Ford Motor Company

First Quarter 2026 Earnings Conference Call

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CORPORATE PARTICIPANTS

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PRESENTATION

Operator:

Good day, everyone. My name is Layla, and I will be your conference operator today.

At this time, I would like to welcome you to the Ford Motor Company First Quarter 2026 earnings conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question and answer session.

If you would like to ask a question during this time, please use the raise hand function, which can be found on the black bar at the bottom of your screen.

At this time, I would like to turn the call over to Lynn Antipas Tyson, Chief Investor Relations Officer.

Lynn Antipas Tyson:

Thank you, Layla, and welcome to Ford Motor Company's first quarter 2026 earnings call. With me today are Jim Farley, president and CEO, and Sherry House, CFO. Joining us for Q&A is Andrew Frick, president of Ford Blue and Model e, Alicia Boler Davis, president of Ford Pro, Kumar Galhotra, Chief Operating Officer, and Cathy O'Callaghan, CEO of Ford Credit. Jim will give a high-level overview of the business, and Sherry will provide added texture on the financials and guidance. We'll be referring to non-GAAP measures today. These are reconciled to the most comparable US GAAP measures in the appendix of our earnings deck. You can find the deck at shareholder.ford.com.

Our discussion also includes forward-looking statements. Our actual results may differ. The most significant risk factors are included on page 19 of our deck. Unless otherwise noted, all comparisons are year-over-year, company EBIT, EPS, and free cash flow are on an adjusted basis.

Upcoming IR engagements include Navin Kumar, CFO of Ford Pro at the Deutsche Bank Global Auto Industry Conference in New York on May 19th. Now I'll turn the call over to Mr. Farley.

Jim Farley:

Thank you, Lynn, and thanks to all of you for joining us.

I wanted to thank the Ford team, all of our dealers, and our partners for a strong start to this year. Our results this quarter, $43.3 billion in revenue, $3.5 billion in adjusted EBIT reflect a sharp execution and the momentum we're building for our Ford+ plan. Accordingly, we're raising our full year adjusted EBIT guidance to between $8.5 and $10.5 billion.

These results are encouraging, but the bigger story is the modern Ford that's now taking shape. For five years, we have relentlessly built the foundation of Ford+. We

strengthened our industrial system, made real progress on quality cost, and advanced our software capability and customer experience.

Earlier this month, we took the next step in that evolution by establishing an end-to-end organization, product creation, and industrialization. We unified our advanced technology, digital, and design teams with our global industrial system. This change aligns with the most intensive product and software rollout in our history.

By 2030, almost all of our global volume will feature next-generation electric architectures and in-house software. This applies to every propulsion type as we deliver and scale high-quality, software-defined vehicles. This new organization allows for faster decision-making and reduced complexity.

This is the moment we integrate the digital soul of the vehicle, the software, all the silicon, and the user experience with our world-class industrial execution. Among other things, this alignment will support our high-margin software and physical services revenue, which was over $15 billion last year. And we expect to grow that $15 billion nearly 8% annually through the end of the decade.

This service growth is driven by offering customers indispensable digital experiences and investing in aftermarket sales, with a focus on customer uptime, expanding our parts catalog, and enhancing our service network.

We're also leaning into the skunkworks model to improve all of Ford. They've done an incredible job creating the UEV Platform, which represents a step change in efficiency and cost, especially for the EV market.

But at Ford, we're now integrating these skunkwork breakthroughs back into our mainstream products and processes. We're applying their advanced tools and physics-based cost modeling to the highest volume internal combustion and hybrid lines. This, of course, will reduce our cost and improve quality across the board.

Our product pipeline is aggressive. Between now and '29, we will refresh 80% of our North America portfolio and 70% of our global portfolio by volume. This includes the next-generation F-150 and Super Duty among many others. It also includes the launch of our Universal EV Platform in 2027 from our Louisville Assembly plant in Kentucky. We are scaling that plant for significant volume to accommodate a variety of vehicles off that single platform.

And speaking of electrification, our strategy remains focused on powertrain choice, not nameplate complexity. By the end of the decade, 90% of our global nameplates will offer electrified powertrains, including advanced hybrids, extended range electric vehicles, and full EVs.

Our financial health is driven by a leaner, more effective industrial system. We're on track to deliver another over $1 billion in material and warranty cost improvements this year, and we will never stop. Our focus on quality is paying off. JD Powers recently ranked forward number four in the 2026 US Customer Service Index, our best performance in 30 years.

Finally, we remain resilient in the face of global uncertainty. Regarding the conflict in the Middle East, of course, our priority is our team and the safety of them. We're monitoring the situation and working to minimize risk and find opportunities in much the same way we have navigated the pandemic, the semiconductor shortage, tariff headwinds, and others. We have the muscle memory to find cost offsets, adjust our product mix quickly, and proactively manage our supply chain in times of stress and crisis.

My main message today is this: Ford is a fundamentally stronger, more modern company. We have a foundation built on industrial fitness, we have the technology, and we now have the unified organization to not just deliver, but to compete to win. Ford is focused on execution, quality, and thrilling our customers.

Over to you, Sherry.

Sherry House:

Thank you, Jim. And hello, everyone.

