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Ford Motor Co. (F)

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MANAGEMENT DISCUSSION SECTION

James D. Farley, Jr.

Chief Executive Officer & Director, Ford Motor Co.

Hi, everyone. Thank you for being here. It's a new day and our global Ford team is on a brand new path. We appreciate that when you invest in Ford, you're investing in our team. And this team is committed to fundamentally transforming our business, growing our margins, our cash flow and returns. Today is show, not tell time for the Ford team.

Let's get right into it. In October, we did three things right away as a team. We reconnected with our enduring purpose as a company, we accelerated the turnaround of our automotive operations, putting in place key strategic decisions, and we developed our growth plan that we call Ford+. Our team is united in service of a larger purpose, to help build a better world where every person is free to move and pursue their dreams. That's why this leadership team comes to work every day. It's also the backbone of our growth case.

Let's be honest. Before we could talk about growth plans, we've first had to earn your confidence back. In recent years, our financial performance hasn't been at an acceptable level. In the past few quarters, we've made a lot of progress. We're running a much tighter ship. And we're taking the tough choices and decisions to restructure redesign our business.

We're now firmly on track to reach 8% adjusted EBIT margins globally. North America has proven its earning power and is continued to target 10%. And Europe has realigned its portfolio and is on track to reach 6%. In fact, after losing an average of \$2 billion a year outside of North America in the past three years in a row, outside in North America in the past three years in a row our overseas markets turned five hundred million dollar profit in the first quarter. Of course that's table stakes generating the margins that you expect and the cash flow that we need to scale our business, scaling our electric business, scaling our commercial business, scale forward to be a growth company.

Ford is transforming from a traditional OEM build and sell transaction model to a lifelong, always on, customer relationship. A software and data driven company that treats our customers like their family. For Ford, it's no longer just about the vehicle. Now, it's the vehicle plus constant over the air updates, off road navigation, uptime and productivity tools for commercial customers plus charging plans with a Ford Pass app, home install squads, partial and full autonomy and so much more.

For too long, auto companies have asked our customers to interrupt their lives and come to us to shop by and even repair. Now with digital vehicles, we're changing the relationship bringing service to the customer like pickup and drop off, mobile service units, depot charging for our commercial customers and much more. Our new electric vehicles, Mustang Mach-E, that beautiful new E-Transit, the F-150 Lightning, are all green shoots of a Ford Plus business model. They're iconic vehicles that only Ford could build, but they're fully electric and most importantly, they're fully digital. On the Mustang Mach-E, for example, we can update the entertainment experience with Alexa or a sketch feature. It's a big difference entertainment experience with Alexa or a sketch feature, it's a big difference maker. Here's our investment thesis for Ford+. The digital transformation of the auto industry now enables us to leverage our strong foundation, add new capabilities, deepen loyalty with our customers, and scale our growth.

Ford's approach to the auto revolution is this, an always on relationship with our customers. Digitally powered, built off a strong foundation of those iconic vehicles, service and technology that people love and trust. It's that simple. Not many companies have the iconic suite of valuable nameplates like we do at Ford.

We have that incredible F-Series, the Mustang, the Transit globally, the Ranger globally, the Puma in Europe, the Navigator, and the portfolios expanding with the Bronco family and other new entries you haven't heard about yet. This is the best lineup we've had in decades at Ford. We're focused on what we're good at, and we're doubling down on the segments where we know the customers deeply.

We remain strong across important global markets. We're the world's leader in commercial vehicles, the leader in North America trucks and Mustang is the best-selling sports car on the planet. We're building a world-class team and we're adding lots of new talent in key areas. Our dealer network around the world can be a huge advantage to us, especially in commercial vehicles, as we continue to make the shopping, buying and service simpler and online.

Ford Credit, our well-run captive finance company, is undergoing its own digital transformation, to support commercial and retail customers.

To this strong foundation I just described, we're adding new capabilities that are key to delivering forward plus. The centerpiece is our new tech stack. We spent the last several years investing in the compute, network, and connectivity of our vehicles. And we're pleased to share today that our tech stack, Blue Oval Intelligence, is here. This is the next generation of Ford technology, enabling our vehicles to be fully connected and updated, software-defined vehicles that get more and more capable over time.

We said today it's all about show not tell. Blue Oval Intelligence is in the Mach-E and the F-150 Lightning, which means that the vehicles can listen and learn and rapidly improve. We can update capability using power-ups such as BlueCruise unlike many of our competitors today who can only upgrade their entertainment features. Through a central compute, we're connected to the cloud and able to deliver unique features without having to change the physical hardware.

With our in-house talent, we've built in the foundational elements that are reusable across our portfolio to the integrated electrical, power distribution, compute, and software stack. Think of it as a constant source of support to our customers through a connected ecosystem. This is a big bet that we believe will leapfrog the current state of the art and is the enabler for our Ford+ business model transformation to capture post-vehicle interactions with the customer and drive reoccurring revenues for Ford. When you add together our foundational strength and enhanced capabilities, you get an expanded TAM, value creation, new growth opportunities well beyond where we are today. The team will deep dive in three critical areas: electric, commercial vehicles and services, and connected services. And we'll update you on AV and mobility business at a future meeting.

Let me share a few highlights that I'm really excited about at Ford. First, Hau and Lisa will talk about electrification. Our ambition is to lead the electric revolution. We really mean that. We are working on families of iconic battery electrics: Mustangs, Explorers, F-Series, Lincolns. What's exciting is that the move to BEVs allows us to totally reimagine our vehicles and the way we develop them. Removing the engine, the transmission, the driveline, the fuel system, the exhaust and all the other IC components frees up design constraints that have dictated the vehicle architecture tradeoffs for more than a century.

And importantly, this new vehicle approach provides new opportunities to optimize our future lineup for scale and efficiency. Therefore, we increased our investment in electrification to over \$30 billion by 2025 including battery

development. We expect 40% of the company's global vehicle volume to be fully electric by 2030. Importantly, we can capture equal or improved market share and our ultimate goal is to deliver higher profitability where there are electric vehicles and services compared to today's ICE offerings. One of our big bets is battery technology. We're starting with a lithium ion battery family named [ph] Ion Boost 00:10:07. Much like we applied to downsizing and boosting of our ICE engines with Ecoboost, we're developing a unique [ph] pouch cell 00:10:16 with special chemistry and Ford's own battery control algorithm, the best power are larger vehicles, including trucks and our family of SUV BEVs. We expect will reduce costs 40% by mid-decade and Lisa will give you the glide path to that for further improvement as we scale and create new IP.

We're also investing in lithium-ion phosphate batteries, best suited for our commercial vehicles and customers given their unique duty cycles. And looking ahead, we're investing in solid-state batteries, which are really showing promise. In fact, in addition to our own solid-state R&D, Ford has invested in Solid Power because we believe production feasible solid-state batteries are within reach in this decade delivering better range and lower cost for our customers.

This morning we announced Ford Pro which will redefine the commercial market that we lead around the world. Ford Pro delivers the world's first comprehensive set of products and solutions for commercial customers. We have the most flexible range of gas and electric vans and trucks. You know that. That's what we do. I'm also delighted to share that someone many of you know well, Ted Cannis, has been appointed to run this business of Ford pro. Ford Pro has been appointed to run this business of Ford Pro. Ford Pro is a first to market commercial vehicle services and distribution business fully dedicated to the commercial and government customers of all sizes and vocations. It's part of Ford Motor but will operate as a standalone business. It's one of the most important strategic initiatives at Ford in many, many years. What's new is that we also have the most comprehensive service portfolio. Ford Pro is a one stop shop to improve productivity, cost of ownership, and uptime. As a vehicle leader and, more importantly, the knowledge leader in this space, only Ford has the capability and scale across the globe to do this.

And now with Blue Oval intelligence, we provide access for Pro customers to the world's largest digital fleet. We expect Ford Pro to grow from \$27 billion in 2019 to \$45 billion in revenues by 2025. Our growing expertise in fleet orchestration will also give us an invaluable head start for the company. The strategic advantages go way beyond growth in revenue and EBIT in commercial. With the large installed base, we accelerate our BEV scale and we learn from the deployment of connected services that create a major advantage as we expand digital ownership experiences to our retail customers.

Ford will have about 1 million connected vehicles in the field this year. This capability isn't new to the industry, but Alex will show you how we're going to launch it at scale to reach as many customers as possible. Just a little over a year from now we'll have more vehicles capable of receiving these wireless updates than Tesla. And that's going to grow to 33 million by 2028. We're being thoughtful about when to invest in creating services and technology in-house versus when to buy and capture the benefits of working with major tech players and riding on their scalable and well-developed platforms.

Now this approach to partnering, combining with clear in-house innovation that differentiates us is a big deal for Ford. It's increasingly why customers choose Ford. They can get the best-in-class technology that they already are familiar with in a fully integrated experience. An improved Apple CarPlay, incredible Alexa voice, whole Google Automotive Services and Baidu in China are going to bring this to life.

This means you can take your digital life with you seamlessly into the vehicle. And no competitor offers this at scale. And we're already deploying experiences in ways that only Ford can. For example, in commercial, driver

coaching for our commercial customers, productivity solutions for small and medium sized business, and off-road Navigation and journey planning for our Bronco customers are all coming. Focusing on the ownership experience unlocks a different way to create value for our commercial and retail customers. And it will drive reoccurring revenues for Ford.

We'll learn better Net Promoter Scores, brand favorability will increase, and referrals to friends and family will get even stronger. We reduce churn, drive lower acquisition costs, and higher spending among our loyalists.

FordPass rewards is already showing incredible promise. Members choose to service with Ford at a rate nearly double nonmembers. Connectivity enables us to focus resources on high value customers and drive reoccurring revenues.

Think about the growth opportunities we have, like when vehicle renewals grow beyond today's 62%, and we capture our fair share of the parts and service business well beyond our current 33%. Providing this convenience and solving these pain points gives us enormous opportunity to scale our business. Right now, we spend tens of billions of dollars a year in vehicle incentives and marketing our vehicles. As we go to loyalty, we have the potential for significant savings that we can reinvest in growth. This is the biggest opportunity for growth and value creation since Henry Ford started to scale the Model T. Embedded technology means we have the after sales experience that is more powerful than purchase.

We have improved accountability in our day-to-day execution. You could see it in our numbers. We have doubled down in the places where we are strong at Ford. We have a compelling purpose for why we come into work every day. We have a solid Ford plus plan for growth, and we have a committed team in place that can back it up.

With that, let's hand it over to Hau in Corktown. Hau?

Hau Thai-Tang

Chief Product Platform & Operations Officer, Ford Motor Co.

This is a new chapter for Ford. We're leading the electric revolution and taking a software first approach to build an always on connection with our customers as part of Ford Plus, all delivered through our powerhouse franchises, taking the legendary and turning them into something revolutionary.

[Video Presentation] 00:17:48-00:18:21

We electrified the world's best-selling sports car. Mustang Mach-E widely acknowledged as Tesla's first true competitor was named 2021 North American Utility Vehicle of the Year, and it has been well-received in Europe and China. Transit, the world's number one cargo van, will be the first all-electric competitively priced cargo van in North America from a full line automaker. E-Transit delivers an estimated 40% lower scheduled maintenance costs and lower fuel costs, making it irresistible for commercial customers.

