



**Ford Motor Company**  
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**Ryan Brinkman:** Okay, great. Looks like the webcast has started for Ford Motor Company. Once again, I'm Ryan Brinkman, the US automotive equity research analyst at J.P. Morgan. Thanks for joining us. Special thanks for Navin Kumar, the chief financial officer of Ford Pro. Navin, thanks for coming back to the conference.

**Navin Kumar:** Happy to be here. Good afternoon, everyone.

**Ryan:** I'd like to start by asking around capital allocation amongst Ford's various segments. You last spoke at this conference two years ago. While only one quarter had passed between the May 2023 Capital Markets Day and the conference, already it was clear that Pro would far surpass its financial targets.

Management was looking, in May 2023, for Pro to generate \$6 billion of EBIT that year. You went on to do \$7.2 billion despite the UAW strike and an even higher \$9 billion in 2024, nearly triple 2022's \$3.2 billion.

Of course, almost as quickly as Pro came shooting out of the gate from the CMD, it became clear that Model e would conversely stumble, with that business now expected to not generate anywhere near the eight percent 2026 exit run rate EBIT margin that was so boldly predicted or targeted, I should say, at the CMD.

Given the vastly different segment performance as consumer demand shifted and Tesla reacted by slashing prices, Ford has made some adjustments, including the decision last year to scrap the three-row BEV crossovers for more higher-profit Super Dutys. The question I have is, are we at maybe, potentially, another crossroads with all of this recent regulatory change?

I remember Jim saying a few years back that the biggest benefit of the segmentation change that created Pro would be the information that it provided, not to investors, but to management, in terms of accountability and decision-making.

With Pro clearly Ford's highest-rate-of-return business, are there unexploited opportunities within Ford Pro or perhaps in adjacencies that can offer more attractive returns than in other areas of the business? Where do you estimate the biggest opportunities may lie if they give you more capital?



In a wider variety of vehicles, Class 5 through 7 trucks, vertically integrating upfitters, service centers, investing in software and services, all of the above? In some cases, maybe inorganic opportunities and adjacencies? What are your thoughts?

**Navin:** That's a lot to unpack, Ryan.

[laughter]

**Navin:** We'll go through it very methodically. It's a good place to start. In our recent earnings, we talked about allocating more of the company's capital to Ford Pro. Let's unpack what that means.

A couple of years ago, as Ryan mentioned, in our Capital Markets Day, we went ahead and segmented our automotive business into Pro, Blue, and Model e. That's driven much more transparency and clarity in where we're performing and generating value creation.

Ford Pro's performance and growth trajectory is a direct result of that focus and that discipline and prioritization of the commercial customers. This is why we're allocating more of our capital to Ford Pro.

Ryan, it's not just about allocation of capital. It's also about allocation of talent. We're putting our best talent where our biggest opportunities are. We're really excited that Alicia Boler Davis is joining our team as president of Ford Pro, starting in October. Alicia has a really deep and extensive background in scaling in complex industrial platforms, customer solutions, and software.

In Pro, we see growth opportunities both in the vehicle and services side. Each opportunity is rooted in delivering more value to customers because that's what comes first and foremost.

Let me start on the vehicle side. We have and will continue to invest and sustain and grow our vehicle and product and market leadership. We have the widest vehicle lineup of any commercial vehicle brand. We are providing customers the right tools to get the job done.

We're going to continue to invest in iconic products like Super Duty and Transit. By the way, Transit is turning 60 this year, so happy birthday to Transit. Also, in Europe, we recently launched our all-new Transit Custom, and the Ranger is all new.



Then the second place where we're prioritizing and accelerating investment is in our software and our physical services. Our physical services is facilitated through our partnership with the dealers. What we've seen in the last few years is a real validation of Pro's go-to-market strategic thesis.

We are really boosting productivity for customers. They're able to do much more with our vehicles. For us, it's higher-margin recurring revenue streams that drives loyalty and global share of wallet.

What are we specifically investing in? We're investing in our digital fleet solution software, which includes telematics, service facilitation solutions. We're adding more product capability and functionality. An example of that is more vehicle command and controls for fleet managers to operate and manage their fleets. It's a key differentiator versus what's in the market today.

We're also investing in our customer experience. That includes our customer interfaces, customer enablement, customer onboarding. We have a bunch of solutions we provide, Ryan. We really want to simplify and streamline that experience for our customers.