Before I walk you through the details of our performance this quarter, let me start with a few items I know are top of mind for you. First, in Q1, we recognized a $1.3 billion benefit related to IEEPA tariffs. This one-time adjustment largely benefits Ford Blue and Ford Pro at about $700 million and $500 million respectively. They are related to IEEPA tariffs paid between March 2025 and February 2026.

Second, our Novelis recovery is progressing as expected. We still expect a $1 billion improvement in EBIT year-over-year, weighted towards the second half. This is net of $1.5 billion to $2 billion of one-time incremental costs to secure alternatively sourced aluminum until the Novelis facility is operating at full throughput later this year.

Third, relative to US inventory, we expect to remain within our target of 55 to 65 retail days supply for the year. F-Series sales remain healthy as inventory recovers from the Novelis supply disruption. America's best-selling truck delivered year-over-year retail share improvement of 30 basis points in March, and we are carrying that momentum into Q2.

Our team is effectively managing tight retail days supply by helping dealers fill inventory gaps while ensuring high-demand trim levels are an ample supply. We are also producing a richer mix of product as we continue to ramp Novelis. And importantly, on average, we are spending less on incentives than our competitors. In fact, for the quarter, F-150 had the highest retail share, highest average transaction price, and the lowest incentive spend per unit versus our key competition.

Now turning to the quarter. We delivered adjusted EBIT of $3.5 billion or $2.2 billion excluding the impact of the IEEPA. The strength in the quarter versus our original guidance was primarily supported by a change in calendarization of cost improvements and timing of investments, growth in software and physical services and higher net pricing. Our global revenue grew by over 6% despite a nearly 4% decline in volume, which was expected as we exited low-margin products like Escape in North America and Focus in Europe. In the US, we had our highest Q1 share of revenue in five years, led by large utilities and trucks.

Adjusted free cashflow was a use of $1.9 billion in the quarter, more than explained by unfavorable timing differences, higher net spending, and changes in working capital. On a full year basis, we expect timing differences and working capital to be favorable.

Our balance sheet is strong with $22 billion in cash and over $43 billion in liquidity, and we remain committed to our investment grade rating. We repaid our convertible debt without refinancing it, and also relaunched our anti-dilutive share repurchase program, which we completed in the quarter. And earlier this month, we successfully renewed our $18 billion corporate credit facilities for another year.

Our strong liquidity position provides us with the flexibility to manage in this dynamic environment and invest in higher return growth opportunities like Ford Energy. It also allows us to pay consistent shareholder distributions. In fact, yesterday we announced a declaration of our second quarter regular dividend of $0.15 per share payable on June 1st to shareholders of record on May 12th.

Now turning to segment highlights. Ford Pro achieved EBIT of $1.7 billion against the backdrop of Novelis-related production disruptions. Ford Pro continues to deliver higher margins through a powerful ecosystem of vehicles, software, and physical services. We are scaling rapidly and increasing recurring revenue, which bolsters resiliency. In fact, paid software subscriptions grew to 879,000, a 30% year-over-year increase.

By integrating innovations like Ford Pro AI, we can help commercial fleet managers instantly identify maintenance needs, leverage large data models on fuel usage to lower costs, and optimize routes amongst other features all designed to provide better predictability, productivity, and profitability, which our customers require. As we look ahead, the 2027 model year order books are just starting to open, and we are seeing positive early indicators. Ford Blue delivered $1.9 billion in EBIT, supported by the sustained sales performance of F-Series and go-to-market discipline, evidenced by Q1 incentive spend below industry average. Additionally, our off-road performance trends now account for nearly a quarter of US sales, and Maverick and F-150 continue as the best-selling hybrids in their segments.

Importantly, Ford Blue's Q1 performance highlights the strength of the underlying business and excluding IEEPA is representative of its ongoing run rate.

For Ford Model e, EBIT was a loss of $777 million as we now start to benefit from the portfolio changes announced in December.

In addition to investing in a leaner, more profitable portfolio, we are actively matching supply with demand globally to optimize profitability. And in the quarter, we benefited from a nearly 35% improvement in our Gen 1 losses. We also continue to step up our incremental $1 billion investment in UEV platform and Ford Energy as we progress throughout the year ahead of their launches in 2027. As a result, we expect first quarter to be the strongest quarter for Model e this year.

Ford Credit delivered a solid quarter, with EBT of $783 million, up $200 million, reflecting improvements in financing margin and enabled by a high quality book of business. Results also benefited from favorable performance on our derivatives. Our

portfolio performance is strong, and we maintain a highly disciplined approach to capital reserve and risk management practices.

So let me turn to our 2026 outlook. For the full year, we now expect company-adjusted EBIT of $8.5 billion to $10.5 billion, adjusted free cash flow of $5 billion to $6 billion, and capital expenditures of $9.5 billion to $10.5 billion, which reflects our shift toward higher return growth opportunities, including $1.5 billion for Ford Energy this year. Our guidance does not include the potential impacts of a sustained conflict in the Middle East or a significant downturn in the US economy, which could have a material impact on industry demand.