Then there's F-150 Lightning. It's the smartest, most innovative F-150 ever. The F-150 Lightning with the extended range battery targets 563 horsepower and 775-pounds feet of nearly instantaneous torque, more than any previous F-150. And it's engineered to take productivity and work to another level with smart technologies like Ford Intelligent Backup Power. If need be, this truck can help power your house during a power outage.

We're not stopping there. In fact, we expect 40% of the company's vehicle volume will be fully electric by 2030. That's a massive shift from a low-single-digits today.

Let me be clear. Our goal is to win with BEVs and achieve equal to higher market share in the same high volume segments and markets that we compete in today with ICE vehicles. Our ultimate goal is to deliver a holistic ecosystem, including services that should allow us to achieve higher profitability overtime with BEVs than we do today with ICE vehicles. Plus a digital ecosystem and resulting network effects will create a first mover advantage and stickiness for Ford for years to come.

This is why we've been so passionate about growing our investment in BEVs and battery technology. Now, \$30 billion by 2025. This significant investment in our batteries, vehicle architectures and key technologies gives Ford the power of a fully integrated system, a system that's built around the customer, always current and always on.

Let's start with batteries. Ultimately, the success of BEVs is tied to the battery energy density and cost. That's why Ford has been investing to accelerate our battery R&D. We've established Ford Ion Park, our Battery Center of Excellence, to advance battery cell technology and develop the future of high volume battery manufacturing.

We're building on two decades of battery expertise, by centralizing a cross-functional team of more than 150 experts to accelerate innovative solutions across the entire value chain. This team has analyzed hundreds of battery chemistries from numerous suppliers, innovative startups and research universities, all informing our technology roadmap for the next-generation of lithium ion chemistries, and anticipating what lies beyond.

We're applying these learnings to deliver our next-generation of battery technology, name Ion Boost +, which we believe delivers the highest energy density of any cell of its type. The cell chemistry, coupled with forced proprietary battery control algorithm, featuring high accuracy sensing technology, delivers higher efficiency and range for customers.

Our [indiscernible] 00:21:42 cell format is unique and ideal for powering larger vehicles and performance products. It delivers to capabilities customers expect and scales efficiently across our product lines. At the same time, we know that even battery cell needs will differ by customers. For example, we're developing a different battery cell optimized for our commercial vehicles. IonBoost Pro is a lithium iron phosphate chemistry which costs less and is better suited for duty cycles that require less range where batteries are fully drained every use cycle. Both are key requirements for commercial customers. You'll hear more from Ted Cannis about our deep learnings about these customers in a bit.

We also have been investing in solid-state battery technology. Our additional investment in Solid Power this month underscores our belief that production-feasible solid-state batteries are within reach in this decade. Solid Power's sulfide-based solid electrolyte and silicon-based anode chemistry delivers impressive battery improvements and performance, including increased range, lower costs, more vehicle interior space, and better value and greater safety for our customers. Also meaningful, Solid Power's unique chemistry can be built using the same manufacturing process as existing lithium ion batteries, facilitating a seamless technology transition and allowing us to reuse about 70% of our capital investment in lithium ion manufacturing lines.

Now, just as we've diversified our investment in battery technology, we've also thoughtfully engineered Ford's flexible vehicle architectures. Today, five flexible vehicle architectures underpin Ford's global product portfolio, taking into account that European customers want smaller vehicles, North Americans love large trucks and utilities North American love large trucks and utilities and our commercial customers worldwide want capable heavy-duty trucks and vans.

Moving to BEVs allows us to reimagine these architectures, providing an unprecedented opportunity to optimize our lineup for scale, efficiency, and as Lisa will explain, more profitability. We can share our common items,

battery cells, battery management systems, motors, gearboxes, motor controller units across different kinds and sizes of BEVs. Plus when coupled with our catalog of cross-vehicle technologies like seats, electrical architectures, cross-car beams we can share up to 80% of the vehicle's value across our portfolio. And just as our customers aren't all the same, our BEV vehicle architectures won't be either.

Today, we're pleased to preview our rear-wheel drive all-wheel drive BEV flexible architecture. It will deliver a whole new generation of high volume vehicles with even better returns because it supports higher production scale. Our architecture approach still allows us to share parts across vehicles, right down to the same pouch we use on F-150 Lightning and E-Transit.

Rest assured, while some of the core technologies are shared the vehicle themselves and the experiences they create for Ford and Lincoln customers will be very different.

Let me show you. Our new rear-wheel drive all-wheel drive BEV flexible architecture will underpin a range of motor vehicles slated for production between now and 2030, including active lifestyle vehicles with great driving dynamics. Cargo vehicles for those who value space and versatility for their commercial needs. Pickups delivering legendary built for tough capability on mid-sized trucks. Rugged SUVs for our adventure-seeking customers. And high margin, high demand larger two and three-row SUVs for families around the world like Explorer and Lincoln Aviator, all from this one flexible architecture.

Plus, I'm pleased to announce that we'll also deliver a scalable dedicated BEV architecture optimized for our next gen full-sized pickup trucks and utilities. It's a smart investment. In the US alone, we expect one third of the full size pickup segment to go fully electric by 2030, which represents more than 800,000 vehicles annually. Plus, we'll see 70% of the full-sized bus and van industry going electric by 2030. That's more than 300,000 vehicles annually. Why are we so bullish on flexible architectures built for purpose? We know it works.

C2 is the foundation for 12 current and future ICE and hybrid nameplates allowing us to deliver maximum choice for customers while simplifying our engineering, purchasing and manufacturing operations. So, where do Volkswagen MEB platform and Rivian Skateboard fit in? In Europe it's more efficient to partner with Volkswagen for the architecture of our small and mid-sized BEVs. After all, one for taught us that while global scale enables engineering efficiencies, it's ultimately local scale that delivers significant material cost savings. This is the smarter play here.

As for Rivian, we're learning from their perspective as an agile start-up. Both are adding value. Speaking of value perhaps the most revolutionary element of our shared technology is the introduction of our next generation techs called Blue Oval Intelligence. Next Gen Blue Oval intelligence encompasses our software architecture, cloud and edge networks, vehicle electrical architecture, power distribution, onboard computers, memory, and sensing hardware. We've redesigned our in-vehicle electrical and sensing hardware. We've redesigned our in-vehicle electrical architecture to enable our software-first approach. This includes migrating the computing and data workload from stand-alone electronic modules to a centralized processing center with significantly more compute power and memory. This migration will enable physical sensors and actuators on the vehicle to be separate from the logic and data they consume and produce. This allows us to update their performance via over-the-air software updates without changing the hardware.

Electrical power will be handled differently as well, because a smart updatable vehicle may require power in select places even when the vehicle's not being operated. Our tech stack will enable a variety of smart customer features. Blue Oval Intelligence allows us to reduce design complexity in the vehicles and preserve the flexibility that we need to meet the diversity of our retail and commercial customers' needs without changing hardware,

saving time and money. Ford and third parties can build services and experience on this to create the benefits of an always-on relationship, ever improving seamless interactions, vehicles that get to know you and improve over time. We're also partnering with Google to access our network of app developers and utilize their machine learning, AI, and analytics expertise to continuously improve our business.

I want to be clear. This is not some future aspiration. This transformation is already underway at Ford. Our recently launched Mustang Mach-E, F-150 and Lightning already feature fully network architecture and over-the-air update capability. That means that the current Mach-E and F-150 vehicles are even better today than they were when customers drove them off the lots, and the opportunity to keep delivering these kinds of improvements grow exponentially. Ford will have about 1 million connected vehicles in the field this year, and that number of close to 33 million by 2028.

Ted, Hans and Alex will detail later how we're utilizing this revolutionary text back to deliver end-to-end customer experiences for retail and commercial customers as we bring Ford+ to life.

First though, I'll turn it over to Lisa Drake, who will walk you through how the electric revolution will translate into increased profitability for Ford.

Lisa Drake

Chief Operating Officer-North America

Thank you, Hau. The transition to an electric future represents one of the biggest opportunities to grow our business Ford has seen in decades. And our competitive advantage lies in Ford's operational strengths, pricing power, as well as procurement and manufacturing scale. These fundamentals provide the profit-generating ability that is enabled by our distinct architectural strategy Hau outlined, our unmatched tech stack capability that Alex will showcase, and our decades of EV experience. Combined, these are game changers for us and underpin the growth opportunity we see for Ford.

Let's start with Ford's pricing power. Launching our BEVs with our most iconic brands allows us to take their strengths and desirability to a whole new level. F-150 and Transit have consistently outperformed their key competitors in both share and revenue, reflecting not only exceptional product execution and deep understanding of our customer needs, but also the power of the Ford brand.

Our opportunity going forward is to build on this by helping people understand how electrifying what they already love delivers even more performance, more capability, and more productivity with zero emissions, performance like the targeted 0 to 60 time of 3.5 seconds on the Mach-E GT Performance Edition or the bi-directional power capability of Ford Intelligent Backup Power on the F-150 Lightning. Not only should this help us continue outperforming the competition in high-margin segments like full-size pickups and commercial vans, outperform in the competition in high margin segments, like full-sized pickups and commercial vans, it will bring new customers to Ford. We're already seeing this with Mustang Mach-E. Approximately 70% of Mach-E orders came from new customers coming out of other brands. This exceeded our expectations, proving we can grow our brand by electrifying our icons.

And the mix of the Mach-E orders is very strong, with 90% high series premium vehicles and more than 80% long range batteries, again, exceeding our forecast. To delight our F-150 Lightning customers, we've been very intentional about series and pricing strategies. We're offering four series levels for different kinds of customers, including some designed to attract all new customers not only to our F-150 franchise, but more importantly, to the Ford brand.

To provide some context, just 2 percentage points of share conquest in this segment is worth nearly \$2 billion of revenue growth. And our F-150 Lightning is designed to complement our powerhouse gas and diesel business, not simply just replace it. We'll ensure that those new and existing commercial customers, who rely on incredible value and total cost of ownership in their work truck, but want zero emissions, have a solution from Ford starting under \$40,000.

We want to be clear, in the BEV era, Ford will not see truck leadership to anyone. And our goal for our future F-Series franchise is to be as profitable as it is today, even with our acceleration into full-sized pickup BEVs. Just as important as pricing power is our relentless focus on material cost, and our ability to deliver this through our procurement scale.

As we accelerate our portfolio to electric, we are focusing on three areas of material cost, batteries, non-battery elements of our EV system, and finally, the non-EV parts of our vehicles. First, batteries. We are absolutely committed to designing, engineering and manufacturing our own batteries. Our global BEV plan calls for over 240 gigawatt hours of battery cell capacity by the end of the decade. That's about 10 plants worth of capacity. 140 of this will be required in North America with the balance in the other key regions in Europe and China.

