Americas: Automobiles

See Ford benefiting most in the new world order, adding to CL Buy

Upgrading Ford to Conviction Buy from Neutral

We are adding Ford shares to the Conviction Buy List with a six-month price target of $6 and raising our sector Coverage view to Neutral from Cautious. Our call is driven by the almost unprecedented structural change facing the industry, which we think will redefine Ford and GM profitability, which has substantially lagged peers. Unlike GM, we do not foresee bankruptcy at Ford, which we believe has sufficient liquidity to make it through to 2010 without additional funding. We recognize sector sentiment is likely to be impacted by potential GM and Chrysler filings, but, with 58% upside to our target, we think much of this is in the shares which present a very attractive risk/reward.

Raising our 2009 auto sales estimate; upgrading coverage view

We are raising our 2009 US sales estimate to 11mn unit from 10mn, reflecting the likely impact of a scrappage plan which could add 750k-1000k units to 2009 SAAR and pull the bottom forward from where we had expected. We are changing our coverage view to Neutral from Cautious, as we see upside from bottoming sales as evenly balanced with risks from a likely GM bankruptcy and a possible Chrysler liquidation. We continue to favor names with minimal Chrysler/GM exposure and reiterate our Conviction Buy on Federal-Mogul.

A unique opportunity for structural change

Our detailed cost analysis suggests an ability to reduce structural costs by more than $8 bn for Ford, with the largest piece coming from a 43k headcount reduction by 2012, equivalent to 22% of its labor force. We think GM could reduce structural costs by $17 bn, assuming a 84k global headcount reduction (35% of its labor force), as well as substantial savings in R&D, SG&A, advertising, and engineering from the elimination or sale of the Pontiac, Hummer, Saab and Saturn brands.

Ford pricing and market share likely to turn positive in NA

Our new forecasts target 89% capacity utilization at Ford and 94% at GM by 2012 (vs. 79% on average for both companies since 2001), which we see driving a return to positive pricing. Additionally, we see Ford as well positioned to capitalize on a more than 50% decline in Chrysler share (even granting a successful Fiat alliance), and the pruning of GM's product portfolio. We see this revenue improvement in combination with cost performance driving Ford EBIT per unit to $900—just under the $1,000 per unit average seen by the global auto industry over the past five years.

UPCOMING EVENTS

April 24: Ford reports 1Q09 results. 1-866-788-0547 PC: "Ford Earnings".

April 30: Deadline for Chrysler to conclude an agreement with Fiat including an arrangement with Unions and Bondholders to dramatically cut liabilities.

May 1: April auto sales are reported.

June 1: Deadline for certification of GM's updated restructuring plan by the Auto Task Force, after which bankruptcy becomes the likely option.

PRICE TARGET METHODOLOGY AND RISKS

We have introduced a new price target methodology for Ford which values the shares using 2012 EBITDAP and EPS discounted back to the present at a 15% cost of equity.

Our previous price target methodology for Ford and current methodology for suppliers values the shares on normalized EPS and EBITDA and incorporates a probability weighted distress scenario as implied by the 5-year CDS.

The greatest downside risk to our targets would be a disorderly filing by GM and Chrysler that could impair the supply chain, and a continued free fall in light vehicle sales.

We would like to thank Aditya Oberoi for his contribution to this report.

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Moving Ford to CL Buy, and view to Neutral from Cautious

A sea change in the auto industry

With GM and Chrysler likely to file for bankruptcy in coming weeks, in our view, we think the stage is set for a sea change in the structure of the US auto industry that will significantly alter its competitive and economic landscape by paring down industry capacity and retracing market shares through a diminished presence from GM and Chrysler.

We see this driving a significant improvement across all surviving OEMs, with the largest delta in profitability being seen by GM and Ford. As we explore in much more detail below, we think the restructuring of excess capacity, rationalization of fixed costs, and better pricing can lead both companies to attain EBIT margins of close to 5% by 2012 - roughly in line with historical industry averages and a dramatic improvement over the past decade.

We believe the best way to capitalize on this upside opportunity lies with Ford, which think will avoid bankruptcy and which we are upgrading to Conviction Buy with a 6-month price target of $6, with 58% upside from the current price.

While there is significant operating upside at GM (Rating Suspended), we see a high likelihood that the current class of common shares will be terminated through bankruptcy, (or significantly diluted in a best case).

We see the outcome for Chrysler as highly uncertain in this process given the short window given to it by the US Treasury to significantly pare back its liabilities and the fundamental operating challenge from a significant product gap it faces between now and potentially new Fiat based products launched in 2010-2011.

Necessity breeds opportunity – redefining Ford's cost structure

With GM likely to right-size its cost base in bankruptcy, and with some risk of a Chrysler liquidation we think Ford will likely be empowered to make the kind of deep structural cost cuts that have eluded it in years past.

As we show in Exhibit 1, we see a profit improvement of over $9bn at Ford from 2009-2012. Much of this improvement is driven by a targeted 89% global capacity utilization rate which we think enables $4.7bn in labor cost savings (through a 43k headcount reduction), and $2.6bn in cost reduction opportunities from lower SG&A, R&D, advertising, and engineering. We also see a $900mn tailwind from retiree expense from the remaining P&L impact of the UAW VEBA and possibly lower legacy pension expenses if Ford/GM are able to renegotiate benefits to lower the underfunded levels of their US pension plans.

Market share and pricing likely a positive for the first time in decades

For Ford we see market share gains and pricing as important offsets to industry volumes which we think will remain below trend for some time. We are not calling for a sudden end to the competitive pressures from foreign brands which have driven Ford share down every year since 1994. But over the next three years we see substantial share opportunities from a 590bp decline in Chrysler share (which assumes a successful alliance with Fiat) and a 610bp decline in GM share exacerbated by the elimination or sale of Pontiac, Saturn, Hummer, and Saab. We see this driving a modest increase in Ford share of 60bp from 2009-2012, with share rising by 220bp in a case where Chrysler goes into liquidation. In Exhibit 2 we lay out the sensitivity of EBIT and EBIT margins in different sales and competitive scenarios for Ford and GM. We think this illustrates the high level of operating leverage in their cost structures with significant variances in profitability depending on the SAAR and share outlook for 2012.

Ford currently enjoys better pricing momentum than GM, something we see sustained by a 1.5mn reduction in global capacity at Ford and more than 4mn unit reduction at GM. As we show in Exhibit 3 below, since the early 1970s changes in capacity utilization have been a pretty good predictor of changes in average transaction prices with an R squared of 45%. We think the stage is set for much better pricing as we bounce back from the current utilization trough on the back of higher sales and industry wide restructuring.

Exhibit 1 summarizes the principal drivers of the 2009-2012 profit improvement we expect for GM and Ford.

Exhibit 1: We see an opportunity to drive profit improvements of $11bn and $9.3bn for GM and Ford, respectively
Summary of positive and negative factors impacting Ford and GM EBIT from 2009-2012

		EBIT '09-'12	
		Impact on GM EBIT	**Impact on Ford EBIT**
Positive			
Labor costs	- Unprecedented opportunity to reduce headcount at both companies - **GM:** Assuming a reduction of 4.4mn units of capacity and 84k employees - **Ford:** Assuming a reduction of 1.5mn units of capacity, and 43k employees	**$7,728**	**$4,731**
Other structural	- **GM:** See large structural cost opportunities in advertising, SG&A and R&D from brand eliminations - **Ford:** See more moderate cost cuts facilitated by lower volume and global platforms	**$8,750**	**$2,564**
Product costs	- A Significant margin opportunity at both GM and Ford from a lagged decline in commodity costs and healthier supply base offsetting headwinds from stepped up content	**$3,255**	**$2,775**
Retiree expense	- Benefits from UAW VEBA, and our assumptions of a freezing of US legacy pension expense at both GM and Ford - A return to more normalized international pension expense following very low levels in 2008 is a partial offset	**$610**	**$891**
Pricing	-See pricing turning positive across all regions in line with improved capacity utilization -**Ford** stands to benefit more given strong pricing momentum in international markets particularly Europe	**$129**	**$1,142**
Split			
US market share	- **GM:** Assume organic share loss of 300bp, and a 300bp impact from elimination Pontiac, Hummer, Saab, Saturn net of share gains from Chrysler - **Ford:** Assume organic share loss of 75bp, more than offset from share gains from Chrysler and GM	**($4,367)**	**$511**
Negative			
Global Volume	- **GM:** International volume recovery muted, potentially weakened OPEL/Vauxhall brand exacerbates Euro headwinds - **Ford:** Soft international volume recovery and effect of deconsolidation of Mazda	**($4,235)**	**($2,096)**
Mix	- **NA:** see positive mix in 2009 due to car overbuild in '08, but becoming a headwind again in 2010-2012 given rotation to small cars - **International:** Model a very gradual mix improvement in out years from higher content	**($825)**	**($1,214)**
Total improvement in EBIT		**$11,045**	**$9,303**

Source: Goldman Sachs research.

Exhibit 2: Profit varies significantly with the sales and share outlook for the US
EBIT and EBIT margins under varying share and SAAR scenarios

Operating margins

Ford

	12000	13000	14000	15000	16000	17000
14.1%	3.7%	4.1%	4.4%	4.8%	5.1%	5.4%
14.6%	3.9%	4.2%	4.6%	4.9%	5.2%	5.5%
15.1%	4.0%	4.4%	4.7%	5.1%	5.4%	5.7%
15.6%	4.2%	4.6%	4.9%	5.3%	5.6%	5.9%
16.1%	4.3%	4.7%	5.1%	5.4%	5.7%	6.0%
16.6%	4.5%	4.9%	5.2%	5.6%	5.9%	6.2%

GM

	12000	13000	14000	15000	16000	17000
15.1%	2.4%	3.1%	3.8%	4.3%	4.9%	5.4%
15.6%	2.7%	3.4%	4.1%	4.6%	5.2%	5.7%
16.1%	2.9%	3.6%	4.4%	4.9%	5.5%	6.0%
16.6%	3.2%	3.9%	4.7%	5.2%	5.8%	6.3%
17.1%	3.5%	4.2%	4.9%	5.4%	6.0%	6.6%
17.6%	3.7%	4.4%	5.2%	5.7%	6.3%	6.8%

EBIT

Ford

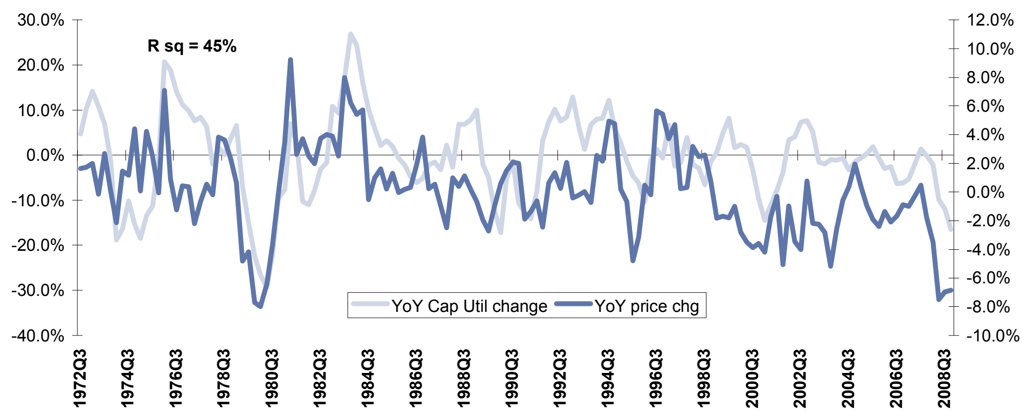
	12000	13000	14000	15000	16000	17000
14.1%	$3,926	$4,468	$5,010	$5,552	$6,094	$6,636
14.6%	$4,157	$4,718	$5,279	$5,841	$6,402	$6,963
15.1%	$4,387	$4,968	$5,572	$6,129	$6,709	$7,290
15.6%	$4,618	$5,218	$5,818	$6,417	$7,017	$7,616
16.1%	$4,849	$5,468	$6,087	$6,706	$7,325	$7,943
16.6%	$5,080	$5,718	$6,356	$6,994	$7,632	$8,270

GM

	12000	13000	14000	15000	16000	17000
15.1%	$2,635	$3,489	$4,343	$5,197	$6,051	$6,906
15.6%	$2,974	$3,857	$4,739	$5,622	$6,505	$7,388
16.1%	$3,314	$4,225	$5,299	$6,047	$6,958	$7,870
16.6%	$3,654	$4,593	$5,532	$6,472	$7,411	$8,351
17.1%	$3,993	$4,961	$5,928	$6,896	$7,865	$8,833
17.6%	$4,333	$5,329	$6,325	$7,321	$8,318	$9,315

Source: Company reports and GS research estimates.

