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Emmanuel Rosner: All right, hello everybody, and thanks so much for joining us for this session with Ford Motor Company as part of Wolfe Autos Conference. I'm Emmanuel Rosner. I'm the lead autos analyst here at Wolfe Research. And I'm extremely pleased to be joined by Sherry House, who is the CFO of Ford Motor, fresh off publishing their – initiating their 2026 outlook last night, which was very solid with some suggestion that after some transitory costs go away, 2027, would look even better and even reviving the old longer-term margin targets by 2029.

So a lot of stuff to talk about, which we're very excited about. So thanks for being here. I'll hand it over to you if you'd just like to summarize a few of the key messages, and then I've got plenty of questions. Thank you.

Sherry House: Oh, wonderful. Well, thank you, Emmanuel, and I am delighted to be here at Wolfe Research. Yes, fresh off the heels last night of our earnings. And what I just would like to leave you with is that 2025 was a fantastic year for Ford Motor Company in really building our foundation. And I feel that we were able to hit upon all of the areas of our Ford+ plan: growth, profitability, capital efficiency, and durability. So in growth, we were able to hit our fifth straight year of record revenue. So we just posted \$187 billion in revenue. And we had profitability. We were able to bring an improvement on a year-over-year basis, absent tariffs, of \$1.5 billion. This is the first time that we have logged those types of results in many years.

So what we are doing as a company is we are fundamentally working differently. We had those results in warranty and in material cost both. The other thing that I would say is that the company made the bold decisions that it needed to make. So when you think about the decisions that we made in mid-December about the rationalization of our EV portfolio and the ability for us to put those dollars against higher, more accretive uses, that are going to be multi-energy, against our truck pillars, against affordable platforms, and importantly, also now in Ford Energy, we are really excited for the future. And that decision is setting us up for higher profitability in every one of our segments.

And then finally, on durability, you continue to see the improvements that we had in the higher-growth, more anti-cyclical areas of the business. So the software, the physical services that are in not just Pro, but they're also in the Blue business as well. And we had growth in those areas of 10%. So we're really pleased with the year that we had, and we also posted total shareholder return of 42%. So that was very strong.

Emmanuel Rosner: Thanks so much. Very strong indeed. So maybe starting with your 2026 outlook, which you initiated last night, calling for material EBIT improvement through \$8 billion to \$10 billion, largely driven by positive volume and mix from producing more pickups and fewer less profitable vehicles while the net cost savings are generally offset by inflation and EV investments. So I would like to dig a little bit more into these factors. What is the volume and mix EBIT contribution for Ford in 2026? And how confident are you in building 150,000 more F-series than last year when you're still facing aluminum disruption and there's also more competitive push from Stellantis on the pickup side?

Sherry House: Yes. So let's pick that part a little bit. What I would say is that we do anticipate that we're going to be able to recover from that \$2 billion loss that we had last year due to Novelis by recovering that 100,000 units that we had. And then in addition, we're



planning to grow by around 50,000 units. So that would be recovery. So you'd have a net change of about 150,000. That is enabled by us getting on board with our Dearborn truck factory is now started a third shift. It's already underway, and we're expecting that that is going to be at full throttle here at the end of Q1. We also made some adjustments to our Kentucky truck plant to also enable this production.

So I'm starting with the production part, and we can then move to demand as well. And on that side of it, we have increased our line speed by one job per hour, and that is already done. It's in effect. That's ready to go. With Novelis, there is risk that we have to mitigate, and we have been really hard at work to do that. What I would say is that we're expecting right now that that hot mill will come back up sometime between May and September. But in the interim, we have secured aluminum supply. That is going to cost us some more, but that supply is secured. We don't think that it's going to hurt our retail sales. The inventory levels are a bit low, particularly in the F-150. So that's why we're focusing there first with our Dearborn truck plant. So that's going to be that piece of it.

When I look at the demand that we have, we continue to have very strong demand for our Super Duties. We have demand for the diesels. We have demand across all of our full-size pickups. In fact, last year we had two full percentage points of growth on the revenue share, and we had 1.5% growth in volume. So that is what you're coming off the heels of.