Last week, we confirmed that Ford is delivering our own batteries through our joint venture, BlueOvalSK. Ford and SK are jointly developing and industrializing a scale battery cells tailored to deliver optimum performance and value specifically for our Ford and Lincoln customers. When we set out with this partnership, our cost ambitions were clear: deliver a 40% improvement in battery pack cost for our mid-decade product launches. We are on track to be under \$100 a kilowatt-hour by 2025. And by leveraging technology, manufacturing and value chain innovations, we have a goal to achieve an \$80 per kilowatt-hour target well before the decade ends.

We have mapped every step of the value chain, leveraging Ford's massive scale and decades' long relationships with key suppliers. For example, the world's leading cathode material suppliers have been supplying tens of millions of car and truck catalysts coatings to Ford for decades. We know them well. And the work we are doing together is just one example of how we'll go deeper in the value chain to deliver cost efficiencies over time.

While batteries are exciting to talk about, the non-battery part of the electrification system makes up nearly 20% of the material cost of a BEV. Scale here matters for controlling material cost. Consider this, we write our own software for battery controls but then use our scale to source the manufacturing of millions of units of battery control modules across all of our electrified vehicles.

Another example is the inverter. Our software controls Another example is the inverter. Our software controls team has developed sophisticated code to deliver highly-engineered levels of propulsion efficiency. We work with our suppliers to custom develop hardware solutions to house our software algorithm, and we manufacture millions of units at scale delivering high levels of capital utilization for cost efficiency. These are just two examples.

And that brings me to where we see the third area of advantage, our current scale of the non-EV parts. This scale often makes us the OEM of choice for technology partners offering new customer features and experience that set Ford apart. Think about F-150 Lightning in this context. The F-150 Lightning will join a family of over 17 million F Series customers with their trucks on the road today. And when we source our next-generation models with supplier contracts with nearly 4 million units of volume for an F Series life cycle for everything from tires to display screens, we know we are getting the best from our suppliers on cost, quality, and first-mover technology. Contrast that with the startup BEV maker, looking to buy 120,000 display screens over the life cycle of their truck. The buying power and scale advantage Ford has and the value of non-EV parts of a pickup truck, nearly 50% of the

trucks' material cost is sizable. The same holds true for how we look at the cost advantage of electrifying our e-transit, leaning into the scale of the world's selling cargo van.

Finally, let's talk about Ford's advantage in our manufacturing flexibility and capability. While others may need time to scale, Ford is ready. Look at the Mustang Mach-E. Media labeled the Mustang Mach-E launch one of the most robust in EV history after we delivered 6,600 vehicles in North America in the first quarter alone. Others might take months or years to hit those kind of production volumes. We did it in one quarter.

and we did it on our first launch of an all-new EV, top hat platform, battery cell, and electrical architecture. When we saw how high consumer demand was, our deep operational capability kicked in. We secured additional batteries through our strong relationship with LG Energy Solution. And we leveraged our flexible manufacturing system to boost [indiscernible] 00:37:48 future annual capacity by nearly 70% just two months into production. Just think with this scale of manufacturing flexibility can mean for cost competitiveness when vertically-integrating EV components.

We've already done this with eMotors, eAxle's, battery trays, and battery cell manufacturing development. And with Blue Oval SK we will scale quickly manufacturing cells and arrays and that's just the beginning. Anticipating the shift towards electrification, we've been on this path for several years. Already, we have transformed our Van Dyke Transmission Pinto the Van Dyke Electric Powertrain Center. At this center, we've been making HEV transmissions since 2010.

Now, we're adding electric axle production at significant scale for our BEVs. We've reused front-wheel drive, high-volume transmission lines and pivoted to high volume electric axles, which includes in-house manufacturer of our own eMotors coupled with our in-house gearboxes. We already had the location, the equipment, and a very skilled labor force to support the transition into manufacturing EV components, creating a capital efficiency, material cost, and time-to-market advantage over others just starting in this space. And in the transition, we grew the number of jobs as part of the transformation to the Van Dyke Electric Powertrain Center.

To summarize here's why we believe Ford has a winning plan to lead an electrification. Icons, no one else has, and all in the heart of volume and profit segments, not small volumes and \$100,000 price points. A modern tech stack that is unrivaled in scale and delivers exceptional experiences and services.

Fit-for-purpose architectures. We don't believe one size fits all. We have developed multiple cell technologies, and we don't rely on just one cell supplier and our strategy. Fully competitive battery cost and our competitive advantage is the scale we generate on the rest of the material cost. Millions of battery electric control modules, millions of chargers, millions of inverters, all on the back of our broad HEV, PHEV, and BEV portfolio. And we deliver this with highly flexible manufacturing expertise. Lines previously used for sedan transmissions now making HEV transmissions and e-axles.

Let me end where Hau started. Our plan is to win in the electric revolution and achieve equal or higher market share in the same high-volume segments and markets that we compete in today. That's Ford's formula to grow profitably and create incredible value with fully electrified vehicles.

Ted Cannis

General Manager-Commercial Vehicles, Ford Motor Co.

Hi. I'm Ted Cannis standing in front of the iconic Michigan Central Station in Corktown, Detroit which is the centerpiece of a new mobility innovation district where 1.2 million square feet of commercial space is under

construction. As the leader in the commercial segment across large geographies, diverse customer sizes, and the toughest customer use cases, no one understands dynamics like these better than Ford.

The needs of commercial customers are very different from retail customers. We focus on our customers' unique vocational needs and provide a full range of trusted vehicles as well as sales and service to support their business and enhance their productivity. As a result, we have earned a commanding lead in the US with 43% share of the Class 1 through 7 commercial full-size truck and van market. That's double the size of our closest brand competitor.

As you will soon hear from Hans Schep, General Manager for Ford's Europe Commercial business, we are also strong there, leading the European commercial market for the last six consecutive years, while consistently growing share. Put simply, Ford owns work.

Commercial customers have very specific needs. They demand the right tool for the job, low cost of ownership, high uptime, maximum productivity, employee, safety sustainable solutions, and support. When we say our customers need the right tool for the job, it's because it takes different shapes, sizes and capabilities to get the job done.

Let's look at three use cases you see all the time. If you're going to work on a telephone line, you need a cherry picker, the kind of truck carrying a worker up into the air. If you're doing plumbing, you need racks and bins for your gear and parts. And if you're going to garage a van, it needs to be short and low enough to fit.

In fact, many vocations require the vehicles to have specific outfits, customization so that work can be done. In North America, Ford has built a network of nearly 300 Ford-qualified outfitters that are strategically located near our plants and dealers. These capabilities have enabled us to build trusted relationships over many years, which it affords us that competitive advantage to design our vehicles alongside outfitters to seamlessly pair with their outfits. So there are no surprises during acquisition.

Looking at vans in North America, we designed our E-Transit van to be flexible and serve a wide variety of customers with a range of configurations across roof heights and body lengths, something many startups are not able to do. Last mile delivery has been making a lot of headlines, but even with the boom of e-commerce, it only comprises nearly 10% of the US full size commercial van segment. We can address this customer need too, as well as the needs of larger, more complex vocations which coincide with where we have the strongest leadership positions.

In North America, we have the broadest vehicle portfolio in market with leadership in all the largest truck and van vocations, including service and maintenance, construction, delivery, emergency vehicles, and utility services. We have grown our customer base to nearly 125,000 active commercial and government fleet customers across all vocations and fleet sizes, small, medium and large. And all of them need a network of support for acquisition, up-fit, and service that they can trust.

In the US, we have over 650 specialized commercial vehicle center dealers, all EV certified, providing this coverage backed by local expertise compete effectively in this segment. New entrants would need to complete the prototype phase and actually produce vehicles at rate. But just as importantly, they would need to find the customers, fit them, and convince them that they have better solutions and ownership support throughout the complex fleet lifecycle.

Meeting the evolving needs of customers also requires trust, breadth and depth of experience, and a wide range of capabilities. To be successful, at least at scale, you need to provide all of them. But our customers now need far more than just the right tool for the job. Our customers need improved data and services that lower their total cost of ownership, increase productivity and uptime, and improve operational safety.

In many cases, their vehicles are their business offices. For this, they need trusted, affordable ownership solutions that cover their market areas and keep them running worry free.

that cover their market areas and keep them running, worry-free. More than any other customer segment, our commercial customers will lead the connected and electric vehicle tech transformation, because the benefits directly hit their bottom line. And with an ever increasing focus on the environment, many of our customers are now required to deploy sustainable solutions.

Earlier, you heard Jim talk about Ford's overall investment thesis, and Ford Pro, where Ford vehicles plus connected solutions yield more value for our customers and for Ford. It's more than just the sum of the parts. Today, the landscape is full of fragmented services, customers just want to work and generate income, they don't want to manage a lot of fleet complexity, which can cut into their margins. We're going to help solve that with connectivity, by providing an always on relationship that weaves the pieces together.

[Video Presentation] 00:46:09- And commonality of our internal combustion vehicles. Most of our commercial customers turn over 10% to 15% of their fleet per year. They will need to operate, monitor and service mix fleet for many years with minimal complexity. And we have made upfitting seamless so our customers can leverage Ford's qualified upfitter network. And just like everything else, commercial customers will buy no more than what they need, which includes batteries. That's why our electric vehicles are targeted directly at commercial customers and developed so they can be easily integrated into mixed fleets.

There are very few competitors in this space. And to achieve any scale, they would need to rapidly expand their customer base and have a committed battery capacity plan already in place. Starting under 40,000, the F-150 Lightning Pro is full of new solutions for our customers who want more space, connectivity and productivity, like using exportable power to power their job site. The built Ford tough truck has the right 4x4 range to get the job done, with up to target of 300 miles of EPA estimated range.

They have been designed with vehicle onboard chargers and include equipment that make it possible to charge overnight on level two AC chargers which dramatically reduces charging infrastructure costs and protects battery life. Not having to invest in expensive DC chargers and higher cost installations is a big advantage that customers will dig into and appreciate. F-150 Lightning Pro is a game changer for work.

As you will hear from Hans, in addition to the E-transit, we've also announced in Europe the launch of a new 1 ton transit custom in 2023 which will be available on battery electric, plug-in hybrid electric and internal combustion derivatives to offer the right product for every customer.

For fleet managers, changes in infrastructure for integrated charging solutions can seem complicated and scary. Ford Pro Charging going to make commercial charging easy. Companies of all sizes will be able operate a fleet of electric vehicles. Our internal data reports that the North American depot charging industry will grow to over 600,000 full-sized trucks and vans by 2030. We are building new Ford provided depot charging solutions with plans to capture revenue growth of over \$1 billion by 2030.

Employee Home Charging Solutions will include available hardware and software solutions to manage overnight charging along with access to energy reports to make driver reimbursement simple. And for those rare cases where public charging is necessary, our customers will also have access to America's largest public charging network, Ford Charge Path, with over sixty three thousand plugs.

Commercial Connected services are a big business with a TAM of \$4 billion in 2021 growing to \$5.5 billion in 2025 in North America. Ford Pro Intelligence will provide sticky software services for our customers including command and control features rich data and proprietary algorithms linked to deep vehicle insights. Many of these services are available today or rolling out this year in North America and Europe.

