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CORPORATE PARTICIPANTS

Erich Merkle *Ford Motor Company - U.S. Sales Analyst*

Mark LaNeve *Ford Motor Company - VP, U.S. Marketing, Sales, and Service*

Bryan Bezold *Ford Motor Company - Senior Americas Economist*

CONFERENCE CALL PARTICIPANTS

Dan Levy *Barclays Capital - Analyst*

John Murphy *BofA Merrill Lynch - Analyst*

Joseph Spak *RBC Capital Markets - Analyst*

Jamie Albertine *Consumer Edge Research - Analyst*

Jamie Butters *Bloomberg News - Media*

Brent Snavely *Detroit Free Press - Media*

Mike Wayland *Detroit News - Media*

Adrienne Roberts *Wall Street Journal - Media*

PRESENTATION

Operator

Good morning. My name is Kalia and I will be your conference operator. At this time, I would like to welcome everyone to the Ford monthly sales call. (Operator Instructions)

Thank you. I would now like to turn the conference over to Erich Merkle, US Sales Analyst. Please go ahead.

Erich Merkle - *Ford Motor Company - U.S. Sales Analyst*

Thank you, Kalia, and good morning, everyone. I want to welcome you to Ford's January 2017 US sales call. Today I'm joined by Mark LaNeve, Ford's Vice President of US Marketing, Sales, and Service, and Bryan Bezold, Ford's Senior Americas Economist.

First up, let's start with the industry. I'm going to hand things over to Mark. Mark?

Mark LaNeve - *Ford Motor Company - VP, U.S. Marketing, Sales, and Service*

Thank you, Erich, and good morning to everyone. Let's take a look at the industry for January.

It appears that continuing off a pretty good November and December that the industry has gotten off to a good start for 2017, based on our results and the early data that we have this morning. The numbers suggest total sales, including medium and heavy-duty trucks, likely totaled about 1.15 million vehicles last month. Maybe slightly higher it looks like, as we are starting to get some of the other reports in. This would be down slightly from year-ago levels and would translate into an overall industry SAAR in the low to mid 17 million vehicle range.

January retail is likely down from year-ago levels with sales estimated at approximately 880,000 vehicles. We again saw some higher industry spend last month, about $315 higher compared to January of 2016.

Turning to Ford, Ford's overall January sales totaled 172,612 vehicles. That was a decline of 1% versus last year. This decline is explained by lower fleet volumes.

Our fleet business was down 13% against a strong year-ago comparison. If you remember, we really frontloaded our rental business last year in the first six months of the year, so we've got that as a year-over-year comparison.

On the retail side, sales were up 6%, which we estimate will be stronger than the overall industry and will result in positive retail market share growth on a year-over-year basis for Ford.

Strong consumer demand for several key products in the high series -- we saw a very rich mix of our high series for these vehicles -- drove our average transaction prices to $36,790 for the Ford brand. This would be tops in the industry by a wide margin among the full-line players. We were up $2,500 in overall transaction prices year on year, compared to an overall industry increase of $550.

This is not only the largest increase of any major automaker, it is also the highest -- it is also among the highest transaction pricing that we have ever done and surpassed many of our top competitors. A few of the highlights.

Super Duty pricing, with transaction prices up $6,500 over year-ago levels, are now operating at $56,500 per truck. This compares to an overall over 8,500 pickup segment, less Super Duty, that saw a decline of $1,000 in ATPs last month. We continue to maintain a very rich mix of the all-new Super Duty pickup, which is in high demand. 65% of the new Super Duty retail sales are made up of Lariat, King Ranch, and our Platinum edition up-level trucks.

The all new F-150 Raptor and a stronger mix of 2017 model year F-150s is also boosting F-150 transaction prices, which were up $2,600 last month, bringing F-150 average transaction prices up to $43,000 per unit. Overall F-Series average transaction pricing is now at a record $46,400 per truck, up $3,800 versus a year ago. I could mention that our incentives in January, which of course roll into the ATPs in January, of both total F-Series, F-150 and Super Duty, were $1,000 less than our two nearest competitors.