Yes, Stellantis has made some announcements, but they are competing against us, we have a very strong dealer network. We've got almost 5,000 mobile units. We have made investments, our dealers have made investments in our service elite centers and we already are producing across all the areas of trucks that enable full capture of all the different vocations and trades with different powertrains and different features on a full lineup of vehicles. So we don't feel like we're having to now conquest new. In fact, we already have it. And now we're really focused on that loyalty, which we feel puts us in a very good position, sitting with low inventories today, healthy inventories but low. And we think that we're ready for the challenge.

Emmanuel Rosner: And then outside of F-Series, what is the expected mix benefits this year? I think when you were highlighting the puts and takes for 2026, the second positive was market factors which are outside of the whole Novelis situation. So is there a way to quantify this, like where how much savings are you getting from selling fewer of the EVs that were unprofitable or any other mix benefit from this year?

Sherry House: Yes. So there's two primary. One is, as you said, it's going to be less of the EVs. But the second one is we've also sunsetted a lower-margin product in Escape. So that's going to be a couple of the areas where you're going to start to see the benefits. Now we're also simultaneously going to be leaning more into our Raptor series. We're going to be leaning more into some of our different variants with higher trim powertrains. And that in combination is where you're going to see this uptick come from.

Now the other thing that we expect to see is if the greenhouse gas emissions do intend do ultimately end up being more restricted, then we would expect that we would have probably about \$500 million of tailwinds in not having to purchase compliance credits. That is typically a cost in both Blue and in Pro, with predominantly in Blue. So you would see Blue benefiting a little bit more, which I think you would have saw on our guidance bridge.

Emmanuel Rosner: And on the mix benefit, just following up on the mix benefit piece, any way to frame that or quantify this first? I think the Novelis volume piece was basically \$3 billion well, it was net to \$1 billion, but \$3 billion if it wasn't for temporary cost. Then you have like this mix benefit that you just spoke about, which is outside of the F-Series. What is sort of like the magnitude we're talking about in terms of how much does it help this year?



Sherry House: I don't think that we're looking to quantify that specifically right now, but I can say that we do see it as a benefit. And then also you've got the, as I said, the compliance credits piece of it as well. Then you move into the next part of the P&L and you get into the cost, and perhaps that's where you're going to take me next.

Emmanuel Rosner: Yeah. I was just going to ask you first about the DRAM shortages. I think it's included in your commodities cost, but is this a large issue, shorter or longer term?

Sherry House: So this is something that we've been actively managing. We do believe at this point in time that we have access to sufficient supply, but we are seeing pressure on pricing, and that has gone into our forward plan.

Emmanuel Rosner: And then besides for regulatory-driven cost savings, which we'll speak about shortly, what are your planned operational cost savings this year around warranty, manufacturing? And how much more room for efficiencies is there longer term there?

Sherry House: We think that there is still quite a bit of room for efficiencies. We're planning to continue in the area of warranty and material cost. We think material cost will continue to be the largest area of opportunity for us. And at this point, we're targeting another \$1 billion of improvement across those two areas coming off the heels of this past year of \$1.5 billion improvement.

Now, we did say that we're going to be taking that improvement in this year, we're going to be reinvesting it. So we're reinvesting in the affordable platform of UEV, we're reinvesting in our Ford Energy business, and also other areas of our cycle plan.

Emmanuel Rosner: So you spoke a little bit about these benefits from the emission deregulation, both in terms of mix optimization, also spending less, \$500 million less on ZEV credits. What is the benefit to Ford from trim mix upside, not just this year, but in general, what is sort of like the size of the opportunity? Jim Farley initially, when some of the deregulation happened, had called this a multibillion-dollar opportunity, which was obviously between EVs, lower-rate credits, et cetera. But it felt like the mix upside was actually pretty material. Just don't have a sense of how material that could be over a number of years.

Sherry House: Yeah, no, it's a great question. What I would say is I expect that it's probably in a normal year, let me just say that first, a normal year, that it would be somewhere between maybe \$0.5 billion and \$1 billion. So the \$0.5 billion is for the U.S. compliance credits. So this past year, we had about \$700 million in compliance credits that we ended up expensing.