Most importantly, we're really investing in our people and the data and the processes and tools to support them. As this connected vehicle installed base grows, we are developing and enhancing our services to add and continue to add more value to customers. That's really the flywheel. We're now seeing that flywheel grow in scale.

You alluded to acquisitions and just inorganic opportunities in general. Absolutely, in Pro, we look at opportunities to grow the business as well as accelerate that flywheel. We do have a track record of doing this, historically.

Our joint venture, as you know, Ford Otosan, operating in Turkey, that provides our whole Transit lineup for the European market. We recently launched Transit Custom. That's providing customers with powertrain choice - ICE, PHEV and BEV. It's doing really well.

We're also starting to generate industrial scale, as we recently launched that platform for our alliance partner Volkswagen. That's going to improve costs.

On the services side, we recently, a couple of years ago, acquired a charging company that rounded out our product solutions. We have partnerships with software providers so that we are providing our solutions for our customer's whole fleet, not just Ford vehicles.



To summarize, we're going to continue to look at acquisitions and inorganic opportunities that can grow the business and generate higher returns. Most importantly, we take a customer lens, first and foremost, to these choices. Does it drive a better, faster, and/or more differentiated execution that can enhance value for the customers? That's the priority for us.

**Ryan:** Thank you for that detailed response. Maybe to move next to the demand environment for light commercial vehicles in the U.S. and in Europe, Ford Pro has relationships with more than 125,000 commercial and government fleet customers in North America, plus thousands more in Europe.

Unlike on the retail side of the business, fleet customers will often order their vehicles months in advance. You're constantly conferring with a multitude of small, medium, and large businesses, providing great insight into their current thinking and forward plans.

I'm curious, as you engage with these customers, what is their view of the economy? How do you assess their confidence amidst the various moving pieces, with regard to tariffs, geopolitical tensions, the recent tax and spending bill, the direction of interest rates, etc.? What trends are you observing in the vehicle orders that they're placing with you?

**Navin:** Ryan, what we're seeing is a mixed picture, but a key strength of Ford Pro is the diversification of our customer base, which allows us to find opportunities to mix vehicles and services into areas that are growing.

To answer your question, I am going to deconstruct the U.S. and Europe. In the U.S., we're seeing demand hold up overall, but it's especially in sectors that are tied to long-term secular investment.

Broadly speaking, when it comes to macroeconomic policy, interest rates, and tariffs, our customers and us are watching that really closely, but the fundamental demand drivers for work vehicles remain solid, including sectors like non-residential manufacturing, service trades, and vocations.

In Europe, we're seeing the market soften and weaken. We're seeing that in areas like, in particular, manufacturing. However, our strategy is working. Year to date, Ford Pro Europe has grown market share and volume in a declining market.

We've done this on the strength of our fresh product lineup, including the all-new Transit Custom,



which reviewers and customers are saying is the best in the segment. When it comes to order rates, our model year '25 order rates were in line with expectations. We recently opened up model year '26 order banks, including for Super Duty.

We'll know more in the coming months, but we feel really good about our execution and our strategy. We're focusing on profitable and sustainable growth. We're prioritizing really capable variants of our vehicles, like our chassis cabs and wagons, that really drive and unlock a lot of value for customers.

Really, to summarize, this market really plays to our strengths. The real diversification of the customer base and the use cases we serve, from a plumber that operates a couple of vehicles in their fleet to a large industrial conglomerate that has tens of thousands of vehicles...

That diversification provides stability and the ability to grow into areas that are exposed to favorable market trends and also de-risks us because of the diversification. There's economic drivers affecting one particular segment. We're not overly exposed to that.

Given we are growing and scaling our services, it's becoming very essential for our customers to keep their businesses running, and that drives stickiness.

**Ryan:** Thanks for all that color. I wanted to ask, too, on the industry pricing environment in the U.S., both Ford and competitors such as General Motors have called out softer pricing with fleet customers, particularly in more commoditized channels such as daily rental or segments such as delivery vans.

Certainly, some price moderation was to be expected as inventory recovered following a period of tremendous supply constraint. I'm curious, what is your take on the cause of the softer pricing? How have your own prices maybe tracked relative to the industry? Going forward, how do you expect or target your own prices to track relative to the industry?