Telematics, our flagship intelligence tool, allows fleet managers to monitor and control fleets of all makes and models through in an interactive digital platform. Telematics Essentials is a complementary service for our customers. It includes many features such as monitoring vehicle health data and troubled code alerts. It also makes it easy to upgrade to paid subscriptions and promote service appointments.

EV Telematics dashboard and data tools connect electric vehicles to the cloud for fleet customers to manage charging, enable EV alerts, and much more. At the end of the first quarter, we had over 160,000 vehicles enrolled in revenue-generating subscriptions in North America. And we plan to scale across our customer base with millions of vehicles along with exciting new products to build on our portfolio. These services leverage software scale, built once and multiplied to many customers. It is generating subscription opportunities, higher loyalty, and increased parts profits.

Finally, in North America, we're also growing our small and medium commercial financing business with Ford Pro FinSimple. Historically, our financing products have focused on retail customers, but we purpose built this financing platform for our commercial customers who have been underserved. We're making it all easier with simplified financing and bundled billing of vehicles, services, and charging that will increase loyalty and share. You can hear Marion Harris, CEO of Ford Credit, talk more about this in additional videos we've already posted. We already have a steady flow of leads from our commercial vehicle centers, and we expect to grow our financing share of these small and medium fleet customers from 10% to 25% by 2025. Above all else, our commercial customers want maximum uptime and low cost of ownership.

Now, I'd like to turn it over to Hans to talk more about how the European commercial business will bring differentiated service, targeting 100% customer uptime at an affordable cost.

[Video Presentation] 00:54:54- 00:56:06

Unverified Participant

I'm coming to you from our commercial vehicles development land in London. The commercial vehicles business is at the heart of our European strategy and we are laser focused to deliver results and help our customers' businesses thrive. As Jim mentioned, we were at forefront of standing up a dedicated organization for our commercial vehicle customers in 2019. We doubled the team dedicated to commercial vehicles. And by strengthening the resources in every function in Ford and across our partnership, we have the right expertise in place to execute our strategy and to continue to deliver outstanding products and services to our customers. And we've been getting the results.

Since 2012, we have moved from number 7 in the market to now market leader for the sixth consecutive year. In that timeframe, we nearly doubled our market share to almost 16% in quarter one this year. To expand our leadership position in Europe, we're pushing even further. When it comes to our product portfolio, we're electrifying our entire range and we're leveraging the advantage of our local manufacturing footprint by adding scale.

We've recently confirmed that the next-generation 1-ton Ford Transit custom, will be built in Kocaeli, Turkey as part of the Ford Volkswagen alliance.

And we've announced a \$300 million investment for a new light commercial vehicle to be produced in Craiova, Romania. Both vehicles will include all electric versions. But for Ford, it's not just about building and selling vans. As commercial vehicle leader in Europe and North America, with Transit, the best-selling cargo van around the globe, that's our bread and butter business.

As you've heard, we will deliver even more with Ford Pro. It's an always on organization that brings modern products and services from the ground to the cloud for our customers. Let's look at how we've already started doing that in Europe.

Enhancing customer productivity, starts with our focus on uptime and service. Here in Europe, we've just launched Ford FORDLive, a connected uptime system to keep our customers vehicles on the road. This has absolutely been the most important launch for us this year. It directly translates back to the customer, maximizing their productivity by reducing downtime by up to 60%.

Ford FORDLive is driven by connectivity with cloud-based solutions. It has three core elements the easy and reliable data exchange between customer vehicles, Ford Pro Transit center dealerships and dedicated Ford FORDLive customer care centers. We are seeing its benefits already.

This morning we know we had 631 vehicles off the road awaiting parts in Europe. The Ford FORDLive processes connect the teams together, real-time, to resolve these unwanted delays immediately. And this is what Ford FORDLive is all about. Give the right processes in place, connected working together, giving more time on the road and at the work sites for the customer, increasing their productivity. All contributing to our ambition of delivering 100% uptime.

They will not want to be with anybody else. Ford FORDLive is defining the standard for connectivity services in Europe and will be enabled by 1 million connected commercial vehicles on the road by 2022. The vehicle park expanding to over 3 million in 2026.

Ford Pro Services are made available by Ford plus a multitude of partners across the entire value chain. One example of such a partnership is for Ford Fleet Management a joint venture with ALD Automotive. In Europe, large but also many medium-sized fleets use leasing companies to finance their vehicles. Ford Fleet Management brings connected uptime services together with leasing and financing into bespoke productivity solutions for a wide range of fleet customers.

Ford Fleet Management is already live in the UK, gaining traction in the sector and will be rolled out to other European markets soon. Bespoke fleet solutions delivered by Ford Fleet Management and our connected Ford FORDLive uptime system are just two examples of how we've already developed services to redefine the commercial vehicle business in Europe under Ford Pro, but we aren't stopping there.

Together with the North American team, we are developing a series of initiatives to future proof the commercial vehicle business, powered by electrification, charging solutions, autonomous vehicle development, and how fleets own and operate our vehicles. And as we fulfill more and more of our customers' productivity needs, we will dramatically accelerate Ford's growth potential in the European market.

Ford is Europe's leading commercial vehicle brand. The Ford Pro will enable us to be the undeniable business partner of choice for Europe's commercial customers, and with that bring Ford's business to the next level.

Ted, back to you.

Ted Cannis

General Manager-Commercial Vehicles, Ford Motor Co.

Thanks, Hans. In North America, we are building a dedicated service network with our dealers to support the demand from our commercial customers and our new business model. We are building 120 Ford Pro service elite hubs across the US with a large base, extended hours, and rapid service turnaround. These dedicated facilities are structured to provide customized service at a lower cost, both electric and internal combustion.

Second, we're expanding our fleet of Ford Pro service elite mobile vehicles. By 2025, we will have 1,200 mobile service vehicles that can meet customers where they are. This saves customers' time and money shuttling vehicles to service. Our ambition is big. We plan to increase our North American parch revenue by over \$750 million by 2025. One of the high margin growth components of our Ford Pro plan.

So in summary, Ford Pro will be a new business tasked with providing global physical and digital solutions for battery electric and internal combustion vehicles that will create more value for our customers and Ford. Ford Pro will grow the top line from a \$27 billion business in North America and Europe in 2019 to almost \$45 billion by 2025.

A portfolio of integrated vehicles and services that's all about the commercial customer. One plus one, equals three. That's why Ford is so confident about growing our profit pools. The dollars we are investing in this space are going to return to us in a huge way.

Now, I'll hand it over Alex Purdy to talk about connected services.

[Video Presentation] 01:02:45 01:04:56 [Video Presentation] 01:08:51 better over time. Some manufacturers can update a limited subset of their systems like infotainment. Our newest vehicles can update nearly all vehicle computer modules wirelessly and while this capability is not new to the industry, the difference is, we're launching this at scale. We have already successfully launched this on the F-150 and Mach-E.

Next, this capability will quickly rollout across our luxury, commercial and passenger vehicles nameplates. Despite only creating the capability this year, our goal is to have more vehicles capable of receiving these wireless updates than Tesla does before Independence Day 2022.

We're just at the beginning of building out our software services. But as they come online they will be available at an unprecedented scale. And many of these services will be built upon our strengths in areas where we have sustainable competitive advantages and the right to win.

These include driver-assist technologies, commercial vehicle solutions, BEV charging, and adventure. Across our brands, driver-assist technologies are increasingly a major driver of purchase consideration and they're a part of

our digital business model. We're making this technology more affordable than others and attracting more customers. More customers using this technology creates a flywheel effect.

For example, more areas mapped more thoroughly for automated driving. It also allows customers to benefit from the growing of our digital business. Customers first experienced driver-assist technologies through Ford and Lincoln Co-Pilot 360 packages. As they own the vehicle, we continue to add new content. For example, our hands-free assisted driving feature BlueCruise will be added via wireless software update later this year. This highly sophisticated feature will roll out to a total of 16 models within the next two years, making luxury level technology available to the masses.

Currently, hands-free and hands-on SAE level 2. We are building full stack and application software engineering, UI and UX design, charging and energy management integration. We're also investing in data analytics and other off-board capabilities, including platform engineering, data anomaly detection, cloud engineering and network services. It also is important to our strategy for us to clearly delineate when to build services and technology in-house for competitive advantage, versus when we capture the benefit of working with major tech players at the commodity levels of our Tech Stack.

This open approach to partnering is a real differentiator for us at Ford, and increasingly why customers choose us. They can get the best-in-class technology they are already familiar with in a fully integrated experience. For example Ford and Lincoln vehicles will be powered by Google Automotive Services beginning in 2023, with a robust third-party app ecosystem, Google Maps and digital assistant, will also leverage Google's world-class expertise in data, AI and machine learning and collaborate on personalized, data-driven experiences for the future.

In China, our partnership with offers a similar seamless integration to our customers' favorite ecosystem, bringing the digital assistant, navigation and advanced infotainment capabilities of their phones into their vehicles. Customers can access mobile service apps and lifestyle services from their in-vehicle touch screens. And we know the importance of delivering best-in-class integrations with Apple CarPlay. Even in these early days, we are seeing more than 90% of Mach-E owners, using CarPlay via projection mode, no cord needed.

And as we recently announced, we plan to deliver Alexa built-in technology to approximately 700,000 vehicles in North America by the end of the year. Followed by millions more in the next few. We are also partnering on services such as usage-based insurance, so our customers can benefit from data-driven discounts. This unique approach to partnerships so our customers can benefit from data-driven discounts. This unique approach to partnerships is customer-centric and allows us to invest in the areas where we can deliver proprietary solutions that result in competitive advantage. Although we're still early in this massive digital transformation of Ford's business, we've already opened up a significant new market opportunity. By refocusing the company on an always-on customer relationship, we deliver connected features and services to our millions of customers and drive significant and stable incremental revenue for our business.

Over to John to show you how the financials of everything you've heard today fits together.

John T. Lawler

Chief Financial Officer, Ford Motor Co.

All right, Alex. Thanks. With everything you have seen today, I think you will agree. Our team is on a new path. Through Ford+, plus we are creating lifelong always-on customer relationships. And when you put everything together, our improved product mix anchored by our iconic nameplates, our plans to electrify high-volume

segments as we ramp up into BEVs, our strategy to leverage our strength in commercial vehicles into a new multifaceted business, and our deep commitment to capitalize on vehicle connectivity.

Simply put, our foundational strengths provide the cash flow to invest in disruptive technology to enhance our capabilities to create a larger more profitable business unlocking value for both our customers and investors. And at the core is a disciplined capital allocation. We are making the right choices which would generate the cash flow to invest in growth, further reinforce our strong balance sheet, and create superior long-term value for our investors.

So, let me highlight a few of the choices we've made to strengthen our core automotive business. Now, we've exited our core automotive business. Now, we've exited underperforming vehicle platforms and invested in our leading and iconic high-margin products, transformed our operations outside North America, and we've taken lasting actions to continuously improve quality and costs.

Let's look briefly at each one. We've replaced loss-making products with high volume, iconic must-have name plates like Ranger, Bronco, and Bronco Sport, Aviator, and an exciting new white space vehicle we will reveal soon. These changes alone in just three plants are driving an annual adjusted EBIT improvement of \$1.8 billion. And we're using this framework around the world.

