

Ford Motor Company

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Adam Jonas: Good morning, everybody. I'm Adam Jonas. I head up Morgan Stanley's Auto and Shared Mobility team, and moving into a new role, focused on robotics and physical AI. But I do have the distinct pleasure of hosting companies in the auto industry at our 13th annual Laguna Industrial and Autos conference. I'm delighted to have, representing Ford Motor Company, Navin Kumar, Chief Financial Officer of Ford Pro, and Michael Aragon, President of Integrated Services.

We're going to have a fun discussion about how Ford is transforming into just a seller of unconnected vehicles and more of a curator and fleet operator and service provider for an integrated software-defined, software-enabled and delivered services and recurring revenue. That's a pretty big change. So, we're really delighted to have you here at this awesome time, historic time.

Mike, maybe just to start with you, you joined the company in – was it March? Or May?

Michael Aragon: Yes – March. March, yes.

Adam Jonas: March, OK. You had a – 25 years of experience outside of Ford in a variety of tech and digital strategy roles, most recently with Lululemon Athletica, and you ran their Athletic division, and Mirror. It's a pretty cool – but we'll ask some fitness questions a little bit later.

Michael Aragon: OK – all right.

Adam Jonas: But what specific aspect of the Ford Pro ecosystem or any other parts of the Ford business that you're in contact with as you keep integrating – what aspect of the business presented the biggest challenge, or you say, presents the biggest challenge and of course at the same time, opportunity, from your perspective, to transform the company?

Michael Aragon: Yes, well, I appreciate the context on my background. As you mentioned, I've been at this intersection of hardware, software and services for the entirety of my career. And one of the things that I've learned that was very consistent is, if you build great services and platforms, that there always were these really positive benefits in other parts of your

ecosystem. And so, when I was – I was early PlayStation Network, when we saw people play video games, when they chatted, when they watched videos, LTV was higher.

I spent a few years at a company that was a very important part of the Amazon ecosystem. It was Twitch, but we were a feeder for the Prime ecosystem. Same behavior there.

And so, for me, what I was really interested in is, Integrated Services as a standalone were profitable or growing, so that's great. But for me, the real unlock was figuring, could we drive similar behaviors, benefits across the ecosystem, using software as an engagement and loyalty engine.

And so, one number that stood out really early as we were having our early conversations and when you look at the average Pro customer, their post-vehicle purchase attach rate for parts is about 35%. But when they use our –

Adam Jonas: Physical parts?

Michael Aragon: Yes, physical parts. But when they use our services, they're active subscribers, that percentage jumps up by 20 percentage points. And then on top of that, they're spending more.

So we had an early indicator that there's this behavior where good service, good digital engagement, can lead to those positive things. So, you know, I'm excited that my job is to come in and try to put more gas on that – figure out what other features will add to that flywheel, because I think what's exciting to me, and what I – the reason why I joined was, I believe I can build a very profitable business for Ford. That's great.

But the real value is, if I can drive parts and service, which are much bigger than where we are today, and also very profitable, that really is the unlock for Ford.

Adam Jonas: Honestly, one of the secrets – again, having three decades looking at autos, and you don't break out the profitability, but the parts and service business, round numbers – maybe, then, tell me if I'm wrong here, high level, but tends to be around 5% or 10% of revenues but a much higher percentage of profitability, the margins on the parts. And that's even selling into the layers and layers of distribution channels and in the retail channels.

Navin Kumar: So, Adam, (inaudible). The only thing I'd add to that is, in our second quarter in Ford Pro, we do release an after-market percentage of our total profitability, and that was, for the last 12 months, 17%. So you probably remember our capital markets day, where we said it was around 13%, and we have a longer-term target of 20%, so we are on that progression.

Adam Jonas: Well, what's nice is that you're recognizing kind of one of the – and I'm not just singling out Ford, the auto industry is – when you had unconnected vehicles, you sell the car and it's like, see ya later. And especially if it was a cash purchaser or a loan from a bank somewhere else, so you didn't really have that relationship.

Michael Aragon: Right.

Adam Jonas: Other than the financial relationship, but to have a – kind of it be more part of, all right, what's the need of our customers, how are you going to – particularly on Ford Pro, where there's just thousands and millions of different use cases and nuances. No one will know that customer better than you, assuming that you have the data and the relationship. So, this is great.