**Navin:** Good question. I think you had some of it in the question, so it'll be a little bit of a rehash. The market on pricing has normalized, as we expected, as industry-wide inventories have recovered from supply chain disruptions. This has been anticipated. It's a sign of a more balanced market.

When it comes to pricing, we look at factors including the macroeconomic environment, the balance of supply and demand, industry-specific factors, vocational factors, as well as the



competitive landscape.

When it comes to pricing, we focus on net pricing, which has four key elements to it. There's top-line pricing, which includes MSRP, variable marketing incentives, and series and option mix with vehicles. What that means is we have multiple levers and dials that we work through and execute based on robust data and analytics, so it allows us to be surgical with our approach.

Then there are two elements I want to mention regarding our specific recent performance and the industry overall. Another element that goes into pricing is product launch timings and model year changeover. This year, our model year '25 was later than usual, which was planned and reflected our product cycle plan as well as our industrial platform actions.

In the first quarter, we took Kentucky Truck down for a few weeks as we retooled for the all-new Ford Expedition and Lincoln Navigator. Because of that, in the second quarter, we took very planned and tactical actions to reduce our inventory of remaining model year 2024 stock.

The second point is basically a little bit of what you said in your question. In the industry, not all fleet segments are affected the same way by the pricing environment. There's more competitive segments, like delivery and rental. We do sell vans into delivery.

That said, our core of our Ford Pro product lineup, our work-ready Super Dutys and our Transits serving vocations and trades and use cases like that, has been far more resilient.

As we grow our ecosystem, Ryan, and we're having customers attach more of our software and services, the conversation is actually evolving because they're starting to see the benefit and the savings, like thousands of dollars of fleet productivity savings per vehicle.

The conversation is evolving from being just about pricing to being about total value, total cost of ownership, return on investment. That's what really differentiates Ford Pro.

**Ryan:** Thank you. Ford's CEO, Jim Farley, he stated earlier this year, "Ford Pro is our largest competitive advantage." Let's maybe dig into that a little bit. What makes Ford Pro the company's largest competitive advantage?

Is it the vehicles, the software, the services, the dealer network, the customer relationships, something else, the flywheel effect of all these things put together? How do you ensure that Ford maintains its competitive advantage in this area?



**Navin:** We have competitive advantages and moats in vehicle software and service specifically, but the magic is bringing it all together. Really, it's about three interlocked moats.

The first one is the deep relationships our dealers and us have with customers. The second one is the vehicle lineup and the breadth of use cases we serve. The third one is our growing software services portfolio. They're all linked together.

On customers, our dealers and us have deep relationships with customers, hundreds of thousands of them, built over decades. To unpack that a little more, our dealers, they're based all over the country. They're geographically dispersed. They have really strong relationships with small and medium businesses that are the backbone of the American economy.

We've invested, with our dealers, in this network for a long period of time. That includes through economic cycles, unlike some of our competitors. The dealers, they provide sales and service, but they're taking that service to the next level with some of the capabilities of Ford Pro. The service is more efficient. It's a better customer experience.

The dealers actually generate the leads for most of our software and service business. The dealers are really enabling the flywheel we're growing and scaling.

The dealers are all in on Ford Pro. Since 2022, our dealers in North America have invested over \$2 billion into capabilities and the service network. That includes mobile service, dedicated physical service sites, and dedicated physical service bays. When you put that all together, our dealers' commitments to the commercial customer is longstanding, and it's a key competitive advantage for us.

Then building on that, our vehicle lineup. I mentioned it's the widest vehicle lineup of any commercial vehicle brand. Really, for customers, it's the flexibility to serve very specific use cases and needs.

Our partnership with third-party upfitters to modify these vehicles, that's a differentiator because we engineered these vehicles for that flexibility, our truck and van architectures. When an upfitter is working with us and a customer to modify the vehicle, they're not significantly disrupting the underlying architecture to do that.

When you put that all together, on top of that, we are growing our services ecosystem. It's about



the linkages where the magic really happens. On the software, having the service facilitation capability, it drives that virtuous cycle.

Our software, while it's also helping customers boost their productivity and their operations, it's identifying service events that we can proactively service. It keeps those vehicles running. That drives the flywheel and drives loyalty and retention.

Also, it's starting to drive vehicle conquest, too. We're winning more vehicle business in multi-make fleets. It really is everything together. We do have those specific moats by category, but the magic is bringing that integration together in partnership with our dealers.

