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Call

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**Pete Rander** *Argo AI - COO*

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**Rod Lache** *Deutsche Bank Research - Analyst*

**Jamie Albertine** *Consumer Edge Research - Analyst*

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## PRESENTATION

### Operator

Good afternoon. My name is Stephanie, and I will be your conference operator today. At this time, I would like to welcome everyone to the Ford Briefing conference call. (Operator Instructions)

I would now like to turn the call over to Stacey Steslicki, Director Investor Relations. Please go ahead.

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### Stacey Steslicki - Ford Motor Company - IR Director

Thank you, Stephanie, and thank you to everyone joining us as we share an important announcement today. Presenting today are Mark Fields, President and CEO of Ford Motor Company, and Bryan Salesky, co-founder and CEO of Argo AI. In addition to Mark and Bryan, Raj Nair, Ford Executive Vice President of Global Product Development and Chief Technical Officer; John Casesa, Ford Group Vice President of Global Strategy; and Peter Rander, Chief Operating Officer of Argo AI also will participate in the Q&A session.

After Mark and Bryan's opening remarks, we will open the line for about 30 minutes to take questions from analysts and then from the news media.

A copy of the press release for this announcement is available on Ford's investor and media websites.

Today's discussion may include some forward-looking statements about our expectations for future performance. Actual results may vary, and the most significant factors that could affect future performance are included in today's press release and in Ford's 2016 10-K.



With that, I would now like to turn it over to Mark Fields.

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**Mark Fields** - Ford Motor Company - President and CEO

Okay. Thanks for joining us, everyone. As you know, it's an exciting time for Ford as we expand our business to be both an auto and a mobility company. And also as you know, we've laid out our Company vision and our strategic priorities to drive profitable growth and value, going forward. And as you know, we're focused on fortifying the profit pillars in our business, transforming the underperforming parts of our core business, and growing emerging opportunities, including leading in autonomy, electrification, and mobility.

And today we have some news to share with you about our next step in autonomous vehicles. And so, today we're announcing that we're investing \$1 billion during the next five years in Argo AI, an artificial intelligence company, to develop a virtual driver system for Ford's autonomous vehicles coming in 2021 and the potential to license to other companies in the future.

Now, Argo AI is founded by former Google leader Bryan Salesky and Uber leader Peter Rander. And Argo AI will develop the virtual driver system for Ford's autonomous vehicles with the intent of having that in the marketplace in 2021.

Now, Ford will be a majority stakeholder in Argo AI, and Argo AI's employees will have significant equity participation in the company, which will then enable them to share in the company's success.

And this collaboration, if you think of it this way, it combines Ford's autonomous vehicle development expertise with Argo AI's robotics experience and startup speed on artificial intelligence software, all of that to further advance our autonomous vehicles. Our current team developing Ford's virtual driver system will be combined with the robotics talent and expertise of the Argo AI team, and our investment in this new business model will further strengthen our leadership position to bring autonomous vehicles to the market in the near term and will also create a technology platform that could be licensed to others in the future.

And I think this really builds on our ten years of working on autonomous vehicles, building on an incredible team of autonomous vehicle hardware and software developers under the leadership of Raj Nair, our Chief Technical Officer and leader of global product development.

And as you know, we intend to deliver a fully autonomous, SAE Level 4-capable vehicle in 2021, and the \$1 billion investment -- I want to make this really clear -- it is consistent with the autonomous vehicle capital allocation plan that we shared last September during our Investor Day, and we firmly believe that this investment and this business model that we've put in place really gives us a unique combination of strengths to potentially generate significant returns.

And just before I pass it over to Bryan, I would like to say that we're really pleased with how this enterprise has developed and that we're really thrilled to be working with Bryan and his team at Argo AI and Peter, going forward.

And Bryan, maybe you can share a few thoughts? And then, we'll just open it up for questions.

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**Bryan Salesky** - Argo AI - CEO

Thanks, Mark. This is a really exciting moment for all of us. We have created a very unique partnership that combines the speed and agility of a startup with the strengths and resources of Ford. This business structure allows us the best of both worlds: the independence to innovate and move fast, plus the product development prowess and the ability to build vehicles at scale.

One of the great benefits of creating a startup is the ability to effectively recruit and reward talent. We plan to build the best team, and this structure allows us to extend competitive equity that will allow employees to participate in the upside of Argo AI.

We also have a shared vision for mobility, and that is what stood out to us as we were developing our vision for the future. Bill Ford has been a thought leader in this space, and he foresaw the disruption happening within the industry before others. It was that vision to make mobility accessible for millions that aligned with our vision at Argo AI.

We have built a great relationship with Mark, Raj, and John, and we really look forward to working together.