The idea of healthy tension in leadership is powerful. I call it productive anxiety, healthy tension. Depends on – my definition depends on who you talk to at Morgan Stanley. But could you share an example – both of you, Mike and Navin, how the team has approached strategic choices from different angles and how you've helped build the consensus around the decisions that you're making in terms of Integrated Services in the strategy.

Michael Aragon: Yes. So, when I – if I just put my Integrated Services hat on, obviously, my job is, drive margin software that we sell. But one of the early dilemmas that came up is, how do we deal with multi-make vehicles? So, Ford – a lot of our large Ford fleet customers have Ford vehicles, but they also have other OEMs. So how do we deal with that?

So, you just put your – sort of, siloed hat on Integrated Services, it's we've got to protect that. We would – you know, you wouldn't have multi-make, but if you believe that we should take a little bit of a hit on our margin, just to service our customers with other vehicles through telematics, but we're driving that higher service and sales ratio, that's a tradeoff that we would make every day of the week, because that's really what an enterprise thinking mindset should be, and that's, I think, something that Navin and I both share.

Navin Kumar: Yes, absolutely. A few things, I think. In Mike, we have a really great partner on those software related metrics, like usage, adoption, lifetime value, customer acquisition costs, margins. But then Mike is such a great partner because we can take that and also frame it from a bigger ecosystem standpoint, where we have dials across vehicle, software, service, financing, and it helps deliver a greater ambition and more value to the customers and to the bottom line.

And my role, Adam, actually, I'm the Chief Financial Officer of Ford Pro and Integrated Services, so I actually sit at the intersection of both, which really creates a natural bridge. Like Mike brings a really deep customer-first mindset from his leadership experiences in technology and digital media, and then I bring the context on the commercial industry, the Ford Pro strategy and go-to-market, and just how to execute for these customers who are really embracing our productivity solutions. So, it's a really good partnership.

Adam Jonas: And it's important that you're – since you're writing the checks and you're cashing the checks, that that relationship is tight and customer-driven.

How has – Navin, for you. Enter the Ford Pro Intelligence. Get – maybe review some of the latest trends in terms of how usership has changed over time, where is the growth coming from, from – in terms of key customer cohorts. Is it the large customers, or kind of versus your smaller, more mom and pop? And what would you say is the next biggest opportunity you're most excited about?

Navin Kumar:

Yes, Adam, I'd say the diversification of the customer base for Ford Pro Intelligence has been a key driver of growth. We are seeing strong adoption with small and medium businesses that are driving the economy. Just one metric. Our telematic dashboards and our fleet management software subscriptions, that's nearly doubled versus last year. And we're also starting to see adoption with larger enterprises.

And then, overall, with Ford Pro, customer diversification is such a key competitive advantage. We serve all fleet sizes, all vocations and end markets. And that provides a stability and the ability to flex the product offerings into end markets that are growing, like the trades, or end markets where there's long-term structural investment opportunities like data center infrastructure for AI. And so, it provides really good optionality.

And then, on sustaining that growth and pace, in my view, there are really four key opportunities, and we're making great progress on all of them.

And so the first, it really does start with the product and continuing to enhance the product to drive value and benefits for the customers and giving them time back. And a few examples is adding more service facilitation features into our software offering, as Mike was mentioning earlier, to drive that flywheel, and more proprietary in-vehicle control features, which is a key differentiator that third-party software companies can't provide.

What we have in-market today, it's limiters, like speed limiting, and also just general solutions so that we can inhibit vehicles from operating outside of a customer's work to be done, so it drives real uptime for those vehicles for those customers.

Second opportunity is bundling. Actually, Adam, you and I talked about this last year. We were early in our journey of bundling our software solutions together. And bundling drives a better customer experience. It also allows you to leverage the data from the telematics into the fleet management software to operate the fleets more efficiently. And this year, the high majority of our fleet management software subscriptions are being bundled with our telematics dashboard, so we're making really good progress there.

The third point is multi-make, like Mike mentioned, and really ensuring that our solutions can be used by a customer for their full fleet. It drives a good customer experience, they don't have to go use multiple different solutions, it opens up addressable markets, it drives stickiness and loyalty. And then over time, we have the opportunity to conquest if those vehicles are up for renewal and refresh.