About \$500 million of that was U.S. So I'd say that you could start with that as the base. Then from there, it's as you said, you're going to be able to lean into some of the higher mix and trims, the Raptors, the performance products. But you're also going to be able to reduce the amount of EVs that now aren't getting that same support in the consumer tax credit that we saw before. So it's that combination that I would say in a normal year might be between \$0.5 billion and \$1 billion. Now this year, it gets a little bit complex because it's nesting with some of these other actions with the bringing back the F-150, the Super Duty volumes. And so you get a little bit of a nested impact there. So I don't think you would see that full pull-through in the way that you would see in a more normalized year.

Emmanuel Rosner: On the EV side, you've announced a complete redesign of your EV strategy, discontinuing some models, but also investing in a new EV platform, in LFP batteries, and even stationary storage. What are the gross cost savings in the near-term from this restructuring? And what is the expected size of the offsetting investments?

Sherry House: So I wouldn't characterize it as a kind of gross change in the EV strategy. I would say what we've done is we've refined it. And in that refinement, what you would see is that we believe that for the larger vehicles, they are better suited to having hybrid



technology in them or perhaps EREV. And then when you're in the smaller vehicles, that's where you really benefit from the full BEV. So that's what I would say is probably a bit of the refinement.

What we have taken advantage of, however, is we took advantage of the fact that we had excess opportunity for battery capacity. And when you look at Ford and you see the reputation that we have, the fact that we're very good at complex manufacturing, the fact that we had immediate capacity for batteries, the fact that we have access to leading low-cost technology, battery technology in LFP prismatic that has a perfect use case in both residential power supply units as well as helping for resilience of the grid, we felt that this was an opportunity that we wanted to step into. So that particular investment in terms of capital is about \$2 billion.

And we expect about \$1.4 billion of that to happen in 2026. As you look at the EV progression over our cost progression from let's start first with 2024 to 2025, we went from negative \$5.1 billion to now negative \$4.8 billion in losses. And the reason for that was the improvement in mix. That was the improvement in the European mix, we actually were up last year in volume, revenue 73% and in volume 69%. So even with those loss-making products, we were able to contract because we're moving into a better mix.

As we move forward the next year, I think one of your notes actually said that you were expecting that we might have had between \$1.5 billion and \$2 billion of improvement based on some of the assessments that you did. You're right in that we would have been in the low 3s projecting for this year in 2026 on the Model e, so low negative \$3 billion loss. However, we have decided to continue to invest in our future.

And so that investment is going to be about \$400 million in the battery electric stationary storage business, what we refer to as Ford Energy, and then about \$600 million as we are nearing the launch that's going to be starting here at the end of 2026 for the Universal EV platform. So you're going to see maybe this year in the range of \$300 million to \$400 million of depreciation benefit. You're going to see some of the reduction that's happening due to the structural cost changes as well as a reduction in volume. And as you move forward, what you're going to see in 2027 and 2028 and 2029 is you're going to see us moving into these more profitable products starting with the UEV. And then as we build the capacity at that Louisville plant, it's going to get more profitable and more profitable as you move into 2028 and 2029 and you fill that capacity in that factory.

Simultaneously, we have B-segment electric vehicles that are coming online at the end of the decade in Europe, and that's going to be full electric as well that will be coming into the equation. And so you've got that coupled with the battery energy storage business that's going to go from making an investment the next two years into profit-making as we reach full capacity at the end of 2027. And you start to really see that benefit in 2028 and 2029. So when you take all that together, that's how we get that pathway to being profitable by 2029. It's hard.

Emmanuel Rosner: That's a super helpful bridge. I was going to ask you a little bit nearer term. So for this year, obviously, the guidance is for Model e losses to only improve modestly for the reasons you mentioned.

Sherry House: Right.

Emmanuel Rosner: Gross savings minus investment. Should we expect more improvement in 2027 or is that still the investment phase?

Sherry House: I would see more improvement in 2027. I think that you're going to be improving there as the investment starts to wind down a bit and as you are moving into more of the UEV product. It will be a launch expense year, so you will have that. But I do think



you're going to see modest improvements and then continuing particularly in 2028 and 2029.