Our full year segment outlook stays steady, with Ford Pro EBIT of $6.5 billion to $7.5 billion, Model e losses of $4 billion to $4.5 billion, Ford Credit EBT of about $2.5 billion. And for Ford Blue, we have increased our guidance by $500 million to $4.5 billion to $5 billion, driven by a stronger underlying business. Our guidance continues to assume a US SAAR of 16 million to 16.5 million units in flat industry pricing.

Now some context and important puts and takes for the year. We have the $1.3 billion one time IEEPA tariff benefit, but we now expect commodity headwinds of just above $2 billion, about $1 billion higher than our previous estimate, largely due to higher aluminum pricing driven by global supply constraints. Note though, this excludes Novelis-related aluminum costs. The impact of ongoing tariffs is unchanged at about $1 billion and is now a part of our run rate costs. This excludes the IEEPA benefit and Novelis temporary costs. As Jim mentioned, we're on track for $1 billion improvement in material costs and warranty reductions on top of $1.5 billion of cost reductions we delivered in 2025. We continue to expect a net $1 billion improvement from the Novelis recovery. And as I mentioned earlier, about $1 billion of incremental investment in Model e to support the ramp of UEV platform and Ford Energy. Our Q1 performance highlights the benefits of our Ford Plus priorities, rigorously optimizing revenue across every segment through leading products and high-growth services, improving operating leverage and exercising smart, accretive capital allocation decisions. The increase in our full year adjusted EBIT guidance underscores these benefits.

Thank you. And I'll now turn it over to the operator so we can take your questions.

Operator:

If you would like to ask a question, please use the raise hand function, which can be found on the black bar at the bottom of your screen. To leave time for as many questions as possible, please limit to one question. Your first question will come from Joseph Spak with UBS. Your line is now open. Please go ahead.

Joseph Spak:

Good afternoon, everyone. Sherry, maybe just to pick up right up on the commodity increase, you mentioned about a billion. I'm just trying to contextualize what you're assuming here because I think in the past you talked about, call it an $8 billion steel aluminum buy. I think 40% of that is aluminum. There's been some hedging. And this is

really only nine months, so I know prices have really gone up, but it looks like a pretty big number. So I just want to help understand what you're thinking for the balance of the year and then how you would advise investors to think about that rate heading into '27.

Sherry House:

Sure. Well, it's going to be a bit hard to be able to predict 2027 at this point, given the volatility that we've seen in the commodities. But let me just tell you in the near term what I'm seeing. So with respect to steel and aluminum, in particular, even before the Middle East situation started, we were already seeing global industry shortages, and that was first. Then you had the Middle East, and then you have to remember that Ford also has the aluminum supply shortage with respect to our primary aluminum supplier, which is Novelis. These costs are not related to Novelis. We've packaged those separately. We talk about those separately. And when I talk about a $1 billion year-over-year improvement due to Novelis, that includes all the tariff costs. But this is related to the exposures that we have in aluminum and steel predominantly.

Joseph Spak:

And then I guess just the second question, maybe is there any update you could provide us on the Novelis timeline? I think there was some preliminary thought it could come online in the summer. Are we on track there? And if that happens, how are you thinking about that headwind you mentioned? I'm just trying to figure out the phasing timing, because I guess my prior assumption was that most of that Novelis headwind would've been more in the first half if it was expected to ramp through the year, but I'm not quite certain that's still the case. So maybe you could just help us with some of that cost phasing time.

Kumar Galhotra:

Joe, this is Kumar. Your assumption is correct. We are still expecting the hot mill to restart in May. There are two aspects of bringing any mill back online. There's the restart itself, and then there's the ramp-up. So all the enablers for both of these aspects are on track. In the event the relaunch doesn't go according to plan, we do have contingency plans in place. That means we have additional aluminum supply to ensure our plant production schedules aren't interrupted. So the mill should be back online, and if we have any hiccups, we have contingency plans for the rest of the year.

Jim Farley:

And Joe, as you would expect, it's Jim. We have by grade, we have several grades, by step in the process. We track it every day. We know exactly the situation we have, the float we have. And we also have learned how to back up the aluminum supply, as Kumar said, in case the mill ramps slower or the actual start date is later.

Joseph Spak:

Thank you.

Operator:

Your next question will come from Dan Levy with Barclays. Dan, I see you've unmuted. Please go ahead.

Dan Levy

Hi, can you hear me now?

Operator:

We can. Yes, go ahead.

Dan Levy:

Thanks for taking the questions. We know within the guidance that effectively the IEEPA refund is being offset by the raw mats, so really the net of the guidance improvements coming from improved operations. Maybe you can just comment on the improved operations beyond the warranty material, which looks like that's consistent. And how much runway do you have on this? And can this offset any increases in raw mats that you might be seeing in '27, just given the staggering of costs that are going to be hitting?

Sherry House:

So as we look at what's basically the basis of our $1 billion raise versus guidance, it's going to be software and physical services is one of the biggest components there. The Ford Pro business continues to have very high paid subscribers. We now are up at 879,000, as I said in some of our prepared remarks. That's 30% on a year-over-year basis. The enterprise is also doing quite well across the physical services and the software. The other item that was really big for us in Q1 was the net pricing. As we said, the share of revenue, highest in five years. And this was really led, as we said, by full-size utilities and trucks. And then we did have some timing differences in cost. So some items hit in Q1 that we were expecting to hit in Q2, and that was very favorable for us. So when we took all that underlying performance into consideration, we felt that half a billion dollars was the amount to be able to pull through for the full year, and that's why our guidance reflects that.