Now, I'd like to turn it back over to Stacey. Thank you.

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**Stacey Steslicki** - Ford Motor Company - IR Director

Thank you, Bryan. So, we'll have about 30 minutes now for question-and-answer. So, we'll open the call for analysts and media questions with Mark, Raj, John, Bryan, and Peter. So that we can get as many questions as possible during this time frame, we would ask that you try to limit your questions to one or two.

So, Stephanie, with that, we'll take the first question.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Joe Spak, RBC Capital Markets.

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**Joe Spak** - RBC Capital Markets - Analyst

Congrats, everyone. First off, just I was wondering if you could tell us a little bit more -- maybe how many employees, how many engineers you have? And then, obviously, a very strong pedigree with resume, but a little bit about the approach you're taking to the technology?

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**Bryan Salesky** - Argo AI - CEO

Sure. This is Bryan, speaking. So, we founded the company late last year, and we're very aligned with the development strategy that Raj and the team have been pursuing over the last several years.

We see incredible advancements happening in machine learning, computer vision, and artificial intelligence. These concepts, these areas of computer science, are going to transform lots of businesses, and the one that we're passionate about, Pete and I, is how it will transform mobility and how self-driving cars can bring a lot of benefit to society.

Together, we think that the relationship, the partnership, with Ford is very unique in that we're going to be able to innovate in those important areas and also be partnered with Ford, who understands product development, know-how, and the scale in manufacturing to be able to make sure that we bring this to millions of people.

In terms of number of people, we're small and growing, and we anticipate having approximately 200 employees by the end of this year.

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**Joe Spak** - RBC Capital Markets - Analyst

Okay. And then, just from a financial perspective, I know the investment is over five years. Are there certain thresholds or markers for that to be deployed? Or, is that going to be split pretty evenly?



**Raj Nair** - Ford Motor Company - EVP, Product Development & Chief Technical Officer

It's typical of our spending curves on developing new technology, developing new programs that we have milestones. And over the five years, we'll be watching that more based on developing the product across the spending curve than financial milestones or anything like that.

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**Joe Spak** - RBC Capital Markets - Analyst

Okay. Thanks a lot, guys.

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**Operator**

Brian Johnson, Barclays.

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**Brian Johnson** - Barclays - Analyst

A couple of questions. Sort of, first, you probably looked at some of the other startups out there as well as, I assume -- it's certainly no secret that Waymo is marketing autonomous vehicle software and, of course, there's Mobileye. What did you see in the approach that Argo was taking that elevated it over the rest of your choice set?

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**Raj Nair** - Ford Motor Company - EVP, Product Development & Chief Technical Officer

It's Raj. It's a great question. I think -- we've actually known Bryan and Peter for quite some time, even dating back to the DARPA Urban Challenge days. And certainly an aspect of, as Bryan mentioned, an alignment on our technical approach, but also obviously two great technical leaders.

But also, the opportunity to create what we're really viewing as a bit of a hybrid model. It's certainly building on the work that we've done on the virtual driver system over the last 10 years that we've been working on it; the ability to put that group under the leadership of Bryan and Peter, the Ford employees transferring over and becoming Argo AI employees; and the ability to really recruit top talent because of the unique structure, including equity participation in Argo AI; and then, integrating that with our autonomous vehicle platform, integrating that with our capability obviously of bringing the rest of the vehicle to scale and to market; and should the possibility arise, thinking about licensing that technology outside.

So, I think that was a really unique opportunity that we see as the best of both worlds when we see technology companies or OEMs pursuing this. We're really capturing on the strength and advantages of both of those models into this hybrid.

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**Mark Fields** - Ford Motor Company - President and CEO

And Brian -- this is Mark -- the only thing I would add on to what Raj was mentioning about the points he made is this also helps, we think, the potential to create significant value in the Company, from two aspects: one, allowing us obviously to bring the autonomous vehicle to the marketplace in the near term; but even after that, the ability, as Raj said, to potentially license this to other OEMs.

So, this is just a way for us to get all the benefit that Raj mentioned, but also at the same time look at ways to continue to see how we can unlock value in the investments that we make.

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**Brian Johnson** - Barclays - Analyst

Okay. And a follow-up question just to Joe's around the financials, is the \$1 billion over five years sort of the total investment cash that will go through this company? Or, should we be thinking of it as kind of a \$1 billion earn-out, plus there could be additional operating costs that will flow through to Ford Motor, similar, for example, to what one of your competitors with their startup disclosed, a \$600 million annual operating expense on top of the \$1 billion they paid?