Now let's talk about our truck sales performance specific for January. F-Series totaled 57,995 trucks last month. That's a 13% increase and our best January start since 2004.

The gain was accomplished by strong retail performance from Super Duty, which is up 30% at retail, and F-150, which was up 15%. F-Series sales expanded in every region of the country last month. Sales were up 19% in the East, 24% in the Southeast, 22% in the West, 17% in Great Lakes, and 18% in the nation's largest pickup market, which is, of course, the Central region, which includes Texas.

January marks our best start since 2004 for F-Series and that was a record, that was an all-time record back in 2004. I was with a lot of our dealers at the NADA convention in New Orleans, which was last week. And, to a person, they were saying demand for F-Series keeps building and that they are particularly excited about the fact that we keep adding excitement to the showroom with the intro of the Raptor, which is really just now getting into inventory; the all-new Super Duty, which is now starting to fill out in terms of the mix and the total level of inventory that they like to see; and then additions like the high-value 2017 F-150 STX.

Moving off of trucks and on to SUVs, we also started the year really strong with our SUV business. All of our SUVs were up on a retail basis. Ford brand SUVs had their best January on record with 53,224 vehicles sold, a 6% increase versus year-ago levels. And within that number, retail was up 11%.

Escape sales increased 7%. We did over 20,000 for the month, making it a record January for Escape. Explorer delivered another strong month with sales of 15,294, an increase of 7% overall with 20% increase at retail. This is our strongest retail start for Explorer in 13 years.

And Expedition, which will be majoring later in the year, also had a really good start, posting a 42% increase for the month on sales of 4,064 vehicles.

Moving on to Lincoln, Lincoln had a really strong month; continues to gain market strength and momentum and so they had a really strong start to the year with 8,785 vehicles sold in January. This is a 22% gain and we are contrasting that with the overall luxury segment that we anticipate will be flat to slightly down from year-ago levels. So really good performance from Lincoln; it was their best start, best January in a decade.

Their car sales were up 32% with strong performance from the all-new Continental. Continental delivered 1,167 units in January. We also had a 7% gain in MKZ sales, for the car's best start since 2008.

The two utilities, MKC and MKX, got off to good starts as well. MKC sales increased 16%; MKX sales increased 43% for the month with 2,928 vehicles sold. All told, Lincoln SUVs had an increase of 17% with 5,508 SUVs sold.

In addition to strong demand, we are seeing a lot of interest in high-series models gaining momentum within the Lincoln lineup. The newest vehicle, the MKX and Continental, both carry a mix of more than 50% Reserve and Black Label, which are the two highest trim levels that we sell in the Lincoln lineup. So we are pretty pleased with the continued progress at Lincoln as well as the great demand that we are seeing for the new products.

So that's look at January in the industry. Before I kick it to Bryan, I did want to note that we've made a change that you might be seeing on our reporting that we're started just this month. You may notice that in this month's release we are now providing both stock and fleet percentages.

Ford's practice up until now has been to report just -- when we have given you stock numbers in the past, it's been just gross stock. What that means is what has landed in the dealers' lots, so dealer stock, plus vehicles in transit to the dealer. Our numbers have always included dealer stock: landed stock plus vehicles in transit.

Recently we found that some OEMs are providing inventories that are dealer stock only and do not include inventory in transit, so in order to help you all with apples-to-apples comparison and for complete transparency, we are giving you both. So we are now reporting, as you will see on the sheet, both dealer stock and gross stock levels in our release going forward. We think that will help to clarify and be able to make the adequate comparisons on where we stand on inventory.

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

Bryan Bezold - *Ford Motor Company - Senior Americas Economist*

Thanks, Mark, and good morning, everyone. Economic data released since the last sales call show that the US economy continued to expand at the turn of the year. 4Q GDP data showed that growth slowed from 3Q to a 1.9% annualized rate as consumption growth was partially offset by weaker export performance. That left full-year 2016 GDP up 1.6% from 2015.