And then the fourth point, which is really important, is, it's partnerships to enhance the offering. The next stage of growth really does involve partnering with market leaders to enhance the offering. The perfect example of this is our partnership with Geotab, which has been growing and expanding. So, we provide telematic data services and partnership with Geotab to large corporate enterprises, and Geotab provides this plug-in device, so that we can serve those small and medium businesses that have multi-make fleets, including non-Ford vehicles.

So, to summarize, it really is product. It is bundling, multi-make and partnerships. And when we bring that all together, that's going to sustain the growth we see in Ford Pro

Intelligence. It's going to open up more addressable markets, and it will really drive customer diversification.

Adam Jonas: OK, so as you get greater adoption and greater density of connected customers, and you get more data, and you learn more about how the tools, both software and hardware, help your clients, help your customers get better outcomes, how do you anticipate – or, how do already see it changing the physical requirements of what Ford touches in terms of fleet management and maintenance? How – is there – just drilling into your question, because as that expands, I'm wondering if you're, one, running into, hey, it would be great if we had more staging, or mega-fleet management, or hygiene or working or systems to work with your dealer partners and the upfitters differently than you have historically? Because that – is that unreasonable?

Navin Kumar: That is a reasonable premise. I think that – just to give a few examples, with upfitters, because you mentioned upfitters, we have new certification standards to really kind of drive efficiencies with upfitters so that customers have more transparency on when those vehicles are coming and where they are in that upfit chain. And that leverages data off the vehicles, (inaudible) just like on the service side.

And on the service side, this year we've improved repair order duration for Ford Pro vehicles by nearly 20%, and that's due to faster and more efficient repairs. But Adam, the input metrics of that are so important, because it's a combination of connected vehicles, software and proactive uptime monitoring solutions and the data underpinning that – bringing that all together, so that when a service event occurs, Ford and our dealer partners can be much more quicker and efficient with that service, keeping these vehicles running.

Adam Jonas: And how satisfied are you with how your dealer partners are keeping up with you? I'm sure it's – I'm sure there's a distribution curve, some might be moving at different paces than others, but overall, you see any changes in the dealer relations, or is it not a limiting factor at this point?

Navin Kumar: Overall, it's very positive. Our dealers are all in on Ford Pro. They're actually with us, accelerating investments in physical service and mobile service. And additionally, our dealers are actually generating the majority of the leads for our software solutions that we provide the small and medium businesses. They have been serving these customers with a local footprint for a long time, and so it's just a really, really tight partnership.

Adam Jonas: Great. Mike, Ford has spoken about the flywheel of value creation. We'd be interested in hearing any specific choices that you're making to accelerate that flywheel and grow Ford's share of garage – not just within Ford Pro, but your responsibilities also include Blue and [Model] e as well.

Michael Aragon: Yes, I would say there's three levers that we're looking at and pulling. One is, we have to solve our customers' problems, not Ford problems. And so, that – going back to that multi-make example, I think it's a good example of, we will trade some margin on my side to solve – you know, if we're solving a customer problem, knowing that it's going to drive the flywheel a little bit, of engagement and loyalty down the road.

The second part of it is, we want to solve problems before they happen, and so we spend a lot of time thinking about fleet safety, driver safety, in-vehicle controls, because we want to prevent accidents and help the fleet to be more – to help them be safer.

The other part is, we want to turn that check engine light into preventative maintenance, which is much cheaper, it's planned versus something that's disastrous, happens on the highway – you lose – it's not only more expensive, but it's also, you lose that – potentially lose a job. And so, we spent a lot of time trying to drive those types of efficiencies for our customers.

And then the last one is to keep it simple. In our push to get product out to market, which is a good thing normally – an example that I have is, we've got three different user interfaces for telematics, data services and our other software platforms. And so, what we're doing is consolidating all that to make it easier.

It's one of those concepts that I have where it's like it's a paper cut, it's annoying, but if you add all these paper cuts up, it really detracts from the customer experience. So that's an example of keeping it simple.