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**Mark Fields** - Ford Motor Company - President and CEO

Well, Brian, when you look at the \$1 billion that we're investing over five years, first off, we're not going to -- we won't get into issues of kind of the calendarization or the cadence of that. But nonetheless, the \$1 billion is for all the development and operating expenses for Argo AI.

Now, there are going to be other expenses. As Raj said, we're still going to have within Ford the development of the autonomous vehicle platform, hardware, and all the support costs associated with that.

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**Raj Nair** - Ford Motor Company - EVP, Product Development & Chief Technical Officer

So, that's consistent with the plan that we laid out in Investor Day. And so, there are obviously spendings above and beyond the \$1 billion relative to our autonomous vehicle that are outside of the virtual driving system.

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**Brian Johnson** - Barclays - Analyst

Okay. Thanks.

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**Operator**

George Galliers, Evercore.

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**George Galliers** - Evercore ISI - Analyst

First question, actually, just for Bryan. You mentioned Bill Ford's vision, and it sounds from Raj's comments like you know Ford very well. But did you speak to other OEMs and go through a kind of process before deciding Ford were the right partner for you on this? Or, was it a case that you and Ford kind of have been talking about it for some time?

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**Bryan Salesky** - Argo AI - CEO

We did. Pete and I looked at other OEMs and other approaches to funding and to fill out our development road map. And we were really attracted to Ford after getting to know Raj's technical team and the strength there, after understanding more about their vision for the future of mobility.

We have deep respect coming out of all of those conversations and realized just how much in alignment we are, both from a technical and strategy point of view. And so, I think the conversations, hence, sort of really accelerated from there.

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**George Galliers** - Evercore ISI - Analyst

Great. Thanks. And then, I don't know, Mark, to the extent you might be able to give us any guidance? You talk about Ford having a majority stake. But can you give kind of any range of what the equity holding might start out at and where it could end up once you've sort of incentivized or passed equity on to employees?



**Mark Fields** - Ford Motor Company - President and CEO

While I appreciate the question, we're not getting into details on the percentage, but obviously it's a majority. So, we do have the majority of it. But also, at the same time we left enough for -- we shared enough with the founders as well as for the rest of the employees to make this very distinctly attractive to attract the talent that Bryan talked about earlier.

Because we've talked about this before: there's a war for talent out there. And we wanted to make sure this structure allowed for us to have sufficient amount of equity so that Bryan and Pete could offer equity participation to employees that they're going to have offers to to get that top talent.

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**George Galliers** - Evercore ISI - Analyst

Great. Thank you.

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**Operator**

Rod Lache, Deutsche Bank.

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**Rod Lache** - Deutsche Bank Research - Analyst

Obviously, a great team coming together. I had a couple of questions about it. One is, is the Argo team bringing along any IP patents or product? Do you have a view on how rapidly you could achieve similar levels of performance that we currently see, for example, at Google? And is there a reason for Ford that you feel that it is important for you guys to own this as opposed to working with a supplier like Delphi or someone who is obviously trying to pursue a similar productization of autonomous driving?

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**Mark Fields** - Ford Motor Company - President and CEO

Rod, let me take the last one, and I'll kick it open to both Bryan and Pete and Raj for the other ones. On the IP, obviously by having this as majority ownership, we're able to capture that value. And so, as we said, as we were kind of looking at this we looked at it through the eyes of how do we create value in the Company. And we think this is the best approach from that standpoint; and also, with the option later on, if after we implement it in our vehicles, to license it to others. So, therefore, we'll be able to capture even more value from that.

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**Raj Nair** - Ford Motor Company - EVP, Product Development & Chief Technical Officer

I'll let Bryan speak to the comparison, I guess, and the IP question. I think it's important to note that this is very much a systems problem. And what Argo AI will be working on is the virtual driver system, which is effectively the brain of an autonomous vehicle. And the autonomous vehicle platform, to some extent, is aspects of the nervous system and the skeleton of the vehicle. And then, you obviously have the rest of the muscles and the body and everything else in the autonomous vehicle.

The integration of the software and the hardware -- and not just the hardware (i.e., the LiDAR or radar cameras) that we all believe -- we, along with Argo AI -- believe is going to be necessary, but the total system integration with the vehicle, I think, is absolutely key.

So, that's why we believe this approach of Argo AI having the speed and nimbleness of a startup, including on the technical direction that we need to go, but also integrated in a full vehicle product development team is the right model and very different from some of the other models you've just mentioned, Rod. This is Raj, by the way.



And so, we think this hybrid model is really unique in the industry, both in terms of ability to attract talent because of the equity participation, but the solid funding for the startup, a solid customer for the startup, but also the ability to integrate the technology into the rest of the vehicle technology. And so, I think that's a very unique hybrid model than anyone else is actually pursuing relative to autonomous vehicle technology.