Operator:

Your next question will come from Andrew Percoco with Morgan Stanley.

Andrew Percoco:

Great. Thanks so much for taking the question. I did want to come back to the guidance here, and maybe I'm missing some of the moving pieces, but if I just look at your first quarter performance, $3.5 billion of adjusted EBIT. I think you had been essentially signaling sequentially flat, which would've been $1.1 billion for the first quarter. So you essentially beat by $2.5 billion in the first quarter, of which a little bit over one is from IEEPA. But even though that's offset by some incremental cost headwinds on the commodity side, it would imply downside or some incremental costs elsewhere if your guide is only increasing by $500 million. So can you maybe just help us break down some of those moving pieces in case I'm missing anything in that bridge?

Sherry House:

I don't think you're missing anything in the bridge. It's just, as I said, we had the three components that were really driving this performance and we're pulling through the amount of it that is sustainable. Some of it was timing differences, so we didn't want to put timing differences into a guidance raise.

Andrew Percoco:

Got it. And then Jim, maybe one for you. There's been a lot of headlines recently around some potential partnerships between Ford and some of the Chinese OEMs, and even outside of Ford, there's just a lot of focus in the marketplace around some of these vehicles coming out of China eventually potentially making their way into the U.S. Can you just give us your updated thoughts on what that could look like and maybe any involvement that you might be interested in doing there?

Jim Farley:

Sure. I'm sure glad there is a lot of focus on it. As America's largest auto producer, we are totally dedicated to a thriving U.S. auto industry, and of course, safeguarding our country's industrial base. And that's just not economic vitality. It's also national security as a country. And when we see China and Japan and South Korea, they've really prioritized their domestic auto industry and manufacturing for these same reasons that I mentioned. I would say, to answer your question, we leverage global partnerships and even IP sharing, including with the Chinese OEs to grow our business around the world.

But we are really fully committed to a level playing field here in the U.S. and also safeguarding our home market because of the importance of the auto industry in an industrial base. So how I would think about it is, Ford continues to be a global company. We want to have the rights to win around the globe. We need IP and partnerships outside the U.S. to do that. And when it comes to the U.S. industry itself, we are extremely protective, as we should be, like China, South Korea and Japan are. What that means in specific policies, that will play out in our strategy as a company. But as America's number one auto producer, you can understand our perspective.

Andrew Percoco:

That's great. Thank you.

Operator:

Your next question will come from Alex Perry with Bank of America.

Alex Perry:

Hi, thanks for taking my questions here. In the materials, I thought it was interesting. I think you said that off-road performance trims to count for 25% of the overall sales mix. Can you give us a little bit more on the strategy here and a little more color on how this has trended historically? Is the strategy to prioritize some of these higher margin trims while production remains constrained? And maybe just remind us on the profitability of some of these off-road trims versus company average. Thanks.

Andrew Frick:

Thanks. This is Andrew. Thanks for the question. Yes, that is part of our strategy. It's a big piece of why our Blue business is doing well overall. In fact, if you look at our wholesales this past quarter, in the first quarter, they were relatively flat, but we had an improved mix of Explorer and Expedition. We phased out Escape. We're in the selldown of that and our F-series remained strong. And we actually, we grew our share in the off-road space 25% of our volume, but our share actually grew by seven-tenths of a point, which was really important. And that's because we're able to lean into across multiple vehicles now, series like Tremor and Raptor and really drive those mixes. So it is relatively more profitable and it all plays back to our overall strategy of leaning into our profit pillars and winning with passion products.

Jim Farley:

No boring products.

Alex Perry:

Perfect. Really helpful. And just to follow up on commodities, can you just remind us how you're hedged across the various commodities? And with the $2 billion commodity headwind, does this assume that prices stay where they are today? So if they were to come down, this would provide a little bit of cushion in the guide?

Sherry House:

Yes. The forward forecast that we gave you does, the guidance we gave you assumes that they stay where they are, which as you would know, the forward curves are up. We have a large number of contract types that we use. In some cases, we have fixed costs, other contracts, multi-year contracts. We have a lot of contracts that are based on

indices and the impact is a quarter lagging. So you're going to have a range there. We also look at natural hedges that we have in our business as well. So when we look to hedge, we're taking the entire portfolio into consideration, and we feel that we've got a pretty good handle to be able to provide you what we did in terms of commodities for the balance of the year. If they go up substantially from here, we obviously will be back sharing that with you. But you're right, if they go down, that will be a net positive to the business.

Alex Perry:

Perfect. Incredibly helpful. Best of luck going forward.

Jim Farley:

Thank you.

Sherry House:

Thank you.

Operator:

Your next question will come from Mark Delaney with Goldman Sachs.

Mark Delaney:

Good afternoon. Thank you very much for taking the questions. I was hoping to start on the comments the company spoke about in his prepared remarks on software and physical services. I think you said you expect the $15 billion of revenue coming from those areas to grow at a nearly 8% rate annually through the end of the decade, which is a pretty good outlook over several years. So can you help investors to better understand what's driving that degree of revenue growth over the coming years? And more importantly, what does that mean for EBIT?

