coming into the month, it was somewhat flat, maybe slightly down to begin with, but it looks like the pace may have picked up towards the end of the month. I'm wondering if you saw more incremental incentive activity layered on as we head into the Memorial Day weekend or not. That's my first question.

Mark R. LaNeve
Vice President-US Marketing, Sales & Services, Ford Motor Co.

A

Thank you, David. We really don't have [ph] we will (13:32) get industry incentive spend for the final week of the month. We won't have that data available for probably another week. We had a couple of small regional sales that we ran over Memorial Day. Nothing major in terms of overall incentive spending; it has been a very miniscule escalation for the final weekend and our performance was pretty solid and steady throughout the month. We did have a really good final day, but it was not out of the range that we normally do in terms of percent of our business. On the final day, we're particularly strong on both the East Coast and West Coast.

David Tamberrino
Analyst, Goldman Sachs & Co.

Q

Got it. And then from the daily rental perspective, that was up year-over-year, I'm wondering is that just a pure comp issue where it was a little bit softer in May of 2016 or were you really selling more vehicles into that channel?

Mark R. LaNeve
Vice President-US Marketing, Sales & Services, Ford Motor Co.

A

Yes. I'm glad you asked the question because it's a little complicated to explain, but to be really clear, we had a very positive comp in May in our rental business. We actually had a very negative comp in April and we'll have a negative comp in June on the rental business. It's pure timing-related and it's very dependent on a combination of when our customers want the vehicles and when we can build them for them, with the priority being on when they want them. And for the entire year, our rental business is going to be very flat. As a percentage of our total sales, would probably be very – flat to minus 1% for the entire year. So, very consistent story on rental. We do have lumpiness in year-over-year comps depending on timing of the delivery to our customers.

David Tamberrino
Analyst, Goldman Sachs & Co.

Q

So, just to extrapolate on that, does that mean that the back half of this year, you should be seeing a pickup in daily rental sales year-over-year?

Erich Merkle
U.S. Sales Analyst, Ford Motor Co.
A

Calendar year-to-date, David, we were actually down 1% in daily rent. So we're actually right where we need to be at this point.

Mark R. LaNeve
Vice President-US Marketing, Sales & Services, Ford Motor Co.
A

Yes. We have higher volume of daily rent in the first half of the year than we'll have in the second half. But our year-over-year comps for the whole second half of the year is roughly flat with the year ago, but the volume was higher in the first half of this year and it was higher in the first half of last year of the daily rent business.

David Tamberrino
Analyst, Goldman Sachs & Co.
Q

Understood. Thank you.

Mark R. LaNeve
Vice President-US Marketing, Sales & Services, Ford Motor Co.
A

Thank you, David.

Operator: Your next question will come from the line of Jamie Albertine of Consumer Edge.

James J. Albertine
Analyst, Consumer Edge Research LLC
Q

Great. Good morning, and thanks for taking the question. Just a quick follow-up on that prior rental question. Is the constituency of vehicles that you're selling into rental changing at all, if we think about cars versus trucks, or is it generally the same sort of mix?

Mark R. LaNeve
Vice President-US Marketing, Sales & Services, Ford Motor Co.
A

Jamie, it's shifted slightly over time into more SUVs, not as dramatically as the retail market has shifted. But just as you would expect, with changing consumer preferences, our rental customers, they see the same data and talk to the same customers. So, we've shifted over time a little heavier into SUVs and out of passenger cars, but not nearly to the degree of the retail market.

James J. Albertine
Analyst, Consumer Edge Research LLC
Q

Okay. Great. Thank you for that. And then, if I may on the F-Series. You mentioned your incentive spend was down, if I heard you right, year-over-year. Just looking at sort of your key peers there, Silverado, Sierra down 3%, down 8%; Ram, up 16% in terms of unit sales during the month. So it's pretty variable across the three – the big three. What can you talk about in terms of granularity on the full-sized pickup truck segment, how we should read into this?

