

### THE w REPORT™

#### Economic Sector

Consumer Discretionary

#### Business Segment Industry

Automobile Manufacturer

Major Brands in this Segment: Ford, Lincoln, Mercury and Volvo

#### REPORT CONTENTS

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#### ABOUT wRATINGS

Created by Harvard Business Review author and consumer behavior expert Gary A. Williams, the wRatings system shifts from an accounting to an economic profit and customer-results framework to calculate the competitive strength of a company. The system provides critical visibility into a company's pricing power and future customer performance in a near real-time format.

Using a systematic and disciplined approach since 1999, our patented system tracks 17 predictors of customer buying through panels of consumers and business executives. Each customer rates the same 17 attributes twice, once to set their level of expectations and again to rate the company's performance. We blend the customer scores with an economic profit momentum score to calculate a company's W Score™.

Due to our forward-looking data from customers available prior to quarterly earnings announcements, shifts in a company's W Score™ may not be captured in their stock price yet.

#### DEFINITIONS

**W Scores™** are equal blends of a company's moat barriers rank and 5-year economic profit / revenue rank. Because these are blended scores and not ranks, unequal numbers of companies appear as 5 w's, 4 w's, etc.

**Economic Profit** is the net operating profit after tax (NOPAT) minus the invested capital times weighted average cost of capital (WACC) divided by revenues.

**Moat Barriers** are an aggregate score of the 9 sources of competitive advantage a business builds to prevent rivals from capturing customers and economic profit.

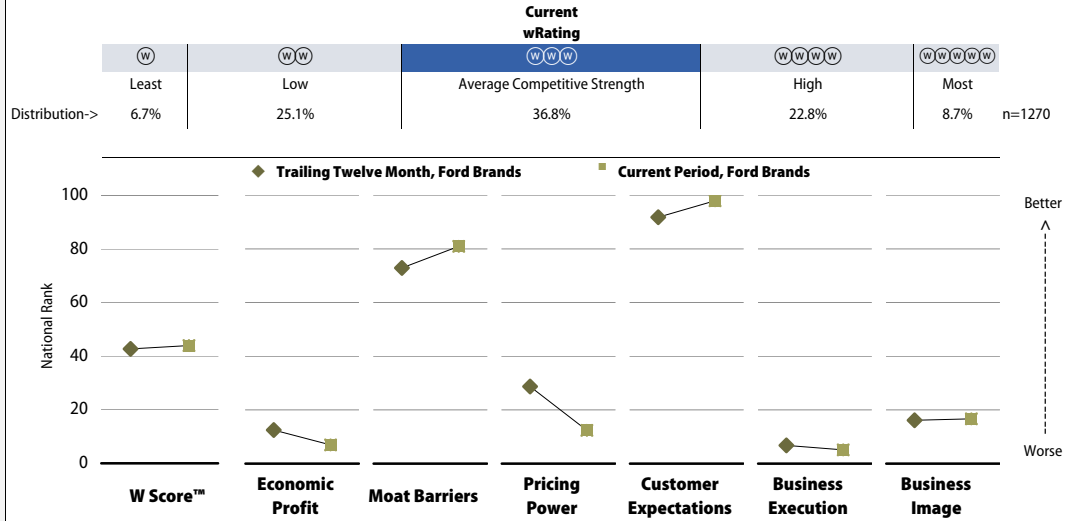
**Pricing Power** is the amount more customers are willing to pay if a business fully met their expectations.

**Customer Expectations** is the average score of 12 functional (e.g. Quality, Uniqueness) and weighted 5 emotional (e.g. Trust, Stability) attributes.

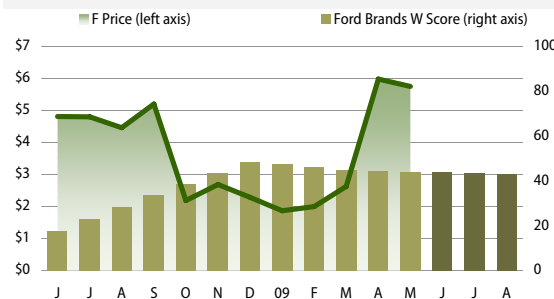
**Business Execution and Business Image** are the average of customer scores across 12 functional and 5 emotional needs, respectively.

### Competitive Snapshot

The higher the wRating, the stronger the business is at meeting customer expectations while also generating economic profit.



### Stock Price & Competitive Strength Trend



### Sector, Industry & Peer Comparisons

W SCORES	TTM	Current	wRating
Consumer Discretionary	50.4	50.9 ↑	(w)(w)
Automobile Manufacturer	43.4	38.7 ↓	(w)(w)
<b>Ford Brands</b>	<b>42.7</b>	<b>44.0</b> ↑	<b>(w)(w)(w)</b>
Audi/Volkswagen	39.1	32.8 ↓	(w)(w)
General Motors Brands	38.1	35.5 ↓	(w)(w)
Toyota/Lexus	49.8	36.8 ↓	(w)(w)
<b>COMPOSITE SCORE</b>			
Ford Motor Company (NYSE: F)	42.7	44.0 ↑	(w)(w)(w)

Note: More segments for this stock may exist that we do not cover.

### Competitive Analysis

June 8, 2009

**Henry Ford knew how to make cars and money, but today's competitive world is much different. Consumer expectations are high for Ford, and much work is needed to improve their business execution and image.**

Ford is the last standing Detroit automaker to not declare bankruptcy, but government involvement with GM and Chrysler puts Ford at a competitive disadvantage financially. With lower costs of capital at their financing units and potentially better deals with the auto unions, GM and Chrysler may be able to offer consumers better deals than Ford.