The other example that we just talked about is bundles. Right now, we have so many different products on the consumer side. We've got to make it – we've got to keep it simple. I just got back from the dealer summit that we have in Vegas. It's very – what is it, 5,000 of our dealers in Vegas for our annual event, and that's a theme. It's like there's just so many positive things that we can sell, but it's just so much. How we bring it, make the messaging simpler, and just reduce cognitive load for our customers, because there's so much that we're throwing at them in terms of options.

Adam Jonas: Mike, who do you benchmark on these kinds of things? Who does it well, either within the auto industry or another physical industry that you – either from your direct experience, or even observing and benchmarking external –

Michael Aragon: Yes, I think – you know, Tesla does it pretty well. I think a lot of the other vehicle manufacturers, I think it's kind of a similar, here's the different options and here's the checkmarks of what you get and you don't get. I think we want to take a little bit of a different look, maybe like a good / better / best option, and not really think about it in terms of silos of things. You get this thing – you get like this secure feature for this, you get BlueCruise for this other one. I do think of it more in terms of the Amazon model, which is, there's just maybe high-end features that you might want to put in the ultimate tier, and then as things get commoditized, which they will in the ADAS space, maybe it moves down into the middle tier or the lower tier.

So, I try to think about in terms of just value for the customer, which is different than what anybody else is thinking.

Adam Jonas: Imagine trying to buy an iPad or something, and they give you just a few strata that you do.

Michael Aragon: Right.

Adam Jonas: You can't – they don't want you to mix and match too many things. You get the efficiencies out of it.

But to both of you. At the end of the second quarter, Ford Pro had over 750,000 paid subscribers. You've also previously shared data like miles and hours driven with BlueCruise, your in-house advanced ADAS solution. What other internal metrics are you using to measure success, KPIs, that you can share with us today?

Michael Aragon: So, we run Integrated Services like a software platform, like we should, and so I'd say there's four categories that we look at. One is just adoption, so our customers signing up for your service. And so, one early indicator that I feel really good about is that for BlueCruise and the connected services – so we haven't talked a lot about on the Blue side, but this is a good Blue example.

Our take rates from dealers and customers is almost double from when I started. So, in the five months I've been here, we're seeing just a much higher take rate on those services at the order level. And so, to me, that's an early indicator that, OK, the installed base is starting to grow, people are starting to become interested.

Then the second part of it is really activation. So, once they have the hardware, are they – are you bringing them along on the journey? And I think one of the important metrics that I like to look at is just active, engaged users. And so, we've got 12 million FordPass customers, or monthly active users. That's important, because it's a way for us to communicate to our customers at scale. That's how we sell them BlueCruise if they didn't sign up for it on the dealer side. It's our way to engage with them on a daily basis. Sometimes it's just unlocking or locking your doors remotely, but there's other ways that we engage with them through having the diagnostics on that. So that's an important metric.

And then, engagement, as you mentioned. We've got 435 million BlueCruise miles. That growth of engagement is happening across both connected services on the Blue side as well as on the Pro side. So that continues to get better.

And then the final piece is just valuation and value. You know this, but LTV is an important metric. And you mentioned this earlier, but we are a 120-year company that's really been a transaction-based company – you sell the vehicle and then hope they come back in a few years. Now it's more of a daily based engagement.

And so, I like LTV because it gives me a way to help educate the company on – you know, churn is a very important variable within that calculation and so churn becomes – almost as an important conversation that you have as the acquisition side. And so, we look at that internally.

And then one other metric that I think is very important for us is three-year gross profit across hardware, software and services. And the reason why that's important is because I do believe the bigger unlock for us is not just running a profitable Integrated Services business, but it's driving those other parts of the flywheel. And so, I'm looking to see what – what things am I doing that has an attributable, measurable impact on those other parts of the business?

Navin Kumar: Adam, I agree with everything Mike said. Additionally, in Ford Pro, working with Integrated Services, we're doing much more robust pipeline management. So leading indicators like new logos, where companies that can be adopting our solutions as well as the existing companies really digging into that installed base – what's Ford versus non-Ford, when vehicles are getting refreshed, and when we can drive more adoption and utilization in that existing customer base plus that new customer base.

So, all your typical kind of CRM database management in that analytics, but it's a lot more leading indicators for a business where it typically has been historically more transactional on vehicle sales, and this is more lifelong partnership engagement and management. So, it's just really exciting to work with Mike and the team on delivering that type of apparatus to help grow the Ford Pro business.