Jim Farley:

Sure. This has been a critical part of our path to 8%, and we've been planning for many years. As you can imagine, before I answer your question directly, we've had to invest a lot in our advanced electrical architectures, and our dealers haven't had to invest a lot in dealer capacity for the service. Really, our focus is on two key areas. We have a lot more focus than these two, but these are the ones driving our business. The first is our after sales parts business. This is a really key focus for the Ford team. We see growth in Pro. Our dealers are massively investing in capacity for Pro, but we're also becoming a lot more successful in wholesaling parts from our dealers to third-party repair shops throughout the U.S. As I mentioned, we're going to expand our parts catalog, in terms of price and diversity, and we're going to start to focus on not just Ford parts, but multi-make parts. And I think the other key distinguishing element for Ford is that we have started to really get good at remote service. Almost 20% of all Ford's repair now is done

outside the dealership at our customer's location. And for our pro customers, they're especially excited about this because they don't have to come into the dealership. And this has really expanded our revenue on after sales.

Inside the company, we're very focused on improving our repair order duration. That gives our dealers more capacity, so to speak, without having to build any more capacity. I think you know our growth in ADAS, our growth in Pro Intelligent that Sherry mentioned are both signature parts of our integrated services that seem to be growing about 30% to 40% a quarter with very high margins. When you look at the margins of the part business and the software business, this $15 billion that will be growing at 8% a year is highly profitable for the company. It also has a different revenue risk than our vehicle business. It's more of an annuity and a lot of it tends to be anti-cyclical. That means that when the car business goes down, people tend to repair their vehicles. So this fitness we're developing on the parts side will help us on the anti-cyclical side. That gives you, I think, some window and hopefully we'll be giving you more and more insights as to our ADAS strategy and Pro Intelligence product rollout in the coming years.

Mark:

This is very helpful. My other question was on the pickup market, and Ford obviously has a very strong franchise in that segment with the F series, but you've also spoken to adding more product with the UEV-based pickup model coming, and then also the ICE truck you've talked about coming out of the Tennessee factory. We're also seeing competitors lean into that segment more. So as you think about all the new models coming into the pickup space, maybe talk more on how much of the market you think pickups can make up in the future. And then as you think about more supply coming into pickups, what are implications for profit margins in that important category? Thanks.

Andrew Frick:

Yeah, thank you for that question, Mark. This is Andrew. And I think it's important when you talk about the truck business, maybe to look at it through the lens of both retail and commercial, because they're both really important parts of both customer groups. On the retail side, the truck business has historically been with the full size pickup and medium pickup, but what we've been able to do is really expand the pickup segments themselves. Maverick has created a whole new segment, and we've been able to really take advantage of that. In fact, if you look at the trends in the market, you've seen a lot of car buyers go into truck and even utilities go into truck. And we think that trend will continue, especially with the type of packaging that we're going to be able to provide. It worked on Maverick and we are really excited about the UEV pickup and the packaging that that has to really appeal to not just truck buyers, but to source from SUV buyers as well.

So we see the pickup market growing and it's really growing across segments and price points on the retail side. And Alicia, maybe on the commercial side.

Alicia:

On the commercial side, I would just ask, I'll just comment similar to what Andrew said. We have commercial buyers that buy pickup trucks from Maverick size all the way up to our F-750. And we have products in those segments and we also have diverse powertrains and we see that continuing to grow. We continue to have strong orders for 2026 right now from fleet customers and we continue to see. We just opened our '27 model year order books and we're starting, we're seeing some early indicators. So we know the demand is there, is strong, and we want to make sure that we have offerings from the very beginning, Maverick all the way to the higher pickup trucks.

Jim Farley:

How we like to think about is that we want to future-proof our truck business. To do that, we want to offer customers more choice on the powertrain side and tie the powertrains to other benefits that a truck customer would want, like a hybrid for Pro Power Onboard. And part of protecting is not just having an affordable electric pickup or hybrid throughout our lineup, but it's also having a flow of customers and move through our lineup over time. On the pro side, it helps us with adjacency sales, but on the retail side, those Maverick, those UEV sales, they are a juggernaut for loading our whole pickup business and the strength over time. Because we haven't seen our competitors invest like we have.

I think the other thing that gets maybe overlooked about Ford's pickup strategy is our global strategy. Ford is really number one or number two in most markets around the globe. There are large pickup markets in Thailand, Africa, the Middle East, and South America, and Ranger is number one or number two in every one of those segments. And we are future-proofing those lineups now as we speak with different powertrains and even more affordable options. And this is critical because we're seeing new competition in those markets from the Chinese. And so our pickup strategy is a global strategy. We're trying to learn from the past where we're trying to future-proof it in a way from oil shocks or movement of powertrain to actually price points.

Moderator:

Your next question will come from Emmanuel Rosner with Wolf Research.