In the fourth-quarter earnings material released last week, Ford's 2017 guidance projected that GDP growth would accelerate to a 2.2% rate in 2017. Incoming data over the last month was broadly consistent with accelerating growth this year.

Specifically, the January reading of the University of Michigan Consumer Sentiment Index rose 0.3 points from December to reach 98.5, the highest index level since January 2004. Respondents' assessment of current conditions dipped slightly from December's 16-year high, while expectations for future conditions edged higher. The share of respondents reporting that it was a good time to buy a car rose 6 points to 71%.

The December employment report showed that the economy gained 156,000 jobs and the unemployment rate rose 0.1 percentage point to 4.7%. Average hourly wages rose 2.9% from prior year in December, leaving the full-year average up 2.6% from 2015. That was the fastest full-year hourly wage growth since 2009. Inflation-adjusted disposable income rose by 0.1% in December and inflation-adjusted consumer spending rose by 0.3%.

For full-year 2016, real disposable personal income rose by 1.5% and consumer spending rose by 2.5%. Weekly unemployment insurance claims data implies that labor market strength extended into January. Although new claims rose during the week of January 21, they remain at a low level with the four-week moving average of claims at 245,500, the lowest level since 1973.

The housing sector continued to demonstrate some volatility with new permits -- excuse me, with new housing starts rising by 11.3% in December after falling by 16.5% in November. Permits for new home construction fell by 0.2%. Sales of new homes fell by 10.4% from November, while existing home sales fell by 2.8%.

Industrial production rose by 0.8% in December as manufacturing production rose by 0.2% and electric and gas utility output rose by 6.6%. The January manufacturing PMI rose 1.5 points from December to 56.0 as the new orders component remained relatively high and the production and employment components both rose.

As Erich mentioned earlier, we see the January SAAR in the low to mid 17 million unit range. Our guidance for this year is unchanged at 17.7 million units, including medium and heavy trucks.

With that summary, let me turn it back to Erich.

Erich Merkle - *Ford Motor Company - U.S. Sales Analyst*

Thank you, Bryan. And just one quick housekeeping item. I just want to say that, for the record, we want to correct F-Series incentive spend was $1,000 less than a major competitor of ours in the month of January. That is not ATPs; that is $1,000 less on incentive spend. Average incentive spend for F-Series in January was $3,800.

Now I wanted to get into a few of the segment trends here as well. We had -- if we take a look at the industry and the segments at -- some of the segment trends for the month of January, we had a really strong showing from small SUVs. Once again, they represented more than 22% of the industry last month, so they continue to grow. This is about 2 points higher than a year-ago and really a historical high for small SUVs in terms of share of the industry.

On the flipside, we estimate that midsized cars represented just about 10% of the industry and that was a 2 point drop from a year ago. And then we are also beginning to see some good activity in midsized SUVs, which made up about 13.5% of the overall industry in January. This is approximately a point higher than year-ago levels, so certainly something to keep an eye on and watch.

As it relates to full-sized pickups, we had -- there was a really strong month for full-sized pickups. They came in at about 13% of the industry. This is almost a full point higher than a year ago, so a really strong start to the year for full-sized pickups.

So with that, Kalia, we're going to open the lines up now and we're going to start taking some calls from folks in the analyst community, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Brian Johnson, Barclays.

Dan Levy - *Barclays Capital - Analyst*

This is Dan Levy on for Brian. Thanks for taking the questions and good morning.

I would like to discuss the Ford ATPs. I know you talked earlier in the call to the strength in F-Series ATPs, but when we look at the PIN data -- not only just for mid-January, but also for 4Q 2016 -- I think what we find that is interesting is that your ATPs have been up, not only in large pickups, but also in other sort of -- but in more competitive segments, such as small and mid cars and the small SUV space, crossovers.

Could you just talk to what's going on with this pricing strength? Is this just a benefit purely from mix enrichment? And if it is mix enrichment, what is this content that people are buying, just higher trim packages? Any sense on the sustainability of these mix levels?