Exhibit 3: Greater industry capacity utilization will lead to improved pricing
Capacity utilization and pricing have shown a strong positive correlation



Source: BEA, Federal Reserve.

Not worried about Ford becoming the next American Airlines

It has been speculated by some that a trip through bankruptcy court for GM could ultimately create a leaner and more efficient competitor which would prove harmful for Ford. The example of American Airlines comes to mind which was a large legacy carrier which did not file for Chapter 11 and remained saddled with an inferior cost structure relative to its peers putting it in a more difficult competitive position.

We do not believe this would be the case for two reasons:

(1) We believe that Ford would likely get parity with GM for any additional changes made to the per-hour level of compensation for its US hourly workers. The UAW has historically been unwavering about adhering to pattern bargaining which is designed to prevent any competitive disadvantages among the Detroit Three based on labor costs. Given the significant downsizing of the domestic auto industry we are experiencing we think the incentive for keeping Ford competitive is stronger than ever.

(2) GM is coming from a weaker base of operations than Ford. We do indeed believe that GM will be able to cut deeper into its cost structure through bankruptcy by accelerating headcount reductions and eliminating fixed costs associated with closed or sold brands. Consistent wit this we are forecasting an operating margin improvement for GM of 830bp from 2009-'12 vs. Ford's 760bp improvement. But by virtue of GM's lower 2008 EBIT margin, both companies wind up in the same profitability zip code with 2012 EBIT attaining 4.7% for Ford vs 4.4% for GM.

See 58% upside to our new Ford price target of $6

With Ford likely to be loss making in the coming 2 years, most of the equity value is driven from profitability in out years. By definition this will make the company more sensitive to changes in sector sentiment and the discount rates which investors are using, so admittedly an investment in Ford is not for risk averse investors. But on our new estimates **we see considerable upside in Ford shares in spite of the significant cash burn we expect in 2009 and 2010, and the dilutive impact the from the assumed equitisation of $6.5bn in UAW VEBA assets.**

In Exhibit 4 we show how we derive our $6 price target. We use the average of two methodologies: (1) valuing the automotive assets using EBITDA plus pension and OPEB net of service cost, then adding back the value of unconsolidated affiliates and cash and subtracting out debt, retiree liabilities, and minority interest; and (2) simply using a 12X multiple on consolidated EPS. As these outcomes are future values we discount them back to the present using a cost of equity of 15%. **On our new estimates Ford shares are worth $6 if we are willing to look out to 2012 which is the period when think Ford will be able to attain normalized margins and that SAAR will reach trend levels of 14mn.**

Exhibit 4: Valuation shows much upside for Ford post restructuring
P/E and EV/EBITDAP valuation framework for Ford

	2009E	2010E	2011E	2012E	2013E
EBITDAP valuation					
EBIT	($5,822)	$873	$3,992	$5,572	$6,216
D&A	$6,035	$6,484	$6,156	$6,494	$6,873
EBITDA	$212	$7,357	$10,148	$12,065	$13,090
Total pension/opeb adjustment[1]	$749	$543	$535	$532	$532
EBITDAP	$961	$7,901	$10,682	$12,598	$13,622
Multiple	5.0x	5.0x	5.0x	5.0x	5.0x
Automotive EV	$4,807	$39,503	$53,411	$62,988	$68,108
-Debt liabilities[2]	($26,046)	($26,046)	($26,046)	($26,046)	($26,046)
+Cash b.o.p	$25,429	$11,967	$8,381	$8,496	$10,685
Burn/generation	($13,462)	($3,586)	$114	$2,190	$2,787
Cash e.o.p	$11,967	$8,381	$8,496	$10,685	$13,472
-Retiree related[3]	($25,430)	($25,430)	($25,430)	($25,430)	($25,430)
+FMCC[4]	$7,246	$7,246	$7,246	$7,246	$7,246
+Affiliates	$1,069	$1,069	$1,069	$1,069	$1,069
-Minority interest	($1,195)	($1,195)	($1,195)	($1,195)	($1,195)
Equity Value	n.a	$7,114	$17,436	$27,127	$34,438
Shares[5]	2871	3185	3485	4010	4153
Value per share	n.a	$2.23	$5.00	$6.76	$8.29
Period	0	1	2	3	4
Haircut[6]	0%	13%	24%	34%	43%
PV per share	**n.a**	**$2**	**$4**	**$4**	**$5**
P/E valuation					
EPS	$ (2.68)	$ (0.32)	$ 0.59	$ 0.96	$ 1.09
Multiple	12.0x	12.0x	12.0x	12.0x	12.0x
Value per share	n.a	n.a	$ 7.11	$ 11.55	$ 13.08
Period	0	1	2	3	4
Haircut[6]	0%	13%	24%	34%	43%
PV per share	**n.a**	**n.a**	**$5**	**$8**	**$7**
Average of valuations		**$2**	**$5**	**$6**	**$6**

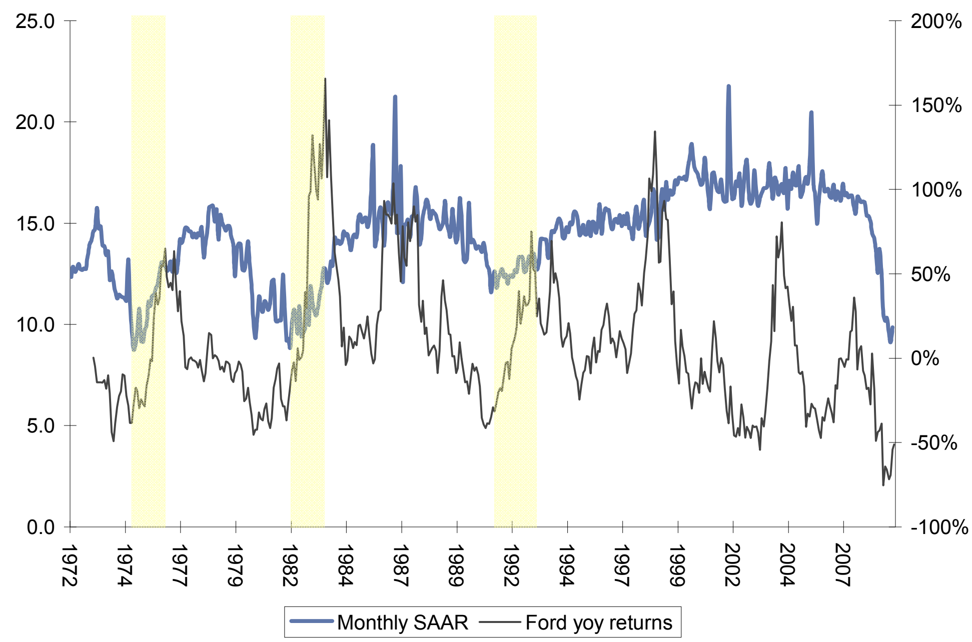
[1] Pension and OPEB expense minus estimated service cost
[2] 4Q08 debt adjusted for $10.1bn revolver draw and $9.9bn debt reduction from tender offer
[3] Assume VEBA is 50% equitized; includes global pension and OPEB
[4] Value adjusted for $2.1bn in FMCC cash used for tender offer
[5] Assumes full conversion of $6.5bn in OPEB liabilities to equity over a 10-year period
[6] Based on a 15% cost of equity

Source: Company reports and Goldman Sachs research estimates.

Investing at the sales trough has typically been a winning strategy for Ford

In addition to valuation, we see Ford's performance history in recessions as supporting an investment in Ford. As we show in Exhibit 5, in past recessions the trough in the SAAR and Ford's share price have typically come with within a few months of each other. Further, the trough in the SAAR would have been a very good time to buy the shares in past recessions, a strategy which would have yielded 106% from November 1974, 98% from April of 1991, and a more than 13 fold appreciation from December 1981. Again this would represent an investment at the time of the SAAR trough (not the Ford trough), and held until Ford shares reached their next peak. We believe a similar pattern is likely to play out in the current recession, and as such we think there is significant upside even post the significant rally we have seen in the shares since their February lows.

Exhibit 5: Buying Ford at the SAAR trough has been a very profitable strategy
Shaded areas represent periods where Ford shares gained post the SAAR trough



SAAR trough	Ford trough	Ford peak	Ford trough vs SAAR	Return from investing at a SAAR trough: Ford	Market	Relative
Nov' 74	Nov' 74	Apr '78	Coincident	106%	38%	68%
Dec'81	Oct'81	Jan '89	2 months prior	1368%	143%	1225%
Apr'91	Dec'90	Dec'93	4 months prior	98%	24%	74%

Source: Factset.

Increasing our US auto sales forecast to 11mn from 10mn

We had previously been skeptical about calling a bottom in auto sales in our March 19 note. But two important drivers have changed:

(1) Consumer confidence has begun to improve which we see as the largest short term driver of auto sales, responsible for driving the SAAR well below levels seen in the last 3 recessions on a household adjusted basis. This is evidenced in the most recent preliminary University of Michigan consumer sentiment survey which posted its second consecutive improvement from albeit record lows.

(2) The prospects for a scrappage plan endorsed by the Obama administration has the potential to add between 750k to 1mn units to new vehicle sales, in our view, materially reducing the risk of further downside. This assumes an incentive of between $5000-$7000 (net of a forgone trade in of $3000 as old vehicles must be recycled), a price elasticity of 0.9, and an addressable market of 40%. This is a bit lower than what we estimate as the market of cars above 8 years old, but we temper this by the fact that a smaller proportion of owners of these older vehicles will be in a financial position to buy a new car vs. the average.