But government control is a dual-edge sword, as consumers and investors may flock to non-bailout companies. The good news is that customer expectations remain high for Ford, which is a key prerequisite to pricing power and earnings growth.

Contrary to recent JDPower reports, Ford continues to struggle with quality. Their brand perception also remains under water.

One key strength is Ford's timely service and support, which is a credit to their dealer network. Given their peer's troubles with dealers, Ford must find a way to exploit this dealer advantage to rebuild their brand and re-ignite sales.

Otherwise, Ford will struggle just like their peers.

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**BACKGROUND**

Stock prices tend to move based on changes in future financial performance, and investors must anticipate revisions in those expectations. The wRatings system is the only standardized customer-based approach to help investors gauge future financial performance. Rather than relying on rumors, extrapolations or qualitative observations, our system continually gathers comprehensive customer ratings on 1,200+ companies.

**INSIDE THE RATING**

We rate companies 1 through 5 Ws, with 5 possessing the most competitive strength and 1 the least. The ratings are blended views of historical economic profit and a current, real-time view of how well the company is meeting customer expectations better than their peers. Each W rating is quantified in a W Score™.

Projections use a momentum-based algorithm to calculate future W Scores™, with the algorithm based on the past 2- and 5-years of competitive strength. We use these two timeframes to gauge the impact of recent management decisions (2-years) against the overall momentum of the company's operations (5-years).

Because competitive strength is a measure of how well a company is performing vis-à-vis its peers, directional shifts (versus drifts) from quarter to quarter can and do occur even when a company has no material change in its customer performance (commonly referred to as satisfaction).

**DEFINITIONS**

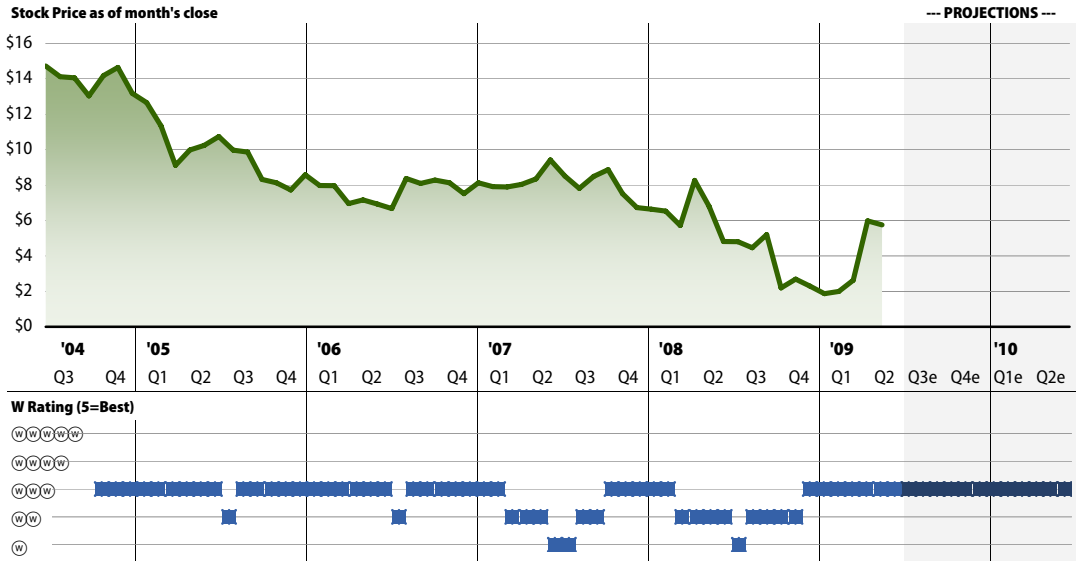
**W Scores™** are equal blends of a company's moat barriers rank and 5-year economic profit / revenue rank.

**Moat Barriers** are what companies build through their business framework to protect customers and economic profit from rivals. Maximum is 45 moats, minimum is -9.

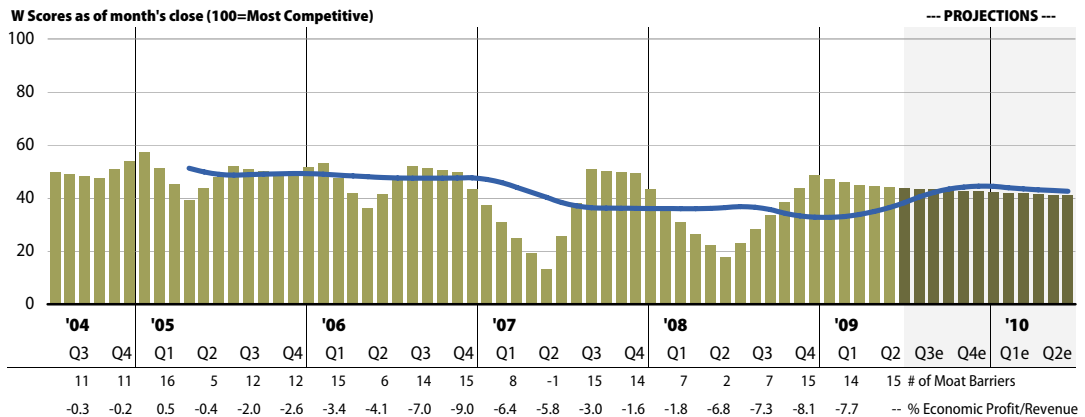
**Economic Profit / Revenue (EPR)** is the net operating profit after tax (NOPAT) minus the invested capital times weighted average cost of capital (WACC) divided by revenues.

Ford Motor Company designs, develops, manufactures, and services cars and trucks worldwide. It operates in two sectors, Automotive and Financial Services. The Automotive sector sells vehicles under Ford, Mercury, Lincoln, and Volvo brand names.