Mark LaNeve - *Ford Motor Company - VP, U.S. Marketing, Sales, and Service*

Great question. In terms of the sustainability, it has been -- as you noted, it has been a trend for well over a year that our ATPs have been improving, largely on the strength of both model mix, SUVs and trucks, now with the new Super Duty; and then also series mix. Within each of the car lines we're just seeing a much -- even going down into the passenger car lineup, a much richer mix of our up-level series.

It's consumer-driven. We work really hard to try to balance our dealers' inventory for sales velocity across each of the series within each model line. We adjust that constantly, so the more that customers are -- those kind of vehicles are turning, the more we are going to replenish dealer inventory. It's obviously a real positive for our business, positive for the dealers, and the customers get the right level of technology, safety equipment, and features that they want to have in the vehicle.

Dan Levy - *Barclays Capital - Analyst*

Then just within the small mid-car space and in crossovers, is it purely mix enrichment that is boosting the ATPs? Or is it just that you -- that things have sort of bottomed out and now we're just seeing benefits from Ford having tighter inventory; and it's just more on an apples-to-apples basis as opposed to just the mix boost?

Mark LaNeve - *Ford Motor Company - VP, U.S. Marketing, Sales, and Service*

I believe it's consumer driven. We don't really force, as I was trying to say with the way I answered the first part of the question there, Dan, was we don't force a rich mix into the dealers. We replenish -- we study very carefully what the turn rates are within each of the models and then we replenish accordingly.

Every now and then we will get into a commodity restraint, for whatever reason might run a little bit short, but for the most part it's entirely consumer driven. I think it is a byproduct of -- we have had a very low interest rate environment, terms have been extending out for a while so customers are using that to -- within the payment scheme to be able to buy a richer mix or to move up in the model lineup to improve our overall model mix.

Dan Levy - *Barclays Capital - Analyst*

Got it. And then just one second question. Are you hearing anything different from fleet customers? I guess this is -- I know that your results are down significantly, just because of lower rental car sales per what's planned, but how much variability should we expect within the fleet results?

How much of that is --? And I guess this is more industry-related versus Ford-specific. How much of that is OEMs going to fleet customers with good deals versus something that's purely demanded by fleet customers?

Mark LaNeve - *Ford Motor Company - VP, U.S. Marketing, Sales, and Service*

You're going to get lumpiness in the month-to-month results on fleet. We've experienced for the better part of a year now that we've talked about extensively on rentals, saw it again in January.

You'll get some lumpiness in commercial government as well. A lot of that is driven by when they want -- their lifecycle out; how the customers are managing the business, when they want to take delivery. So there's always going to be month-to-month variation.

In terms of the overall fleet business, our rental business was flat year over year 2016 to 2015. It will be relatively flat again this year, at about 11% of our total business by the time were done with the year.

The commercial and government businesses have been strong. We compete very vigorously with great products, with our van lineup, which is the leading lineup, and obviously Super Duty and F-Series, which are key players there as well, where we are also having the best market position. And an improving economy, an improving oil sector, an improving housing sector is all great indicators for the commercial business so we see it as solid this year. And we're optimistic by the end of the year that our commercial and government business will be up slightly and it's very profitable business for us.

Dan Levy - *Barclays Capital - Analyst*

Got it, thank you.

Operator

John Murphy, Bank of America Merrill Lynch.

John Murphy - *BofA Merrill Lynch - Analyst*

Good morning, guys. Just two quick ones. One of your competitors was highlighting that there was essentially inventory clearing in the pickup truck segment as a result of excess inventory and price-cutting; yet it doesn't seem like you were doing that. I'm just curious if you saw any one of your specific competitors really get aggressive on pricing on pickups in the month.

And then just secondly, if you have a lease penetration number for Ford or the industry or even directionally what happened with leasing you think in the month of January.

Mark LaNeve - *Ford Motor Company - VP, U.S. Marketing, Sales, and Service*

Thanks, John. I will answer the first one -- I will answer your last question first. For 2016, we ended up with about 22% lease penetration for all of 2016, where the industry was 30% for the year. That was relatively stable year on year from 2016 to 2015.