Our capital is now focused on our areas of strength, and we have a lot of them. This is without question the strongest product portfolio we've had in decades, and we intend to build on these very successful and profitable franchises. We have F-Series, the number one full size pickup globally. Mustang, the number one sports coupe globally. Transit, the number one cargo van globally. Explorer, America's all-time best-selling SUV. Ranger, the number two medium-sized pickup globally. And now, the Bronco family and Mustang Mach-E.

Building on our strong product lineup, we have also taken bold actions to fix or dispose of our underperforming operations outside North America. And this has been a hard work and we've made great progress. In Europe, we made a commitment to transform our business and are doing just that.

We have refocused our portfolio on three profitable and growing customer segments. Our leading commercial vehicle franchise, which is now almost 50% of our mix. SUVs, which now account for 30% of our mix. And select high-margin imports like the Mustang Mach-E.

We are also effectively leveraging our low cost manufacture and operations in Turkey and Romania. Our alliance with VW will drive scale and efficiency. We've derisked Russia where we are now focused solely on commercial vehicles. And we eliminated more than \$1 billion in annual structural costs. These actions coupled with the reduction in manufacturing plants in the region and lower overhead have Europe solidly on track to reach an EBIT margin of 6% by 2023.

In South America, we've lost more than \$3.5 billion over the last five years. That ends now. We made tough choices. We went from four manufacturing plants down to just one. We are reducing head count by roughly 80%. And we are exiting manufacturing in Brazil. We eliminated \$800 million in annual structural costs to-date with more to come. And we did all of this in a thoughtful and socially responsible way working with our employees and other key stakeholders. The net result is a derisk and asset light business model on its way to profitability leveraging key franchises like ranger and transit.

We are making real progress in China. We have a plan to grow and win and are making the investments now to deliver it. We've also refocused on our strengths lowered cost and localized our engineering and design

capabilities to better serve the needs of our China customers. These actions have resulted in a shift in mix through higher profit growth segments including SUVs and commercial vehicles.

Today, 90% of our Lincoln products are produced in China, up 66 percentage points from a year ago, significantly improving our cost. Lincoln is gaining strong momentum. In the first quarter, market share nearly doubled year-over-year. And there's more to come including the locally manufactured and there's more to come including the locally-manufactured Ford Evos, which is specifically designed for the Chinese market, as well as the Mustang Mach-E later this year.

Our regional operations outside of North America are not primed to drive consistent profit and cash flow. The tide has turned. Over the last three years, we lost an average of \$2 billion a year from those businesses. In the first quarter of this year, we generated a profit of \$500 million, and we're not done. For example, in our international markets group, we are investing \$1 billion to expand our plant in South Africa to produce the next-generation Ranger and VW Amarok pickup truck, and we are reexamining our business model in India.

Our focus on cost management is also driving improved performance. Our introduction of modular architectures has lowered complexity, increased leverage from our scale, and reduced material and engineering costs. To reduce warranty costs, we have focused on changes in design, vehicle inspection, and supplier management. Going forward, we will use connected vehicle data to identify issues earlier in the process. We have a \$1 billion to \$2 billion warranty opportunity to capture. You saw it in our first quarter results, a \$400 million improvement year-over-year, and we intend to deliver the balance of that improvement opportunity over the next few years.

Now, Ford Credit has long been a best-in-class finance company, serving our dealers and customers in a consistent source of profits and distributions. As part of Ford+, Ford Credit is a strategic customer-facing asset that represents a competitive advantage for Ford. We are putting software and data first and modernizing operations all wrapped with a deep focus on our customer. Ted provided one such example where Ford Credit will be a key component of the Ford Pro ecosystem, helping us provide an integrated financing option and grow our financing share of small and medium fleet customers from 10% to 25% by 2025. We expect to take Ford Credit customer satisfaction and enterprise loyalty to a new level facilitating the expansion of new services and driving improved margins for Ford.

So let's look at how all of this comes together including the investments we are making for the future. We are on track to achieve 8% adjusted EBIT margin by 2023. In addition to the improvement overseas, this reflects North America's earning power as it continues to target a 10% EBIT margin. Bottom line, our improving core business is generating strong cash flow to fund growth and drive long-term value creation.

As Jim highlighted, we are transforming from a traditional OEM build and sell transactional model to a lifelong, always on customer relationships. When added to our foundational strengths and enhanced capabilities, our TAM expands, unlocking new growth and value creation and total shareholder return.

So, let's recap our growth opportunities. There has been a lot of talk about electrification, and some have suggested that Ford is behind the curve. Reactions to the Mustang Mach-E and the F-150 Lightning and the E-Transit coming later this year prove otherwise. We are electrifying our high volume and profitable segment leading nameplates and these will rapidly scale.

As Mustang Mach-E demonstrated, we are attracting new customers. 70% of orders are from customers who are new to Ford. We've accelerated and increased our planned investment in electrification to more than \$30 billion by 2025. We are targeting a 40% mix of BEVs by 2030, all proof points, we will be a leader in electrification. And

through scale, technology, pricing power in Ford+, our ultimate goal overtime is to deliver higher profitability than our ICE vehicles delivered today.

Ted and Hans took you through the details of Ford Pro, our new commercial vehicle services and distribution business. We are standing up this organization to focus solely on commercial customers end-to-end needs, unlocking tremendous value for them and a significant TAM for us. We expect to grow our commercial business from \$27 billion in revenue to \$45 billion by 2025. We are building an ecosystem for our customers that extends well beyond the vehicle. This ecosystem removes pain points, enhances productivity, and lowers total cost of ownership, creating value for them as well as for Ford. And let's not forget Ford Pro is an addition to our rock-solid, industry-leading retail truck and large SUV business with a combined \$55 billion in revenue and EBIT margins in the mid-teens.

Now, Alex shared how connected services now provide a platform for us to enhance customer experience and loyalty, including the delivery of over-the-air power ups that improve the vehicle over time. For example, BlueCruise for retail customers and EV Telematics dashboard and data tools for commercial customers. The math on this is pretty straightforward. Based on units in operation, attach rate, revenue per vehicle, and margin.

By the end of this year, we will have 1 million connected and OTA-capable vehicles on the road. By 2028, we will have about 33 million. To give you a sense of the potential scale, consider a hypothetical scenario.

33 million. To give you a sense of the potential scale, consider a hypothetical scenario. Start with the 33 million vehicles, assuming a 50% attach rate at \$20 per month, we would generate about \$4 billion of new revenue. These services are high margin, sticky, and annuity-like. You can make your own assumptions on the input variables including the mix of retail versus commercial. We clearly see connected services as a tremendous source of growth and value creation.

Later this year, we plan to give you an update on our autonomous vehicle business. But let me touch on a few highlights of where we are now. We are on target to stand up a commercialized business by 2022. We are also on track with our \$7 billion in investments through 2025 including in Argo. Argo and Ford are now testing in six US cities in very different and very complex environments that help make our systems smarter, which will help us scale faster. Argo also plans to expand to Germany this year. And we're continuing to evolve and improve the technology. Earlier this year, Argo introduced proprietary LIDAR with the longest range, highest resolution, and best low light reflective capability. So, stay tuned.

Before closing and moving to Q&A, I want to come back to where we started. Everything we have talked about today and are doing is built on disciplined capital allocation, making the right choices to create value for our customers and our investors. We are investing in disruptive technologies to enhance capabilities and drive growth in areas of strength where the returns will be the highest. We are partnering for efficiency and expertise. We are investing in strategic relationships like Rivian and Argo, and we are optimizing our capital structure with an objective to return to investment grade ratings. Right choices will create value and drive total shareholder returns. Jim said earlier that this is our biggest opportunity for growth and value creation since Henry Ford started to scale the Model T. I couldn't agree more. We have a compelling purpose. We have improved day-to-day execution. Embedded technology means we'll have always on after sales experiences that will extend our customer relationship beyond the upfront purchase. We have a solid Ford Plus plan for growth, and we have a committed team in place that can deliver it.

With that, we will take a short five-minute break. And when we come back, we'll take some of your questions.

[Break] 01:33:13- 01:38:40

Lynn Antipas Tyson

Executive Director-Investor Relations, Ford Motor Co.

Good day, everyone. I'm Lynn Antipas Tyson, Head of Investor Relations for the Ford Motor Company. For the next hour, I'll serve as your host and moderator for a live interactive question-and-answer session. In the previous 90 minutes, you saw how we will deliver Ford+. Let me now introduce our panel. Jim Farley, our President and CEO of Ford; John Lawler CFO; Hau Thai-Tang, Chief Product Platform and Operations Officer; Lisa Drake, Chief Operating Officer of North America; Ted Cannis, the newly appointed CEO of Ford Pro; and Alex Purdy, Director of Business Operations Enterprise Connectivity; all here to take your questions.

Representatives from across the investment community are on the question line right now. You've all been placed on mute until it's your turn to ask a question. This, of course, eliminates random background noise from your house pets and other distractions. For those asking a question, to reduce audio feedback, please reduce the volume on your computer. I also ask that you limit yourself to one question. We want to field questions from as many of you as possible. After the last question, I'll turn the program over to Jim for his reflections on the day as well as his reflections on the past, the present and the future of Ford Motor Company. So, let's begin.

QUESTION AND ANSWER SECTION

Lynn Antipas Tyson

Executive Director-Investor Relations, Ford Motor Co.

Our first question is from Colin Langan from Wells Fargo.

A

Colin Langan

Analyst, Wells Fargo Securities LLC

Oh. Great. Thanks for taking my question.

You mentioned profits on electric vehicles and services would be greater than internal combustion engine. I mean, does that mean profits on EVs will be lower or will there be – and that will be offset by the connected services? And when would you see electric vehicles being more in line with internal combustion engine profits?

Q

Thanks for your question. I think John is best to answer your first and then I think Lisa can go into the details about the timing.

A

John T. Lawler

Chief Financial Officer, Ford Motor Co.

Yeah. Thanks, Colin. Thanks for the question. So if you look at the profitability of our electric vehicles today, of course they're not as high as what we have on our ICE vehicles. But we're at the frontend of the technology curve. And as Lisa showed in her presentation, we're working really hard to bring down that cost structure and we expect that to accelerate over time.

A

The other thing is we are looking at this as an ecosystem. We believe that the expanded business model we have is going to allow us over time to drive profitability higher than what we see on ICE vehicles today. And I think I'd like to turn it over to Lisa to talk about all the work that she's doing to lower the costs, drive higher profits and drive that to be as soon as we can. So, we're looking at all three elements of that costs, increased revenues, higher profitability from the expanded business model and the services, and doing that as quickly as we can and accelerating that curve. Lisa, do you want to give some details around what you're doing?