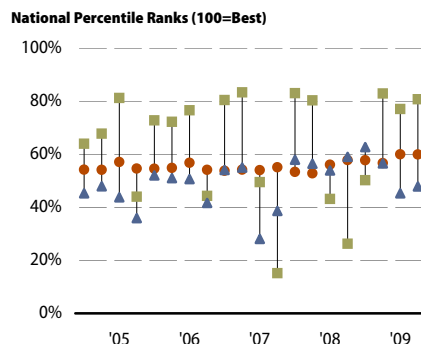
**Market Data & Projections**



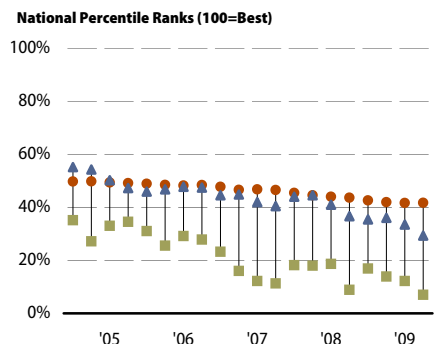
**Competitive Strength Trends**



**Moat Barriers Rank**



**Economic Profit / Revenue Rank**



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**SNAPSHOT DEFINITIONS**

See other pages for remaining financial definitions.

**Market Value** is the monthly price close multiplied by common shares outstanding. **Revenues** are gross sales minus any discounts, returns and allowances. **Total 1-Year Return** is annualized rates of return for stock price appreciation, including reinvesting and compounding of monthly dividends.

**Functional Needs** are delivery score ranks of 12 standard attributes that contribute to business execution; **Emotional Needs** are delivery score ranks that contribute to business image.

**Pricing Power** is the percentile rank of the amount more customers are willing to pay if a business fully met their expectations. **Customer Expectations** are ranked scores of 12 standard attributes for functional and emotional needs; **Company Delivery** are ranked scores calculated on the same rank index as customer expectations.

**Moat Barriers** and **EPR Strength** are percentile ranks of total moats and economic profit/revenue. **Overall Durability** is a percentile rank of W Scores.

**PROFILE DEFINITIONS**

**Moat Barriers** are what companies build to keep customers captive and generate positive economic profit. Maximum is 45 moats, minimum is -9.

**Emotional Needs** are bi-polar characteristics from the Five Factor Model (FFM) that are able to predict human behavior. Alignment of expectations and delivery means a better image for the company.

**Attribute Strength** examines each attribute's functional versus emotional scores. Weights to various emotional needs are combined to represent an attribute's emotional score.

**Customer Demand** identifies the current period customer expectation levels versus the company's delivery.

**ATTRIBUTE KEY**

Moat	No.	Attribute Name	Strength
SUPPLY CHAIN	1	Fair Pricing	Neither
	2	Wide Availability	Both
	3	Dealer Competence	Neither
	4	Useful Features	Image
PRODUCTS	5	Leadership Reputation	Execution
	6	Automobile Quality	Neither
	7	Brand Coolness	Execution
	8	Simple To Do Business	Both
	9	Unique Features	Both
DELIVERY CHAIN	10	Safety Features	Neither
	11	Dealer Consistency	Execution
	12	Timely Service & Support	Image

**Financial Snapshot**

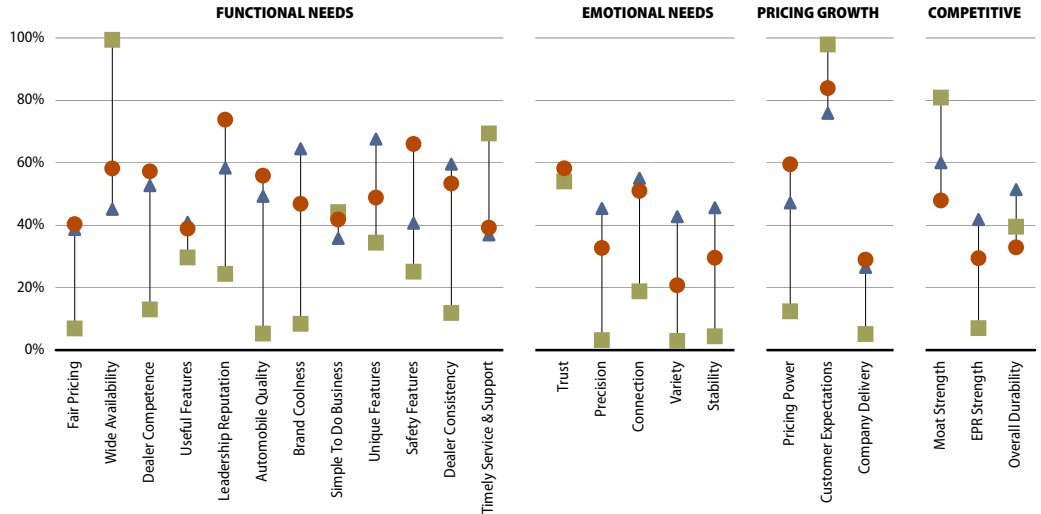
All dollars in US \$ Millions

NM = Not Meaningful, -- = Not Available

As of Q1-2009	Market Value	Oper EPS TTM	Revenue TTM	Oper Prof TTM	Econ Prof / Revenue	LTD to FCF	ROIC	WACC	Reinvest Rate	Total 1-Yr Return
Sector Average	\$2,994	\$0.51	\$5,467	3.3%	3.8%	NM	9.7%	0.1%	5.8%	-43.8%
Industry Average	\$24,655	-\$10.71	\$75,914	-6.7%	-4.8%	NM	-1.9%	0.3%	1.9%	-51.7%
Ford Motor Company	\$6,136	-\$4.09	\$127,527	-6.1%	-7.7%	NM	-3.9%	3.7%	1.7%	-54.0%