Emmanuel Rosner: And then energy storage is not an area Ford has been involved historically. What is your competitive advantage there?

Sherry House: I think it's a lot of the things that I just said. It's the Ford reputation. It's our ability to do complex manufacturing. It's the fact we're at the right place at the right time with immediate capacity available. And we got the technology that is – that we believe that we can qualify for both PTC and ITC on. So having more available battery storage that is in the U.S., there is a very large demand for it. So we think we're at the right place at the right time with the right tech.

Emmanuel Rosner: Just into Pro. Pro has done quite well, very well over the last few years on the back of strong demand from commercial customers. For 2026, it seems you're only guiding to flattish EBIT maybe. What are the puts and takes and what is the longer-term opportunity?

Sherry House: Yes. So what you're seeing with Pro this next year is it's going to be catching up from the Novelis impacts that happened last year. It's also going to be going through the launch at Oakville where we're going to be having the Super Duty. So you're going to have some increase in launch expenses associated with that. What we do see is we do see conquest sales. We do see a demand for Super Duty, particularly the chassis cabs and some of the diesel variants.

So we see ourselves being able to grow share at a place where the industry market share is probably holding steady in the U.S. and maybe even contracting a little bit like we saw in Europe last year, yet we grew share during that contracting market. So because of the strength of the product lineup, that's where we're going to continue to kind of focus on that growth there. We are looking to be able to cut costs continuing in the material cost and warranty as well. So that will be some nice offset. But I think you're going to see the stability through this year as we get Novelis behind us.

We've successfully launched Oakville. And once we have that Oakville capacity, that's going to allow us to mitigate risk going forward, lean into opportunity as it exists, and then we're going to continue to focus on the physical services and the software and enable that to be part of the contributor to draw people into those vehicles. And then you get that flywheel effect. One of the interesting statistics we had is this last year we had a 50% increase in telematics paid subscribers. So the commercial customers are really seeing the value in the telematics. And it's just giving them more ability to have better utilization, better uptime. And so we're really leaning into those features to continue to make the customer come back, buy the vehicle, and then get these paid subscription services on top of it.

Emmanuel Rosner: That was going to be my next question. Can you give us an update on the recurring revenue opportunity from software and services? It sounds like it's positive part of the story, sounds like it's also a material tailwind in terms of the 2026 bridge. So where are we on that?

Sherry House: Paid subscriptions are up across Blue and Pro. We said that paid subscriptions were up 10% across both of those. And we now have a percentage of EBIT coming from physical and software services at 19% on Pro. These are much higher margin areas. Some of these are 50% margins. So that has been increasing very nicely. And this has been consecutive growth. We believe that that's going to continue for us.

Emmanuel Rosner: Now, this year's outlook is solid, but it will still be impacted by meaningful temporary costs. If we add back the \$1.5 billion to \$2 billion in aluminum premium cost, this year's EBIT would already be maybe \$11 billion at the midpoint. Is that the right starting point to think about 2027? And what would be the other puts and takes?



Sherry House:

Yes. I think that that is a good place to start. It's really this Novelis impact, which is showing up in the area of premium costs and also tariffs, because if it wasn't for that, we would have had a \$1 billion year-over-year improvement in tariffs. Because now we're getting the full effect of that expanded tariff offset provision, that proclamation that went into effect on October 17th. So that would have been a year-over-year improvement of \$1 billion. But as you said, we're not seeing that pull through yet because we got this Novelis.

So when I kind of think about how can we get to a higher place here in 2026, I think it comes down to a few things. It's how well are we able to manage the Novelis, when does that hot mill get back up? How much of this raw material, this aluminum need to come from outside sources versus from Novelis? Are we able to trim our production a little bit? And then I'd be looking at other things that we're doing ourselves, like can we overdeliver on our cost estimates and not be cost-neutral but in fact actually have higher levels of cost. And then I would say our ability to lean into mix and maybe there's an opportunity for pricing with Blue, but it would be probably mix is where I would see.