We are raising our 2009 auto sales estimate to 11mn from 10mn previously. We are maintaining our 2010, 2011, and 2012 estimates at 12mn, 13mn, and 14mn, as we believe the payback from the incentive program could be spread out over a longer period in a rising demand environment. We also believe the sequential sales increase of 9% we model from 2009 to 2010 is conservative relative recoveries post the trough in past recessions.

Raising coverage view to Neutral from Cautious

The real likelihood of a bottoming in auto sales is also driving our decision to raise our sector coverage view to Neutral from Cautious. As with Ford, the SAAR trough has traditionally been a good buying opportunity for the sector yielding 176% upside on average. But this is counterbalanced by the high likelihood of GM and Chrysler bankruptcies, and even the possibility of a Chrysler liquidation that we currently face. For many suppliers we see additionally idled capacity from cancelled contracts and even potentially impaired trade receivables as real risks. This keeps us on the sidelines on names with high GM/Chrysler exposure like MGA, LEA, TRW, and TEN, and keeps us from moving to an Attractive view at this time.

That said, we have raised price targets across the sector to reflect: (1) new estimate changes we have made on the back of our increased 2009 auto sales forecast, and (2) a sector-wide reduction in the perceived default risk as implied by the 5-year CDS. Our new price targets are shown below in Exhibit 6. Please see Exhibits 27 and 28 for the complete detail on our estimate changes and our price target methodology.

Exhibit 6: Summary Price target analysis

	Company	Ticker	GS Rating Old	GS Rating New	Target Price Old	Target Price New	%age upside/downside
OEM	Ford	F	Neutral	Conv. Buy	$2.25	$6.00	63%
	General Motors	GM	RS	RS	-	-	NA
Supplier	ArvinMeritor	ARM	Neutral	Neutral	$0.80	$1.25	10%
	BorgWarner	BWA	Buy	Buy	$25.00	$28.00	16%
	Johnson Controls	JCI	Neutral	Neutral	$10.00	$15.00	-7%
	Lear	LEA	Neutral	Neutral	$0.70	$0.75	1%
	Magna	MGA	Sell	Sell	$20.00	$25.00	-26%
	Tenneco	TEN	Neutral	Neutral	$1.80	$2.10	-5%
	TRW	TRW	Neutral	Neutral	$2.75	$6.00	-4%
	Goodyear	GT	Sell	Sell	$4.00	$7.00	-23%
	Federal-Mogul	FDML	Buy	Conv. Buy	$10.00	$13.00	35%

Source: Goldman Sachs Research.

The anatomy of Ford and GM's global operating turnaround

On a global basis we think Ford and GM can walk to an EBIT margin of close to 5.0% by 2012 by simultaneously increasing variable margins and reducing fixed costs as % sales by 400bp and 640bp, respectively, through aggressive restructuring and the benefit of a return to normalized SAAR levels.

We see three key determinants for contribution margins:

(1) An improvement in pricing: For Ford this comes from a continuation of price increases in international ops, and a return to positive pricing in NA where we expect a significant capacity rationalization to lower the average incentive spend per unit which has run roughly $1000 above the industry average over the past 5 years. Pricing for GM was negative in all regions outside of Latin America in 2008, so we model a gradual recovery in its international ops as its brand footprint is rightsized, as well as in NA.

Both companies have significant new product launching in the next two years which is also likely to help pricing. We think Ford has more upside from product as it is launching on or renewing a large number of core vehicles. Redesigns for the Fusion and Taurus are key volume entries and the new Explorer launched next summer has the potential to re-capture some of the defected Ford SUV buyers. Also critical will be the launch of the Focus and Fiesta which are high volume and based on platforms shared with their European versions. We think platform sharing has the potential to be a key source of cost saves for Ford, particularly as a mix rotation to small cars in the US makes the European models more relevant.

GM for its part is launching the Volt, Chevy Cruze, Camaro and the new versions of the Cadillac CTS coupe and Equinox among others. All should help, but the line up seems thin on volume with only the Cruze and potentially the Equinox as high volume entrants. While GM continues to invest in new product we think the execution side has likely been impacted by the significant distractions of the last six months. We would also highlight that GM's ability to benefit from global platform efficiencies is highly impacted by weather or not it maintains access to the designs and technology of OPEL/Vauxhall. This subsidiary makes up the core of GM's European product, but GM is in danger of loosing a majority ownership potion.

(2) Improved material costs: We also see both companies benefiting from lower variable product costs as new raw material contracts are renegotiated throughout this year in a lower spot environment, and as a pruning of the supply base leaves the industry with fewer but healthier suppliers that have the throughput to produce more efficiently and require less OEM assistance. We model a partial negative offset from product adds from additional customer contenting and stepped up emissions regulations particularly for heavy duty pickups in 2011.

(3) Mix remains a contribution margin headwind: As we show in Exhibits 11 and 12, despite a temporary reprieve we expect in 2009 due to the overbuild of car inventories last year, we see mix as a longer term headwind worth $300mn-$500mn per year for both Ford and GM. This is based on the continued rotation to small cars as oil prices increase from current levels which is our base case assumption.

Also see a significant opportunity to lower fixed costs:

Our expectations for Ford and GM's fixed cost improvements are summarized in Exhibits 8 and 10. If GM can use bankruptcy to jettison redundant brands, and reduce its headcount and capacity to achieve proper levels of utilization we estimate it could lower fixed cost as % of sales by 640bp from 2009-2012 which is more than the 400bp improvement we forecast for Ford. As mentioned previously, however, we believe GM is currently operating less efficiently with global fixed cost at 34% of sales in 2008 versus our estimate of 31% for Ford. As such we see both companies able to attain similar fixed cost ratios of 27% of sales by 2012.

By far the largest contributors are a reduction in worldwide payroll and retiree expense which is driven by a lower headcount and lower active benefits and legacy expense, which are explored in much more detail in Exhibits 19-22. We also see significant improvements in other fixed cost like SG&A, Advertising and Engineering; although at Ford we see these items as somewhat more stable on a % of sales basis as it will not have the structural benefit of a reduced brand count like GM.

Two areas of fixed cost which we see rising as a % of sales are depreciation, as we assume both GM and Ford will need increase their capex spending per unit which is presently well below global peers; and R&D at GM which also lags its global competitors on a per unit basis which we don't see as sustainable.

Exhibit 7: Ford global profit walk

	2008	2009E	2010E	2011E	2012E	Comments
EBIT b.o.p	**($396)**	**($3,731)**	**($5,822)**	**$873**	**$3,992**	
Volume	($4,961)	($8,471)	$2,582	$2,049	$2,254	Based on US SAAR of 14mn and market share of 15% by 2012
Mix	($1,939)	($123)	($373)	($289)	($430)	Mix continues to worsen driven by further rotation to small cars
Pricing	($700)	$63	$215	$351	$512	Higher capacity utilization leads to improved pricing
Worldwide payroll	$2,500	$1,220	$1,495	$1,648	$368	Based on an assumed 43k global headcount reduction
Reitree expense	$1,200	$529	$343	$15	$4	Based on UAW VEBA and parity with GM on lowered legacy pension expense
Other fixed	$1,568	$3,481	$290	($79)	($1,128)	Lower R&D from global platforms. Advertising and SG&A down in line with sales
Product costs	($1,100)	$1,209	$2,143	($577)	$0	+Global procurement, + lower raw mats - product ads
Hedging and other	$97	$0	$0	$0	$0	No headwind assumed in subsequent years
EBIT e.o.p	**($3,731)**	**($5,822)**	**$873**	**$3,992**	**$5,572**	
Margin	**-2.9%**	**-5.9%**	**0.8%**	**3.6%**	**4.7%**	
memo: variable margin	28%	29%	31%	31%	32%	
memo: fixed cost % of sales	31%	35%	31%	28%	27%	

Source: Company data and Goldman Sachs research estimates.

Exhibit 8: See Ford reducing fixed costs as % sales by 400bp

Fixed costs as a percentage of revenue

	2004	2005	2006	2007	2008	2009E	2010E	2011E	2012E	Comments
Fixed costs										
SG&A (ex advertising and salaried)	$1,901	$2,776	$2,355	$3,992	$2,907	$1,975	$2,122	$2,238	$2,361	Gradually declines to 2% of sales historical run rate
R&D	$7,400	$8,000	$7,200	$7,500	$7,300	$5,802	$5,356	$5,768	$6,180	Like GM maintained at $1000 per unit in out years
Advertising	$4,700	$5,000	$5,100	$5,400	$4,600	$3,654	$3,820	$3,917	$4,132	Moderates less than GM, as Ford is not disposing of any brands
Depreciation	$6,398	$8,133	$8,958	$6,763	$5,821	$6,035	$6,484	$6,156	$6,494	Capex rises to 5.5% of sales, and convergence to a 1x Capex/Depr ratio
Worldwide payroll	$19,406	$19,848	$19,489	$17,072	$15,397	$14,177	$12,682	$11,033	$10,666	See Exhibit 19
Reitree expense	$3,343	$4,490	$4,303	$3,591	$1,906	$1,377	$1,034	$1,019	$1,015	See Exhibit 20
Other structural	$1,633	$637	$875	$848	$1,967	$1,648	$1,042	$823	$864	Declines to $125 a capacity unit on global platforms and restructuring
TOTAL	**$44,782**	**$48,884**	**$48,280**	**$45,166**	**$39,897**	**$34,667**	**$32,539**	**$30,955**	**$31,712**	
% of revenue										
SG&A (ex advertising and salaried)	1%	2%	2%	3%	2%	2%	2%	2%	2%	
R&D	5%	5%	5%	5%	6%	6%	5%	5%	5%	
Advertising	3%	3%	4%	3%	4%	4%	4%	4%	4%	
Depreciation	4%	5%	6%	4%	5%	6%	6%	6%	6%	
Worldwide payroll	13%	13%	14%	11%	12%	14%	12%	10%	9%	
Reitree expense	2%	3%	3%	2%	1%	1%	1%	1%	1%	
Other structural	1%	0%	1%	1%	2%	2%	1%	1%	1%	
TOTAL	30%	32%	34%	29%	31%	35%	31%	28%	27%	

400bp improvement to EBIT margins

Source: Company data, Goldman Sachs research estimates.

Exhibit 9: GM global profit walk

	2008	2009E	2010E	2011E	2012E	Comments
EBIT b.o.p	**$2,293**	**($5,746)**	**($13,666)**	**($2,267)**	**$1,843**	
Volume	($6,700)	($13,737)	$1,325	$1,351	$2,458	US SAAR of 14mn and market share of 16% by 2012
Mix	($3,700)	$275	($532)	($519)	($49)	Mix temporarily positive in NA due to over build of cars in 2008
Pricing	($2,800)	($381)	($268)	$237	$541	Higher capacity utilization leads to improved pricing
Worldwide payroll	$1,200	$1,344	$2,655	$2,973	$757	84k global headcount reduction including eliminated brands
Reitree expense	$1,800	($1,222)	$1,754	$57	$21	Impact of UAW VEBA and assumed renegotiation of pension liab
Other fixed	($700)	$4,325	$4,054	$643	($271)	R&D, engineering and advertising savings from eliminating brands
Product costs	$1,761	$1,477	$2,411	($632)	$0	Lagged benefits of commodities and global sourcing
Hedging and other	$1,100	$0	$0	$0	$0	No net benefit assumed in subsequent years
EBIT e.o.p	**($5,746)**	**($13,666)**	**($2,267)**	**$1,843**	**$5,299**	
Margin	**-3.9%**	**-12.7%**	**-2.1%**	**1.6%**	**4.4%**	
memo: variable margin	30%	30%	32%	31%	32%	
memo: fixed cost % of sales	34%	43%	34%	30%	27%	

Source: Company data and Goldman Sachs research estimates.