Mark R. LaNeve
Vice President-US Marketing, Sales & Services, Ford Motor Co.
A

We obviously had a very strong month. We've had a string of them really since the launch of the new F-150 and it's followed up with exceptional performance on the new Super Duty as well. Erich gave you the segment numbers were up. Now, we're way over a third of the segment. So, we help drive it up with our performance. But we continue to see – I call it the trifecta, you don't get it very often in this business where you have sales and share up, transaction pricing up, and incentives down, and we're experiencing that fairly consistently. We have the best product in the category. We've got a very loyal customer base. We've got dealers that really know how to service these customers on both the retail and commercial aspect. And we're continuing to enjoy customers really buying up in terms of option content and upper level trims such as our Lariat, King Ranch and Platinum. So, it's a good story all the way around on F-Series for us.

James J. Albertine
Analyst, Consumer Edge Research LLC
Q

Okay. So, nothing sort of meaningful that would have changed in terms of the landscape of incentives across the industry in May versus April, for example?

Mark R. LaNeve
Vice President-US Marketing, Sales & Services, Ford Motor Co.
A

We didn't see any erratic behavior from our competition, which we do see from time to time on incentives. It was pretty tempered and disciplined from April, so I think that helped us because we tend to be very consistent on incentive spend. We believe it's better for our customers, better for our dealers. We do see some erratic behavior time to time from the competition, did not see that in May. So, perhaps that helped us a little bit.

James J. Albertine
Analyst, Consumer Edge Research LLC
Q

Okay. Great. Thanks again.

Operator: Your next question will come from the line of John Murphy of Bank of America Merrill Lynch.

John Murphy
Analyst, Bank of America Merrill Lynch
Q

Good morning, guys. Just a first question, I was wondering if you could give us your view on average transaction prices by segment on cars, SUVs and trucks. And I'm just trying to understand how big an impact mix had on average transaction prices for the industry and for Ford.

Mark R. LaNeve
Vice President-US Marketing, Sales & Services, Ford Motor Co.
A

John, obviously, mix is having an effect, especially on our numbers because, I mean, we were up $2,000 on average transaction pricing. A big part of that is the rich mix of Explorer, our upper-level SUVs. Explorer, Expedition had a really strong month and that's – we haven't even launched the new one yet and then both F-150 and our retail Super Duty. So, it obviously had a positive effect on our numbers and I believe the overall industry numbers.

But if you look at percent of selling prices, I believe the industry was 10.5% or 11%. I'll double check that number when I'm talking to you. 10.5% was the industry as a percent of selling price. That's a pretty consistent number going back three, four, five years. So, you've got transaction pricing and incentive spend under pressure in cars as you would imagine given segmentation, but pretty consistent performance in terms of – across the industry in terms of incentives as a percent of these higher transaction pricing that we're all enjoying.

John Murphy
Analyst, Bank of America Merrill Lynch

Q

Okay. Maybe to ask more specifically. I mean, is SUV pricing – average transaction pricing up year-over-year and is truck pricing up year-over-year?

Mark R. LaNeve
Vice President-US Marketing, Sales & Services, Ford Motor Co.

A

Yes.

John Murphy
Analyst, Bank of America Merrill Lynch

Q

Okay. And then, just a second question. I mean, as you look at what you guys are talking about for the full year, it seems like there is some kind of improvement in demand as we go through the course of the year because you're saying we're running 17.3 million year-to-date, but you're looking for 17.7 million for the full year. Is that just sort of a timing issue or is there something that you see occurring in the second half of the year that will reaccelerate demand because a 2% decline year-to-date is a real decline at this point. I'm just trying to understand what your comfort level is in those numbers at this point and what the driver is.

Mark R. LaNeve
Vice President-US Marketing, Sales & Services, Ford Motor Co.

A

Great question, John. I'm going to kick it to Bryan. The only thing I will say is that the pattern over the last couple of years was the industry strengthened in the back half of the year. So that's a big factor in our thinking, but I'll it turn it over to Bryan to provide more texture.

Bryan Bezold
Senior Americas Economist, Ford Motor Co.

A

Thank you. As you point out, with the year-to-date SAAR at approximately 17.3 million, that would be a year-over-year decline of about 2%. Given the historic pattern of higher second half SAARs along with the frontloading of the year-over-year declines in fleet sales, we're not changing our guidance for the full year. We continue to monitor these trends obviously and we'll make adjustments as necessary to support aligning our production with demand.