And then, I'll hand it over to Bryan.

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**Bryan Salesky** - *Argo AI - CEO*

This is Bryan. We aren't going to comment on other competitors. I agree with everything Raj said and just want to accentuate the system integration challenges. The virtual driver system is extremely complex. It involves very complex hardware, very complex software, sensors, computers, and algorithms that all must come together and work as a unit deeply integrated within the vehicle, which by itself is also an extremely complex product.

And so, these two things need to come together, and this relationship with Ford and Argo AI really allows us to make sure that we safely integrate all of the virtual driver systems onto the vehicle and allow us to deliver a vehicle that is safe and well integrated and has an excellent customer experience.

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**Rod Lache** - *Deutsche Bank Research - Analyst*

Great. Thank you. And just --.

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**Raj Nair** - *Ford Motor Company - EVP, Product Development & Chief Technical Officer*

Rod, also what I would add is some of the people that you mentioned are obviously partners for us right now and great partners for us in the supply base and tier ones. And so, we've got a good understanding of their capability, and based on that understanding as well as our own understanding of where we're at with the program and what Bryan and Peter and Argo AI bring to the party, we think we've got a pretty good understanding of what's available technology-wise to us and what the right approach is.

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**Rod Lache** - *Deutsche Bank Research - Analyst*

Great. Thanks for that. And just, one last one. Is there going to be or is there some thought to an external equity that's going to be floated? Or if not, how would the equity be valued, ultimately?

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**Mark Fields** - *Ford Motor Company - President and CEO*

Well, Rod, the way we structured this is we could take on an additional investor, although that's not the plan right now. Down the road, we could IPO it. We've structured it to leave us a lot of flexibility. But right now, obviously, we're focusing on the structure that we have now and driving the technology development to get these vehicles on the road. But we have flexibility down the road for some of those things.

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**Rod Lache** - *Deutsche Bank Research - Analyst*

Great. Thank you. Congratulations.

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**Operator**

Jamie Albertine, Consumer Edge.



**Jamie Albertine** - *Consumer Edge Research - Analyst*

Congratulations, as well. I wanted just to sort of follow up a little bit here. I know you said this is consistent with your capital allocation plan that you stated back in September, but did you sort of always envision this as a stepping stone to your 2021 deadline that you sort of self-imposed deadline? Or, is this potentially an accelerant to that prior sort of deadline?

And also, again, kind of for a lowly auto analyst who doesn't really know much about or focus much on AI historically, help us understand kind of where we are in kind of broader AI development and kind of what the next few steps --? Will this bleed into cars that you're going to be producing between now and then? Or, is this going to be something that we really won't see in the market until that SAE 4 hits in 2021?

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**Raj Nair** - *Ford Motor Company - EVP, Product Development & Chief Technical Officer*

So, within the plan, we've always been open to partnerships on the technology. We announced some of those partnerships last year when we talked to you, whether it's SAIPS or Civil Maps or Velodyne or Nirenberg Networks. So, I think we've always been open to the right type of partnership in our plan to get to 2021. And I would say this certainly increases the robustness of our ability to deliver on that 2021 date, the intent that we had to have a SAE Level 4 vehicle in production in that year.

Relative to where we're at, I would describe this in our engineering terms as we're beyond the research phase, but this is still very much advanced engineering. There's a lot of engineering that we still need to do.

And some of the technologies -- perhaps on the sensor side, perhaps on the radars and camera -- we'll see coming into driver-assist technologies before the SAE Level 4. But really, the full integration of the system, there's a tremendous leap between driver-assist technologies and getting to SAE Level 4 capability. It is not a transition. You don't walk up towards it. You almost have to start with, what does it take to have full autonomy and work backwards from that. So, that's the technical approach.

We'll still, as Ford, be progressing driver-assist technologies between now and then, but this effort and Argo AI, as well as our autonomous vehicle team, will be totally focused on the SAE Level 4 vehicle.

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**Mark Fields** - *Ford Motor Company - President and CEO*

And Jamie, the only thing I'd add is we never think of analysts as lowly. (laughter)

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**Jamie Albertine** - *Consumer Edge Research - Analyst*

Fair enough. Fair enough. I am a Redskins fan, though. So, maybe that contributes to lowliness. So, I don't know.

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**Raj Nair** - *Ford Motor Company - EVP, Product Development & Chief Technical Officer*

That changes everything.