Exhibit 10: See GM lowering fixed costs as % of sales by 640bp

Fixed costs as a % of revenue

	2004	2005	2006	2007	2008	2009E	2010E	2011E	2012E	Comments
Fixed costs										
SG&A (ex advertising and salaried)	$1,581	$2,020	$2,454	$3,934	$4,035	$3,222	$2,188	$2,248	$2,401	From continuing ops; falls in line with historical 1% of sales average
R&D	$6,500	$6,700	$6,600	$8,100	$8,000	$6,498	$6,026	$6,322	$6,777	R&D rises to $1000 per unit - broadly in line with global peers
Advertising	$5,200	$5,800	$5,400	$5,500	$5,300	$4,297	$3,829	$3,597	$3,842	Drops faster than sales due to reduced band footprint
Depreciation	$8,600	$10,073	$8,200	$8,300	$8,133	$7,987	$7,521	$7,493	$7,204	Capex rises to 6% of sales, and convergence to a 1x Capex/Depr ratio
Worldwide payroll	$20,327	$21,500	$22,300	$18,000	$16,800	$15,456	$12,801	$9,828	$9,072	See Exhibit 21
Reitree expense	$6,776	$7,961	$4,111	$3,961	$2,161	$3,383	$1,629	$1,572	$1,551	See Exhibit 22
Other structural	$3,016	$946	$2,735	$4,605	$5,671	$4,810	$3,196	$2,458	$2,165	Assume $300 a capacity unit; fewer brands enable lower engineering cost
TOTAL	**$52,000**	**$55,000**	**$51,800**	**$52,400**	**$50,100**	**$45,653**	**$37,191**	**$33,518**	**$33,011**	
% of revenue										
SG&A (exl hourly labor and R&D)	1%	1%	1%	2%	3%	3%	2%	2%	2%	
R&D	4%	4%	4%	5%	5%	6%	6%	6%	6%	
Advertising	3%	4%	3%	3%	4%	4%	4%	3%	3%	
Depreciation	5%	6%	5%	5%	6%	7%	7%	7%	6%	
Worldwide payroll	13%	13%	13%	10%	11%	14%	12%	9%	8%	
Reitree expense	4%	5%	2%	2%	1%	3%	1%	1%	1%	
Other structural	2%	1%	2%	3%	4%	4%	3%	2%	2%	
TOTAL	**32%**	**34%**	**30%**	**29%**	**34%**	**43%**	**34%**	**30%**	**27%**	

An 640bp boost to EBIT margins

Source: Company data and Goldman Sachs research estimates.

Exhibit 11: See mix as a long-term negative for Ford
Estimated EBIT impact from segment rotation

FORD	2008	2009E	2010E	2011E	2012E
Subcompact Car	10%	8%	11%	14%	16%
Speciality	4%	5%	6%	5%	5%
Mid-Size	14%	13%	13%	12%	12%
Full Size	7%	7%	6%	5%	3%
Luxury	3%	3%	3%	3%	2%
Total Cars	**38%**	**36%**	**39%**	**38%**	**38%**
Lower CUV	11%	10%	9%	10%	12%
Mid Size CUV	10%	8%	11%	13%	15%
Mid Size Pickup	5%	4%	3%	2%	0%
Mid Size SUV	4%	4%	1%	0%	0%
Mid Size Van	0%	0%	0%	0%	1%
Full Size Van	6%	6%	6%	7%	6%
Full Size SUV	3%	3%	3%	2%	1%
Full Size Pick Ups	24%	30%	28%	27%	26%
Total Trucks	**62%**	**64%**	**61%**	**62%**	**62%**
Mix Impact	($1,080)	$368	($317)	($308)	($451)

Source: CSM, Goldman Sachs Research estimates

Exhibit 12: Also see mix as a headwind for GM
EBIT impact from segment rotation

GM	2008	2009E	2010E	2011E	2012E
Small Car	14%	12%	14%	17%	17%
Mid Size Car	17%	16%	14%	13%	15%
Fullsize/ Luxury	14%	12%	11%	10%	11%
Total Cars	**45%**	**39%**	**40%**	**41%**	**43%**
T900 pickup	18%	28%	24%	23%	22%
T900 SUV	8%	9%	8%	7%	7%
Mid UT/ mid crossover	11%	8%	8%	8%	9%
Vans	6%	4%	5%	5%	5%
Other	12%	13%	15%	16%	14%
Total Trucks	55%	61%	60%	59%	57%
Mix Impact	($2,168)	$1,073	($420)	($515)	($110)

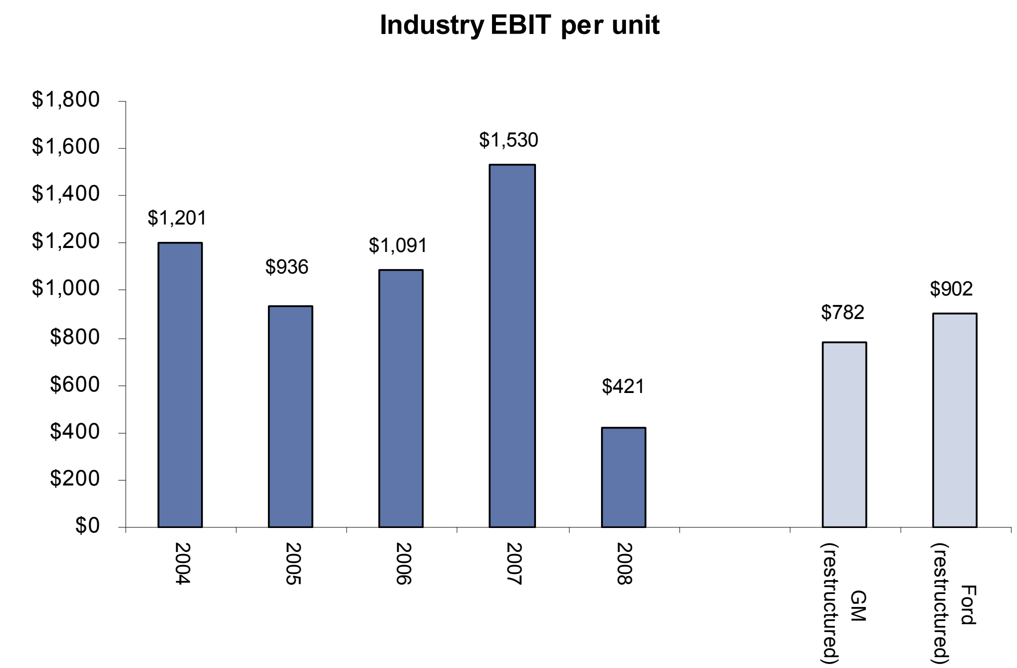
Source: CSM, Goldman Sachs Research estimates

Looking at the new GM and Ford vs. global peers

After having walked to our new estimates for profitability post restructuring it remains for us to see if Ford and GM would be globally competitive at these new forecasted levels. Based on the benchmarking analysis we have done comparing them to their global peers in Exhibits 13-18, our conclusion is that they would be.

As we show in Exhibit 13, our forecasts are consistent with a restructured Ford and GM attaining an average EBIT per unit of $900 and $780. This would be well above the depressed industry average of $421 seen in 2008, and within a reasonable distance of the sector average over the last 5 years of roughly $1000.

Exhibit 13: We see a restructured GM/Ford attaining profitability slightly below historical industry averages
5-year global average, $US



Source: Company reports and GS Research estimates.

Ultimately we think the lion's share of Ford and GM's competitiveness would be from lower cost, based on an unprecedented opportunity to restructure. Under our new forecasts, Ford and GM would have an average 2012 revenue per unit of $19,100 and $17,600, which is $1400 and $500 below where it was in 2008 - based on a higher proportion of sales coming from Latin America and Non-Japan-Asia were revenue per unit tends to be lower. As highlighted in Exhibit 14, this would also be well below the revenue per unit of their primary European and Japanese competitors.

But as we show in Exhibit 15, on key cost metrics like average labor costs as % of sales, GM and Ford already rank towards the middle, and the restructurings we have modeled would in fact put them towards the better end of the range. While retiree expense would still remain above average, as shown in Exhibit 16, it would not change the outcome given the still substantial cost reduction we expect in this area.

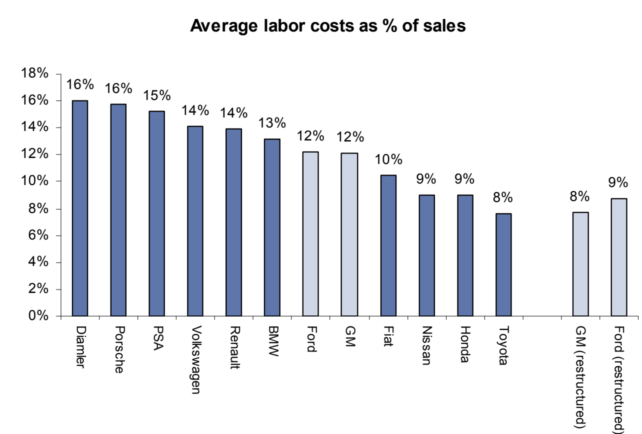
Pulling these pieces together, this points to a global auto environment where Ford and GM continue to have a disadvantage to the European and Japanese brands in terms of revenue and contribution per unit, but where significant strides in structural costs are sufficient to get them close to (but still below) their global peers in terms of profitability.