Emmanuel Rosner:

Oh, great. Thank you so much. Could you give us a sense of expected cadence of earnings over the rest of the year, and in particular, maybe drivers of the much lower pace of earnings over the rest of it? With having done $3.5 billion dollars in the first quarter, that means you're guiding at midpoint for $6 billion combined over the next three, which is quite low, I guess, by historical standard. I understand that commodities is obviously going to get sequentially quite a bit worse, but then I would've thought the Novelis cost would also start going away in the second half. So maybe some of the puts and takes and the cadence, please.

Sherry House:

Yeah. So as you move into the next half, obviously one of the big things is you're not going to have the repeat of IEEPA, so that's $1.3 billion positive, as you said, with respect to Novelis as we start to gain more volume, but we are going to be hit more as we're more towards the end of the year on commodities, as I alluded to earlier. And also the other thing is we are investing more in our launches right now, and that's going to be invest in our battery electric stationary storage business, the UEV platform, and also Oakville in Canada. So we have those investments that are going in and ramping as we exit the year, and there's cash elements of that too, not just CapEx. So that and commodities, non-repeat of IEEPA, but then the positive is Novelis.

Emmanuel Rosner:

Okay. And cadence-wise, sorry, and then I have a follow-up question, but any sense on is the degradation mostly in the second half or is the second quarter ex IEEPA also quite a bit lower?

Sherry House:

Fairly consistent, I would say, is it's Q2, Q3 and Q4.

Emmanuel Rosner:

Okay. And then my second question is on free cashflow. Can you give us a bit of color on why free cashflow was almost a burn of $2 billion when EBIT was quite robust, even ex IEEPA? But I think most importantly, in the guidance, you're not flowing through any of the improved EBIT to the full year free cashflow guidance, even though it seems to be driven by better underlying performance. Why is that?

Sherry House:

Yeah, so let me hit your first question first. So with respect to the $1.9 billion usage in the quarter, it's very typical for us as you move from Q4 to Q1 to have a usage of cash, and that's because of the higher working capital that is needed. We're typically at that point, you are drawing down on inventory. You're not typically producing as much the last couple of weeks of the year. That was amplified for us with the Novellus disruption as well, and you're paying out your payables. So you're going to have that negative start. In addition, for us, this quarter, our net spending was up. And as I said, we're investing in our future. We've been really transparent about $9.5 - $10.5 billion this year, and you're spending on UEV, you're spending on BESS, we're spending on the future.

And then also there's timing differences in there, and we pay our compensation bonuses in Q1. You also have timing differences associated with marketing incentive spends that are taking place as well. So those are the big components. We do expect this to reverse. We do expect our free cashflow guidance to stay at $5 - $6 billion. The big change, as you know, was the IEEPA tariff of the $1.3 billion, and that we don't have certainty as to when that is going to come in. So we did not put that in the guidance at

this time. If we get certainty that that's going to be sooner, then we will certainly update accordingly. And we thought it's a little bit early to be pulling through some of the other cash items, given some of the volatility that we're working through.

Emmanuel Rosner:

Great. Thank you so much.

Moderator:

Our next question will come from Edison Yu with Deutsche Bank Research.

Edison Yu:

Hey, thanks for taking our question. Wanted to come back to something that, as you mentioned earlier about the US industrial base, how sensible or how realistic is it for Ford to play a bigger role in the defense complex in terms of supplying the Pentagon?

Jim Farley:

Well, thank you for your question. As a most American company, Ford has always called the answer to duty to support our country. It was ventilators in COVID, of course, the arsenal of democracy. We work with, as you know, we are very successful with our government sales and business and pro, and so we have very close relationships through the vehicle side.

What I'd be able to say at this point is two things. First of all, we are in early discussions, the US government on some defense-related projects. We're not going to go into details of those today. In addition, and I would say equally important is Ford's role as an anchor customer on onshoring critical minerals and many other supply chain vulnerabilities we have in our country. And I think you should expect Ford to play an outsized role in manufactured gray semiconductors, critical minerals like batteries and rare earths. And our supply chain is heavily engaged, not only with our government, but new companies that are starting to emerge in our country to onshore some of this capability. And I think maybe perhaps in the short term, that's the biggest role Ford can play in helping our country.

Edison Yu:

Understood. Understood. And then separate topic, just coming back to autonomy. It seems in Robotaxi, there's a lot more appetite now for some of these tech companies like Uber and NVIDIA to quasi-subsidize the OEMs. Has your thinking about Robotaxi maybe evolved over the last three or four months?

Jim Farley:

I would say yes, not just over the last three or four months. It's something we've been, frankly, watching carefully as it evolves because we were involved in Argo and are very well aware of both managing the fleet and the SDS system itself and the progress. We

kind of knew from Argo what to look for as Robotaxis became -- The SDS itself became more proficient, and we're starting to see that now. I think how you should think about Ford's approach is that we are completely focused on having the most efficient EV and the lowest cost of ownership in North America, number one. And number two, because of our pro business, we have the most fit repair and fleet management capability for new fleets, all fleets, and that capability can be applied to all sorts of different fleets. That's how we think about the market as emerges, and I think that's all we're prepared to say at this point.

Edison Yu:

Thank you.

Moderator:

Your next question will come from Ryan Brinkman with JPMorgan. Ryan, your line is now open. Feel free to unmute.