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**Jamie Albertine** - *Consumer Edge Research - Analyst*

That's everything different. But quick follow-up, though, if I may, Raj? So, as we think about V2V mandate from a regulatory perspective and this perception that V2I is going to become more of a necessary step down the road to really see the proliferation of autonomous vehicles, I'm wondering does this change how important that V2I step would be to an AI, sort of an Argo AI-powered SAE Level 4 vehicle? Or, does this sort of -- has this always kind of been consistent with your vision of how corporate investment meets regulatory acceptance?



**Raj Nair** - Ford Motor Company - EVP, Product Development & Chief Technical Officer

I think this has been very consistent with our approach, and we're certainly supportive of some to the V2V and V2I initiatives. But as you know, it takes a long time for that technology to penetrate the fleet, the average age of the fleet being 10 years. And there's certainly -- there's still model Ts running around the road right now.

So, the approach on the technology, although that can be an enhancement and we'll certainly leverage any V2V or V2I data that's available, the approach that we have and aligned with Bryan and Peter is that the system needs to be robust without V2V and V2I communication being available to it.

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**Jamie Albertine** - Consumer Edge Research - Analyst

Got it.

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**Bryan Salesky** - Argo AI - CEO

This is Bryan, speaking. To the extent that V2V/V2I is available, we really look at that as just another layer of safety. It's another sensor input amongst all the other inputs that we have to make use of to ensure that we can navigate a vehicle safely.

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**Jamie Albertine** - Consumer Edge Research - Analyst

Understood. Well, thanks again, gentlemen, and congratulations.

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**Operator**

David Tamberrino, Goldman Sachs.

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**David Tamberrino** - Goldman Sachs & Co. - Analyst

(inaudible) question for me. As we think about your continued development and your partnerships and investments that you've made over the past couple of years, do you feel as if you've got the full suite of technology now kind of within your grasp or invested in or partnered with? Or, is there still more that you can go out and do from a partnership or an acquisition standpoint in order to get to that 2021 target that you've been thinking about?

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**Raj Nair** - Ford Motor Company - EVP, Product Development & Chief Technical Officer

David, it's Raj. I think relative to the technical approach, we're pretty aligned on the type of sensor suite and the type of computing power (inaudible) that we need. But having said that, at the same time we're always open to new advancements, new technologies, new partners. It's important in this space. It's advancing so rapidly that there will be inventions between now and 2021, I'm almost sure of it. And we'll certainly be open to having that discussion.

But I also feel confident that both in terms of resources and partners that we have right now we're in a very good position.

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**Bryan Salesky** - *Argo AI - CEO*

This is Bryan, speaking. Argo AI feels really excited about the investments that Ford has been making recently: SAIPS and Civil Maps just as two examples. I think they're really going to be very helpful in our partnership, going forward.

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**David Tamberrino** - *Goldman Sachs & Co. - Analyst*

Understood. And then, just one last one from me, Bryan, for you. As we think about validation of AI -- obviously, vehicle teaching itself -- how many miles -- millions, billions -- how far away are we from a fully validated standpoint from where you think you are today? And how does this partnership provide an acceleration in your view for getting there?

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**Bryan Salesky** - *Argo AI - CEO*

Well, first off, I wanted to emphasize I don't think this is an acceleration. This is strengthening the team. This partnership will help us get to 2021.

As far as a number, in terms of number of miles, I think that's a highly debated and discussed topic within our field. And it's a good question, but it needs to be put into the context of a complete validation and verification plan.

And so, there is no one-size-fits all number. It really needs to be put into the context of how do you test and develop these systems? And frankly, the testing is done in so many -- there's so many different prongs to a test plan for a self-driving vehicle. Driving miles and real-world testing is essential, but it's really just one signal of hundreds that go into the readiness conversation.

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**Pete Rander** - *Argo AI - COO*

This is Pete, speaking. I think the idea here that we're really excited about is being able to work with Ford and reach out more broadly to groups like NHTSA and really participate, because to get this to market we really need to collaborate in the whole market to bring this together, because we need a responsible way to bring this to market.

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**Raj Nair** - *Ford Motor Company - EVP, Product Development & Chief Technical Officer*

Right. And one thing I'd add -- and I know, certainly, there's focus on miles, particularly miles that are reported on public roads. But as Bryan and Pete have both mentioned, there's a lot more to that.

And I think a little bit unique to the OEMs and now unique to this hybrid model, we are fortunate that we've got extremely large proving grounds and test tracks already as assets. And so, before we go on public roads or don't even need to go on public roads, we're doing a lot of that testing on our internal tracks, and then don't necessarily report that mileage out in some of the reports that you've seen.

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**David Tamberrino** - *Goldman Sachs & Co. - Analyst*

Understood. Maybe just a follow-up or a clarification is, the way you think about it and the way that we can, at least from the public view externally, try to validate the path going forward here, is there any type of milestones that we should be looking for or thinking about? Or, if it's not mileage, what's the right way? What's the public path that we should be contemplating or keeping an eye out for?