The second half of the year historically does run stronger than the first half. So I think that's part of our expectation of leaving guidance where it is right now.

John Murphy
Analyst, Bank of America Merrill Lynch

Q

And if I could just sneak a follow-up, the 3.5 million units coming off of lease for the industry, Bryan, do you see them as more of an issue or an opportunity for new vehicle sales, because there's a concern that they might pressure used vehicle pricing, there might be an opportunity to sell those consumers new vehicles?

Bryan Bezold
Senior Americas Economist, Ford Motor Co.

A

I think it'd be a little bit of both. I think I would frame that in context of our full year guidance of 17.7 million units, which is down a little bit from the 17.9 million that we saw last year.

John Murphy
Analyst, Bank of America Merrill Lynch

Q

Okay. Thank you.

Bryan Bezold
Senior Americas Economist, Ford Motor Co.

A

Thanks, John.

Operator: Your next question will come from the line of Brian Johnson of Barclays.

Brian A. Johnson
Analyst, Barclays Capital, Inc.

Q

Good morning. I want to ask more of a marketing question. The common wisdom, when you talk to dealers, is there are used car buyers and there are new car buyers. But a data-driven company like yours, with all that longitudinal data on from Ford Credit probably has a better feel for what the customer segment is that will go back and forth between new and used. Can you give us any color on how big is that segment, that when they come into a dealership could look new, could look used? What are the trends you're seeing? Are they moving into the used car market?

Was following up on Murphy's question, the sort of cheap used cars coming back on to the lots. Are you sort of – would they normally buy lower trim stuff if they would go used in the new variety, and you're just sort of retreating to core new car buyers who want [indiscernible] (23:22) just anything you could comment on that.

Mark R. LaNeve
Vice President-US Marketing, Sales & Services, Ford Motor Co.

A

Thanks, Brian. Lot to that question. The historic kind of – I don't [ph] have exact data (23:32), the historic rule of thumb has been there's really only about 10% of the customers that are trading off between making a decision say in the showroom between new and used because of the obvious price disparity between the two. I can tell you that overall, despite some underlying weakness in residual values which actually we have seen kind of leveling off in the last six, seven weeks of data, that the used car volume is strong. Our dealer profitability in used vehicles that are certified pre-owned program, the volume is very good. There's a very robust market [ph] that's say under 11 or 12 (24:12) $10,000 units. More dealers are getting into that space than ever before. Some of the segments that are hot at retail were very hot in the full-sized traditional utilities, our Expedition and Navigator, our used car business is very robust and very strong.

So – and we're seeing continued investment from the super – the CarMaxes and some of the big public auto companies getting into the kind of super used car space. And as I've visited dealers, I've seen more and more attention paid to in terms of facilities, people, data management, pricing and shopping tools in the used space.

So, it's a critical part of our business. It's relatively really healthy right now. Volume is good and I think that bodes well for the industry, used drives new in the end. So, I think it bodes well for the industry.

Brian A. Johnson
Analyst, Barclays Capital, Inc.
Q

So you're not seeing a migration from new to lower cost used cars?

Mark R. LaNeve
Vice President-US Marketing, Sales & Services, Ford Motor Co.
A

Not at all.

Brian A. Johnson
Analyst, Barclays Capital, Inc.
Q

Okay. Thank you.

Mark R. LaNeve
Vice President-US Marketing, Sales & Services, Ford Motor Co.
A

Thank you.

Operator: Your next question comes from the line of Rod Lache of Deutsche Bank.

Rod Lache
Analyst, Deutsche Bank Securities, Inc.
Q

Good morning, everybody. Had a couple of questions. First, you pointed out that the SAAR is down about 2%, but it seems like for the industry, retail is actually pretty flat year-to-date and the decline is mostly fleet, I think. If you disagree, please let me know.

Mark R. LaNeve
Vice President-US Marketing, Sales & Services, Ford Motor Co.
A

That's correct, Rod. That's correct.