**Business Snapshot (National Ranks)**

■ Ford Brands ■ Industry Average ▲ Sector Average


**Current Moat Barriers**

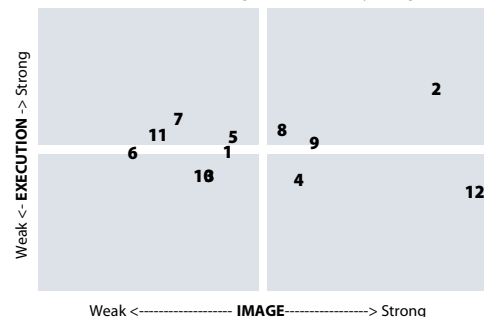
Most Competitive = (W)(W)(W)(W) Least Competitive = (O)

MOAT	RATING	NATIONAL RANK
Economies of Scale	(M)(M)	59.3%
Economies of Skill	(M)	34.3%
Cost Containment	(M)(M)(M)	79.7%
Design Dominance	(M)(M)	60.2%
Brand Perception	(M)	44.3%
Routine Reliance	(M)(M)(M)(M)	99.5%
Channel Lock-Out	(M)(M)	62.9%
Switching Lock-In	(M)(M)	33.0%
Network Effect	(M)(M)	26.1%

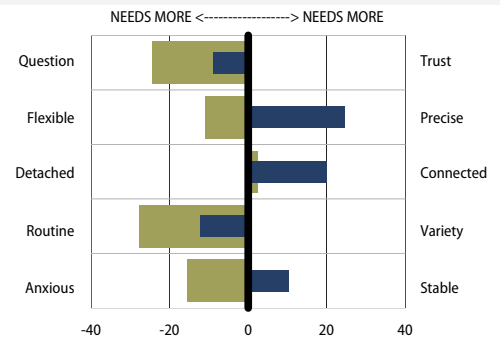
**TOTAL MOATS** 15 Worse <-----> Better

**Attribute Strength**

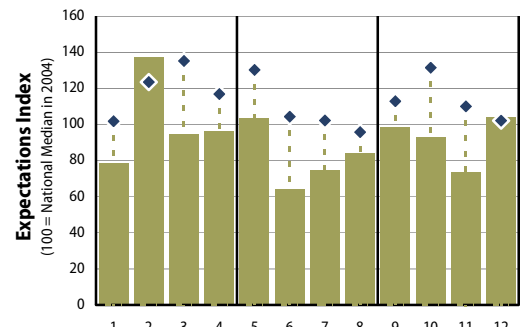
Functional (execution) vs. emotional (image) scores divided by average


**Emotional Needs**

■ Customer Expectations ■ Ford Brands


**Customer Demand**

◆ Customer Expectations ■ Ford Brands



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**REVENUE DEFINITIONS**

**Revenues TTM** are gross sales minus any discounts, returns and allowances over the trailing twelve months (TTM).

**Quarter-over-Quarter (QoQ) Growth Rate** is the percentage improvement for TTM revenue from the previous quarter, which is current revenue TTM minus previous revenue TTM, divided by previous revenue TTM and multiplied by 100.

**GROWTH LEADING INDICATORS**

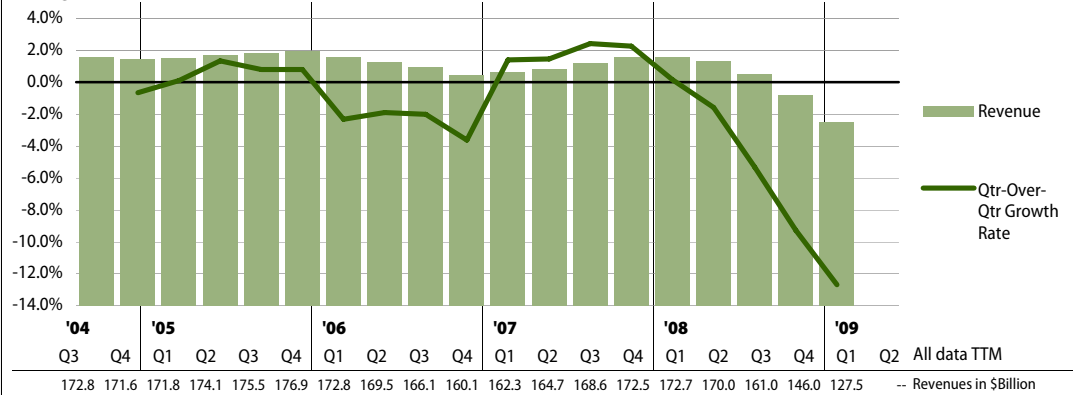
Using a systematic and disciplined approach since 1999, our patented system tracks 17 predictors of customer buying through panels of consumers and business executives. The 17 attributes are comprised of 12 functional attributes and 5 emotional needs (trust, precision, connection, variety and stability). Some emotional needs relate directly to a functional attributes, such as trust with leadership reputation and connection with brand coolness.

Each customer rates the same 17 attributes twice, to set their level of expectations and to rate the company's performance. The scores on this page show the percentile ranks of the 12 delivery scores. These are similar, but not identical, to traditional customer satisfaction scores. Improvement in any single attribute may drive more revenue, although the increased revenue may not translate to increased profit.

Attribute groupings -- Supply Chain, Products and Delivery Chain -- provide a short-cut to analyzing moat barriers (page 6) that help hold customers captive. When comparing the scores here versus moat barriers, the key difference is that moat incorporate customer expectations into the scoring system. This ensures the moat barriers are future-oriented and based on the most critical benchmark, the customer's ideal.