**Ryan:** Thanks. Maybe let's talk about the competitive landscape then, perhaps to start with your core ICE business in North America and Europe. When you have, by far and away, the largest amount of share, upwards of 40 percent of commercial trucks and vans in the US, mid-teens in Europe, there's likely to be no shortage of challengers that are gunning for you.

How would you assess the competitive landscape, maybe starting with the core North America business, where you compete with GM and Stellantis and others, and then Europe, where you compete with Stellantis and Renault and Mercedes and I guess where you sort of compete and are allied with Volkswagen, too?

**Navin:** Great question. You've laid it out perfectly, because, really, to unpack the competitive landscape dynamics, it is a regional element because there are differences by region. Let's start with North America.

In North America, our competition includes those traditional OEMs that you mentioned and a few new EV entrants that were specific to EV. They're new, and they're specific to EV.

We're really confident in our strategy and execution because we provide a full lineup and support all customer use cases, whereas these new entrants are focused on delivery. We've even heard our traditional OEM competitors message a delivery focus in the last few years, too. That's one key difference.

There's two elements to this, also, in terms of differentiation in North America. Like I mentioned, our dealers are all in it with us. It's this integrated ecosystem that drives differentiation. Building out that service network, that can take years, if not decades, for a new entrant.



We'll continue to grow our offering and continue to differentiate with customers during that period. What we see from other OEMs is actually a more specific message oriented around software solutions and not the whole ecosystem and service. That is a difference.

Now shifting to Europe, we have more new entrants, including the Chinese, and it's a little bit more of a fragmented market. As I mentioned, we've been gaining market share and gaining volume.

That's been on the strength of our product lineup, providing customers with choice between ICE, PHEV, battery electric vehicles and also pairing that with an integrated services ecosystem, just like what we do in North America. We do see some of the new entrants be more vehicle-specific or use case-specific. That is a little bit of a difference in Europe as well.

Just a few other elements on Europe, which I think is really important. Our Pro Europe business is such a critical part of the Pro ecosystem overall. We've been growing brand market share in Europe for the last 10 years. A lot of our solutions in uptime, mobile service, we actually incubated those out of our European operation. Now we apply them in Pro in total.

That's been the beauty of our segmentation. It's not only driven focus, but it's brought these disparate teams that have been focused on customers and markets together. We're working together to serve customers. While the markets might be different in their competitive dynamics, the customer opportunities, the pain points they're addressing, they're very common.

**Ryan:** Thanks. Maybe to follow up on some of those EV comments, if we could revisit the competitive landscape on that part of the business, some of the newer BEV entrants, they never even really got off the ground, like Lordstown or Arrival. Others, such as Rivian and Tesla, continue to stick it out with their van and pickup offerings.

I think why there was so much enthusiasm around some of these ones that never really took up -- Nikola was briefly worth more than PACCAR -- was this idea that the change taking place in the industry would provide them an in and that they would have an advantage in making that pivot relative to Ford.

Do they have an advantage, or maybe, in a period of change, some of the relationships that you have, do they potentially even matter more? If they did have an advantage, is it enough to overcome all of the other aspects of your flywheel, you referred to it as, that may be superior and took you a long time to build up?



**Navin:** Ryan, I actually think electrification amplifies our advantages. A little bit about what we're seeing in the market. The EV commercial vehicle market is developing, but in the near term, we're going to see softness.

Really, for a commercial customer, it's a rational decision. It's not emotional. It's, really, math-based. It's focused on TCO and ROI. We see customers where this is really value-accretive.

I'll give you an example. Two days ago, I was watching a YouTube video. It was a small business owner. They have a F-150 Lightning Flash. They operate a mobile coffee shop. They got multiple benefits, lower service and maintenance. They were charging at home, so cheaper electricity than gas.

They're powering the whole operation with the vehicle, so they don't have to pay for a gas generator. They don't have to pay for those costs. That ROI is really, really accretive for that business.

There are going to be other businesses where, after policy changes result in tax incentives going away, the ROI may not be there. Some of these businesses are going to be very focused on sustainability and adopting EVs, but they may calibrate. They may have a different ramp based on math.

Another big factor for these customers is charging and charging downtime. As we unpack use cases, there's some use cases where that downtime does hurt the TCO and ROI. Think about a service technician who's paid on the hour and has to spend time charging.