Rod Lache
Analyst, Deutsche Bank Securities, Inc.
Q

Okay. So, I guess just off of that, do you expect the acceleration in economic growth that you're citing to correspond with an acceleration in retail SAAR in the back half? And if you are, is it just the seasonality factors being screwed up or are you thinking that real volume actually starts to pick up year-over-year?

Erich Merkle
U.S. Sales Analyst, Ford Motor Co.
A

Well, Rod. SAAR factors aren't always perfect. So, what we do see, though, is when you start taking a look at, for instance, the SAAR in the first half of the year, you're taking a look at – last year, we had a 17 million – industry ran at 18.1 million SAAR, okay, in the second half of the year, and that compared to a 17.6 million SAAR in the first half.

So yes, that same kind of discrepancy between the SAAR factors in the first half of the year compared to the second half of the year is very much – that reflects what's happening in retail as well.

And as you know, the fleet piece of it is much timing-related. So, as you correctly mentioned, a lot of the sales decline – well, sales are down 2% so far this year, much of that decline is fleet and we all know that timing in the fleet markets can be very choppy.

Rod Lache
Analyst, Deutsche Bank Securities, Inc.
Q

So, on an absolute basis, do you – just to clarify, do you believe that retail volume remains relatively flat even as we get into the back half of the year with maybe some stronger economic growth, and if you can, maybe just any color on the impact that used prices are having on retail, if you see any?

Mark R. LaNeve
Vice President-US Marketing, Sales & Services, Ford Motor Co.
A

Yeah. We look at the retail business to be – across the industry to be fairly flat in the back half of the year, Rod. And [ph] it's important (27:43) to remember for calendar year-to-date is, and I mentioned it, we're in a plateauing industry volume-wise for the last, call it, 18 months. Very high level historically, but plateauing from 2015 and you're going to get – if you were to look at this year so far, April was an aberration, was relatively weak compared to the other four months that we've experienced for both ourselves and the industry and that you're good – and as I mentioned on last call last month, you're going to have months like in a plateauing industry. This month, little higher than our expectations, frankly. So, we think flat industry for the balance of the year from everything that we can see is a pretty good call.

Rod Lache
Analyst, Deutsche Bank Securities, Inc.
Q

Okay. Great. Thank you.

Erich Merkle
U.S. Sales Analyst, Ford Motor Co.
A

Thank you, Rod.

Operator: Your next question...

Erich Merkle
U.S. Sales Analyst, Ford Motor Co.
A

We're going to take one – I'm sorry. Calia, we're going to take one more caller from the analyst community and then turn it over to the media, please.

Operator: Okay. And that last question from the analysts will come from Colin Langan of UBS.

Colin Langan
Analyst, UBS Securities LLC
Q

Great. Thanks for taking my question. Any color on residuals? I mean, obviously, it was an issue earlier in the year. Has that sort of leveled off at this point on used residuals? And is that helping new pricing, as obviously falling residuals hurt on trade?

Mark R. LaNeve
Vice President-US Marketing, Sales & Services, Ford Motor Co.

A

The last six, seven weeks of data that we have with disposal of our rental vehicles, the pricing has stabilized. So, is it lower than a year ago, yes, but it's – a month-on-month sequential decline that we're seeing in the back half last year, early this year has leveled out, which is a very promising sign.

Colin Langan
Analyst, UBS Securities LLC

Q

And any color on overall lending conditions, a lot of articles on subprime, obviously you have Ford Credit. But outside of that, are you still seeing a pretty supportive lending environment for sales or have we seen [ph] is this notable (29:37) that the lenders are kind of backing off from auto loan?

Mark R. LaNeve
Vice President-US Marketing, Sales & Services, Ford Motor Co.

A

Well, we're fortunate in Ford that the majority of our lending goes through Ford Credit and is a great partner and has widespread support and resources available to our dealers. And we haven't seen any change in the lending environment or in loss ratios. It's been a very consistent business. As far as the outside banks are concerned, I haven't seen anything of note, but with the majority of our business running through Ford Credit, it's somewhat less of an issue with us at any rate. So very consistent results for Ford Credit so far.

Colin Langan
Analyst, UBS Securities LLC

Q

Just last question sort of for Bryan. We're seeing – you kind of go through all the economic factors, a lot of them actually seem still pretty positive. GDP is strong. Unemployment is low. Consumer confidence, I think you said 65% of people still think it's a good time to buy. What are the top one or two factors that are actually pushing auto – keeping auto sales weak from your perspective?