So those are the things that we're going to be really working as a management team to kind of drive to the higher end of our 2026 guidance. And I think that will then set us up nicely as you move into 2027.

Emmanuel Rosner:

And just when I think quickly about the puts and takes into 2027, I know, you're obviously only initiating the outlook on 2026. But should I think about this extra F-series capacity, the 50,000 units extra to make it up as a temporary thing? Or is that your new run rate of production?

Sherry House:

Well, you heard us talk about the fact that we're moving towards this target by 2029 of 8%. So when you think about where are the areas to unlock, having more capacity for our higher profit pillar products is something we think that's important. I think it's too early for me to guide on 2027 and we want to get some of this Novelis behind us. But what we are doing with that extra shift in Dearborn and the ability to increase the line speed in Kentucky truck plant is we are setting ourselves up both for opportunity but also to mitigate risk going forward. And that's really important. And Oakville is going to do the exact same thing for us. Oakville with the Super Duty is going to give us more capacity, more ability to mitigate the downside and lean into the upside.

Emmanuel Rosner:

So, yes, speaking about this 8% EBIT margin goal, so on yesterday's call, Jim Farley revised Ford's old 8% company EBIT margin goal, targeting to achieve it by 2029. So this year's midpoint is 5% margin. If we add back the disruption maybe around 6%. What would be the bridge to get you to the 8% by 2029?

Sherry House:

Well, we have to stay on our cost and quality journey. That's number one. And we are fully committed to that, as I think I just shared with you by looking to try to get another \$1 billion there. But there's three other levers that I would say that we're really focused on. One that we just spent some time on, which is the Model e and getting those losses down. But it's also moving into more of these anti-cyclical more higher-margin businesses, the physical and software services continuing to see that growth that we have seen the last couple of years and having that continue for us as well as the beginning of the best and seeing that come into the fold much more prominently in 2028 and 2029.

And then finally, it's getting our products right, continuing to have the right product at the right price and the right cost structure. And we're spending a lot more time as a team making sure that those cost structures are going to be able to handle the pricing pressures that we are seeing globally and making sure that we're considering that as we put these products into production. So the team is very focused on launching on time with quality, safely. In fact, our bonus metrics for this year include the performance of these product launches in addition to your standard quality and EBIT targets as well.



Emmanuel Rosner: I guess if we were to break it down, so you're starting at 5% margin this year. We're trying to get to 8%. So you got EV going back to profitability.

Sherry House: So you have EV going to profitability. That's right with a target of 2029. Then you've got these new products that are coming on board that are higher margin. This is part of what we did with some of the EV rationalization efforts that we made here in mid-December. And then you have us leaning more into these higher-margin, more accretive businesses that are juicing your EBIT at a faster rate than the product programs by themselves. So it's that combination of three things together with the continuous improvement in cost and quality, with a focus on the industrial system, but also focus on every part of the business.

Emmanuel Rosner: Let me speaking about some of the new products. Last night, Jim Farley was presenting Ford's longer-term value creation framework, and he said, we plan to expand our market coverage with more affordable trucks and SUVs. And we'll do it with a broad mix of powertrains, gas, different kinds of hybrids, and fully electric. Can you share more color and what is the timeline for this?

Sherry House: Well, as part of the mid-December conversation, we had talked about putting more ICE trucks into our Tennessee factory. So you're going to have that looking at providing another variant that we have not yet disclosed. And then also we said in Ohio, that we're going to be doing multi-energy energy vans. So you're going to have both ICE and you're going to have hybrid as well, that are available there. And then, of course, we've got the whole universal EV platform as well. And we haven't discussed all the different variants that we're planning with that, but we're starting in 2027 with the 4-door midsize pickup and then it will go from there in terms of additional variants that will be added on top of it. So those are some of the major things that you have. Of course, we'll have a new Super Duty and we'll have a new F-Series and all of that will be coming out simultaneously as well.

Emmanuel Rosner: I guess this push into affordable vehicles, it starts with the UEV, but it then goes into ICE?