Lisa Drake

Chief Operating Officer-North America

A

Yeah. Thanks, John. So, as we mentioned before, everybody knows you have to have a relentless focus on material costs in this business. And with the EVs that clearly the battery pack, the battery cells are the first place you start, which is why we created Ford Ion Park and investing in our battery center of excellence. And we just announced our joint venture with SK. And we believe through those efforts and the capital that that we put in place that we're well on our path to a \$100 per hour or per kilowatt-hour battery pack cost by the mid-decade. And we're going to go even further. We know we need to get to \$80 a kilowatt-hour before the end of the decade.

And on the other side of that equation, the team is really excited about the revenue opportunities. Once you electrify some of these iconic products, there are so many enhancements that come along with electrification. If you look at the F-150 Lightning as an example, we have the intelligent backup power, which is our bi-directional charging capability on that truck. And the team's really interested. If you think about disrupting a \$1 billion portable generator business with a truck, there's a lot of opportunity there.

Then, you add onto that all of the Ford Pro and the commercial solutions for the commercial customers that Ted and his organization are going to be delivering. And then, you think about \$33 million connected vehicles on the road, 40% of which would be EVs. And if you know your EV, you interact with that with your phone and our FordPass app. And we're going to be always on with those EV customers. You interact with that app a couple of times a day, whether it's charging or route planning, etcetera. So, we think we have really strong building blocks for the profitability of our plan in the future.

A

The way we're thinking about is that these aren't electric vehicles. They're digital vehicles. It's the digital part that really unlocks all this capability beyond the cost.

A

Okay. Thank you. Our next question is going to be from Brian Johnson from Barclays.

Brian Johnson

Q

Thank you. Yeah. I just want to understand on that step up of commercial revenue from \$27 billion to \$45 billion, how much are you thinking about in terms of vehicle sales and how much you're thinking about in terms of software and other digital services?

A

Yeah, that's all yours.

A

Hey, Brian. Nice to hear from you. So it's a bit of both. So we've already said we would double our profits in Europe over the period in the commercial business, and also in North America, it's both vehicles and new services.

commercial business and also in North America, it's both vehicles and new services. Just on example the new services, the parts business we expect to grow \$750 million, top line by 2025 just on the service hubs and mobile service units. We've already got 159 mobile service units in action. And we can see that parts generation by solving customers parts needs and service needs on site. You can go to the site and fix 10 vehicles at a time. So, it includes the parts profits, higher margin, the connected service profits that have higher margin, and the new charging business we're going to start with a depots with e-transit at the end of this year.

A

Okay. Thank you, Ted.

Q

And just as a follow-up.

A

All right.

Q

And just as a follow-up – yeah. Just as a follow-up. So, part of what you outlined in Ford Pro was looks like fleet management software, but you know that that is a mature space within a large fleet business. So, what kind of comfort do you have in terms of your SME fleet customer base? How many are using competitor fleet management solutions now? So, you have to conquest them. And how many are just waiting for these EVUs app that gives them fleet management capabilities?

A

Hey, Brian. It's a great question. This one is our secret sauce. Well, we're super strong is in small and medium businesses around the world. In the US, we have 125,000 active commercial customers either small governments and commercial. And most of those have much smaller than 150 Ford vehicle fleet in operation. So, there is a huge missing underserved group in there. It's only the big companies, and they want to have more productivity. I

was looking at our customers last week who enroll between 3 and 59 units, and they're from Texas to Minnesota. They're small businesses in construction or small governments. That's the kind of business that they need easier solutions. And we have the local commercial for specialized commercial centers all across the country more than 650 in the US and thousands in Europe that really know those and thousands in Europe that really know those customers with deep relationships and can help them.

A

Okay. Thanks, Ted. Our next question is going to be from Rod Lache from Wolfe Research. Rod?

Rod Lache

Analyst, Wolfe Research LLC

Q

Hi, everybody. I have a question about your pricing strategy in electric vehicles. And I know there's obviously a wide range of pricing versus the average transaction prices versus what your base prices typically are. But maybe you can just talk a little bit about the strategic rationale for making the starting price of the F-150 Lightning kind of in line with the regular 3.3-liter F-150 SuperCrew. It was a surprising development. Maybe you can just elaborate on what you expect to accomplish from that and how we should be thinking about the implications for the company in terms of size of that business.

A

Thanks, Rod. I'd like Alisa to double down on this important question. I'll just say it really simply. We have no intention of ceding our truck leadership in North America to anyone as we move to BEV. And we can accomplish this kind of pricing because of our large scale. And that's really one of the big advantages for Ford. It begins there. We'll have a range of pricing in spec. But the idea to go to market on our digital products is a bit different than our ICE products. We don't intend to have the large discounting and fixed marketing that we normally have. This is really a loyalty type customer for us. We already have about 70,000 orders for the Lightning. And the orders are coming in not because of the starting price orders are coming not because of the starting price, because of the full offer.

Lisa, anything to add?

Lisa Drake

Chief Operating Officer-North America

A

Yeah. Jim, I think you've really framed it well. In – I'll just add our research says that 80% of customers, once they buy an EV, they never go back. And in line with our intent to not seat our truck leadership, you're going to win from day one. So, we're not going to out there and try and conquest customers, we're giving our Ford Pro customers that really value that total cost of ownership, something that only Ford can do, which is a work truck suited just for them at a price that they can afford.

Lynn Antipas Tyson

Executive Director-Investor Relations, Ford Motor Co.

A

Okay. Great. Thanks, Lisa. Our next question is going to be from John Murphy from Bank of America.

John Murphy

Analyst, Bank of America Merrill Lynch

Q

Good morning, everybody, and thanks for all the information today. The question I have is, as we think about the 8% EBIT margin target for 2023, since it's been first established, a lot of things have changed. Most importantly, spending an investment for future tech, whether it be EV connected or mobility-on-demand has gone up pretty dramatically. Yet you're still maintaining this EBIT margin target. So, I mean, I'm just curious how much of your spend do you think is reallocated? How much do you think is the core of the businesses, is that much stronger and being that – need that much stronger? And how is this kind of seesaw working?

And if we think about the \$30 billion spent on EVs, is that a reallocation of resources. I mean, how much of that is incremental and just really kind of understand? And then, if you think about this 8% target in 2023, you have all these things you're working on. It seems like the payoff pitch is 2023 to 2022 or maybe even beyond, based on what you're talking about here. So, is there even potential to that 8% target beyond 2023?

A

Thanks, John. Let me try to unpack that and give you a feel for where we're headed. So, I think when you think about the 8%, we have to start with the run rate of the business. And that we've said consistently this year that we think it's 8% to 9%. So, you're starting to see the strength in the core business come through. You're starting to see the work we've done to move into our higher margin, higher revenue products. That's taking a foothold.

You're also seeing the work we're doing on costs, not only in North America, but what we're doing to improve overseas. You know, we're driving towards lower material costs. We're driving towards lower costs through our industrial platform. You see that being enabled by the work we're doing on commonality reuse. We're driving that reuse target up significantly through our modular architectures. That saves not only engineering but capital investment and it drives scale and reduces costs. So, we're getting the traction of that coming through.

And the other thing that Hau is doing, he's working really hard to lower – to increase his footprint of low cost for his industrial platform. So, all of those things are starting to come together in North America to drive towards that 10% target. So, you see that core strengthening. Improving overseas, right? That's key. You've seen the proof points in Europe. You've seen the progress we've made in South America. We've talked about the work we need to do in international markets. We're not going to stop there, right? We're going to continue to drive for efficiencies and productivity improvements and our footprint around the world as we move forward.

So, driving to that 2023 target of 8%, we're very confident about that. And it includes all the investments that we're making in BEVs, all the investments that we're making in connectivity, all the investments that we're making in our mobility systems. That's in there. And so, we feel confident with the strength of that core business improving, generating the cash flow we need to continue invest in these disruptive technologies gives us a winning equation into 2023 and we're not going to stop there.

Of course, we're here to build and invest in value-creating businesses that give strong returns to build and invest in value-creating business that gives strong returns for our shareholders. And that's our intent, that's what we're doing and that's what we're driving towards.

A

Okay. Thanks, John. Our next question is from Ryan Brinkman from JPMorgan.

Ryan Brinkman

Analyst, JPMorgan Securities LLC

Q

Thanks. A lot of good commentary on the long-term outlook today. Thanks for that. Just wanted to ask around the near term if I could though including after other automakers which reported 1Q earnings after you guided to a less harsh headwind in 2Q and over the balance of the year from the semiconductor shortage issue causing, I think, investors to wonder the degree to which maybe you were just sort of unfortunately disproportionately impacted by the Renesas fire versus the degree to which maybe you might have been conservative in your outlook for losing up to 50% of the previously planned production. So, I just wanted to check in with regards to whether the chip shortage impact is going as planned or maybe tracking any better.

And then on the revenue side, we're receiving a lot of indication that new and used pricing is very strong, stronger even than in 1Q, which you helped you a lot in that quarter. So, just wanted to hear your thoughts on that as well. Thanks.

A

I think things are playing out about what we expected at least on the chip side. So, how can give an update for everyone there? And I think, John, maybe you can portray what we're seeing on pricing both through the use side in Ford Credit and the new side especially in North America.

John T. Lawler

Chief Financial Officer, Ford Motor Co.

A

Yeah. Thank you, Jim. As Jim mentioned, the chip shortage is really playing out very much in line with our guidance. And as you alluded to, Ford had exposure to Renesas in terms of the fire that happened in the Naka facility. Renesas is back up and running. They're trying to ride up that ramp curve. We expect Q2 just like John stated is going to be the trough. We're feeling it between now and next month. And then we'll see a slow recovery in the back half and then we'll see a slow recovery in the back half of the year in line with the guidance that we gave you.

A

Right. Yeah. And right now, we're sticking with the guidance we gave, \$5.5 billion to \$6.5 billion EBIT, cash generation between \$0.5 billion and \$1.5 billion. And in – right now, as Hau said, we're seeing how this unfolds. We are seeing strength in used car prices. We're seeing strength in new car prices. But at this point, we're not moving off of the guidance that we gave when we talked about it in Q1. And, of course, as we get into Q2, we'll have more to update at that time.

Lynn Antipas Tyson

Executive Director-Investor Relations, Ford Motor Co.

A

Okay. Thanks, John. Our next question is from Adam Jonas from Morgan Stanley.

Adam Michael Jonas

Analyst, Morgan Stanley & Co. LLC

Q

Thanks, everybody, and great presentation, great slides. So, it sounds like your EV business is targeting some pretty high margins. I respect that the 2023 target, the 8% for 2023 is still really a ICE dominated company, I'm guessing 90%-95% ICE still, so you don't have the full benefit of the EV mix and the services mix but it's starting.

But the 40% target of BEV by 2030, it really does imply some very high de-adoption of internal combustion. And I also find that de-adoption just from the amount of money you're spending on BEV and probably taken some reallocation away from ICE.

So, can Ford confirm that it is targeting a materially lower volume of ICE vehicles? Again, maybe not by 2023 but mid-decade, latter decade, a larger absolute number of ICE vehicles? And if so, might there be an opportunity for impairments or revaluation of these long-lived ICE assets that could impact your results? Thanks.

A

We – at this point in time, we're not going to gain to impairments and how we'll handle our legacy ICE business. But for sure, we see the ICE headwinds there, especially as we accelerate BEV into our really high-volume products in the middle of the decade. That's really when the BEV volume builds dramatically in scale. And that's going to have obviously a big impact.