We didn't see anything in our numbers any different in January. We might've been down maybe around 22%, but we won't know till we clear -- process the business through Credit from yesterday.

In terms of pickup, did that competitor were they referencing that they were having a clearance or did they --? What were they saying? That they were clearing their old pickups?

John Murphy - *BofA Merrill Lynch - Analyst*

No, I mean it was -- GM mentioned in their press release that there was excess inventory that one of their competitors was clearing out by raising incentives and cutting price. And that sure doesn't sound like it was you, based on the numbers you were talking about. So just curious if maybe you saw RAM get more aggressive out there, because they also had an up 4% month.

Mark LaNeve - *Ford Motor Company - VP, U.S. Marketing, Sales, and Service*

RAM was very aggressive, but Silverado's incentive spend was way above ours, too. They were $1,000 above us. I'm not sure if it was RAM referencing Chevy or Chevy referencing RAM, but they were both -- the incentive spend for both was well above.

Erich Merkle - *Ford Motor Company - U.S. Sales Analyst*

We were the lowest.

Mark LaNeve - *Ford Motor Company - VP, U.S. Marketing, Sales, and Service*

We were the lowest, by far.

John Murphy - *BofA Merrill Lynch - Analyst*

So they accelerated their incentives is what you saw in the market, both of them?

Mark LaNeve - *Ford Motor Company - VP, U.S. Marketing, Sales, and Service*

I don't -- I'll try to look up December to January. But the numbers I was speaking --

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John Murphy - *BofA Merrill Lynch - Analyst*

Are year over year?

Erich Merkle - *Ford Motor Company - U.S. Sales Analyst*

On a year-over-year basis.

Mark LaNeve - *Ford Motor Company - VP, U.S. Marketing, Sales, and Service*

Yes, year-over-year basis.

John Murphy - *BofA Merrill Lynch - Analyst*

Okay, great. Thank you very much.

Operator

Joseph Spak, RBC Capital Markets.

Joseph Spak - *RBC Capital Markets - Analyst*

Thanks. Good morning, everyone. I think a week ago, it might have been even at that NADA conference you mentioned, Mark put out this 13% US retail share target. I was wondering if you could just dive in a little bit to that.

How much of that is product-driven, maybe the coming back of the Super Duty, maybe a little bit of a revitalization at Lincoln? And then also what's the message there? How much of a goal really is that? Because in the past you've talked more about profitable sales and really setting a share target.

Mark LaNeve - *Ford Motor Company - VP, U.S. Marketing, Sales, and Service*

Great question. We've run at roughly 13 share, retail share going back about four years. So that has been a very comfortable number for us, given the rate of profitability that we've hit in the last four or five years.

We think in 2016 when it all clears -- it takes a while for all the -- you got to catch up with the registrations to really get a good look at retail market share. We think we're going to end the year 12.8, 12.9, so 13 is not a huge leap in the market.

We believe behind the strength of our pickup lineup, the continued momentum we have across our entire SUV lineup, continued strength at Lincoln, and then we've got significant product action on Expedition and Navigator midyear where we're really going to have a best-in-class product in what's been a really good segment, that large, traditional utility segment, we believe we can run at 13. But it's just a tenth or two above where we ran in 2016. Really we've been right in that 13 range going back to 2013.

Joseph Spak - *RBC Capital Markets - Analyst*

Then on the Expedition; I know small volume vehicle, but can be high ASP and profit. You mentioned I think it was up over 40% this month. Can you just talk a little bit about how you are managing that drawdown? Are the incentives going to be higher here in the first half ahead of the launch later this year?

Mark LaNeve - *Ford Motor Company - VP, U.S. Marketing, Sales, and Service*

We have a plan, obviously, for any model year change, especially when you have a major. We manage to draw down -- we are aggressive on the sense that to clear the decks when the new one comes out depends a lot sometimes on how quick is the ramp up.