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**Raj Nair** - Ford Motor Company - EVP, Product Development & Chief Technical Officer

It's so complex, and even in terms of normal vehicle development it's hard to explain to the public engineering milestones. And to be honest, I think this is going to be a matter of, obviously, working with the regulators on what the performance criteria for certification is going to be and then actually certifying. It's one of those that you either have the end game or you don't.

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**David Tamberrino** - Goldman Sachs & Co. - Analyst

Thank you.

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**Operator**

David Whiston, Morningstar.

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**David Whiston** - Morningstar - Analyst

I just had two questions. First, and I hate to ask an accounting question without Bob on the phone, but can you speak at all if this is going to be an equity method investment right away and then moving to consolidation? Or, consolidation right away? That would be helpful for any modeling.

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**Mark Fields** - Ford Motor Company - President and CEO

I'm going to practice finance without a license, but I think, to your question, this will be consolidated, and you'll see this show up in our automotive results, and it will be primarily in North America.

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**David Whiston** - Morningstar - Analyst

Okay. Great. That's helpful. And then, for Peter and Bryan, can you just talk a little bit -- and again, I'm another lowly auto analyst who doesn't know the AI side that well -- what are you doing at Argo that Google and Uber are not? Or, is it similar tech but you guys just wanted to run your own firm?

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**Bryan Salesky** - Argo AI - CEO

This is Bryan, speaking. We're not drawing any comparisons to competitors. We're focused on our strategy, which is a close, deep integration with Ford and taking the know-how that they have and the scale that they have and leveraging the know-how that we have in terms of how this confluence of machine learning, computer vision, AI is all going to come together to power self-driving vehicles here in the future.

So, there's no comparisons being made. We have our development road map and approach that's very closely aligned to a lot of the thoughts that Raj and his team have had, and we're following that path.

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**Pete Rander** - Argo AI - COO

And that alignment of purpose is so important. Partly what attracted us so much to Ford is this common vision of really working toward that goal of bringing this out 2021 and making this happen together in a partnership mindset.

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**David Whiston** - *Morningstar - Analyst*

Okay. And does Argo have any patents or patents pending?

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**Bryan Salesky** - *Argo AI - CEO*

We aren't commenting on our IP portfolio.

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**David Whiston** - *Morningstar - Analyst*

Okay. Thank you.

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**Operator**

Thank you for your questions. We will now start taking questions from the media.

Matt DeBord, the Business Insider.

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**Matt DeBord** - *Business Insider - Media*

Just two quick questions. This is already being described in some reports as a sort of de facto acquisition, but it sounds like you guys were at pains to not make it an acquisition so that you could pursue this sort of hybrid model. Is that an accurate assessment of how you came to do the deal?

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**Raj Nair** - *Ford Motor Company - EVP, Product Development & Chief Technical Officer*

I think we kind of in discussions put together this hybrid model together. We had some thoughts on it earlier, but I think in working with Peter and Bryan as we worked through the opportunity, the real advantages of the model came to the forefront. And I think we both, the more we talked about it the more excited we thought about this would be the ideal way to solve the problem.

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**Bryan Salesky** - *Argo AI - CEO*

This is Bryan, speaking. I agree with that. When Pete and I founded Argo, we always had the intention of partnering with a car maker. And I think, like I said, the huge respect we got once we found out more about Raj's technical team and sort of what they were building and the true alignment around a shared vision for mobility, all of those things really set the stage and the foundation for us to put this together. So, it happened quickly, and that's what happens when you've got aligned interests on both sides of the table.

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**Mark Fields** - *Ford Motor Company - President and CEO*

And Matt, when you look at how we've structured this business and the board, obviously Bryan's the CEO; Pete's the COO; the team reports to them; and then Bryan reports to the board. And the board is going to have two Ford members; it's going to have Bryan and Pete; and then, we're going to have an outside member.

And the reason for that was making sure you set up a structure that Argo AI could have the independence that they need to run like a startup, and at the same time make sure there's Ford involvement, for a number of different reasons, one of them being I'm obviously protecting our investment.

So, we think it's the right construct to balance those two things.

**Matt DeBord** - *Business Insider - Media*

So, you're going to have a Ford person on the board, definitely, right?

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**Mark Fields** - *Ford Motor Company - President and CEO*

Yes. We will have -- obviously, Bryan and Pete will be on the board from Argo AI; and then Raj will be on the board and John Casesa, our head of global strategy, will be on the board; and an independent director to be determined.