But I want to emphasize one thing that Lisa mentioned in her presentation, which is, we're not looking at BEVs as fully one-for-one substitutional with ICE. It's not how we're looking at that. For example, the Lightning – we absolutely see the Lightning bring in new customers not just to Ford but to the full-sized truck business. As far as when that timing, how it works, I think how – Lisa would be best suited to answer your question, but at this point in time, I'd just like to emphasize the importance of looking at our BEV business as an opportunity for growth not fully substitutional.

A

Adam, I would just reinforce that this leadership team – this management team were focused to leading this electric revolution. What we mean by that is we're not taking a wait-and-see approach. We're not waiting with our fingers crossed that the regulatory environment will drive changes. We're going to lead it by delivering compelling products that are simply better solutions for our customers. The Lightning is a great example of that. We listen to our customers. They told us they don't want a polarizing design that's at the expense of functionality. They are not looking for driving modes that are gimmicky that they will never use. They want smart, intuitive solutions that will help them work smarter and be more productive, and that's what we've delivered. And if we do that on 40% of our product line up by 2030, we expect that to be accretive to our business. So, that's the way we're thinking about it and that's how we're focused as a team on delivering that.

Lynn Antipas Tyson

Executive Director-Investor Relations, Ford Motor Co.

Thanks, Hau. Our next question is from Emmanuel Rosner from Deutsche Bank.

A

Emmanuel Rosner

Analyst, Deutsche Bank Securities, Inc.

I was hoping to understand a little bit better your EV platform strategy across the various regions. Starting with North America, so you spoke about two dedicated EV platforms. Just would love to understand better what you get to accomplish through two platforms that, you know, wouldn't be doable with just one like other global automakers may have started developing? Curious also what is the plan for EV platform in China to cover the Chinese EV market. And then you mentioned very quickly in passing [indiscernible] 01:59:07, you know, learning

Q

from their experience as a startup, could you just be a little bit more specific in terms of whether there will be some, you know, products based on their platform.

A

Okay. Emmanuel, thanks for that question. I think the platform and architecture strategy that we shared really underscores our ambition with battery electric vehicles. If you think about, for today, you know, our annual sales of roughly 5 million vehicles, we serve all of those diverse customers across markets and geographies with five architectures. So, if our future is really leading this electric revolution and we're going to have 40% of our sales volume by 2030, we don't think it's realistic to try to take a one-size-fits-all solution because our customer needs are so different. A full size pickup truck owners, commercial customers, SUV drivers, all those customer requirements are very different.

yeah, SUV drivers, all those customer requirements are very different. What I can tell you is Ford is a master at maximizing flexibility and bandwidth coverage. This is why we cited our C2 architecture, the fact that we can meet all of those requirements, right? From the focus, a, yeah, customer in Europe, all the way up to a Bronco Sport customer in North America, with the same underpinnings.

So, the two architecture approach we feel is a very efficient way to go to market, that balances, meeting all the diverse customer requirements and giving us all of the back-end efficiencies. In terms of our approach with Rivian, it's a strategic partnership. We're working very closely with our team, they have their heads down, with all the products, the work statement that they have, but we are working in parallel to think about opportunities for us to leverage the learnings there, as well as their products to help us meet our customer requirements going forward. So, nothing to announce at this point in time, but the relationship is a really good one.

James D. Farley, Jr.

Chief Executive Officer & Director, Ford Motor Co.

A

And then in China, the heart and soul of Ford's – and Lincoln's strategy in China, as John said, is really that two and three row crossover space. We're now doing incredibly well with Lincoln in that space. On the ICE side, we launched the Mach-E later this year. So, one of those two platforms is absolutely perfect for Lincoln and the Ford brand in China, where we'll grow our volumes with lots of new two and three row crossovers.

A

Okay. Thanks, Jim. Our next question is going to be from Dan Levy from Credit Suisse.

Dan Levy

Analyst, Credit Suisse Securities (USA) LLC

Q

Hi. Good morning, everyone, and thank you for the helpful and insightful presentation. I think it's clear that the redesign of your business is really enabling you to fund these – all these growth initiatives.

fund these, all these growth initiatives. So, maybe you can help us understand, maybe some scenarios. If the redesign shows upside, what does this enable you to do on funding of initiatives that may be isn't your plan today, is it more vertical integration, is it other ancillaries, where could you go deeper? And then on the flip side, if the market flows or there is issues on the redesign, it doesn't work out as planned. How does that impact your

[indiscernible] 02:02:27 spend on growth initiatives? And then maybe you could just give us a sense of how the dividend may factor in to all of it? Thank you.

James D. Farley, Jr.

Chief Executive Officer & Director, Ford Motor Co.

A

Great. I'd like, John to answer most of that. Obviously, the redesign is a must for us. And it – as any professional team, we're going to have scenario planning on both sides of that. But our Ford+ plan is our plan. So if there's upside in the turnaround, we're going to invest more in everything we explained to you. We're going to accelerate and invest more in advanced electric architecture, of a wider band of family of digital products, new capability in the company, vertical integration in key areas that you can imagine as we go to this digital future. And we will do everything that is required to turn the base business around.

John?

A

Yeah, Jim. I think that's key is we are completely committed to improving the core business to generate the cash to invest in our growth initiatives. And as we do that improvement, if we're better than our plan, we have an upside scenario, we'll invest more. It could be vertical integration. It could be through the value chain for battery electric vehicles, right? There's many opportunities that we can look at and we are looking at.

Now, if we see a downturn and things are worse, we're going to double down on improving the business and we're going to do everything we can to continue the investment in our growth initiatives because that's our future. And I think, Jim, the other day you said to me, you said when we were talking about the downside scenario, you said, well, you better figure out how to sell a furniture because we're going to continue to invest.

So, we're pushing ourselves and looking at both scenarios. And, personally, I like the upside scenario much better but we're going to prepare for both. But our plan, that 8% EBIT margin, generating strong cash flow from those improved margins in the core business, we're completely committed to delivering that so we can invest in this growth and give strong returns for our shareholders.

Lynn Antipas Tyson

Executive Director-Investor Relations, Ford Motor Co.

A

And then, John, the dividend question?

John T. Lawler

Chief Financial Officer, Ford Motor Co.

A

Right. So, the dividend has always been an important part of our total shareholder equation. It has been for the time of Ford. And we have a lot of shareholders that are interested in the dividend. Now, we're investing in improving the business. We're investing in growth. But we see the strength of the business generating the cash flow that will allow us to reinstate a dividend as soon as it's practical, and we're focused on that. And that's important to us so that we can have a total equation on shareholder value, stock price appreciation, a dividend, and that will satisfy all of our shareholders. And that's important to us.

Lynn Antipas Tyson

Executive Director-Investor Relations, Ford Motor Co.

A

Okay. Thanks. Thanks, John. Our next question is from Mark Delaney from Goldman Sachs.

Mark Delaney

Q

Yes. Thank you very much for taking the question and for hosting the event today. The company has demonstrated very good EV products between both the Mach-E and now the F-150 Lightning, but the company is announcing the plans to do the flexible EV architecture of the battery joint venture at a little bit later than some of your competitors. Can you talk about how you expect your cost structure in EV to be comparable to peers, and can you match or perhaps even exceed those competitors when you think about factors like perhaps Ford's been working on some of these technologies just in the background? Can you talk about some of the new technologies you're trying to bring into batteries, but then also some of the opportunities outside of the powertrain like 02:05:55 materials that you spoke about?

A

We are so excited about – to get this question. Thank you so much for asking it. Hau, I'd like you to really focus in on what difference – how are we different.

Hau Thai-Tang

Chief Product Platform & Operations Officer, Ford Motor Co.

A

Yeah. Thank you so much for the question. I think there's a perception out there that batteries are a commodity, and there's so much scrutiny on the costs which is important as Lisa underscored earlier. But I want to talk a little bit about the battery chemistry.

As Jim mentioned, in the first inning of this journey, you know, we had the luxury of working with the best suppliers in the world. We work with the best Japanese suppliers, Korean suppliers, Chinese suppliers, and we have a really good understanding of the state of the art. We couple that with the resources that we have internally and Ford Ion Park. We know exactly what the state of the art is. The battery that we're bringing to market, Ion Boost, is simply the highest energy density of its type in the world. It has a nickel cobalt manganese chemistry for the cathode that has 88% nickel. And this is a breakthrough. It increases the energy density, which by the way, helps costs because cost is measured as dollars per kilowatt hour.

But more importantly, something that's not being talked about enough is quality and safety. Jim, Lisa, and I had the chance to walk their line in manufacturing process. We understand from the struggles that we've seen as an industry on launching battery electric vehicles where the potential failure modes are. And we're so comforted by the immaculate safety record of SK, our partner, as well as the processes and manufacturing steps that they've put in place to ensure no contamination, high quality, really good repeatability in terms of stacking of the cathode and the anode. So, we think Ion Boost is game changing. It's differentiating, and we're certainly not disadvantaged versus anybody else in terms of the economics.

A

Yeah. Thanks, Hau. And clearly, we put the F-150 franchise in the hands of this cell. And there's no better cell out there as Hau mentioned. But even just as important was the cost of that cell because we're going to scale that F-150 Lightning and the cost had to be where we needed it. And through great work with SK, we believe we're highly competitive in the mid-decade and under \$100 a kilowatt hour at that pack level. And frankly, every day, every

week, we're generating more ideas whether it's at the pack level, the array level, the six layers of the cell level, I mean we don't – we can't go into a battery day here today, but you know, we're in all of those areas that we need to be in, and we're very excited. We'll be at \$80 a kilowatt hour at that pack level by the end of the decade. And again, it's both the quality, the performance of this SK cell, but also their ability to get down this cost roadmap with us.

A

Okay. Great. Thank you. Thank you, Lisa. Okay. Our next question is going to be from Joe Spak from RBC.

Joseph Spak

Analyst, RBC Capital Markets LLC

Q

Thanks so much and thanks again, everyone, for all the information today. I had – my question was about the next gen pickup full-sized architecture and the new all-wheel drive [indiscernible] 02:09:08 architecture. Maybe I misinterpreted, but it kind of sounds to me like gen 2 of the Lightning and the Mach-E architecture that you just have recently unveiled. So, I get that you obviously need to continually improve. It sounds like a maybe a quicker than typical change. Maybe you could clarify the timeframe on that. But what would it be like to hear more about is the potential improvements and benefits on the gen 2 versus gen 1. It sounds like they're more scalable. It can maybe offer some more top adds that the first gen would not allow you to do. So, what did you learn from these initial platforms that's different and improved on the second generation ones?

A

You know, how we look at it is actually the biggest investment we're making in these platforms is actually the electric architecture. That's really the difference maker always on Ford+ plan, and how we'll go through – how we see the pros and cons and how that platforms are different from our first iteration. But from my standpoint, from our team standpoint, the timing of those ground-up optimized battery electric platforms is that they're digital products and we're tying them for the most advanced fully-connected vehicles that are fully updatable. And that is really the big bet for the company, not just the electrification.