Then there's some use cases where you could charge overnight. You could charge after hours, like sales fleets. Even with some of the changes that are coming, we see some interest in EV adoption and continuing that with customers.

For Pro, we took the same approach that we take to the ICE business to EV. We serve all customers, all different use cases. We have thousands of customers. That was our approach with the E-Transit and F-150 Lightning. That has driven our commercial market leadership in electric vehicles.

We've learned a lot. I've mentioned this before. We knew what we were going to learn, to some extent, but after you go through the gauntlet, it's way more learnings than you can imagine. This



is around charging, depot, home, public, energy services. On the service piece, the different intervals for ICE servers versus EVs because these customers are integrating the EVs into a mixed fleet.

Those learnings are really valuable. It really validated our one-stop approach to customers with electrification, vehicle software charging, financing and service, and taking it in a consultative approach.

Ryan, there have been customers where we've actually recommended not to proceed with an EV because the math didn't work and it didn't fit with the operations. There are others where they didn't appreciate it until you did the analysis. They're like, "Oh, this could fit really well."

The other part of our business is we're approaching this really flexibly because we know things can adjust and things can change. The great thing about what we've done is we actually manufacture our E-Transit in Kansas City on the same line as our Transit. We have these dials to adjust and flex as market conditions change, as policies adjust.

You don't see that with the other OEMs. Like you mentioned, those new entrants who are all in on EV, some of them who have left the ecosystem, some of them who are challenged now.

Some of our traditional competitors focus on one application delivery, so they don't have that flex. They're making their transitions at the moment, which is challenging. I feel we're really well-positioned for this market.

**Ryan:** Thank you. Next, I wanted to ask on what could be called the razor versus razor blade dynamic or the significant opportunity in aftermarket sales outlined at the 2023 Capital Markets Day. Certainly, if you can lead in this area, it could confer a competitive advantage, helping to sell more vehicles.

What really excites the investors in the room is the potential for aftermarket sales to benefit margin and returns while simultaneously also smoothing cyclical revenue and earnings, factors which could also benefit the valuation multiple.

How would you gauge your progress in the aftersales area, including relative to some of the big goals that were shared at the CMD, such as a substantial increase in software subscription, which in 2Q totaled 757,000, up 24 percent year over year, up 90 percent since the CMD, and in other areas, like improving your aftersales parts attach rate from 34 percent to over 50 percent?



You also shared the goal of 20 percent of Ford Pro EBIT coming from the sale of software and services by 2026. Haven't heard you comment on that since then. Where do you stand along all of these various different lines? Where could you see it ultimately going?

**Navin:** We're making really good progress, but like you mentioned, we have sizable ambitions, so we got more work to do. The aftermarket for us, which is parts and software, it's such a key critical part of Ford Pro, and it's one of the core enablers for that integrated ecosystem to continue to enhance value for customers.

From a customer standpoint, our north star is vehicle uptime. If the vehicle is not running, the vehicle is not generating revenue. It's not generating business for the customer. Everything we do from a product, brand, go-to-market feature offering standpoint, it's all in service of that north star.

To think about the aftermarket, there are three elements that really drive to get to those metrics. The first one is service capacity. The second one is being efficient with that capacity, driving throughput. The third one is orchestration, leveraging software of that capacity.

On each one, on service capacity, we're making really good progress. I mentioned we're accelerating those efforts. We have over 4,000 mobile service vans in operation. We have over 65 dedicated commercial service elite centers. We're targeting over 100 in 2026.

We're making good progress. We're on target there. That capacity, once it's in place, does also take a little bit of time to ramp to full utilization.

The second piece is working on optimizing that capacity and driving real throughput. That's a real part of that step function from the 30-ish percent to the 50 percent.

We are working on a bunch of digital solutions, capabilities, technician training, footprint optimization in partnership with our aftermarket division, called Ford Customer Service Division. Pro and FCSD are very much tied together working on these initiatives. We feel really good about our progress and trajectory there.

The third piece, which links to the software -- that's the piece I'm really excited about -- is leveraging the software solutions to drive more robust service facilitation. You mentioned the over 750,000 software subscriptions. That's up nearly 25 percent year on year.



Underpinning that, we have telematics dashboards and digital fleet management solutions for small and medium businesses. Those subscriptions actually nearly doubled. In those subscriptions, when we look at the parts attach rates that we get, it's significantly higher than the base population. We're already hitting above those 50 percent thresholds with many customers.