Exhibit 14: GM and Ford have lagged global OEM peers through good and bad times
Revenue and EBIT per unit and EBIT margins for global OEMs 2004-2008, $US

	Revenue per unit					EBIT per unit					EBIT margin				
US	**2004**	**2005**	**2006**	**2007**	**2008**	**2004**	**2005**	**2006**	**2007**	**2008**	**2004**	**2005**	**2006**	**2007**	**2008**
GM	$17,833	$17,800	$18,645	$19,190	$18,138	$194	($43)	($69)	$247	($705)	1.1%	-0.2%	-0.4%	1.3%	-3.9%
Ford	$20,136	$21,175	$19,846	$21,231	$20,474	$113	($180)	($834)	($54)	($591)	0.6%	-0.9%	-4.2%	-0.3%	-2.9%
US OE average	**$18,984**	**$19,488**	**$19,246**	**$20,210**	**$19,306**	**$154**	**($112)**	**($452)**	**$96**	**($648)**	**0.8%**	**-0.5%**	**-2.3%**	**0.5%**	**-3.4%**
Japan															
Toyota	$22,211	$22,240	$22,709	$24,399	$26,314	$1,839	$1,912	$2,086	$2,149	($423)	8.3%	8.6%	9.2%	8.8%	-1.6%
Nissan	$21,783	$22,215	$22,579	$23,869	$24,100	$2,101	$2,007	$1,620	$1,694	($577)	9.6%	9.0%	7.2%	7.1%	-2.4%
Honda	$23,975	$25,056	$24,989	$25,633	$26,864	$1,545	$2,031	$1,723	$1,867	$336	6.4%	8.1%	6.9%	7.3%	1.3%
Japan OE average	**$22,656**	**$23,170**	**$23,426**	**$24,633**	**$25,759**	**$1,829**	**$1,983**	**$1,810**	**$1,903**	**($221)**	**8.1%**	**8.6%**	**7.8%**	**7.7%**	**-0.9%**
Europe															
BMW	$44,435	$42,259	$44,135	$49,983	$50,626	$3,486	$2,838	$2,823	$3,204	$2,131	7.8%	6.7%	6.4%	6.4%	4.2%
Diamler	$51,079	$50,298	$52,137	$56,508	$55,920	$2,847	$674	$3,277	$5,211	$2,924	5.6%	1.3%	6.3%	9.2%	5.2%
Fiat	$14,081	$14,083	$15,195	$16,733	$18,768	($588)	($203)	$187	$501	$481	-4.2%	-1.4%	1.2%	3.0%	2.6%
PSA	$16,923	$16,269	$16,817	$19,295	$19,035	$562	$331	$101	$349	($103)	3.3%	2.0%	0.6%	1.8%	-0.5%
Renault	$19,482	$19,059	$20,662	$21,700	$22,374	$839	$414	$298	$495	($172)	4.3%	2.2%	1.4%	2.3%	-0.8%
Volkswagen	$19,702	$20,188	$21,307	$22,228	$23,699	$273	$521	$786	$1,169	$1,330	1.4%	2.6%	3.7%	5.3%	5.6%
European OE average	**$27,617**	**$27,026**	**$28,375**	**$31,075**	**$31,737**	**$1,236**	**$763**	**$1,245**	**$1,822**	**$1,099**	**4.5%**	**2.8%**	**4.4%**	**5.9%**	**3.5%**

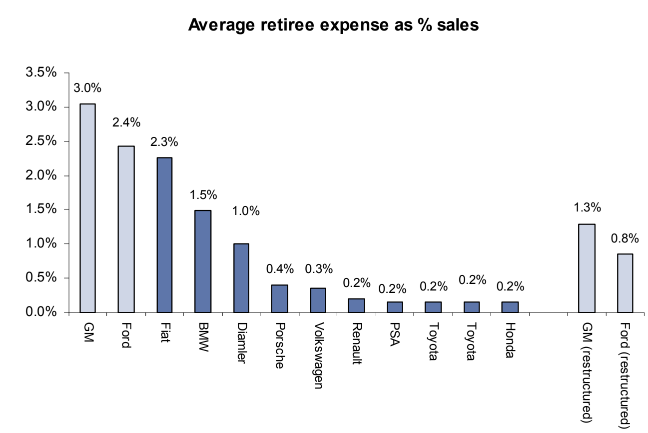
Source: Company reports and GS research estimates.

Exhibit 15: A post-restructuring GM and Ford would have below-average labor costs
5-year average



Source: Company reports and GS research estimates.

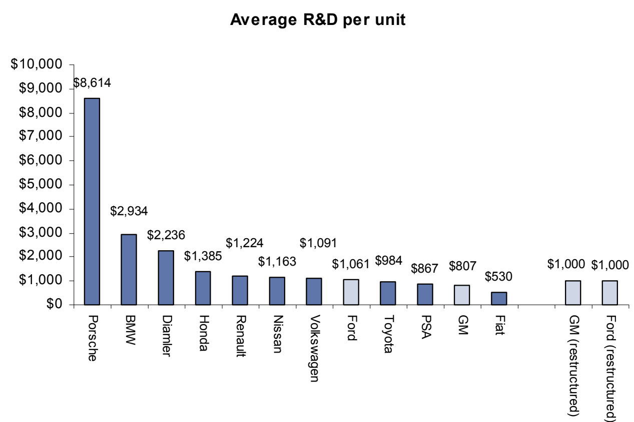
Exhibit 16: Although we think that retiree expense would still be above average
5-year average



Source: Company reports and GS research estimates.

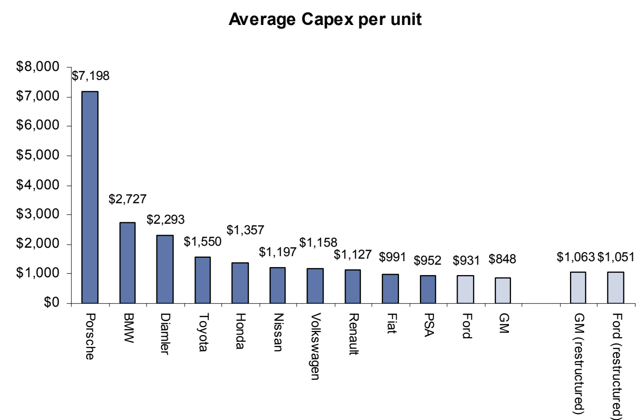
As a final note, one of the refinements included in our forecasts for Ford and GM is an assumed increase in the amount of spending on R&D and Capex on a per unit basis to more closely align with industry averages. Our basic assumption here is that this is a pre-requisite for remaining competitive. As we can see from Exhibits 17 and 18, GM has tended to under-invest on R&D relative to peers over the last 5 years and both GM and Ford were at the very bottom in terms of average capex per unit over this same period. In our new projections we model an increase in capex to roughly $1050 per unit for Ford and GM, and an increase in R&D to $1000 per unit (roughly flat for Ford but a $200 increase for GM).

Exhibit 17: We think GM will need to raise its per unit R&D spend
$US



Source: Company data, Goldman Sachs research.

Exhibit 18: Ford and GM have been under spending on capex relative to peers
$US



Source: Company data, Goldman Sachs research.

Focusing in on labor and retiree expense

We see payroll expense as the single largest opportunity for cost saves. From 2009-2012 we project a $4.7bn and $7.7bn tailwind for Ford and GM, respectively, equivalent to a reduction in fixed costs worth 2.9% and 3.8% of sales. This is driven by our expectation for a significant paring back of Ford and GM global capacity of 1.5mn and 4.4mn units, respectively, which we see driving headcount reductions of 43k and 84k.

The methodology outlined in Exhibits 19 and 21 takes our production forecasts by region and derives an appropriate level of capacity based on a specific capacity utilization target. The targets reflect the efficiencies we think GM and Ford can accomplish in the current environment which presents unprecedented opportunities for restructuring. We then use the ratio of employees per unit of capacity to forecast headcount on a regional level which drives our modeled payroll expenses.

As we can see in Exhibits 19 and 21, capacity goals vary by each region and each company. But generally both Ford and GM have required much higher capacity utilization rates in Europe and NA to turn a profit than in Asia and Latin America. As we have noted previously we also give GM credit for reducing global capacity faster than Ford owing to our assumption that it will use bankruptcy to restructure. As a final note on the methodology, our analysis uses straight time capacity, which means that it is possible to achieve greater than 100% utilization by moving to an overtime level of production. We see Ford and GM achieving respective utilization rates of 89% and 94%, by 2012 on a straight time basis.

Headcount a key driver of US hourly cost savings

Lower headcount is a big part of the $2.8bn and $5bn in savings we project for Ford and GM's US hourly wage and benefit expense as highlighted in Exhibits 20-22. However two additional key contributors are:

(1) The UAW VEBA which takes over service cost and legacy OPEB expense for all existing hourly workers at Ford and GM as their health care liabilities are transferred to the UAW on Jan 1, 2010.

(2) Our own assumption of a conversion of Ford and GM pension plans to a 401k style defined contribution plan where Ford and GM match up to 50% of the first 6% of an employee's salary contribution. We also assume the UAW agrees to a reduction in benefits to eliminate the underfunded portion of the plan and remove legacy expense.

But still see "all in" wages as slightly above those of the transplants in the US

While the impact of benefit cuts are significant, we still don't see them as sufficient to bring hourly wage and benefit cost to the $49/ per hour level associated with the transplants. As we illustrate in Exhibits 20 and 22, we project Ford and GM hourly workers attaining wages and benefits of $57/hr and $59/hr by 2012, which is down substantially from $69/hr and $76/hr, but still above Toyota, Honda, and Nissan. We expect to see wages tick down further beyond 2012 as GM and Ford begin to hire new employees under a lower Tier 2 wage, but under our current projections too few of these Tier-2s will be in the workforce to make a large difference over the next few years.

Exhibit 19: We assume a 43k headcount reduction at Ford on 89% capacity utilization by 2012
Breakdown of capacity and headcount by region

	2001	2002	2003	2004	2005	2006	2007	2008	2009E	2010E	2011E	2012E	2008-2012 Delta
North America													
SAAR	**17.1**	**16.8**	**16.6**	**16.9**	**17.0**	**16.6**	**16.1**	**13.2**	**11.0**	**12.0**	**13.0**	**14.0**	
Capacity	4,951	4,886	4,831	4,606	4,496	4,244	3,840	3,621	3,457	2,874	2,578	2,799	-822
Production	3,923	4,057	3,669	3,469	3,262	2,955	2,753	2,177	1,832	2,156	2,321	2,519	341
Capacity utilization	**79%**	**83%**	**76%**	**75%**	**73%**	**70%**	**72%**	**60%**	53%	75%	90%	90%	30%
Employees/1000 capacity units	26.5	26.2	26.9	26.7	30.2	28.8	23.2	20.8	20.0	20.0	20.0	20.0	-1
Employees 000s	131	128	130	123	135.7	122.4	89	75.2	69.1	57.5	51.6	56.0	-19
Europe													
SAAR	**17.1**	**16.6**	**17.3**	**17.8**	**17.8**	**18.4**	**18.7**	**17.2**	**13.5**	**13.9**	**14.3**	**14.7**	
Capacity	1,889	1,719	1,809	1,767	1,782	1,925	1,940	2,020	1,907	1,733	1,597	1,645	-375
Production	1,605	1,550	1,586	1,705	1,754	1,860	1,940	1,839	1,430	1,473	1,517	1,563	-276
Capacity utilization	**85%**	**90%**	**88%**	**97%**	**98%**	**97%**	**100%**	**91%**	75%	85%	95%	95%	4%
Employees/1000 capacity units	46.1	49.1	37.8	39.1	37.0	34.3	35.1	34.7	35.0	35.0	35.0	35.0	0
Employees 000s	87.0	84.4	68.3	69.0	66.0	66.0	68.0	70.0	66.7	60.7	55.9	57.6	-12
Latin America													
Capacity	407	537	512	512	542	560	560	570	670	508	508	514	-56
Production	192	231	276	368	415	428	432	430	375	356	381	411	-19
Capacity utilization	**47%**	**43%**	**54%**	**72%**	**77%**	**77%**	**77%**	**75%**	56%	70%	75%	80%	5%
Employees/1000 capacity units	25	19	20	23	24	23	25	26	25	25	25	25	-1
Employees 000s	10.1	10.1	10.1	12.0	13.0	13.0	14.0	15.0	16.8	12.7	12.7	12.9	-2
Asia Pacific													
Capacity	1,170	1,117	1,259	1,350	1,445	1,465	1,675	1,725	1,735	1,527	1,647	1,705	-20
Production	835	880	943	1,029	1,094	1,281	1,394	1,413	955	1,145	1,317	1,449	35
Capacity utilization	**71%**	**79%**	**75%**	**76%**	**76%**	**87%**	**83%**	**82%**	55%	75%	80%	85%	3%
Employees/1000 capacity units	15	16	14	13	12	12	10	9	9	10	10	10	1
Employees 000s	17.9	17.9	17.9	18.0	18.0	18.0	17.0	15.0	15.1	15.3	16.5	17.0	2
PAG/Volvo													
Capacity	336	336	336	415	450	470	470	470	470	302	258	250	-220
Production	283	276	311	427	443	407	434	347	287	226	232	238	-109
Capacity utilization	**84%**	**82%**	**93%**	**103%**	**98%**	**86%**	**92%**	**74%**	61%	75%	90%	95%	21%
Employees/1000 capacity units							55.3	51.1	51	51	51	51	0
Employees 000s							26.0	24.0	24.0	15.4	13.2	12.8	-11
TOTAL													
Capacity	8,753	8,595	8,747	8,650	8,715	8,664	8,485	8,406	8,239	6,945	6,588	6,913	-1,493
Production	6,838	6,994	6,785	6,997	6,967	6,930	6,952	6,206	4,879	5,356	5,768	6,180	-26
Capacity utilization	**78%**	**81%**	**78%**	**81%**	**80%**	**80%**	**82%**	**74%**	**59%**	**77%**	**88%**	**89%**	**16%**
Employees/1000 capacity units							25	24	23	23	23	23	-1
Employees 000s							**214**	**199**	**192**	**162**	**150**	**156**	**-43**