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**Matt DeBord** - *Business Insider - Media*

Okay. And just another quickie, then, to follow up. Will the Ford employees who are going over to be Argo employees, will they be hooked up with the equity plan that you're going to set up? Or, will there be a different arrangement for them?

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**Raj Nair** - *Ford Motor Company - EVP, Product Development & Chief Technical Officer*

The Ford employees will become Argo AI employees and will be eligible for equity in the same compensation package that we've been talking about to attract talent.

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**Pete Rander** - *Argo AI - COO*

That's very important to us from the Argo side, to integrate in now as one Argo team. We're very excited to be able to get the talent, this incredible team that's there. And we do not want to have the firsts and the lasts or the haves and the have-nots. We are one team. We need to reflect that in the way we compensate everyone.

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**Matt DeBord** - *Business Insider - Media*

All right. Thanks so much, gentlemen. Appreciate it.

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**Operator**

Tom Krisher, The Associated Press.

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**Tom Krisher** - *The Associated Press - Media*

I was wondering, this is obviously a very significant investment. Was there a particular knowledge or technology that Argo had that you folks didn't have in house? Or, does this help you get to Level 4 faster because you have them? What attracted you to Argo?

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**Raj Nair** - *Ford Motor Company - EVP, Product Development & Chief Technical Officer*

It's Raj. Again, I would say that we've known Bryan and Peter for a while, and when talent like that comes up you don't ignore that availability. And when they formed Argo AI and then we started talking about, one, the alignment of their technical vision, their alignment about how the technology would be used, going forward, in solving so many mobility problems, all of that was very attractive to us.



And I would say, as Bryan mentioned, this really increases the robustness of the ability to deliver this vehicle in 2021. We've had that intent to deliver the SAE Level vehicle in 2021, and this is very well aligned with that and increases the robustness of that plan.

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**Tom Krisher** - *The Associated Press - Media*

Was there a particular hole, if you will, in what you folks were developing in house that they can fill?

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**Raj Nair** - *Ford Motor Company - EVP, Product Development & Chief Technical Officer*

No, it's not a hole, but I think it is a strengthening of the virtual driver system team. I think we have a very good team, but this ability to put that into a startup type environment, put it under the leadership of two pioneers in the autonomous vehicle technology field, and have the compensation package that will attract incremental talent, I think all of that is a win-win-win situation when you couple it with our ability to integrate that into systems that are complex in themselves back in the vehicles, and as well as the ability to bring that all to scale.

So, now you have a stable funding source for this startup, you've got a customer that is built in, as well as an ability to integrate it into the broader engineering solutions required for autonomous vehicles and the ability to bring that all to scale by being tied to a major OEM like Ford.

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**Tom Krisher** - *The Associated Press - Media*

Very good. Thank you.

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**Operator**

Christina Rogers, The Wall Street Journal.

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**Christina Rogers** - *The Wall Street Journal - Media*

Got a question from the lowly reporter here. (laughter)

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**Mark Fields** - *Ford Motor Company - President and CEO*

You guys, it's Friday. You should be thinking more highly of yourselves.

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**Christina Rogers** - *The Wall Street Journal - Media*

Right. We're totally self-effacing as we head into the weekend. I was wondering if you could offer some details on how exactly the equity will be structured? I guess I'm not clear on that. And how that will benefit the recruiting efforts?

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**Mark Fields** - *Ford Motor Company - President and CEO*

Well, we won't get into specific detail, Christina, around the equity setup. As I mentioned earlier, this is going to be -- from an accounting standpoint, it's a subsidiary of Ford. But obviously, it's a company that will have equity. We have the majority amount of it, but we're giving a significant chunk to Bryan and Peter and the employees. And we'll use that to obviously make sure we attract top talent so that they can be competitive with other startups in this space so they can get the top talent we need.



**Raj Nair** - Ford Motor Company - EVP, Product Development & Chief Technical Officer

I think it's -- from the accounting, as we said, it's a subsidiary. But the equity participation is important to the compensation package and being competitive. But also the independence to operate nimbly on the technical approach and how we get to the solution of the engineering problem is also critical, while still integrating back into the broader Ford.

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**Christina Rogers** - The Wall Street Journal - Media

And when will you start hiring?

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**Pete Rander** - Argo AI - COO

We've already begun hiring and we'll continue to do so.

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**Christina Rogers** - The Wall Street Journal - Media

All right. Thanks a bunch.

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**Operator**

Joann Muller, Forbes.

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**Joann Muller** - Forbes - Media

So, a couple of questions around this idea of recruitment and the structure. As I'm listening to this call, it sounds to me like Argo is two guys who are very talented with lots of experience. And then, you're taking your Ford autonomous vehicle team and moving it under there, and that's where the 200 employees come from. But can you clarify if I've got that right?