Ryan Brinkman:

Oh, thank you so much. Thanks for taking the question. Is there an update you might be able to provide on the relatively recently announced Ford Energy business? Has there been maybe proactive outreach to Ford from companies that you have existing B2B relationships with on the pro side of the business? How would you characterize that interest and maybe just remind on potential timing in that?

Jim Farley:

Thank you, Ryan. Well, as you know, we are committed to over 20 gigawatt hours of capacity starting in the fourth quarter of next year. That'll be mostly Kentucky One and a little bit of Marshall. Marshall will be really focused on UEV, but has some capacity for our energy business. So that's the timing, starting fourth quarter next year. The plants are coming online. We are on track in the industrial manufacturing capability of doing DC block. It's not just the batteries themselves, it's the containers, it's the management of the battery. That's all coming together as we expected. We are very active in contracting customers as we speak. We've had a lot of inbounds and a lot of interest in Ford because they understand that we have the best tech, we have a lot of advantages financially, and we have a great service and sales capability. And of course, the company has deep relationships with a lot of these as vehicle customers, so they know us. They know through Pro that we're a reliable company. And all I would say, Ryan, is that the energy business is the key element of our bridge to 8% margin.

Ryan Brinkman:

Great, thanks. And then just as my follow-up, around the same time that Ford Energy was announced, you also broke news of the new strategic partnership with Renault. So I was just wondering if there might be any kind of update you can provide there too,

given that the first vehicles that were announced were electric vehicles, and I think that's an important piece of solving the puzzle in Europe. But I met with Hans Schep during the quarter, he's super energized about Renault on the commercial vehicle side in Europe. What do you think the broader potential for collaboration there might be?

Jim Farley:

Thank you, Ryan, for your question. It's very pertinent. At this point, all we would say is that we believe that on the passenger car side, Renault has fully cost competitive platforms, and we intend to take advantage of that as Europe continues to electrify amidst the Chinese competition on passenger cars.

On commercial, we have a very successful relationship, as you know, with Volkswagen, both on the pickup and the van side. And we have nothing to announce today, but certainly John, myself, and the whole team are very focused on taking advantage of the Renault relationship across all of our businesses.

And our commercial business at this point is still very profitable in Europe. We see it as the core of our profitability in the future on the vehicle side. And so we will do everything we need to maximize our scale and our cost advantage on commercial in Europe.

Ryan Brinkman:

Great to hear. Thank you.

Operator:

Our next question will come from Colin Langan with Wells Fargo.

Colin Langan:

Oh, great. Thanks for taking my questions. Just if I'm looking at slide 10, there's a $900 million of other. It's kind of unusual to have such a large item. Any color on what that is? And then also looking on that slide, cost is only 700 positive and it includes the IEEPA. I think the target is that you're supposed to get a billion of cost benefit for the year, which would mean underlying costs is actually worse year over year in Q1. So what is driving the weaker Q1 cost?

Sherry House:

Well, first off, let me just hit on your question on other. That's really related to services, both physical and software. So that's where that's showing up.

Colin Langan:

So you had $900 million of software or EBIT for the quarter?

Sherry House:

Well, we also had compliance benefits, services physical, and software credit as well.

Colin Langan:

Okay. And then the cost piece, is that just the cost savings pick up in the second half of the year?

Sherry House:

This cost savings, if you're on slide 10, was related to the -- you're talking about the Q1 bridge, going from $1.3 billion in Ford Pro to the $1.7 billion?

Colin Langan:

Yeah. Well, I was just saying in the bridge, it's $700 million positive, but that includes $1.3 billion of IEEPA, and I thought your target for the year

Sherry House:

It does include IEEPA, that's right. That's right.

Colin Langan:

So that would mean ex-IEEPA, it was negative. So I'm just wondering why it's negative if the target for the year is $1 billion positive cost.

Sherry House:

Well, you said you have Novelis in there as well.

Colin Langan:

Okay. And then just lastly, if I go to slide 18 and I add up all the items, it does seem like it's a little short of some good news. It seems like I'm about $900 million short of all the items listed on that slide. What is that? Is that volume? You didn't mention regulatory savings, just other cost savings that we're missing in the walk?

Sherry House:

I would say yeah, it's a variety of other savings throughout the company as well. So we thought that really, cost is fairly flat on a year-over-year basis. Where we're really presenting very close to what we presented in the past. The big changes as we've gone into this guide is we had the $1.3 billion resulting from the IEEPA Supreme Court ruling, then we had the increase in the commodities, which is offsetting. So when you look at all of that together, you're really looking at a pretty flat picture year over year, because we already had a number of items that we're offsetting.

Colin Langan:

Got it. All right. Thanks for taking my questions.

Sherry House:

Of course.

Operator:

Your next question will come from James Picariello with BNP Paribas. It appears you're on a phone, James, *6 will allow you to unmute.

James Picariello:

Thanks. Okay.

Operator:

We can hear you, please go ahead.

James Picariello:

Thanks. So I first want to ask about, what's the level of confidence behind the 150,000 Novelis recovery units? Based on what you've seen in your own production through the first quarter, just where are we at on that? And then as we think about the raw materials, the $2 billion now in core commodities, plus the $1.75 billion in alternative aluminum sourcing, what was captured in the first quarter on that combined bucket for raw mats, and just how should we think about the cadencing for the rest of the year? Thank you.