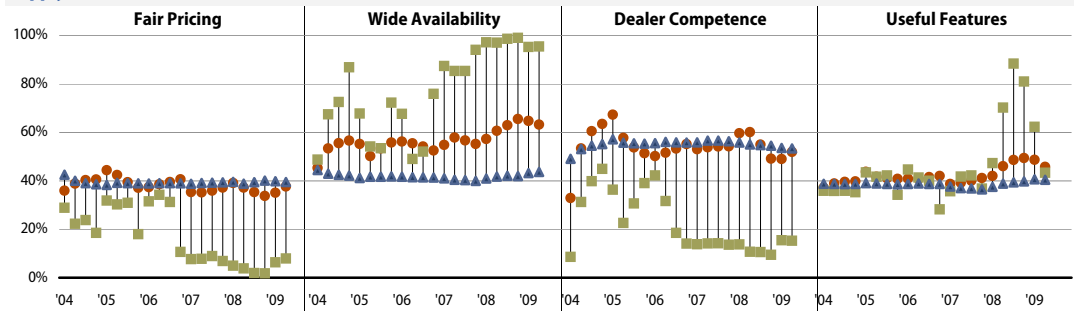
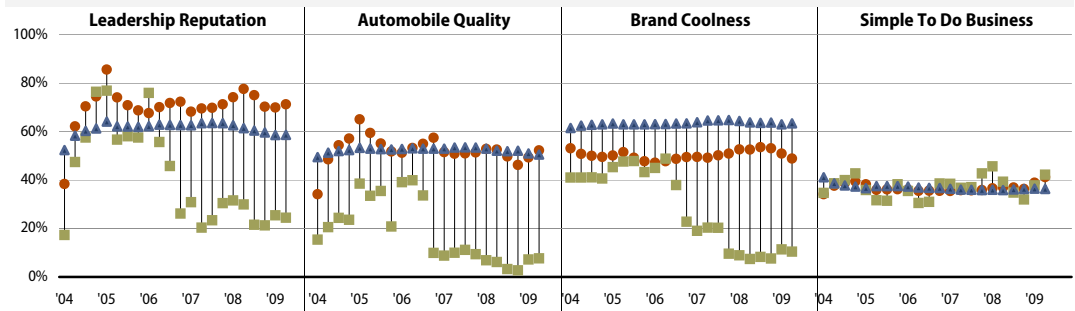
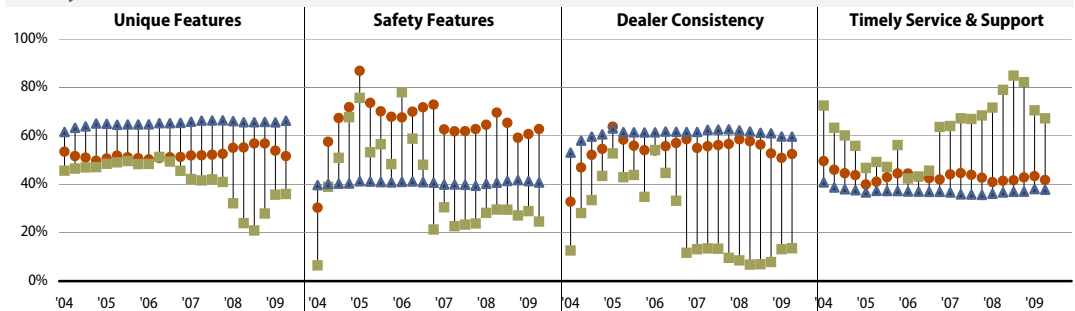
**Revenue Growth**

Trailing Twelve Months (TTM), Calendar time-frame


**Growth Leading Indicators**

Ford Brands Industry Average Sector Average

National Percentile Ranks (100=Best); Ranks are Trailing Twelve Months (TTM)

**Supply Chain Attributes**

**Product Attributes**

**Delivery Chain Attributes**


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**EARNINGS DEFINITIONS**

**EPS from Operations** is basic earnings per share adjusted to remove the effect of all special items.

**Quarter-over-Quarter (QoQ) Growth Rate** is the percentage improvement for TTM EPS Operations from the previous quarter.

**Operating Profit** is revenue less COGS and SG&A expenses after deducting depreciation, depletion and amortization divided by revenue.