Mark R. LaNeve
Vice President-US Marketing, Sales & Services, Ford Motor Co.

A

I think it's what you just mentioned, Colin, is that the underlying – as I try to summarize it for dealers, what we need to be low is low. Interest rates are low, gas prices are low, and what we need to be high is high, which is high consumer confidence, still relatively high, age of the car park, higher consumer confidence. So, we've still got – the underlying economic conditions are still very positive and I think, it's supportive of a mid-17 million unit industry which we're seeing, month-in, month-out which is historically very good.

Colin Langan
Analyst, UBS Securities LLC

Q

Okay. Thanks for taking my question.

Mark R. LaNeve
Vice President-US Marketing, Sales & Services, Ford Motor Co.

A

Thank you.

Operator: That concludes the analyst portion of the call. We will now be moving into the media portion. [Operator Instructions] Your first media question will come from the line of Keith Naughton of Bloomberg.

Keith Naughton
Reporter, Bloomberg LP

Q

Hi. Good morning.

Mark R. LaNeve
Vice President-US Marketing, Sales & Services, Ford Motor Co.

A

Good morning, Keith.

Keith Naughton
Reporter, Bloomberg LP

Q

Mark, you outsold General Motors for the month. Is that cause for celebration?

Mark R. LaNeve
Vice President-US Marketing, Sales & Services, Ford Motor Co.

A

Not really, Keith. It happens every so often. Usually, it's a matter of fleet timing. Feels good for about 10 seconds, but we're moving on to June. And it's happened before since I've been here, I think in March of last year. But usually, it's a result of our combined fleet timing and we don't pay much attention to that, frankly.

Keith Naughton
Reporter, Bloomberg LP

Q

I was wondering if it is caused by the fleet sales. So, does that temper any celebration you might feel or have?

Mark R. LaNeve
Vice President-US Marketing, Sales & Services, Ford Motor Co.

A

We're not going to celebrate – what we're celebrating here is a really strong month almost by any aspect. I mean, our F-Series business, as I said, was sensational. Our SUV business continues to be really strong, looks like our best year since 2004 on a record pace. Car, it's not often you're happy with being down 10%, but that's actually a pretty good number for cars, for ourselves and the industry relative to the trailing one-year performance.

So we feel really – as well as our transaction pricing and inventory being in a very good position. So we feel really good about that in regards to a number above GM. Like I said, it happens once in a while. We don't pay much attention to it.

Keith Naughton
Reporter, Bloomberg LP

Q

Thanks, Mark.

Mark R. LaNeve
Vice President-US Marketing, Sales & Services, Ford Motor Co.

A

Thank you, Keith.

Operator: Your next question will come from the line of Brent Snavely of Detroit Free Press.

Brent Snavely
Automotive Reporter, Detroit Free Press, Inc.

Q

Hi. Thanks for taking the question. Keith took my top question there, but I jumped on a little bit late. I wanted to – sorry about this, but I wanted to circle back to F-Series sales. What drove that 12%, 13% increase in May? Was it fleet? Was it that you didn't have the redesigned Super Duty last year at this time? What was behind that?

Mark R. LaNeve
Vice President-US Marketing, Sales & Services, Ford Motor Co.

A

Well, we were up – in F-Series, we were up in both retail and fleet substantially, in both numbers. And it's just a continuation of – as I mentioned, Brent, of just an incredibly positive story since we launched the all-new military-grade aluminum body alloy, F-150 as I said many, many times that the truck has been an immediate hit with our customers, has performed remarkably well from any way that you can measure it in terms of sales performance, market share gains, transaction pricing, all the post reviews that have been done on the vehicle.

And then, if anything, the new Super Duty has done even better. And actually the Super Duty changed from the old to the new a little bit more, it was a very dramatic change, and that truck's got to do work for our customers. They buy it for very specific reasons. We're the leader in almost every industry that uses trucks to get things done. Architecture, road construction, oil exploration, farming, and we just continued to accelerate our performance and our lead over the competition with the new trucks. So my biggest job was working with the teams to keep it going.