That's because it's helping orchestrate and facilitate service in a more optimal way for customers. From a customer standpoint, why go for an OEM part? It's about fitment, when you're focused on uptime and you know those parts fit with the vehicle. It's about speed of repair. It's about parts availability.

Leveraging software to orchestrate and link all that, tying it to the fleet operation, that's where the magic happens in this ecosystem. We're making good progress there.

Specifically on the question on the progress, that 20 percent target, we are at about a little over 16 and a half percent, today, of our profits in the aftermarket coming from the aftermarket for Ford Pro. It's such a key part of our business to make our double-digit margins more durable over a longer period and de-risk some of that cyclicity. We're on that trajectory to the 20 percent.

**Ryan:** It's a lot of encouraging progress in that area. I'll end by asking on Oakville. There was a lot of positive investor reaction to the decision last year to allocate highly profitable Super Duty production there, beginning in 2026, rather than another loss-making EV. That was before the election and all that has transpired since then, including the 25 percent automotive sectoral tariffs.

There seems to be a strong argument for reducing the tariff after the UK, Japan, and EU were subsequently granted lower rates, although it's hard to know what will happen. Even if the rate were ameliorated, I suppose there's still what seems to be elevated risk around the six-year USMCA review in July of 2026.

Commerce Secretary Lutnick was quoted on July 21st saying, "I think the president is absolutely going to renegotiate USMCA. He wants to protect American jobs. He doesn't want cars built in Canada and Mexico when they can be built here at home."

Finally, there is to consider that while the presidential administrations come and go, President Biden, in his four years in office, he did not revoke the Section 232 steel and aluminum tariffs that were imposed by Trump in his first term.

How are you thinking about all these things? Can you really move forward with a \$3 billion



investment in your most important product amidst the current level of uncertainty? Have you paused construction or taken any other actions so far? Are there any good backup options?

I've heard management say you're pretty much maxed out on capacity in the US. I don't know. Could you pull a less profitable product from a US plant to make room for Super Duty, similar to the decision with the BEV crossover, or maybe take advantage of some of the new capacity coming in place in West Tennessee, etc.? What do you think?

**Navin:** Let me unpack that. There's market and demand factors. There's policy. There's operational footprint and flexibility. Let me go through each one.

When we made that decision last year to invest in Oakville, what we saw was significant unmet demand in the US, but we also saw unmet demand in Canada and other markets. I'll break that down.

Then on the policy side, we factor in tariffs, trade agreements, incentives, all into those calculations. You have dials there, too. On the market piece, in the US, we continue to see opportunity to deepen our market position, especially in sectors that are, like I mentioned, exposed to the long-term secular investment opportunities, like data center infrastructure, trade vocations.

We see those opportunities. We also see some unmet demand for high-series mixed product, like Lariat, Platinum Plus, King Ranch. In Canada, that's an opportunity, with Oakville, to grow and grow efficiently.

We're the market leader in Canada. F-Series has had market leadership for the last 59 years. The product really does well in applications unique to the Canadian market -- think operating in oil sands -- where it's really durable and robust. We feel really good about that piece and that flexibility.

We're seeing more inbound interest come from international markets that could be fulfilled out of Oakville. This includes the Middle East, Australia, South America. From a market demand standpoint, we feel really good about it.

We're all in on America. Over 80 percent of our manufacturing is done in the US. We're all in on our footprint in Kentucky and Ohio with Super Duty. We feel pretty good about that and our positioning there.



What Oakville also does for us that's super-important to understand is the operational flexibility. We've felt this in Ford Pro. If you look at our Super Duty launch in 2023, that took Kentucky Truck down for weeks at a time. That was probably a billion dollars of profit we left on the table.

This year, I mentioned we retooled Kentucky Truck for the all-new Expedition and Navigator. That also took us down a little bit. Having this Oakville capacity and that flexibility, that's really valuable for our fleet customers as they're planning their volume and want to ensure they get volume continuity through seasons in the year.

To summarize, we feel really good about our Oakville plans, both from a market demand standpoint, certain policy levers we have, factoring in tariffs, trade agreements, incentives, as well as that operational flexibility. That's big for us because when these plants go down, that's just lost market opportunity.