A

Yeah. Jim is absolutely spot on. So, the real breakthrough is not so much the evolution of the architecture. We know how to do that. You guys can count on us to get that right in terms of maximizing the bandwidth and optimizing that commonality. What's really breakthrough is Blue Oval Intelligence. It's a full technology stack from the hardware all the way up through the software architecture in the vehicle as well as in our backend with our cloud and edge computing. And I'll just give you some facts. The technology stack that we're launching today on Mach-E, the Lightning F-150 will be available on Bronco. Compared to that, our next generation, we're increasing the compute power by a factor of 24. We're increasing the memory in the vehicle by a factor of 7. We're going to be able to have up to 30 cameras in the vehicles. All of these are building blocks to enable Alex and his team to deliver those wonderful digital solutions and services to support Ted and all of our general managers. So, that's really the driver behind the technology and the investment and the architecture that we outlined.

A

Thank you.

Our next question is from Philippe Houchois from Jefferies, please.

Philippe Houchois

Analyst, Jefferies International Ltd.

Q

Yes. Thank you very much and good morning. And thank you for very convincing presentation today. My question was trying to understand. You've done a fantastic job of using Ford Credit to support earnings and cash flow. Seems to me that credit rating takes a bit of a precedence over dividend possibly. Just trying to understand, as you grow Ford Pro, is the growth of Ford Pro going to be – now lead you to increase the assets based on Ford Credit? How capital intensive is going to be the growth of Ford Pro from where you are today and the implication potentially for distribution of the earnings to the parent?

And I was just wondering also, you talked to us about what you're doing with Google in the US in terms of connectivity and Baidu in China. Do you think that as a – from a consumer perspective will you be offering as much services to your Chinese customers as what you can offer to American consumers with Google? Or will your offer also with Baidu be on par with what some of the local competitors might be able to offer in terms of services and connectivity? Just wondering if that puts you a little bit of a disadvantage compared to your Chinese competitors in terms of consumer offer. Thank you.

A

Let me handle the last one first. So, the Ford team in China it's a completely digitally different ecosystem as you know in China than the West. And our team is already fully into this transformation of always on in China. We absolutely see the Baidu relationship is a game changer in terms of competitiveness locally in China, i.e. better than other companies. It is not a catch up strategy. It is a difference maker strategy. Just happens to be through a really critical partner that happens to be different in China.

So, it's still our Ford+ plan. Nothing's changing. It's always on. But absolutely Baidu gives us a chance to have a – an incremental experience for our Chinese customers, compared to our competitors. Now, the real opportunity for us as a company is – we believe the digital life of those Chinese customers on the retail side are ahead of the west. So the real opportunity for us is to take that know-how inside the company and those experiences and move them to the west using something like Google, or CarPlay, or Alexa, or many others. And that's the opportunity we have.

A

Yeah. I think up from Ford Credit balance sheet we don't see a significant change in the Ford Credit balance sheet. We feel we have optionality and the ability to work with Ted and fund Ford Pro as well as continue to service our dealers and our retail customers. So, I wouldn't expect or I wouldn't think about a big change in the size of our balance sheet at Ford Credit.

A

Okay. Thanks, John. The next question is from [indiscernible] 02:14:58 from Citi.



Good morning, everybody. Just two quick ones for me. First on the connected services opportunity, I believe a \$20 billion by 2030. Can you give us a rough split of how much of that comes from commercial customers versus retail customers?

And secondly in areas where attaining those opportunities requires added content up-front, such as in the case with BlueCruise, what's your appetite to perhaps meaningfully increase the attach rate for things like BlueCruise, even if you don't get paid back upon the initial sale of the vehicle, because now you have a much longer life and opportunities to capture revenue over the life of the vehicle?



Thanks very much. It's a great question. I'll answer them in two parts. So, first of all, I think you're exactly right. Our commercial customers demand us to have solutions that drive productivity and increase uptime. And as a result of that, when we deliver those functionalities through a service, they're willing to pay for it. So, we see a significant opportunity in the commercial space at a much faster rate than we do in the retail side of the business. And that's part of why Ted and I are partnering to really deliver software solutions for the Ford Pro brand. Those are things like driver coaching. Those are things like energy charging for depots, as well as home charging for when an employee charges their vehicle at home.

These are difficult to do, require integration into vehicle, and are differentiating for Ford. And because we own work, we are the natural winner of those spaces. So, I think it is clear that a lot of the £20 billion that I talked about here is directed at commercial services. And we have a lot of – we have a lot of excitement about that.

The second point though is we completely agree with you that BlueCruise is a transformative experience. BlueCruise for the Mach-E customers, we sold 88% of customers with the hardware already embedded and enabled for an activation later on. We think that that transformative experience is going to have long tails in our services strategy and we expect that the take rates will be north of 85 % adoption by 2030 broadly across our fleet.



Ok. Thank you, Alex. Our next question is from Jeffrey Lambujon from Tudor, Pickering. Welcome.

Jeffrey Lambujon



Good morning, everyone. Thanks for taking my question. I've got one on batteries and I guess more specifically manufacturing as As we think about Solid Power which looks like it's moving towards testing, commercialization, and as we keep in mind what you all talked about in terms of developing solid state internally as well, could you expand a bit more about the flexibility of manufacturing capacity over time? I know you talked a bit about being able to reuse a large portion of some of the CapEx, but we're just trying to get a better sense for how easy it would be to integrate new developments over time with the capacity you're building out especially as we think about the meaningful gains that could be had over the medium-term of solid state. Thanks.

A

Yeah. Thank you for that question, and this is clearly a key consideration with our strategy and it underpins a lot of the thinking behind the Blue Oval SK partnership. Look, in this business, the asset and capital intensity of battery manufacturing is very high. What we wanted to do was provide the business with the optionality and to really think about future-proofing the business. We've seen this play out, right? There's a large manufacturer in Japan that vertically integrated with nickel metal hydride batteries for hybrid vehicles. They made substantial investments, and then they were unable to switch when the market switched to lithium ion. They were among the last to change over. That was something we wanted to avoid.

So when we selected Solid Power, it was because they met all of the functional requirements in terms of energy densities, stability, the ability – durability over different charge cycles. But most importantly, it was because they were able to demonstrate the ability to scale up to a large format battery that we can actually use in automotive. And their manufacturing process is a continuous flow process that has very high overlap with the process that we're putting in place with our joint venture partner in the Blue Oval SK partnership. So, the ability to reuse those assets up to 70% gives us that optionality and future-proofs our business and allows us to maximize the capacity that we're putting in, so that's exactly the way we're thinking about it.

Lynn Antipas Tyson

Executive Director-Investor Relations, Ford Motor Co.

Okay. Thanks, [ph] Sam 02:19:44.

A

Q

Thank you.

Lynn Antipas Tyson

Executive Director-Investor Relations, Ford Motor Co.

Our last question is going to be from Jairam Nathan from Daiwa.

A

Jairam Nathan

Thanks for taking my question. First question was regarding what kind of subs – government subsidy environment are you assuming in terms of profitability and penetration? And secondly, if you could – can you just update us on how should we look at cash conversion and free cash flow over the long term? Are there any goals have you set for that? Thanks.

Q

A

Jim, do you want me to take the cash first?

James D. Farley, Jr.

Chief Executive Officer & Director, Ford Motor Co.

Yeah.

A

A

Yeah. Thanks. Great question. So, when you look at 2023, our 8% EBIT target, you should be thinking about a 50% to 60% EBIT to free cash flow conversion target. So, I'd be in that range. That's what we're targeting and we're aiming to deliver.

A

And the 40% assumes today's, you know, sponsorship from the government all the current program. We're not assuming any, you know, radical change. And again, as Hau and Lisa said, that 40% is our intent in the company. We're capacitating that. That's a product range we've invested in. We're not waiting for, you know, governments to change people's minds. We're going to do that ourselves. That's why we've done what we've done on Lightning, [ph] leaning 02:21:04 to high volume segments that are profitable, where we have huge scale for the 50% that isn't electrified as Lisa said. That's our strategy. So, we're really counting on the current environment.

Lynn Antipas Tyson

Executive Director-Investor Relations, Ford Motor Co.

Okay. Thanks...

A

Jairam Nathan

[ph] Okay 02:21:18. Thank you. [ph] That's great 02:21:19.

Q

Lynn Antipas Tyson

Executive Director-Investor Relations, Ford Motor Co.

Thank you, Jim. Before we turn it over to Jim for closing comments, we have many thousands of people tuned in to this webcast, and we will be posting the respective sessions as soon as we're done with the Q&A, so you can re-watch them. A summarized Web deck will be posted at a later time A summarized Web deck will be posted at a later time as well as the transcript. But if you want to get information right now that was said in the presentations, I suggest you go back and look at each of the sections, which will be up as soon as we're done with the Q&A session.

So, Jim, it's all yours.

James D. Farley, Jr.

Chief Executive Officer & Director, Ford Motor Co.

Okay. Well, thank you so much. And, Lynn, I want to personally thank you and your team for an amazing job to really bring our Ford+ plan to life for everyone. Just terrific. And I want to thank all of you for spending this time with us today. It's a big deal for us. We don't underestimate the challenge of fundamentally transforming a company like Ford. But I could tell you, this is the team. We have the conviction and the know-how to get this done. It starts with running a great day-to-day business that generates strong profits and cash flow needed to fund this terrific growth plan. I'm most excited about what Ford+ means to our customers. A new, much better experience that pairs those world-class, iconic and, we would say, passionate vehicles with a whole new connected human center solutions that improve every day all the time, not just occasionally when you purchase.

We will have more than 33 million fully connected vehicles on the road by 2028 as we scale up quickly and offer benefits of the Blue Oval Intelligence electrical architecture to our customers around the world.

This of course means we must continue to build data and software expertise on a scale never before achieved in our industry. And we are excited to do just that, as well as integrate a lot of new talent and partners into our storied company.

We've established Ford Pro, it's a big bet. It's a high growth, high margin commercial vehicle business that would be a Fortune 100 company on its own today and a Fortune 50 company just a few years from now on its own. Again, it's the best products paired with digital tools that enable those commercial customers to run their businesses more successfully. We are committed to leading the electric revolution in areas where we are strong. And we don't have to wait till tomorrow.

We have the Mustang Mach-E out today. It's sold out in Western Europe and North America. We have the Ford Lightning coming just a few months away, as well as the E-Transit by the end of this year. It's a great lineup. We continue to electrify our strongest franchise products. And you'll see this come to life in the near future.

We have developed an in-house R&D proprietary IonBoost technology and a manufacturing plan to deliver world-class batteries including solid-state by the end of this decade. This initial investment period in Ford+ will deliver lower costs, greater returns, stronger loyalty across our retail and commercial customers and eventually EV services. This is our plan and it's a very different investment thesis from our competition.

And it's all in the service of our enduring purpose to help build a better world where everyone, every person is free to move and pursue their dreams. We look forward to providing frequent updates as we continue to create value for our investors, all of our stakeholders in this storied and wonderful company Ford.

Thank you so much.

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