Signifies a year with positive EBT margins

Signifies a year with negative EBT margins

Source: Company data, Goldman Sachs Research estimates.

Exhibit 20: See a significant reduction in US hourly expense at Ford - which approaches but remains above transplants
Wage, pension and retiree benefits

	2004A	2005A	2006A	2007A	2008A	1H:09	2H:09	2009E	2010E	2011E	2012E	Comments
US HOURLY HEADCOUNT												
Total US hourly employees, BOY		74,302	81,289	70,266	45,503	37,371	35,867	37,371	34,364	28,566	25,627	
Buyout/Attrition		(6,987)	11,023	24,763	8,132	1,504	1,504	3,008	5,798	2,939	(2,189)	
Total US hourly employees, EOY	**74,302**	**81,289**	**70,266**	**45,503**	**37,371**	**35,867**	**34,364**	**34,364**	**28,566**	**25,627**	**27,816**	Driven by capacity utilization analysis (Exhibit 19)
% of Total US	**74%**	**72%**	**72%**	**65%**	**64%**	**64%**	**64%**	**64%**	**64%**	**64%**	**64%**	
US SALARIED HEADCOUNT												
Total US salaried employees, BOY		26,106	30,989	27,732	24,074	20,986	20,141	20,986	19,297	16,041	14,391	
Buyout/Attrition		(4,883)	3,257	3,657	3,088	845	845	1,689	3,256	1,650	(1,229)	
Total US salaried employees, EOY	**26,106**	**30,989**	**27,732**	**24,074**	**20,986**	**20,141**	**19,297**	**19,297**	**16,041**	**14,391**	**15,620**	Driven by capacity utilization analysis (Exhibit 19)
Total	**100,408**	**112,278**	**97,998**	**69,578**	**58,357**	**56,009**	**53,661**	**53,661**	**44,607**	**40,018**	**43,436**	
WAGES												
Basic hourly wage												
Base wage	$48.53	$48.53	$48.53	$48.53	$48.53	$48.53	$48.53	$48.53	$48.53	$48.53	$46.91	Includes adjustments for vacation, OT, FICA and other
Base wage expense	**$7,500**	**$7,853**	**$7,649**	**$5,843**	**$4,183**	**$1,848**	**$1,772**	**$3,621**	**$3,176**	**$2,735**	**$2,607**	
UAW Pension benefits												
Pension service cost	$572	$661	$612	$418	$340	$150	$144	$294	$95	$82	$78	
T1 pension/ hour	$3.70	$4.08	$3.88	$3.47	$3.95	$3.95	$3.95	$3.95	$1.46	$1.46	$1.41	401K style matching 50% of first 6% of salary contributed
Legacy cost excluding service cost	($298)	($315)	$32	$221	$110	$55	$55	$110	$0	$0	$0	Assume Ford and GM get a deal to neutralize pension legacy cost
per hour	($1.93)	($1.95)	$0.20	$1.83	$1.27	$1.44	$1.50	$1.47	$0.00	$0.00	$0.00	
Total pension expense	**$275**	**$346**	**$644**	**$638**	**$450**	**$205**	**$199**	**$404**	**$95**	**$82**	**$78**	
UAW Retiree healthcare benefits												
OPEB service cost	$444	$575	$500	$299	$264	$0	$0	$0	$0	$0	$0	
T1 OPEB/ hour	$2.87	$3.55	$3.17	$2.48	$3.06	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	Service cost of existing hourly employees goes to zero
Legacy cost excluding service cost	$1,503	$1,193	$1,266	$1,115	$384	$0	$0	$0	$0	$0	$0	UAW VEBA takes care of legacy costs
per hour	$9.73	$7.37	$8.03	$9.26	$4.45	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	
Total OPEB expense	**$1,947**	**$1,768**	**$1,766**	**$1,414**	**$648**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	
Active hourly healthcare benefits (cash)												
T1 active hourly healthcare/ hour	$8.00	$8.00	$8.00	$8.00	$8.08	$8.16	$8.24	$8.20	$8.37	$8.53	$8.70	
Healthcare inflation					1.0%	1.0%	1.0%	1.5%	2.0%	2.0%	2.0%	
Total active healthcare expense	**$1,236**	**$1,295**	**$1,261**	**$963**	**$696**	**$311**	**$301**	**$612**	**$548**	**$481**	**$484**	
US hourly wage summary												Like GM, see insufficient new entry level employees to bring wages all the way down to transplant levels
Total tier 1 wage, ex legacy portion			**$63.58**	**$62.48**	**$63.62**	**$60.64**	**$60.72**	**$60.68**	**$58.35**	**$58.52**	**$57.02**	
Total tier 1 wage, incl legacy portion			**$71.82**	**$73.58**	**$69.35**	**$62.08**	**$62.22**	**$62.15**	**$58.35**	**$58.52**	**$57.02**	
Annual hours	2,080	2,080	2,080	2,080	2,080	1040	1040	2,080	2,080	2,080	2,080	
Wage expense with active benefits ($mn)				**$7,523**	**$5,483**	**$2,309**	**$2,217**	**$4,527**	**$3,819**	**$3,298**	**$3,169**	
change (yoy)								($957)	($708)	($521)	($129)	
Wage expense with benefits for current retirees				**$8,859**	**$5,977**	**$2,364**	**$2,272**	**$4,637**	**$3,819**	**$3,298**	**$3,169**	
change (yoy)								**($1,340)**	**($818)**	**($521)**	**($129)**	

Source: Company data, Goldman Sachs Research estimates.

Exhibit 21: Our base case headcount assumption for GM targets a 94% global capacity utilization level

Breakdown of capacity and headcount by region

	2001	2002	2003	2004	2005	2006	2007	2008	2009E	2010E	2011E	2012E	2008-2012 Delta
North America													
SAAR	**17.1**	**16.8**	**16.6**	**16.9**	**17.0**	**16.6**	**16.1**	**13.2**	**11.0**	**12.0**	**13.0**	**14.0**	
Capacity (000s)	6,030	6,185	6,235	5,980	5,395	4,999	5,515	5,587	4,910	3,254	2,583	2,762	-2,825
Production (000s)	5,078	5,605	5,437	5,181	4,807	4,649	4,267	3,450	2,408	2,603	2,583	2,762	-688
Capacity utilization	**84%**	**91%**	**87%**	**87%**	**89%**	**93%**	**77%**	**62%**	49%	80%	100%	100%	38%
Employees/1000 capacity units	34.3	32.0	30.5	30.3	32.1	30.4	25.2	20.8	23.0	23.0	23.0	23.0	2
Employees (000s)	207	198	190	181	173	152	139	116	112.9	74.8	59.4	63.5	-52
Europe													
SAAR	**17.1**	**16.6**	**17.3**	**17.8**	**17.8**	**18.4**	**18.7**	**17.2**	**13.5**	**13.9**	**14.3**	**14.7**	
Capacity (000s)	2,500	2,105	2,110	1,975	1,965	2,136	2,131	2,121	1,908	1,370	1,325	1,229	-892
Production (000s)	1,787	1,713	1,796	1,829	1,858	1,806	1,828	1,550	1,049	1,096	1,193	1,229	-321
Capacity utilization	**71%**	**81%**	**85%**	**93%**	**95%**	**85%**	**86%**	**73%**	55%	80%	90%	100%	27%
Employees/1000 capacity units	29.2	31.4	29.4	30.9	32.1	28.1	26.7	25.9	25.0	26.0	26.0	26.0	0
Employees (000s)	73.0	66.0	62.0	61.0	63.0	60.0	57.0	55.0	47.7	35.6	34.5	31.9	-23
Latin America													
Capacity (000s)	830	830	830	845	875	935	1,015	1,110	1,255	994	940	902	-208
Production (000s)	575	561	547	716	775	830	960	961	733	696	752	812	-149
Capacity utilization	**69%**	**68%**	**66%**	**85%**	**89%**	**89%**	**95%**	**87%**	58%	70%	80%	90%	3%
Employees/1000 capacity units	29	29	28	34	35	34	33	32	28	32	32	32	0
Employees (000s)	24.0	24.0	23.0	29.0	31.0	32.0	34.0	35.0	35.1	31.8	30.1	28.9	-6
Asia Pacific													
Capacity (000s)	1,528	1,560	1,695	1,835	2,070	2,450	2,710	2,840	2,862	2,510	2,243	2,323	-517
Production (000s)	256	307	420	1,333	1,562	1,896	2,231	2,184	1,717	1,632	1,795	1,974	-210
Capacity utilization	NA	NA	NA	**73%**	**75%**	**77%**	**82%**	**77%**	60%	65%	80%	85%	8%
Employees/1000 capacity units	7	7	8	8	15	14	13	12	12	13	14	14	2
Employees (000s)	11.0	11.0	14.0	15.0	31.0	34.0	34.0	35.0	34.3	32.6	31.4	32.5	-2
TOTAL													
Capacity (000s)	10,888	10,680	10,870	10,635	10,305	10,519	11,371	11,658	10,935	8,128	7,092	7,216	-4,442
Production (000s)	7,696	8,186	8,200	9,059	9,002	9,181	9,286	8,145	5,908	6,026	6,322	6,777	-1,368
Capacity utilization	**71%**	**77%**	**75%**	**85%**	**87%**	**87%**	**82%**	**70%**	**54%**	**74%**	**89%**	**94%**	**24%**
Employees/1000 capacity units	29	28	27	27	29	26	23	21	21	22	22	22	1
Employees (000s)	315	299	289	286	298	278	264	241	230	175	155	157	-84
memo "other" employees (000s)				4	3	2	2	2	2	2	2	2	0
Total including "other" (000s)				**290**	**301**	**280**	**266**	**243**	**232**	**177**	**157**	**159**	**-84**

Signifies a year with positive EBT margins

Signifies a year with negative EBT margins

Source: Company data, Goldman Sachs Research estimates.