**LTDebt to Free Cash Flow** is the number of years required to pay off debt using proceeds from the company's business.

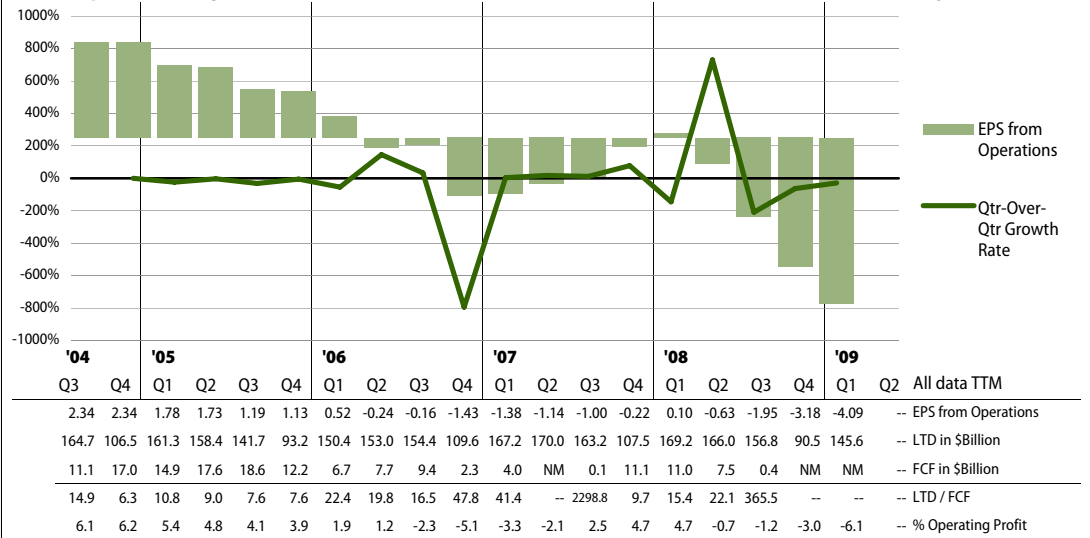
**PRICE VISIBILITY**

**Pricing Power** is the amount more customers are willing to pay if a business fully met their expectations. Maximum is 50%, minimum is 0%. High, stable pricing power indicates that future customer demand for the business remains strong and the ability to grow earnings is available.

**Customer Expectations** is the average score of 12 functional (e.g. Quality, Uniqueness) and weighted 5 emotional (e.g. Trust, Stability) attributes. High expectations are required in order to prevent commoditization and competition on price alone.

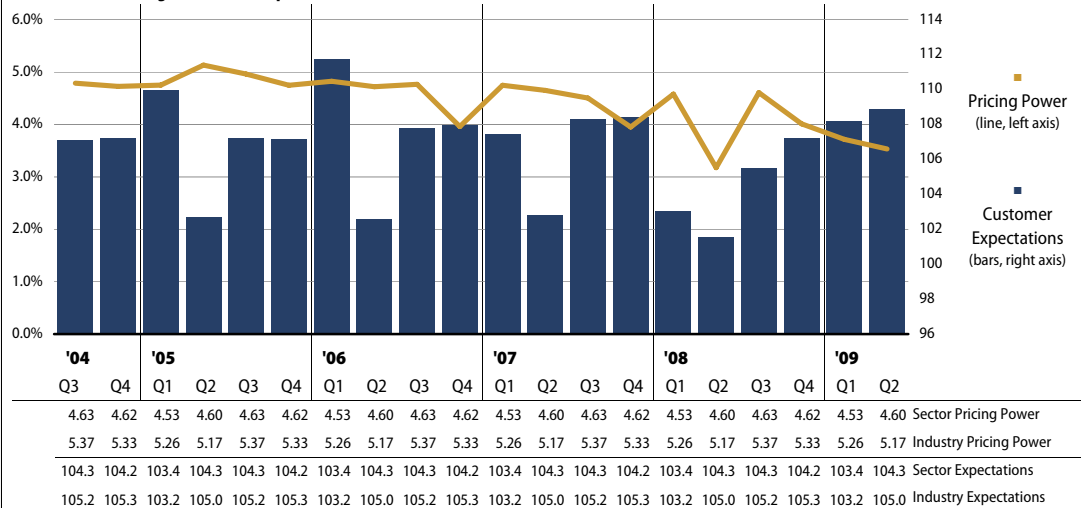
**Earnings Growth**
**EPS from Operations, Trailing Twelve Months (TTM) in US \$ Millions, Calendar time-frame**

NM = Not Meaningful, -- = Not Available

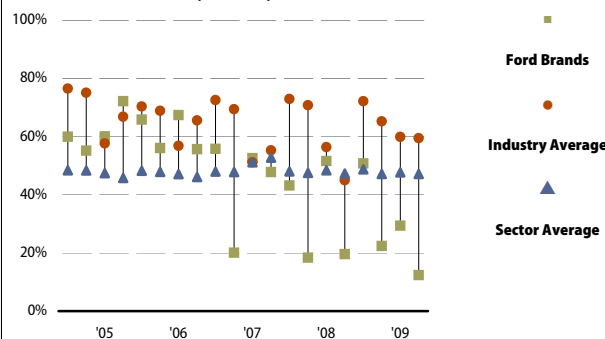

**Pricing Growth Visibility**

All data from wRatings.com customer panels

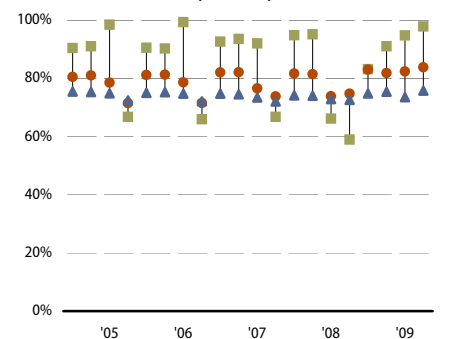
All data for Business Segment


**Pricing Power**

National Percentile Ranks (100=Best)


**Customer Expectations**

National Percentile Ranks (100=Best)



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**LIFE CYCLE DEFINITIONS**

**Return on Invested Capital (ROIC)** is NOPAT divided by invested capital.

**Weighted Average Cost of Capital (WACC)** is the proportional cost of equity plus the proportional cost of debt, then divided by 100.

**Reinvestment Rate** is invested capital divided by depreciation.

**Competitive Outlook** uses the current period's 80th percentile rank as a threshold to exceed in terms of Economic Profit/Revenue and Moat Barriers. This quadrant placement shows the current stage of the competitive life cycle the company.

**MOAT DEFINITIONS**

Moats are barriers to entry created through business frameworks that hold customers captive long enough to generate economic profit.

**Economies of Scale** requires high customer expectations for fair-pricing and wide availability. Scale depends not on ABSOLUTE size of the dominant firm, but on size difference against rivals.

**Economies of Skill** requires high customer expectations for fair-pricing and competency. Skill depends on automating a customer process to benefit them in a time-sensitive way.