Adam Jonas: On BlueCruise, what data have you disclosed (inaudible) you mentioned 450,000 miles –

Michael Aragon: Four hundred thirty-five million miles.

Adam Jonas: (inaudible) excuse me, 435 million miles. How many vehicles and take rate, or any other data behind the 435 million miles?

Navin Kumar: I'm not sure if we've disclosed all those specifics, but what I can say is that the adoption is growing, and there's a few ways we go to market. You know, there's customers directly procuring the solutions. There is the dealers ordering. And the dealers ordering actually in the retail space, Adam, is such a key leading metric, because we're seeing that increase significantly this year. So that means the dealers are getting comfortable with these solutions, educating the customers to the solutions, and they're getting more interest from customers in these solutions.

And so – and then in my view, you know, I had a background working in autonomy, and while the L2 and L3 and L4 technology stacks are different, getting more adoption in L2 and L2+ solutions gets customers more comfortable with higher performing ADAS and autonomy, and that really sets the stage for L3 and L4. So, we feel like we're in a pretty good progression.

Adam Jonas: So, Tesla has the hardware standard in all the vehicles? And then you just –

Navin Kumar: Yes.

Michael Aragon: Yes, right.

Adam Jonas: – or pay up front. Chinese vehicles – at least, the more the leading edge, the bleeding edge, the Xiaomi, BYD, etc., they put it in as standard equipment and then also include it in the price of the vehicle, increasingly.

Michael Aragon: Right.

Adam Jonas: And when – is Ford at a point, or are we soon at a point, where you can be like, look, every car is going to have the hardware. We're just going to put it in, because this vehicle has to be on the road for 10 to 15 years, and you won't – people won't want this – like, it will affect the residual value, and we don't want to retrofit it. So, are we at a point now

where a substantial majority, if not entirety of Ford vehicles can have the hardware just in there, collecting data, training and creating more service area with the AI and the robotics? And then, you know, with a look to flipping that switch?

Michael Aragon: For BlueCruise specifically?

Adam Jonas: Yes.

Michael Aragon: I would say we're not quite there, because the reason is, we have a different customer base than the Chinese customers. We have a lot of folks like my parents, who – they think they like all the technology, and then end up not using any of it. And so – and there's just also a trust factor, so we've got to continue to build trust across the board. I think every manufacturer has this challenge. So, there's this – an adoption curve.

And so, what we want to do – because it does cost money, is really keep it standardized at certain trims, keep it optional maybe in the middle trims and then on the lower trims, it's like these are cost vehicle, these are more of an economic play. Because we really want to be where our customers are right now, and I think – I like your – I like that you're bringing in the Chinese element. We've thought about this quite extensively. It's just such a different use case. It's a younger cohort. Many – most of it's a younger cohort. They're digital natives. So, it's a much different way of selling in China versus here.

With the Ford customer – yeah, we do have digital natives, but we've also got a lot of older folks who are kind of like, hey, introduce this to me at a little bit of a slower rate. So, we want to make sure we're respectful where our customers are at.

Navin Kumar: The only thing I'd add to that is, I think with fleet customers, we're starting to build some trust and engagement with BlueCruise. Certain use cases like salespeople and sales fleets, that's starting to happen.

But in fleet – and we saw this in electrification, too. It just takes time to integrate the technology into a fleet operation, ensure fleet uptime is robust, and gain trust for these solutions.

So, everything that Mike said really also applies to fleet, but as we're scaling BlueCruise and getting that adoption, we're starting to see fleet interest grow.

Michael Aragon: Yes.

Adam Jonas: Navin, how is Ford Pro Intelligence platform started to address needs outside of – let's say the kind of core transportation and logistics market. How do we see potential for the platform to play more broadly into commercial productivity space outside the vehicle?

Navin Kumar: Yes, that's a great question. Because we really started as a – with the vehicle, because that is our unique foundational competitive advantage. And now we have been pairing software and services, so we're starting to see more overall business productivity being delivered. And that always was our aspiration, Adam, to grow and scale a core operating system for business productivity and uptime.