Exhibit 22: US Hourly headcount reductions and benefit cuts drive nearly $5bn of fixed cost performance at GM

Wage, pension and retiree benefits

	2004A	2005A	2006A	2007A	2008A	1H:09	2H:09	2009E	2010E	2011E	2012E	Comments
US HOURLY HEADCOUNT												
Total US hourly employees, BOY		118,787	106,000	89,000	75,000	62,403	61,577	62,403	60,751	40,259	31,962	
Buyout/Attrition		12,787	17,000	14,000	12,597	826	826	1,652	20,493	8,297	(2,218)	
Total US hourly employees, EOY	**118,787**	**106,000**	**89,000**	**75,000**	**62,403**	**61,577**	**60,751**	**60,751**	**40,259**	**31,962**	**34,180**	Driven by capacity utilization analysis (Exhibit 21)
US SALARIED HEADCOUNT												
Total US salaried employees, BOY	43340	41,464	38,160	35,520	34,231	29,650	29,258	29,650	28,865	19,128	15,186	
Buyout/Attrition	1,876	3,304	2,640	1,289	4,581	392	392	785	9,737	3,942	(1,054)	
Total US salaried employees, EOY	**41,464**	**38,160**	**35,520**	**34,231**	**29,650**	**29,258**	**28,865**	**28,865**	**19,128**	**15,186**	**16,240**	Driven by capacity utilization analysis (Exhibit 21)
WAGES												
Basic hourly wage												
Base wage	$51.53	$51.53	$51.53	$51.53	$51.53	$51.53	$51.53	$51.53	$51.53	$51.53	$50.23	Includes adjustments for vacation, OT, FICA and other
Base wage expense	**$12,731**	**$12,046**	**$10,450**	**$8,789**	**$7,363**	**$3,322**	**$3,278**	**$6,600**	**$5,413**	**$3,870**	**$3,455**	
UAW Pension benefits												
Pension service cost	$987	$1,005	$654	$564	$474	$214	$98	$312	$162	$116	$106	
T1 pension/ hour	$4.00	$4.30	$3.23	$3.31	$3.32	$3.32	$1.55	$2.44	$1.55	$1.55	$1.55	401K style plan, matching 50% of first 6% of salary contributed
Legacy cost excluding service cost	$298	$247	($968)	($95)	($845)	$436	$0.00	$436	$0	$0	$0	Assume deal with UAW to neutralize legacy cost
per hour	$1.21	$1.06	($4.77)	($0.56)	($5.92)	$6.76	$0.00	$3.40	$0.00	$0.00	$0.00	
Total pension expense	**$1,285**	**$1,252**	**($314)**	**$469**	**($371)**	**$650**	**$98**	**$748**	**$162**	**$116**	**$106**	
UAW Retiree healthcare benefits												
OPEB service cost	509.4	$632	$496	$333	$217	$98	$97	$194	$0	$0	$0	
T1 OPEB/ hour	$2.06	$2.70	$2.45	$1.95	$1.52	$1.52	$1.52	$1.52	$0.00	$0.00	$0.00	Service cost of existing employees goes to zero
Legacy cost excluding service cost	$3,314	$4,124	$2,103	$1,557	$773	$387	$387	$773	$0	$0	$0	VEBA takes care of legacy costs
per hour	$13.41	$17.64	$10.37	$9.13	$5.41	$6.00	$6.08	$6.04	$0.00	$0.00	$0.00	
Total OPEB expense	**$3,823**	**$4,756**	**$2,599**	**$1,890**	**$990**	**$484**	**$483**	**$968**	**$0**	**$0**	**$0**	
Active hourly healthcare benefits (cash)												
T1 active hourly healthcare/ hour	$5.83	$6.54	$6.66	$6.86	$6.93	$7.00	$7.07	$7.03	$7.17	$7.32	$7.46	
Healthcare inflation		12.3%	1.7%	3.0%	1.0%	1.0%	1.0%	1.5%	2.0%	2.0%	2.0%	
Total active healthcare expense	**$1,440**	**$1,530**	**$1,350**	**$1,170**	**$990**	**$451**	**$450**	**$901**	**$754**	**$550**	**$513**	
US hourly wage summary												
Total tier 1 wage, ex legacy portion				**$63.65**	**$63.29**	**$63.36**	**$61.66**	**$62.52**	**$60.25**	**$60.39**	**$59.24**	
Total tier 1 wage, incl legacy portion				**$72.22**	**$62.79**	**$76.12**	**$67.74**	**$71.96**	**$60.25**	**$60.39**	**$59.24**	
Annual hours	2,080	2,080	2,080	2,080	2,080	1040	1040	2,080	2,080	2,080	2,080	
Wage expense with active benefits ($mn)				**$10,856**	**$9,044**	**$4,085**	**$3,922**	**$8,007**	**$6,329**	**$4,536**	**$4,075**	
change (yoy)								($1,037)	($1,678)	($1,793)	($461)	
Wage expense with benefits for current retirees				**$12,318**	**$8,972**	**$4,907**	**$4,309**	**$9,216**	**$6,329**	**$4,536**	**$4,075**	
change (yoy)								**$244**	**($2,887)**	**($1,793)**	**($461)**	

Don't see enough re-hiring at lower wages to drive hourly cost to tranplant levels of $49/hr

Source: Company data, Goldman Sachs Research estimates.

See Ford market share as likely to increase

While a large part of this report has focused on the cost side we also see the next couple of years as likely to bring a significant restructuring of the revenue landscape as well. From Ford's perspective the key opportunities are: (1) an expected 610bp decline in GM share exacerbated by the elimination or sale of Pontiac, Saturn, Hummer, and Saab, and (2) a 590bp decline in Chrysler share (in which we assume a successful alliance with Fiat).

In our base case for Ford we assume an organic share loss to the transplants of 75bp from 2009-2012 with most of this taking place in the next two years. But we then see a cumulative 60bp share gain from Chrysler, and 75bp gain from GM, putting Ford ahead by 60bp by 2012. This assumes that Ford gains about 25% of Chrysler and GM share losses - which we see as reasonable given the extent of the product overlap and the likelihood that a portion of these customers will remain loyal to domestic brands.

As we show in Exhibit 23, in our base case we assume that a restructured Chrysler rids itself of the weakest product and replaces it with 5 Fiat based entries (in keeping with Chrysler's Feb 17 plan) for a net share loss of 2.2% from the product rotation on a proforma basis. Adding our assumption for organic share loss to transplants and some gains from GM gets us to a 590bp contraction in Chrysler share from now until 2012.

Of course there are those who would not use a successful Chrysler/Fiat as their base case. Clearly, in a case where Chrysler/Fiat failed the share opportunity would be much greater. Assuming most of the Chrysler portfolio was wound down and that only the Jeep Wrangler and Grand Cherokee we preserved to be sold to another OEM, this would put 980bp of share up for grabs and drive and estimated 220bp increase in Ford market share according to our estimates.

Exhibit 23: We expect Chrysler to lose significant market share in either case
Chrysler market share under different scenarios

	Current 2008	Chrysler survives Proforma 2008	Chrysler fails Proforma 2008	Comments
Traditional entires				
Chrysler 300	62	62	0	
Other Chrysler Cars	74	0	0	
Chrysler Town & Country	119	119	0	
Other Chrysler Trucks	81	0	0	
Dodge Charger	97	97	0	
Other Dodge Cars	165	0	0	
Dodge Caravan	124	124	0	
Dodge Ram 1500-3500 Pickup	246	246	0	
Other Dodge Trucks	152	0	0	
Jeep Grand Cherokee	74	74	74	Assume Jeep brand is bought in worst case
Jeep Wrangler	85	85	85	Assume Jeep brand is bought in worst case
Other Jeep	176	0	0	
TOTAL	1,453	806	158	
Fiat based car entries				
A-Segment Hatch (2010-2011)	0	100	0	Modeled after 500 - 200k in Europe
Compact Sedan (2011-2012)	0	50	0	Modeled after Linea - 20k in Europe
B-Segment Hatch (2010-2011)	0	100	0	Modeled after Punto -200k in Europe
A-segment Jeep (2011)	0	30	0	Modeled after Sedici -60k in Europe
Midsize Sedan (2012)	0	80	0	Modeled after Bravo -80k in Europe
TOTAL	**1,453**	**1,166**	**158**	
SAAR	**13,244**	**13,244**	**13,244**	
Market share	11.0%	8.8%	1.2%	
Share Delta		-2.2%	-9.8%	

Source: Global Insight, CSM, Goldman Sachs Research estimates.

Exhibit 24: Scenario 1 – Chrysler survives
Market share of different OE's

	2004	2005	2006	2007	2008	2009E	2010E	2011E	2012E
B3 share									
GM (ex Saab)	27.3%	26.0%	24.3%	23.5%	22.1%	19.4%	17.4%	16.0%	16.1%
change (yoy)	*-0.8%*	*-1.3%*	*-1.7%*	*-0.9%*	*-1.3%*	*-2.7%*	*-2.0%*	*-1.4%*	*0.1%*
Ford (ex PAG)	18.3%	17.4%	16.4%	14.9%	14.5%	14.3%	14.7%	15.0%	15.1%
change (yoy)	*-1.0%*	*-0.9%*	*-1.0%*	*-1.5%*	*-0.4%*	*-0.1%*	*0.4%*	*0.3%*	*0.1%*
PAG share	1.3%	1.2%	1.1%	1.1%	0.6%	0.5%	0.5%	0.5%	0.5%
B2 change	***-1.7%***	***-2.3%***	***-2.6%***	***-2.4%***	***-1.7%***	***-2.9%***	***-1.6%***	***-1.0%***	***0.1%***
Chrysler	13.0%	13.6%	12.9%	12.9%	11.0%	8.3%	6.8%	6.1%	5.1%
B3 total	**59.9%**	**58.1%**	**54.8%**	**52.3%**	**48.1%**	**42.5%**	**39.4%**	**37.6%**	**36.8%**
B3 change	***-1.6%***	***-1.8%***	***-3.3%***	***-2.5%***	***-4.2%***	***-5.6%***	***-3.1%***	***-1.8%***	***-0.9%***
Other OEM share									
Toyota	12.2%	13.3%	15.4%	16.2%	16.7%	18.6%	20.4%	21.3%	21.3%
change	*1.0%*	*1.1%*	*2.1%*	*0.8%*	*0.5%*	*1.9%*	*1.8%*	*0.9%*	*0.0%*
Honda	8.2%	8.6%	9.1%	9.6%	10.8%	11.6%	12.6%	13.3%	13.5%
Nissan	5.8%	6.3%	6.2%	6.6%	7.2%	7.9%	8.7%	9.0%	9.1%
J3 total	**26.2%**	**28.2%**	**30.7%**	**32.4%**	**34.7%**	**38.1%**	**41.7%**	**43.6%**	**43.9%**
J3 change	***2.1%***	***2.0%***	***2.5%***	***1.7%***	***2.3%***	***3.4%***	***3.6%***	***1.9%***	***0.3%***
Hyundai	2.5%	2.7%	2.8%	2.9%	3.0%	4.5%	4.0%	4.2%	4.5%
Vol val import change(Hyundai, Nissan)	***1.1%***	***0.7%***	***0.0%***	***0.5%***	***0.7%***	***2.2%***	***0.3%***	***0.5%***	***0.4%***
VW	2.0%	1.8%	1.4%	2.0%	2.4%	3.0%	3.5%	4.0%	4.5%
BMW	1.8%	1.8%	1.7%	2.1%	2.3%	2.2%	2.2%	2.2%	2.2%
Other	7.6%	7.4%	8.6%	8.3%	9.5%	9.7%	9.2%	8.4%	8.1%
Other OEM share	**40.1%**	**41.9%**	**45.2%**	**47.7%**	**51.9%**	**57.5%**	**60.6%**	**62.4%**	**63.2%**
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