**Cost Containment** requires high customer expectations for fair-pricing and usefulness. This optimizes manufacturing, supplier or management process for a cost differential over rivals.

**Design Dominance** requires high customer expectations for leadership and quality. This depends on building true functional distinctiveness into an offering, which is easiest for rivals to duplicate.

**Brand Perception** requires high customer expectations for leadership and culture. This establishes trust with customers in a high expectation market, built through execution first and image next.

**Routine Reliance** requires high customer expectations for leadership and simplicity. This requires customers to build habitual usage of a product/service into their regular schedule.

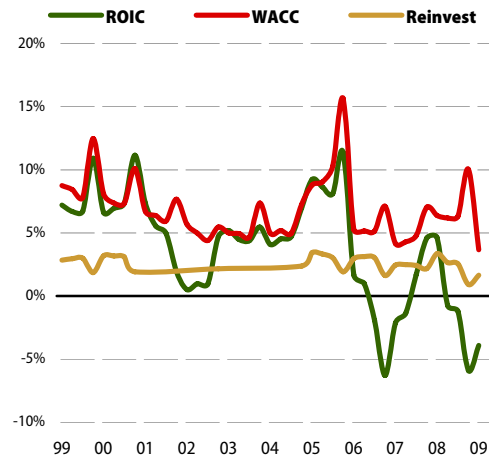
**Channel Lock-Out** requires high customer expectations for uniqueness and safety. Companies must control the distribution channel by reducing choice.

**Switching Lock-In** requires high customer expectations for uniqueness and consistency. Customers are held captive by fearing loss of time, money or status if they were to change providers.

**Network Effect** requires high customer expectations for uniqueness and time-sensitivity. This requires the formation of community, optimally with TWO nodes that connect disparate groups.

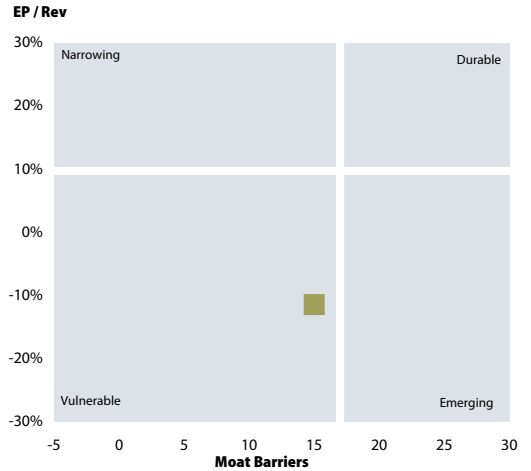
**Competitive Life Cycle**

All data TTM at calendar quarter close



**Competitive Outlook: Vulnerable**

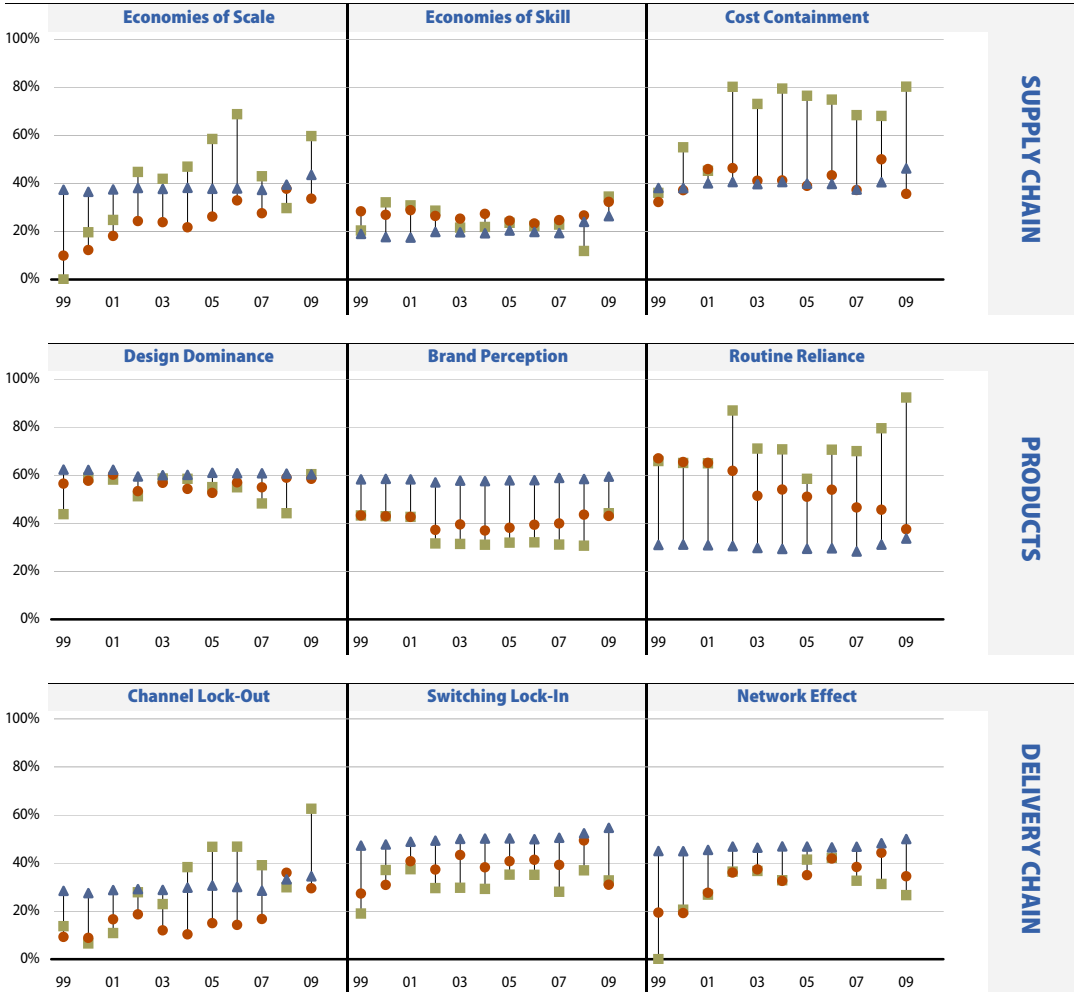
Cross-marks at 80th percentile for Moats and Economic Profit/Revenue