So, on the vehicle side, we mentioned a couple of examples on service. Mobile service is a perfect example, because when you combine our digital solutions and our mobile service, we're starting to save customers hours and hours of time, which then they reinvest in their business, to grow their businesses, generate revenue and more productivity.

Some of those in-vehicle software solutions, like driver coaching and those proprietary in-vehicle controls, the driver coaching, it reduces safety incidents, collision incidents, optimizes insurance costs. But it's also just freeing up time for more technician productivity. And then on the control side, ultimately that just ladders up to, these vehicles are being utilized to get the job done.

Adam, you mentioned autonomy. One of the killers in an autonomy model is deadmouse, right, when the vehicle is rolling, and revenue is not being generated. That's exactly the same thing that happens in a commercial fleet. You want those vehicles to be operating and rolling with jobs to be done. So our solutions bring that all together, and you could drive real robust business productivity off that.

And like we mentioned on partnerships, we are also partnering to drive differentiation and specialization. A couple of days ago, we announced a partnership with ServiceTitan, who is – provides market leading software in the trade space. So, we're actually integrating our telematics data into ServiceTitan's workflows, and they have an application called Fleet Pro. So now their customers will benefit from real-time fleet tracking and monitoring, and vehicle health alerts off our telematics data.

But furthermore, they're actually going to take that data, Adam, and then combine it with their own data to track technician productivity, including flagging any discrepancies between a tech's timesheet and the GPS data off the vehicle, which is more accurate. So, what that does is, it helps customers be more productive with their techs and ensure that these fleets are actually being used in the jobs to be done, and not like side jobs that are independent. And that does happen in that industry. So it really just drives business productivity and uptime.

So, what we're seeing is, we started with the vehicle. We're pairing it with software and services, and now we're becoming more of a kind of a central hub for driving business productivity overall with our customers.

Adam Jonas:

We have time for questions from the audience, I'm just going to come up for air. We have a mic in the back. Don't be shy.

I will come back to you one more time.

Farley talks about Ford's role in helping to serve the essential economy in the United States earlier this year. And we'd be curious for your views on how does the end integrated client focus, you know, recurring always on consumer relationship you're building at Ford Pro – how does it empower the business to – it forms the backbone of our economy. How does it integrate there, and create a durable, competitive advantage for Ford? And something he – he kind of – he's been banging on about that for a long time, irrespective of the – you know, who's holding office.

Navin Kumar:

Absolutely. And I could take this one to start. But the – that mission is really the heart of what we do in Ford Pro, empowering small and medium businesses in the trades that are an essential and growing backbone of the economy. Like we mentioned earlier, for a commercial customer, time is money. And when vehicles are not running, they're not generating revenue, they're not generating productivity. So, our north star in Ford Pro really is uptime, and that relentless focus on vehicle uptime.

But when we pair vehicles with software and services, we're starting to get into more of a lifelong partnership with our commercial customers and clients. And helping them simplify their operations and really generate – you know, actually get time back to invest for growing their businesses.

So, in terms of durable advantages, there's a few key areas. The first is, Adam, we've been saying often, we have a one stop shop – vehicle, software, services, financing solutions. The nuances, we also provide tailoring and flexibility on that one stop shop. So, whether a customer wants a ICE vehicle, hybrid or BEV, whether a customer wants a specialized upfit with a certified partner network – we mentioned that earlier. Or they want software solutions for multi-make fleets, we've got them covered.

The second is, our market leadership. We are the market leader in commercial vehicles, and we have the most expansive distribution service network of any brand. So, when we augment that with these services and digital solutions, that just drives more durable advantage, because we're building on a great foundation.

The third piece is the dealers, as we mentioned earlier. They are all in on this, right, they're accelerating their investments, they're generating business for us. They're organizing their commercial operations differently. So, we just have really great partners in our dealers that are local, meet customers where they work, and they themselves are an essential part of the economy, right? This essential economy. So, it's really a virtuous cycle.

And then the last point is, we do 80% of our manufacturing in the U.S., and we employ the most UAW workers. And so, we are so invested ourselves in making this essential economy successful. And when we work with customers, we are trying to drive employee productivity. And working with these customers and clients to grow our mutual businesses together, we're making good progress, but we see so much more opportunity, Adam. And like you said, Jim talks about this a fair amount, and there is actually an event at the end of September called the Ford Pro Accelerate, and so you'll hear more from Jim and other leaders of the industry about what we're doing regarding the essential economy.