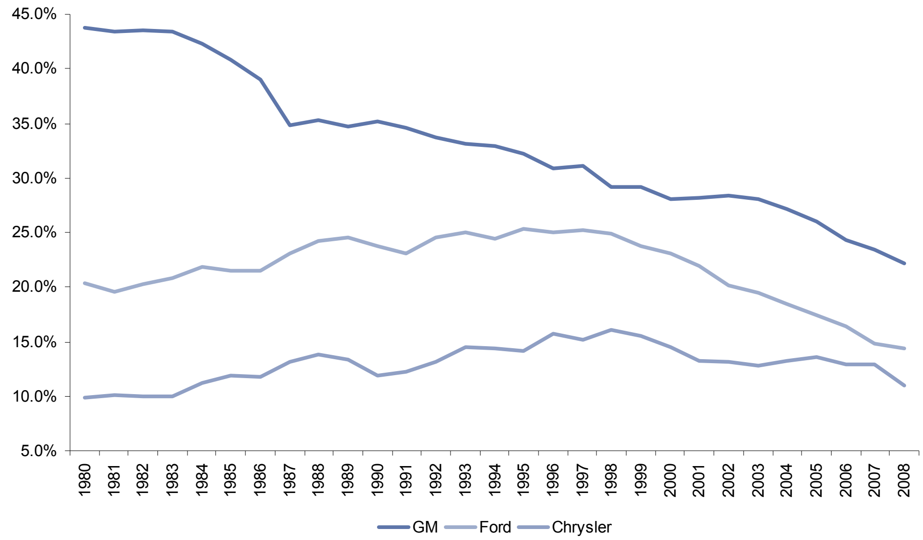
Source: Company reports, Autodata, Goldman Sachs research estimates.

Exhibit 25: Scenario 2 – Chrysler fails
Market share of different OE's

	2004	2005	2006	2007	2008	2009E	2010E	2011E	2012E
B3 share									
GM (ex Saab)	27.3%	26.0%	24.3%	23.5%	22.1%	20.0%	19.4%	17.8%	17.4%
change (yoy)	*-0.8%*	*-1.3%*	*-1.7%*	*-0.9%*	*-1.3%*	*-2.1%*	*-0.6%*	*-1.6%*	*-0.4%*
Ford (ex PAG)	18.3%	17.4%	16.4%	14.9%	14.5%	15.4%	16.3%	16.6%	16.6%
change (yoy)	*-1.0%*	*-0.9%*	*-1.0%*	*-1.5%*	*-0.4%*	*0.9%*	*1.0%*	*0.3%*	*0.0%*
PAG share	1.3%	1.2%	1.1%	1.1%	0.6%	0.5%	0.5%	0.5%	0.5%
B2 change	***-1.7%***	***-2.3%***	***-2.6%***	***-2.4%***	***-1.7%***	***-1.2%***	***0.4%***	***-1.3%***	***-0.4%***
Chrysler	13.0%	13.6%	12.9%	12.9%	11.0%	4.9%	1.2%	1.2%	1.2%
B3 total	**59.9%**	**58.1%**	**54.8%**	**52.3%**	**48.1%**	**40.8%**	**37.5%**	**36.1%**	**35.7%**
B3 change	***-1.6%***	***-1.8%***	***-3.3%***	***-2.5%***	***-4.2%***	***-7.4%***	***-3.3%***	***-1.4%***	***-0.4%***
Other OEM share									
Toyota	12.2%	13.3%	15.4%	16.2%	16.7%	19.4%	21.4%	22.0%	22.0%
change	*1.0%*	*1.1%*	*2.1%*	*0.8%*	*0.5%*	*2.7%*	*2.0%*	*0.6%*	*0.0%*
Honda	8.2%	8.6%	9.1%	9.6%	10.8%	12.1%	13.1%	13.6%	13.6%
Nissan	5.8%	6.3%	6.2%	6.6%	7.2%	8.2%	9.0%	9.3%	9.4%
J3 total	**26.2%**	**28.2%**	**30.7%**	**32.4%**	**34.7%**	**39.7%**	**43.5%**	**44.9%**	**45.0%**
J3 change	***2.1%***	***2.0%***	***2.5%***	***1.7%***	***2.3%***	***5.0%***	***3.8%***	***1.4%***	***0.1%***
Hyundai	2.5%	2.7%	2.8%	2.9%	3.0%	4.6%	4.1%	4.3%	4.5%
Vol val import change(Hyundai, Nissan)	***1.1%***	***0.7%***	***0.0%***	***0.5%***	***0.7%***	***2.5%***	***0.3%***	***0.5%***	***0.3%***
VW	2.0%	1.8%	1.4%	2.0%	2.4%	3.1%	3.6%	4.1%	4.5%
BMW	1.8%	1.8%	1.7%	2.1%	2.3%	2.2%	2.2%	2.2%	2.2%
Other	7.6%	7.4%	8.6%	8.3%	9.5%	9.7%	9.2%	8.4%	8.1%
Other OEM share	**40.1%**	**41.9%**	**45.2%**	**47.7%**	**51.9%**	**59.2%**	**62.5%**	**63.9%**	**64.3%**
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Company reports, Autodata, Goldman Sachs Research estimates.

Exhibit 26: The Big Three have seen a synchronized share loss over the last decade
US market share for Ford, GM, and Chrysler



Source: Autodata, Ward's.

Summary of price target and estimate changes

Exhibit 27: Price target valuation methodology

SUMMARY PRICE TARGET ANALYSIS 4/21/2009	ARM	BWA	FDML	JCI	LEA	MGA	TEN	TRW	GT
	Neutral	Buy	CL Buy	Neutral	Neutral	Sell	Neutral	Neutral	Sell
Scenario 1: Distress									
Probability	59%	6%	13%	9%	82%	11%	30%	28%	16%
Implied valuation	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Scenario 2a: Normalized EV/EBITDAP									
Probability	20%	47%	43%	45%	9%	44%	35%	36%	42%
Normalized EBITDA	278.4	650.4	703.8	2,074.5	569.7	1,250.2	393.6	912.7	1,512.4
Target EV/EBITDAP Multiple	4.4x	6.4x	5.0x	6.0x	4.3x	2.4x	3.7x	3.3x	3.4x
Target EV	1,224.8	4,162.3	3,518.8	12,446.8	2,463.3	3,000.6	1,467.2	3,030.1	5,142.3
less: Net Debt	(1,221.0)	(676.9)	(1,981.5)	(4,411.0)	(1,934.7)	1,548.0	(1,325.0)	(2,166.0)	(3,085.0)
Target market Cap	3.8	3,485.4	1,537.3	8,035.8	528.6	4,548.6	142.2	864.1	2,057.3
# shares	72	119	101	594	79	114	48	105	241
Implied valuation	**$0.1**	**$29**	**$15**	**$14**	**$7**	**$40**	**$3**	**$8**	**$9**
Scenario 2b: Normalized P/E									
Probability	20%	47%	43%	45%	9%	44%	35%	36%	42%
Net Income	41.9	238.1	116.7	801.5	12.7	246.6	18.9	105.4	259.3
# shares	72.3	119.4	100.5	594.0	78.8	114.2	48.0	104.5	241.0
Normalized EPS	$0.58	$1.99	$1.16	$1.35	$0.16	$2.16	$0.39	$1.01	$1.08
Target P/E Multiple	10.5x	15.4x	12.0x	14.4x	9.3x	7.7x	7.7x	8.4x	8.6x
Implied valuation	**$6**	**$31**	**$14**	**$19**	**$2**	**$17**	**$3**	**$8**	**$9**
Weighted Target	**$1.25**	**$28.00**	**$13.00**	**$15.00**	**$0.75**	**$25.00**	**$2.10**	**$6.00**	**$7.00**
Current price	$1.14	$24.16	$9.63	$16.14	$0.74	$33.69	$2.21	$6.22	$9.04
% Up/Downside	**9.6%**	**15.9%**	**35.0%**	**-7.1%**	**1.4%**	**-25.8%**	**-5.0%**	**-3.5%**	**-22.6%**

Source: Goldman Sachs Research estimates.

Exhibit 28: New vs. old estimates

	Rating	2009			2010			2011		
		New	Old	Diff	New	Old	Diff	New	Old	Diff
F	CL Buy	($2.68)	($4.18)	36%	($0.32)	($1.71)	82%	$0.59	($0.41)	245%
GM	RS	($31.92)	($34.13)	6%	($9.30)	($11.76)	21%	($2.39)	($2.63)	9%
ARM	Neutral	($1.71)	($1.71)	0%	($0.23)	($0.23)	-2%	$0.67	$0.64	5%
BWA	Buy	$0.60	$0.60	0%	$1.58	$1.58	0%	$2.48	$2.36	5%
JCI	Neutral	$0.18	$0.14	24%	$0.81	$0.76	7%	$1.31	$1.27	4%
MGA	Sell	($2.25)	($2.33)	4%	$1.14	$1.04	9%	$3.25	$3.25	0%
LEA	Neutral	($3.80)	($3.81)	0%	($1.71)	($1.87)	8%	($0.46)	($0.51)	11%
TEN	Neutral	($2.30)	($2.42)	5%	($0.25)	($0.50)	50%	$0.83	$0.77	7%
TRW	Neutral	($3.50)	($3.64)	4%	($0.32)	($0.32)	0%	$0.73	$0.73	0%
FDML	CL Buy	$0.45	$0.40	12%	$0.89	$0.82	9%	$1.21	$1.15	5%
GT	Sell	($0.54)	($0.54)	1%	$1.10	$1.10	0%	$1.66	$1.66	0%

Source: Goldman Sachs Research estimates.

Reg AC

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