Sherry House: So we are planning by the end of the decade to have five new vehicles starting with the UEV that would be under \$40,000. So that's where we're planning to go. Today, we have two products that are in that like kind of slightly greater than \$30,000. So you've got our Bronco Sport, you have our Maverick, but then we're looking with the UEV in 2027 and then some other products thereafter.

Emmanuel Rosner: Turning to free cash flow. So you guided to \$5 billion to \$6 billion in adjusted free cash flow for this year. After the EV supplier payments of \$5 billion or so, this probably shouldn't leave that much free cash flow. I assume this does not put the common dividend at risk for next year?

Sherry House: Well, first off, the EV – any type of EV-related supplier cash payments, that wouldn't be part of our adjusted numbers. So that wouldn't in any way impact the numbers. What you're seeing in the increase in the free cash flow is really the additional performance in EBIT. And then I also mentioned at the end of the call last night that we do have a \$1 billion receivable from the U.S. government with respect to tariff reimbursements as well. So that's going to be a bit of the growth that you have there.

Dividends, I know, a very strong position that we're in there. We've got an excellent balance sheet, nearly \$29 billion in cash, nearly \$50 billion in liquidity. We have the ability to weather, minor things that could happen in moderate scenarios. That's why we design it that way. We try to keep at least \$20 billion in cash. We have \$9 billion extra. So that is so that way we can provide a consistent dividend. And when there's small things that we want to invest in along the way opportunistically, or if we have different types of recession scenarios, that we can handle that and still consistently pay out the dividend. So yes, we plan to consistently pay it out.



Emmanuel Rosner: And just a quick follow-up. This \$1 billion receivable from the government on tariffs, any sense what the timing is of for payment?

Sherry House: We expect maybe the first half or so. No concerns at all that the government now has processes that have been established. They established the vehicle processes faster and now they have processes for getting the parts tariffs reimbursements. And it's just taking a little bit of time. But no concerns. Expect that'll be cleared easily within 2026, more likely the first half.

Emmanuel Rosner: And then within this free cash flow guidance, you're planning to spend an extra \$1 billion in CapEx this year versus last year for projects such as stationary storage as you mentioned before. Is this a new CapEx run rate? Or as the stationary storage needs sort of like come down, starting next year, we should see the CapEx come down as well?

Sherry House: I would say it would be similar to slightly less is what I would expect for next year. So we'll be finishing up our UEV investment. We're going to be – we've got some of these new exciting cycle plan options that are – that we're investing in. And then, as you said, we'll still have what would be the final payment on the battery energy stationary storage capital investment, because at this point we talked about \$2 billion for that and we're expecting this year in the area of \$1.4 billion.

Emmanuel Rosner: Then at CES this year, Ford announced the in-house development of autonomous driving solutions and compute modules with hands-off solution targeted for 2027 and eyes off, I think, for 2028.

Sherry House: Right.

Emmanuel Rosner: Can you talk more about the reasons you decided to develop these internally? I think Jim mentioned that yesterday as well, sort of like a cost savings on a go-forward basis. So what are the reasons to do that internally and the benefits you envision from this decision?

Sherry House: There are many reasons to do that internally. It starts with the fact that we had the opportunity to do that because we have such great talent. So when we did the Argo deal and those Latitude employees, those are machine learning experts, robotics experts. And so it gave us the ability to be able to do this type of full-stack development that a lot of companies frankly don't have the benefit to do. When you look at the benefits of that, we are putting hardware and software and design together, and they are also putting all this compute into a single module. So, we're going to be taking our ADAS and we're going to be taking our infotainment and our audio and our networking, things that would, when you're procuring from multiple suppliers, the four separate modules and we're bringing it into one module, which is able to reduce the size, the compute power and the space.

So, the space is important, particularly when you look at our philosophy to democratize technology, you want to be able to get this into small form factor vehicles as well, less expensive vehicles. And when it's smaller and it's less expensive because you've designed it in-house, that is where some of the benefits come from. It also mitigates risk because you're not having to deal with all these different suppliers. You're able to prioritize the improvements quickly. Also, if you have issues in terms of chip availability, because you are the ultimate designer, you have the ability to design out of situations much more rapidly. So we see an awful lot of benefits associated with it, cost included. We think it'll be about a third of the cost of what we would have otherwise had to spend.