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**Raj Nair** - Ford Motor Company - EVP, Product Development & Chief Technical Officer

Let me clarify, Joann. So, first off, we're talking about the virtual driver system, which is just one aspect of what you need to do to deliver the autonomous vehicle. And certainly, you can consider it aspects of the brain and some of your senses.

But the rest of the skeleton and the nervous system is also very unique for an autonomous vehicle. We call that the autonomous vehicle platform. The system integration is critical. The actual design of the vehicle, both exterior and interior design, is critical. All of that remains with Ford. The manufacturing, engineering, the scalability, the go-to-market -- all of that remains with Ford.

But perhaps critical on the technical aspect, the autonomous vehicle platform and the systems engineering aspects remain with Ford. So, that portion of the autonomous vehicle team that we have remains with Ford.

This is very specific to the virtual driver system. And so, although -- and I'll let Bryan and Peter comment on the team -- a very talented team, it also brings the ability to bring a lot more talent to bear, and not just Bryan and Peter. And it's very fluid on the employee count right now in Argo, because it's right at the beginning. A lot of things are happening.

But it's certainly more than just Bryan and Peter and their leadership. There's a lot of talent that they already have on board and a lot of talent that they're actively recruiting, coupled with the ability to start up quickly with a lot of talent that we've had internally.

**Bryan Salesky** - *Argo AI - CEO*

This is Bryan. When we founded Argo last year, we started hiring, and we've brought on board people at all levels, including leadership, folks that are very experienced in developing robotics systems.

And we're also very excited about the virtual driver system team that's at Ford, and we're excited about merging these teams together into one Argo team.

And I think that in a lot of instances -- I'd like to say we planned it this way (laughter) -- the leadership and sort of the folks that we've hired and the folks that are on the virtual driver team, they sort of complement each other, and it actually is now a much fuller team in terms of all the different disciplines you need to build the robotics system. And it, over all, is a stronger team with us coming together.

The other thing I'd say is that we are headquartered in Pittsburgh. However, we're also hiring in other markets, such as southeast Michigan and the Bay Area in California. We need to recruit the best people, and we will be hiring teams in those three markets.

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**Joann Muller** - *Forbes - Media*

So, how many people from Ford are moving over to Argo?

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**Bryan Salesky** - *Argo AI - CEO*

We're in the process of working through that, and it very much is a process, because we sort of need to tease apart the teams that make sense to be at Ford to support their autonomous vehicle platform, and then those folks that make sense to come on board in the virtual driver team. And so, that's sort of in progress.

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**Joann Muller** - *Forbes - Media*

And Mark, you were asked earlier about how would this equity be valued. You mentioned the possibility of an IPO maybe down the road. Or, I'm wondering if you envision some sort of tracking stock or something like that? And likewise, would that model work for something like Ford Smart Mobility LLC, which you have kind of crafted alone as its own entity?

I'm looking at sort of the larger capital structure questions around all this new mobility space for you. How do you see that generating value down the road? What are some mechanisms you could use?

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**Mark Fields** - *Ford Motor Company - President and CEO*

Well, I think for this case, in particular, obviously that we will have a process and use probably an outside firm to determine the fair market value of AI Argo over time.

In terms of would we do something like that on Ford Smart Mobility, that's not in the plan right now, Joann. But as we said, as we go along -- and this is a great case of it, where we found two great pioneers in the automotive autonomous vehicle industry and we've been able to craft something that serves our purposes, but also potentially creates value for Argo AI and our shareholders.

So, we'll continue to, I think, be creative going forward on a lot of these things and do what's right for the business.

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**Joann Muller** - *Forbes - Media*

And if I could just clarify one last thing, then, is this company was just formed last November, I believe it was. That was only a couple of months ago, and I've got to imagine that you guys have been on each other's radar for a while. So, was this company formed with this intention that you would then do a deal around the company?

**Bryan Salesky** - *Argo AI - CEO*

This is Bryan. We were founded earlier than November. We were evaluating a number of mechanisms to get funded. And I think that any startup has a number of challenges ahead of them, but there were two big ones for us: it's funding and it's also how do you get this stuff out into the world and to scale?

And so, pretty quickly as Pete and I were working out the road map, it became clear to us that a faster path to market is through a long-term commitment. And if that commitment can come from a group like Ford that also has the manufacturing scale and the product development know-how, then that's a win-win-win. So, that's what we did. And that's a little bit of kind of our thinking that went into it.

**Operator**

Thank you. And we have reached the allotted time for questions. This does conclude today's conference call. You may now disconnect.

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