But the volumes in that -- it's been low volumes for us, but it's not for the industry. So we feel that we've got really a tremendous upside with Expedition. It's a product with a great owner base, very loyal owner base that we can capitalize with the new product.

Navigator was actually -- created that segment and again has a very loyal owner base. So we think we can do -- gain considerable share within the large utility and large premium utility. We got a tremendous product built; really all-aluminum body coming off the great F-150 architecture and we are tremendously excited to get that to market. And obviously a tremendously profitable vehicle for both ourselves and our dealers.

Joseph Spak - *RBC Capital Markets - Analyst*

Thank you.

Operator

Jamie Albertine, Consumer Edge.

Jamie Albertine - *Consumer Edge Research - Analyst*

Great, thanks for taking the question and good morning, everyone.

Just a follow on to an earlier question on leasing. My question is more along the lines of what you're seeing in the market as it relates to some comments that Bob made a few months ago about accelerated depreciation. Clearly, we're seeing residual values come down a lot. Not just for cars, but now starting to come in a little bit more for SUVs and trucks.

So do you think there are other competitors out there that are taking measures to sort of get religion and be more prudent on that side? Or does it seem sort of status quo, business as usual and residual falling be damned is kind of the theme outside of your portfolio?

Mark LaNeve - *Ford Motor Company - VP, U.S. Marketing, Sales, and Service*

Great question, Jamie. Coming out of the big recession, when leasing dropped to almost nothing, everybody kind of accelerated, starting around 2011, to get leasing up to more historical levels. Ourselves included; although we tend to run 7, 8 points below the industry average.

In terms of residual value, so you get more supply in the market so that means there's more supply coming in to the secondary market as those two and three, sometimes four-year leases mature. We saw industrywide some residual degradation last year: mainly you saw it in passenger cars, a little bit in the small utility segment. We actually performed a little bit better than the industry.

And then, in our case at least, we saw residuals firm up. In other words, they didn't bounce back up, but they weren't deteriorating anymore in November and December. So we thought that was encouraging. We have adjusted our residual values that we are writing our leases at and we feel very comfortable with where we are, both the underlying residuals that we penned and the overall penetrations that we are running.

Jamie Albertine - *Consumer Edge Research - Analyst*

Great, I appreciate that. Just a quick follow-up. Is there anything on the Transit van side that was worth calling out for the month? I saw sales were a little bit more under pressure there. I'm not sure if that was a comparison issue or if it's a seasonality or something along those lines.

And then if there's anything from a regional perspective that you would be willing to share, just to kind of help us frame or provide some color on the month, that would be great too, thanks.

Mark LaNeve - *Ford Motor Company - VP, U.S. Marketing, Sales, and Service*

We were up 4% on a retail basis on Transit. That business at retail continues to improve all the time; our dealers are incredibly bullish on the product. We were down in fleet, purely a timing -- reflecting the lumpiness of order intake from our big commercial customers that I referenced earlier. Transit continues to perform incredibly well.

Jamie Albertine - *Consumer Edge Research - Analyst*

And on the regional side, anything that we can point to there that might tie into your comments on the energy market or housing market or something of that -- in that regard?

Mark LaNeve - *Ford Motor Company - VP, U.S. Marketing, Sales, and Service*

We had a very good month in our Central market. Talking to the dealers at NADA, the ones from the kind of Permian Basin, they are affected, especially with the truck business. And the oil industries were all much more bullish than they were a year ago, especially two years ago there. They see their business improving; the wells coming back online, a lot of activity in the sector.

So we had a really good month in our Central market, which includes Texas and Oklahoma, and we had -- our strongest region was actually Southeast, which includes Georgia, Florida, Carolinas. Had great performance across really cars, trucks, and SUVs; they had a terrific month.

Jamie Albertine - *Consumer Edge Research - Analyst*

That's very helpful. Thank you again and best of luck.

Erich Merkle - *Ford Motor Company - U.S. Sales Analyst*

Thank you, Jamie. Kalia, we are going to turn things over at this point and start taking some calls from the media.

Operator

That concludes the analyst portion of the call. We will now be moving into the media portion.