Adam Jonas:

Mike, anything to add there, on –

Michael Aragon:

No, it's just – having grown up in New Mexico and knowing how this is important that I come from a family of essential workers, I love Jim's ethos. And so, we're doing everything we can on our side to push that as well.

Adam Jonas:

Just – so much of my lens, there seems to be a correlation between EV adoption and software defined vehicles, and in those software defined electric vehicles. There are some exceptions, being the sockets for autonomy and other services.

Am I wrong in thinking that? Like, that there's – I realize the pendulum has kind of moved the other way and that EV sales have kind of stalled around 8%, 9% or so, and there's been a pull forward that will probably be a retrenchment hangover in the fourth quarter and the next year. Next year could be a pretty dreadful year for EVs in this country.

I'm just curious, Michael, from your perspective, you don't seem like a Luddite to me, and your background would be anything but that. But is there some kind of hidden cost or tradeoff as – if we stall, if we were to have an outcome where like, China keeps electrifying and going to software defined electrified, and Europe kind of grinds up, and the U.S. were to hypothetically stay at sub-10% EVs for the next five years, while the rest of the world went up.

How does that not put the U.S. and Ford in a potential disadvantage of just – that kind of setting the overall stalking horse pace for the adoptions of these services, the Integrated Services that you're trying to build? Would you see that as related or are you going to – or is your view of, it really doesn't matter, we're powertrain agnostic, we can – we're totally unencumbered no matter what the powertrain and electrical architecture is.

Michael Aragon: Well, as an employee –

Adam Jonas: Sorry if it's a leading and loaded question –

Michael Aragon: No, no, no, it's a good question.

Adam Jonas: it's deliberately so.

Michael Aragon: Yes, look. Our software touches ICE to BEV, to all kinds of vehicles. So, for me, I'm looking at installed base, and you know, our recent architecture change to FNV3 helps us just get to a much faster and much bigger installed base, which is the key to anything that you're trying to build. So, I feel like we're in great shape, given our diverse lineup of vehicles.

I think if you're asking about how we're thinking about EVs. I do feel like – we're still investing in them. I think Jim just announced recently the new EV platform, and so we're still excited about that. But here in the U.S., it's so different, and it's hard to compare it to other regions, because everything – the auto industry, as you know, has become regionalized, really. And so, for us, we are – we think we have some pretty good strategic bets, continuing to push the ICE vehicles, but also this new factory in Kentucky is going to help us stay ahead of the game and drive lower cost EV vehicles. So, I feel like our diversity of lineup is a good bet for us.

Navin Kumar: Yes, Adam, the only thing I'd add to that is, we've always, when it came to EVs, had kind of like a plan for flexibility in the Pro space. We produced the E-Transit on the same line we produce the Transit in North America, and we're a North American/Europe operation. And our Europe operation is actually pretty – performing pretty well this year in terms of volume and share. And that's the strength of our product lineup, including the one-tonne Transit in Europe that has the EV and plug-in hybrid.

So, there is a calibration in the US, but we have worked with thousands of customers on EV and charging solutions, so policy is one element of it, but also, it's just implementing and executing EVs into a fleet operation is quite complex. And our customers are not emotional. It's a math-based problem, it's based on return on investment. And so, we gained a lot of intelligence on where EVs fit, don't fit, the operating patterns and use case, the optimal set of charging solutions.

And as you think about the future, and more technologies are coming in autonomy and mobility, we are setting a foundation with our customers for integrating that more advanced technology.

Now the curves may look different, depending on the customers, the ROI, the complexity of operations. But the real moat to gate this type of domain knowledge, because it makes our leadership more durable, including on the vehicle side, really drives that flywheel, and it positions us for more long-term shareholder value creation.

Adam Jonas: All right, I'll go back one more time. Just one quick question, if there's any in the audience? Otherwise, the Ford team will be accessible in many of your meetings.

All right. With that, Mike and Navin, thank you for your time.

Michael Aragon: Yes, it's perfect. Thank you.

Navin Kumar: Appreciate it. Thank you. Thank you, everyone.

Michael Aragon: Appreciate it. Thanks, Adam.