Brent Snavely
Automotive Reporter, Detroit Free Press, Inc.

Q

Okay. All right. Thanks.

Operator: Your next question will come from the line of Todd Lassa of Automobile Magazine.

Todd Lassa
Detroit Bureau Chief, Automobile Magazine

Q

Hi. Good morning. First of all, a clarification, Erich, in your numbers on what the different segments' market shares are, I didn't hear whether you gave a percentage for compact sport utilities. Do you have that number?

Erich Merkle
U.S. Sales Analyst, Ford Motor Co.

A

Yes, I did. It's small SUV, we kind of put them together, was 21% of the industry last month. So that would include both the C-segment SUV and the subcompact B-segment SUV.

Todd Lassa
Detroit Bureau Chief, Automobile Magazine

Q

C and B. Okay. Got it. Okay.

Erich Merkle
U.S. Sales Analyst, Ford Motor Co.

A

[indiscernible] (35:53)

Todd Lassa
Detroit Bureau Chief, Automobile Magazine

Q

Okay. And secondly, I wonder if you could talk a little about Mustang sales still just slightly edged out Camaro last month, but off 23.5%. Could you talk about what you're doing with fleet on Mustang? Is that being reduced at all? I know that convertibles are big in rental fleets in places like California and Florida. Is that changing at all for the Mustang?

Mark R. LaNeve A
Vice President-US Marketing, Sales & Services, Ford Motor Co.

Good question, Todd. Our fleet business was off on Mustang for the month, 24% would have been all rentals, very little commercial business as you would imagine what Mustang. Our segment shares continue to – Mustang – sports cars haven't been immune to the decline in overall passenger car segmentation. Our retail market share of Mustang, our transaction pricing continues to hold up very consistently and we've got a fairly significant improvement to the 2018 Mustang that we're looking forward to. So, it's still a very strong product for us, not immune to the overall passenger car segmentation we're seeing.

Erich Merkle A
U.S. Sales Analyst, Ford Motor Co.

As you know too Todd, sports car have kind of a compressed product life cycle. So, that's what we're seeing with Mustang now.

Todd Lassa Q
Detroit Bureau Chief, Automobile Magazine

Yes, of course. Sure, sure.

Erich Merkle A
U.S. Sales Analyst, Ford Motor Co.

We've got the 2018 coming out shortly here.

Mark R. LaNeve A
Vice President-US Marketing, Sales & Services, Ford Motor Co.

More sensitive – that segment, more sensitive to major refreshes, minor refreshes almost than any other segment as you would imagine.

Todd Lassa Q
Detroit Bureau Chief, Automobile Magazine

Yes. Of course, of course. What months will model year 2018 sales commence for the Mustang? Is that September or is that earlier?

Erich Merkle A
U.S. Sales Analyst, Ford Motor Co.

It goes on sale this fall.

Mark R. LaNeve A
Vice President-US Marketing, Sales & Services, Ford Motor Co.

Yes.

Todd Lassa Q
Detroit Bureau Chief, Automobile Magazine

Okay. Right.

Mark R. LaNeve
Vice President-US Marketing, Sales & Services, Ford Motor Co.

A

Fourth quarter launch primarily.

Todd Lassa
Detroit Bureau Chief, Automobile Magazine

Q

Got you. All right. Thank you.

Mark R. LaNeve
Vice President-US Marketing, Sales & Services, Ford Motor Co.

A

Thank you, Todd.

Erich Merkle
U.S. Sales Analyst, Ford Motor Co.

A

Thanks, Todd.

Operator: There are no further audio questions. Erich Merkle, do you have any closing remarks?

Erich Merkle
U.S. Sales Analyst, Ford Motor Co.

Yes. Thank you for joining us today. We'll welcome you next month. We look forward to talking to everyone next month when we report June sales which will be on July 3. So, thank you, everyone. Thanks for attending. Have a great month.

Mark R. LaNeve
Vice President-US Marketing, Sales & Services, Ford Motor Co.

Thank you.

Operator: Thank you. Ladies and gentlemen, that does conclude today's conference call. You may now disconnect.