(Operator Instructions) Jamie Butters, Bloomberg News.

Jamie Butters - *Bloomberg News - Media*

Good morning. Thanks for the extra transparency on the inventory issue. I just want to follow-up. How much of the -- what percentage of the inventory, I guess we need to say both on-the-ground and including in-transit, how much of that is 2016? Obviously, the in-transit is not, but can you just help with the percentages there? And how much of the F-Series sales this month in January were 2016's?

Mark LaNeve - *Ford Motor Company - VP, U.S. Marketing, Sales, and Service*

On F-Series on the 2016/2017 split was just about 50/50 in the month of January 2016 to 2017. We are a little richer on 2016 F-150s. We just had an extended build than we normally are, but the mix was 50/50 in January.

And our current inventory is approximately right now 20% 2016s and 80% 2017s.

Jamie Butters - *Bloomberg News - Media*

20% of the on-the-ground?

Mark LaNeve - *Ford Motor Company - VP, U.S. Marketing, Sales, and Service*

Yes. Anything in-transit would be 2017, obviously. 20% on-the-ground, so it would be less actually of our gross inventory. It would be less of a percent of 2016.

Jamie Butters - *Bloomberg News - Media*

Yes, so like 110,000, 112,000, something like that; we can apply that to either group. Okay, thank you.

Operator

Brent Snavely, Detroit Free Press.

Brent Snavely - *Detroit Free Press - Media*

Thanks for taking the call. I'm just curious if you can talk about car sales. The car sales have been declining, as we know, for a long time but you are looking at steep declines here for Fiesta, Focus, and Fusion. How do you manage that inventory and that production as the industry continues to experience falling demand for car sales?

Mark LaNeve - *Ford Motor Company - VP, U.S. Marketing, Sales, and Service*

Brent, in terms of inventory -- part of the way you manage it is inventory, as you just noted. We are down on dealer stock; we are down 50,000 units year over year, January to January. 45,000 of the 50,000 is passenger cars. We obviously took inventory down, reflecting the lower segmentation we are seeing in the industry.

We are up slightly on SUV inventory, but running at a very healthy days' supply. Healthy being low at 74. And we are up slightly -- excuse me, down slightly on trucks inventory.

But we've seen a lot of segmentation; we talk about it every call. So what we keep an eye on is how are we doing market share? How are customers reacting to our products in the surveys that we do? Do we have good retail demand, given the segmentation levels that we are seeing?

Fiesta we've actually gained share, I'd say, the last six months versus the first six months of 2016. Some of our best months we did 10% of the B-car segment in January; it's a pretty good number for us. Focus share has been very stable at 6% for the better part of the year. We'd like to see it higher; we are working hard on it.

And Fusion, our performance in January was in line our market share performance with Q4 at about 10% share; that C/D segment. Little lower than we would've run in, say, 2015 or when the vehicle was launched new four or five years ago.

But it's a very competitive segment, good competition that have a lot of inventory and are spending a lot of incentive dollars. We are managing in a very balanced way while we deal with the segmentation issues, which net-net are very positive for Ford Motor Company as people move from cars into SUVs and trucks.

Brent Snavely - *Detroit Free Press - Media*

I know January can be a difficult month to use as a bellwether for trends, but do you -- what is your outlook for cars going forward for Ford and the industry? Do you expect this kind of decline to continue at this rate or less substantial for the remainder of the year?

Mark LaNeve - *Ford Motor Company - VP, U.S. Marketing, Sales, and Service*

Car segmentation has dropped. If you go back to 2010, it's dropped about 2 points, 200 basis points of segmentation year over year 2011, 2012, 2013, 2014, 2015.

I remember a big discussion beginning of last year did we think that that would start to moderate and, in fact, it was the highest it has been in six years. It went down about 400 basis points of segmentation last year. So with that in mind, it's hard to peg, but we do see segmentation continuing to move into SUVs and trucks.