**Ryan:** One of the advantages, too, wasn't it to free up more space for those chassis vehicles to become dump trucks, cement trucks, pararescue? The section 232, I think it only applies up to 6,500 pounds. Are those over 6,500 pounds? You could make those in Canada instead of in Louisville? How does that work?

**Navin:** Our Super Duty chassis are typically over 8,500. We have levers there that we look at in policy. It's not just on that. It could also be on compliance and emissions. There's some opportunities there, too.

**Ryan:** Sounds reasonable. Any questions from the audience? One up front, please.

[pause]

**Audience Member:** Want to follow up on Ryan's question about Europe. Both Renault and Stellantis came out and said increasing commercial pressure didn't blow up, but seriously negatively impacted their second quarter and their full first half.

I know you're doing well on volume and sales, but can you go in a little more depth of what's going on with the pricing dynamic as we go into the second half of 2025 in Europe?

**Navin:** I'd say two things. There are pricing competitiveness in rental and those fleets in Europe. It's similar to the commentary you gave in the United States. The other element is on electric



vehicles and the competitiveness there. You're seeing some pricing softness in the EV space overall.

What Europe has done with the three-year CO2 averaging, that provides some better balance versus where customer demand is. That's driving a lot of the pressure because all these different OEMs are putting EVs into the same channels to meet compliance. That's a big part of the pricing dynamics that you're seeing.

**Audience Member:** You don't break it out regionally anymore. Would you say Europe, structurally, Ford Pro is [inaudible] a margin standpoint, '24, '25, '26, any sense of how that progress is evolving in the European margin of Ford Pro?

**Navin:** We don't break it out, but some of the puts and takes is we've grown our volume and we've grown our share. That's positive. We also produce out of Turkey, the van lineup. In Turkey, we've seen inflation and exchange. There was a bit of a dislocation, so that's driven higher cost from us for us.

That's normalized a little more this year, but we're focused on our costs in Turkey, similar to our cost structure in the company overall. We actually work really closely with our joint venture partners on how to optimize those costs, as there has been a little bit of a higher water level of costs coming out of the Turkey market.

Because our footprint's a little different from other European OEMs, I can't comment on the rest of them, but that's the puts and takes on our profit. We're growing, and we're getting that scale. At the same time, it's a little bit of a higher cost base coming out of Turkey.

**Audience Member:** Thank you.

**Ryan:** Was there another hand raised over here? We're all set? In the back. This will be our last question. Thank you.

**Audience Member:** It was touched on earlier about some of your relationships with upfitters and potentially room for integrating and bringing those in-house. How do you gauge that? What is some of the calculus before you make that decision?

**Navin:** That's a good question. We could spend another 35 minutes talking about the complexity of upfitters and engineering requirements. We view it in a couple ways. One, it's making sure our



partners have the right standards for quality and tracking everything through the system so that our customers are getting the vehicles when they're expecting to get the vehicle.

We do that in really good partnership with our upfitters. We've put in new standards now, which is really effective. For us, that helps manage our working capital and efficiencies for some of these pools where we keep some of these vehicles as they get upfitted. That's one piece.

The second piece is, as we deconstruct upfits, when you get into more complex body modifications, that's a pretty fragmented and complex industry. It's really more of a partnership model.

In areas where it's more, call it, racks and bins and things that could be easily accessorized, we do look at how can we do that in a first-fit way, right from the factory so that the customer is just getting that ready to go, so you don't have to go through the upfit process and those extra steps.

For some customers, they use vehicles in multiple applications. They're upfitting it maybe a few times a year. Think about putting a snow plow on in the winter and then modifying it in the summer. That's not going to work for everybody.

There are little niches where we're looking at, can we go more vertical to really help the customer and drive value for them? In some, it's really you got to work in an upfitter ecosystem because it's a local operation, they're changing the vehicles over, the application use cases. Those are things we dimension as we grow in the space.

[off-mic speaker]

**Navin:** That's the right place to go, racks and bins, trades packages that are coming off the plant. Bedliners is a perfect example, too. We do bedliners as accessories also.

**Audience Member:** You're saying you're more inclined to bring those services in-house?

**Navin:** Yeah. Some of that is in-house today. We actually have trade packages that we have in market. We are doing that now versus we weren't doing that a few years ago.

**Audience Member:** Thank you.

**Ryan:** Great. That's all the time we have. Please join me in thanking Navin for his great insight.