Kumar Galhotra:

So on the Novelis recovery and the rebuild of the mill, I would say the confidence is high. As Jim and I stated earlier, the restart date is on track. All the enablers for the ramp up are on track, and belt and suspenders, if anything does go off, we have contingency plans, which means we have additional aluminum supply to ensure production. So we feel good about the second half of aluminum supply.

Jim Farley:

And not only our supply perspective, but also as Andrew said, and in the speech, we're in a really good stock situation too, so we're very confident we're going to need those units.

Alicia:

And I can just comment as well from a Pro perspective, we still have very strong '26 model year orders. We just opened up '27. We're seeing positive indicators. And when you think about the Novelis impacts, we really postpone fleet orders and they're going to be required and needed in the second half, and we haven't lost the customer. So we are very confident in the demand in the second half of the year.

Sherry House:

Yeah. And I guess I would just say that continue

James Picariello:

Just on the cost side?

Sherry House:

Yeah, we continue with respect to Novelis to expect a total cost of between $1.5 billion to $2 billion, we're tracking on target with respect to that. I think you had a specific question in Q1 related to temporary cost to source aluminum. It's about $300 million, so that would include tariffs, expedited freight and warehousing as well. These things aren't straight line, and there's just a lot of factors that are involved.

James Picariello:

Got it. No, that's helpful. Thank you. And then just as we think about the $1 billion in the UEV platform and the Marshall plant, is that more second half weighted or pretty routable through the year in terms of just the investment? And that's still tracking towards the $1 billion, right?

Sherry House:

So it's going to be the UEV investments, we're already making some of those. We're going to continue to make them through Q2, Q3 and Q4. They will go up a bit as you get to Q3 and Q4. And then we also, as I said, we've got BESS in there as well, and we also have the Oakville launch during that period of time also. So three major items that are increasing in terms of investment.

James Picariello:

Thank you.

Operator:

Your next question will come from Itay Michaeli with TD Cowen.

Itay Michaeli:

Great. Thanks. Hi, everybody. Just a couple questions on the UEV platform. I'm just curious what's left to do here as you prepare for next year's launch and maybe thinking even out to 2029 towards your breakeven or profitability objective for Model e? How should we think about roughly the number of top hats that you're planning to launch on that platform? And maybe just lastly, if I can sneak it in. In the past, you've mentioned

using some new suppliers for UEV. Any more updates you can share on how that's going? Thank you.

Kumar Galhotra:

So Itay, this is Kumar. Answering your first question on, let's say, the industrial launch of the product, there are four major pieces to it. There's the hardware of key new parts like mega castings. UEV has its own software platform, so development and testing of that platform. Excuse me. Third is the readiness of our suppliers with all the parts that are coming from suppliers. And lastly, number four is equipment installation at our plant.

We're in the middle of all four of these right now, and all enablers and all indicators, early indicators of these four work streams are on track, so we feel good about it.

Your second piece of question, number of top hats. As we've mentioned, it is a platform. We plan to have high volume at Louisville, but I think we don't want to give away our plan to competition by talking about how many top hats or which top hats. It would be too early to do that.

Itay Michaeli:

Got it.

Jim Farley:

The launch is bigger than the industrial launch, so we want to give you a little bit of insight into the demand creation because that's critical for us.

Andrew Frick:

Yeah, this is Andrew. We're confident on our launch plan. In fact, we're right on track to share our plans with dealers and take customer orders later this year. And what we're really excited about is some of the EV market trends that we're seeing and the EV volume really heading towards the affordable space, which really favors this affordable UEV platform positioning us right in the heart of the market. So we're really pleased with that.

Jim Farley:

I think the market is already predisposed to this price point, but now it feels like in the US, the EV market is moving even closer to the UEV platform. And there's really not much choice on a fully specked, highly capable technological vehicle platform that's really affordable. There's not a lot of choice for customers. It's a lot of compliance vehicles, but this is a real legitimate, fully capable product for customers. So we think the market is really moving and we understand that. That's why we're working so hard on the demand creation. I think UEV is on

Jim Farley:

As far as the new suppliers, do you want to mention anything about the new suppliers, Kumar?

Kumar Galhotra:

Yeah, I would say that the UEV team took a very interesting approach. We did the toughest and the most complex commodities, we designed them in house. This gives us a lot of control over those commodities, and it gives us the ability to source those commodities at the highest quality and the best cost price points from new suppliers. And these new suppliers have been great partners, and we are working towards using that capability, both the process as well as the new supply base in the rest of our portfolio.

Jim Farley:

What's exciting for me is to see the team's pollination of the UEV process, new suppliers, new way of developing a vehicle, new IT tools that the development team uses, it's really starting to spread across the company. And to me, that's very encouraging to see because the greatest gift for UEV will likely be what it gives all of our other models and our team as a whole.

Itay Michaeli:

Absolutely. That's very helpful. Thank you.

Operator:

This concludes the Ford Motor Company First Quarter 2026 earnings conference call. Thank you for your participation, you may now disconnect.