I don't have a crystal ball to know if it's going to accelerate or moderate, but as I've mentioned on previous calls, customers are choosing the higher seating position, the utility, the four-wheel-drive capability, and now with SUVs they don't make the trade-offs in technology, ride quality, or fuel economy that they had to do five, 10 years ago. So I think those are all favorable for continued segmentation into SUVs and trucks.

Brent Snavely - *Detroit Free Press - Media*

Okay, thank you very much. Appreciate it.

Operator

Mike Wayland, Detroit News.

Mike Wayland - *Detroit News - Media*

Thanks for taking the call. Just really wanted to ask any reason for the gross stock increasing from 73 to 103 for you guys from December to January? Your crosstown rival also saw a pretty steep increase from -- let's see, where is it -- 71 to 108.

Mark LaNeve - *Ford Motor Company - VP, U.S. Marketing, Sales, and Service*

Mike, we always build inventory in January and February heading into the spring selling season. December is seasonally the highest month. January is seasonally the lowest month. We sell them out in December, we restock in January.

We also had a very -- and we had a year-over-year decline in our rental business, which goes into the number; one of the factors in the number. But if you look at our overall inventory, we sold more units in January retail than we did a year ago and we have 50,000 less on the ground. So I think we're in a very favorable -- comparatively to ourselves and to our competitors, some of our competitors, I think we are in a very favorable inventory position and we like where we are. But we will continue to build inventory heading into spring selling season. That's very normal occurrence.

Mike Wayland - *Detroit News - Media*

Okay. Then just one other thing. I'm not sure if you addressed this before, but Fiesta sales being up 39.6%. They were the only cars to be up in the Ford lineup. Was there any special incentives going on right there?

Mark LaNeve - *Ford Motor Company - VP, U.S. Marketing, Sales, and Service*

We made a pretty significant incentive move about five months ago on Fiesta. I think we found the sweet spot in the market and we've had great performance ever since then. But we haven't escalated over the last four or five months, it's been very steady. But we've had really strong Fiesta performance, which obviously is good to see.

Mike Wayland - *Detroit News - Media*

Great. Thanks, guys.

Operator

Adrienne Roberts, Wall Street Journal.

Adrienne Roberts - *Wall Street Journal - Media*

Thanks for taking my question. There was a report out in Ward's Auto yesterday saying that Ford is cutting truck production in the first quarter and just wondering why that is considering how well your truck sales are doing.

Mark LaNeve - *Ford Motor Company - VP, U.S. Marketing, Sales, and Service*

Adrienne, that would just be a result of probably where we're -- our timing of where we are performing in the rental commercial markets. From an overall standpoint at retail, we -- based on the last few months, we have been looking to add truck production. I don't have the Ward's report right in front of me, but you certainly could have timing on the commercial business that could be affecting it.

Erich Merkle - *Ford Motor Company - U.S. Sales Analyst*

In the first quarter, too, Adrienne, in the beginning of January we had a little downtime for maintenance so that might be included. Because January, early January would be included in the first quarter. But it has no bearing on truck sales; as you can see, are doing quite well.

Mark LaNeve - *Ford Motor Company - VP, U.S. Marketing, Sales, and Service*

As I mentioned earlier, our landed dealer stock is -- we are down 14,000 trucks, and that will include vans, from a year ago. And our days' supply is down and we sold more in January than we did a year ago. So we are trending very positive sales to production and sales to inventory standpoint, and that's always good for future production forecasts and utilization.

Adrienne Roberts - *Wall Street Journal - Media*

So you don't think that demand, the truck demand has been served or there's any softening in the market?

Mark LaNeve - *Ford Motor Company - VP, U.S. Marketing, Sales, and Service*

Not at all.

Adrienne Roberts - *Wall Street Journal - Media*

Thank you.

Erich Merkle - *Ford Motor Company - U.S. Sales Analyst*

Kalia, thank you for your help today; a pleasure working with you. And thank you, everyone, for joining us on January's sales call. We'll look forward to talking to everybody next month at the beginning of March for February's call. Have a great month, everyone.

Operator

Thank you, ladies and gentlemen. That does conclude today's conference call. You may now disconnect.