Emmanuel Rosner: Oh, wow. I think have about five minutes left. I wanted to see – open up to the room and see if you have any questions that you'd like to ask. Yeah, sure.



Audience Member: Inaudible

Sherry House: Sure. I think we're very open-minded about the advancements that some companies have that might be able to be additive to us. But at this point our pathway, our clear pathway, includes getting to L3. And so that L3 would be – that platform would first be rolled out in 2027 on the UEV platform with some of the L2+, and then the idea is that in 2028 that we'd have the ability there to have not just the hands-off, which we have today, but also the eyes-off as well. So that's what's in our own roadmap. And then yes, we'll continue to keep conversations active if we think that there is something that we want to purchase from the outside.

Audience Member: Does current roadmap include L4?

Sherry House: I don't have anything to share with the team or with the group here at this time on that. Thanks.

Audience Member: Question on – just a question on, we're seeing like at CES Hyundai announced the implementation of humanoid robots and taking out labor... with the tariffs coming in, they want to bring more production to the United States and so on. What is kind of Ford's plans to, we're seeing this across the board with Tesla. You're seeing this with many companies. The Japanese are doing it because they have an aging workforce. And one, are you planning to do it? And then how is that going to affect EBIT margins because that's a huge contributor – UAW costs that are a huge contributor to your costs?

Sherry House: Well, what I would say is that we are staying very active at all the developments of technology. And that includes things like digital twin systems, it includes robotics, it includes 3D printing. We have a very progressive manufacturing organization that is studying and implementing all of those areas. So we already have cobots in certain parts of our processes. We sometimes use them for testing.

Where I see some of the first adoption would be in the area of machine vision and really being able to use a lot of the vision elements of the robots first. But we will be doing more of that over time. It's too early for me to provide any type of perspective on EBIT, on labor implications, but I do see this as part of our development cycle and something that Kumar and the team are focused on.

Emmanuel Rosner: I've a couple more if we can squeeze them in.

Sherry House: Okay.

Emmanuel Rosner: So first, I was going to ask you about the pricing environment. I think we often hear on the economic side concerns on affordability. I think your assumption for this year's outlook is flattish or flat U.S. industry pricing. Can you maybe talk about what you're seeing on the pricing front?

Sherry House: Yeah, sure. So let me just start with U.S. SAAR. And there we're thinking that it's going to be somewhere between 16 and 16.5. So as we exited Q4, we were right in that middle range. So you kind of see a run rate of that as we're continuing into 2026. We do think that EV pricing may go up some because it doesn't have all of the support that it had before.

With that, I think you may see a little bit of volume decline in the U.S. However, EV as a percentage of new vehicle sales in the U.S. is fairly small. So I don't see that having a real significant impact. I would say that, we're expecting at this point that volumes will be relatively flat, as you said, really across all the different segments, maybe with the exception of the small area of EV.

Emmanuel Rosner: And I wanted to ask you finally maybe on Europe. Obviously, in the U.S., you scaled back some of your Model E efforts given – well, I guess some of the existing lineup



given the change in policy on the EV side. In Europe, obviously, they're moving forward with electrification. How should we think about Ford's business in Europe and especially your partnership with Renault?

Sherry House: Yes. So we think that the passenger vehicle business is an important part of the way that we participate in Europe up overall. So we have a vibrant pro-business. I just talked a few minutes ago about the fact that our market share was up in a time when the industry was actually down, and we've been performing very well there. We want to make sure that we keep a vibrant dealer community there.

And so we want to also be able to offer a strong passenger lineup. And we think that the place to play there is in the smaller vehicles. So that's why we decided to do the partnership with Renault. This helps us with compliance. It helps us with being in the affordable area. It helps us with where the customers are today and where we think we can most likely make money. And that's in the B segments, fully B.

Emmanuel Rosner: Awesome. I think we're exactly at the top of the hour. So, Sherry, thank you so much for the insights. Thank you. Thanks, everyone.

Sherry House: Oh, appreciate it. Thank you so much.