**Moat Barriers**

National Percentile Ranks (100=Best)

■ Ford Brands ● Industry Average ▲ Sector Average



## THE wRATINGS CORPORATION

The wRatings Corporation is an independent stock research provider. We are not a registered broker dealer and do not offer investment banking services. We conduct primary research using our consumer/business panel on a daily basis and wRatings can update a business segment's ratings at any time. For the most recently collected data and ratings, go to [wRatings.com](http://wRatings.com).

### wRatings Corporation

2325 Dulles Corner Boulevard  
Suite 500  
Herndon, VA 20171  
703.788.6532 main  
888.24.0.6888 fax  
[info@wratings.com](mailto:info@wratings.com)

No wRatings officers, employees or contractors may serve as officers or directors of the companies we cover, or may own more than one percent of a company's stock in our coverage.

## WHY wRATINGS?

We are the only firm that blends customer and financial performance into a standard equity rating in the world. For over a decade, investors and corporations have used wRatings data to improve their financial decisions about where to invest time, money and resources.

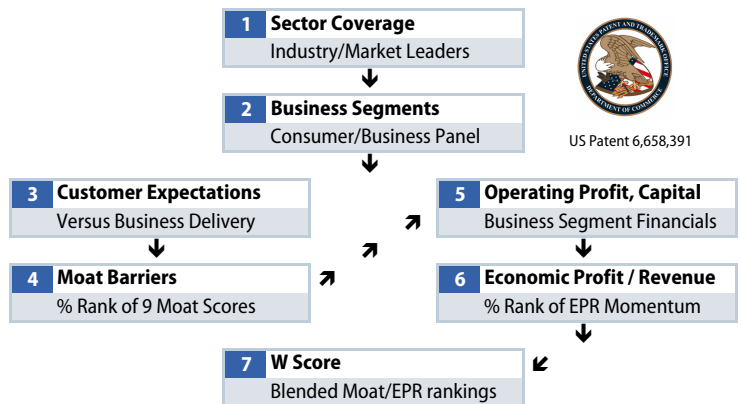
Our approach is not based on theory but on real-world, backtested facts. The initial five-year analysis correlated findings from 135,000+ consumer interviews with the financial performance of 2,600+ stocks. We filtered the stocks by those companies able to maintain a revenue share and return on invested capital at a 65th percentile level or higher for five consecutive years. Analyzing the top 300 leaders (by market cap), we found nine specific patterns (moats) exist when a company meets consumer expectations better than its rivals over those five years. Each moat consists of 3 to 6 functional and emotional needs.

By discovering the existence of moat barriers at the customer level, our data is a leading indicator to which companies are on track to building superior economic profit. Companies with moat barriers are less risky to own since they are likely to grow in revenue and earnings.

## OUR PATENTED APPROACH

The wRatings system measures the competitive strength of companies in a systematic, disciplined approach over rolling 13-week periods. Although customer data is gathered on a daily basis, we structure quarterly interviews by pre-qualifying customers of each company in our coverage through our consumer and business panels. The seven step, multi-patented process is:

- 1) We cover all major economic sectors. Within each sector, we select leaders based on market cap, awareness or subscriber input.
- 2) We measure companies at the business segment level based on how the company reports their financials, and customers recognize their offering name.
- 3) We ask customers what they expect from companies in an industry, and then repeat the questions to ask how well a business is delivering against expectations.
- 4) We convert expectations and delivery into a moat barriers number using a backtested & proven algorithm, and then percentile rank the total moats against all companies.
- 5) We calculate a company's Net Operating Profit After Taxes (NOPAT) and Weighted Average Cost of Capital (WACC) using public data, and convert into Economic Profit.
- 6) We rank the last 5-years of Economic Profit/Revenue (EPR) % against all companies.
- 7) We blend the percentile ranks of moat barriers and EPR into a W Score.



## RESEARCH DISCLAIMER

The information contained herein is provided on an "as is" basis. Additional information exists that has been prepared by wRatings Corporation which is not included in this report. The data in these materials reflects the wRatings Corporation ratings on a particular business segment of a company. Certain data may be extrapolated based on algorithms built by the wRatings research team. These materials are for informational purposes only and are not an offer to hold, buy or sell any particular stock, company, product or service. Readers should consider the wRatings data as only a single factor in their decision making while taking into account the current market environment.

In addition to historical information, this report contains forward-looking statements that reflect projections, objectives and expectations as of the date hereof. The wRatings Corporation assumes no responsibility or liability for any damages resulting from the use of the information contained herein.

The ratings and data in this report were compiled from data provided through the wRatings consumer and business panels, as well as third-party data provided by third-party data. The wRatings system relies on multiple financial sources for data in the formation of the W Scores, including the Standard & Poor Compustat® database. Not all information is available on all business segments in the wRatings coverage.

While wRatings believes the information provided is reliable, wRatings nor its third-party providers guarantee the accuracy, timeliness, completeness or correct sequencing of the information. wRatings does not warrant any results from the use of this information, and cannot be held responsible for any inaccuracies or omissions. The included information is subject to change without notice.

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Margin of Error ±0.27 for all wRatings data in this report

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