

## Ford Motor Company Participated in Credit Suisse 7<sup>th</sup> Annual Industrials Conference

Dan: Thanks, everyone, and welcome to the autos portion of the CS Industrials Conference. Very pleased to have Ford present here, Jim Baumbick who's the VP of Enterprise Product Line Management. He's responsible for global product strategy and planning as well as the global product line teams. Previously, he was the Executive Director of Global Product Planning and Strategy, and he's also developed the new capital allocation and cycle planning processes to prioritize winning businesses. Effectively, the bubble chart that we've all known very well for Ford and the different profitabilities of the product lines, that's right up Jim's alley. That's all of his work. So I think we'll get some interesting insights on vehicle-level profitability and then how Ford's going about with product, which is a very key aspect of its redesign program. So with that, I think you have some slides. Then we'll go. Thank you.

Jim Baumbick: Yeah. Great. Thanks, Dan. Appreciate it. Okay. So I got a couple of quick slides. Thanks for having me today. Really, I want to share with you a lot of the thinking that have gone into how we're developing a winning portfolio. And I'm going to start with this slide, which is not intended to be a marketing slide. It's really the framework of how we're thinking about transforming the company. I don't have time to go through each of the details, but where I'm going to spend my time is around the importance of focusing on the customer, how that informs the portfolio. Clearly, you'll see how we're leaning into electrification and new propulsion alternatives and with that, the foundation is changing how Ford works fundamentally.

Now we're not a start-up. We've got incredible strengths that we're starting with in the portfolio. We know work. We love supporting our customers, helping their businesses thrive. When they win, we win. We dominate in some of the most challenging environments and challenging work locations for work. We love bringing families together with our social family adventure utilities. Go anywhere, do anything. Just think of the memories that families have in a vehicle, with the vehicle, getting to their destination, really powerful. And nothing says passionate performance better than Mustang. And the interesting connection between those three is this human connection. It's durable. It's something that's emotional. It's a tie. It's something that speaks to people in an emotional way that wants them to fall in love with those products, and we obviously love our customers.

Now this is a really important slide and something I'm very proud of, and there's probably three stories on the same slide. The first one, we have an amazing set of new products we're going to be launching over the course of 2020, and effectively, we're going to replace or refresh 75% of our portfolio in the U.S. throughout the course of the calendar year. We'll be launching the Mach-E. We already have the Escape and Explorer that have been out in the field and doing well, and we're going to launch the new F-150. We're really excited to show up at Bronco, a segment that we created back in 1966, and we're going to show up

in a big way. And we're going to add a small rugged utility to the portfolio, which I think is going to be just an incredible story.

Now the other two parts of the story of this chart, looking back, is it's really no surprise as how we ended up with an average age of portfolio in that 5.7 and 5.5 range. Those are choices that we made three and four years prior to that time horizon. And so it is a function of looking at the now, near and far, short-term, medium- and long-term decisions and ensuring that we're committed to a consistently fresh portfolio. So we've taken those learnings and those insights and we've changed the way in which we're making choices at the company and committed to what I think is the most exciting part, the far right part of that chart, a consistently fresh portfolio, where we're going to be competing and showing up in our showrooms with consistent product news and major actions on products on a consistent basis to keep the energy fresh in the showroom and keep competing in each of the spaces we choose to play.

Now I talked about foundationally how we're changing how we work, and there are some really fundamental change. And I'm hoping to give you some good examples to bring it to life. We're focusing on deeper customer insight versus traditional market research, leveraging design thinking, a new way of working to get to these insights that we can leverage and create this emotional connection with customers in areas that really matter to them. We're playing to win. So it's about developing and implementing strategy over time, making tough choices and, in some cases, not supporting underperforming businesses, things like the Focus, making those tough choices. We're working together in like new and different ways, trying to drive hyper-collaboration and agile, empower teams versus the more traditional approach of top-down hierarchical decision-making.

And then lastly, a very profound change. Instead of a series of coordinated handoffs to various different teams that operate in selling the vehicle today, developing the product for the next generation and setting up the strategy, we have these teams that now own the entire time horizon. So they own the now, near and far, and they have to react accordingly. So these teams really have one mission. They need to win with customers. They've got to focus at moving on speed, quickly. They have to clearly understand how we're going to win in the marketplace and turn that into a point of differentiation to actually win with customers in the end. Now how we do this – and I mentioned design thinking. We think this is such a fundamental change in how we work by developing a team of design-thinking experts that we're deploying out to the operations in all areas to change the way we problem-solve and change the way we implement the business.

It's around trying to get deep customer insights, co-creating and iterating with customers to kind of drive our designs in a faster clock speed to get better outcomes, outcomes that customers are going to fall in love with. So let's take a look at who the D-Ford team is. [Video Presentation]

D-Ford Video:

Hello, we are D-Ford. We are a human-centered design lab.

Driving human progress through freedom of movement.

Together we work on the most complex transportation challenges of today and tomorrow.

We are curious.

Optimistic.

Collaborative.

Empathetic.

We are inspired by the people around us.

We are a diverse global team.

London.

Shanghai.

Palo Alto

Detroit.

Today, the world is looking for new, smarter solutions for our overstressed transportation system.

This is our moment.

To lead the next revolution in transportation.

That's what we're here for.

And here's how we do it.

We put people first.

We use technology as a tool in service of humanity.

We concept.

Prototype.

Test.

We evolve our ideas in the open with others as we go.

And if we don't get it right, we keep at it until we do.

And we work to connect people and communities in ways never before possible.

We are ready to take action. We are D-Ford.

Jim Baumbick:

So we're really excited about this team. They're bringing new insights, new ways of working. And I want to use a couple of examples to start to bring this to life. Three of the most powerful words in the design thinking approach are how might we. And part of what we're trying to create at Ford Motor Company is an environment of innovation and doing and trying new things. So when we took the decision on Focus, that we weren't going to further invest in Focus, we asked the team, "How might we show up and compete in entry-level segments in a new and different way? Or all the fitness work we've been doing, how might we actually leverage all those fitness enablers to demonstrate faster speed to market?"

And so the question we commissioned the team was, "How do we develop hardware at the speed of software?" Now we're not trying to fight physics. We know there's a different time horizon and, certainly, a much higher clock speed on software. But we wanted to give the teams a very stretched ambition to get them out of the incremental improvement and fundamentally do things differently. So we challenged them. We said, "Hey, let's – we want to develop this all new white space vehicle 25 months faster than a traditional all-new." Now that's a game changer. That's doing things differently. You can't just increment your way there. Now to do that, you have to fundamentally change the way you approach it. We need a much higher clock speed of decision-making. We need to create an environment – break down the development process in these small four- to six-week chunks so teams can try new, innovative, different approaches to development and iterate, co-create with customers to get to that better insight and that better answer.

Now here's the cool part, is we want them to actually fail fast. We want them to learn, generate these insights, try another prototype in a very inexpensive way and then turn that learning into the next iteration, enable the team to make very fast agile course corrections. And even the way that the management team shows up is fundamentally changing. So no longer are the teams just showing up to review the status of their program with the senior leadership. The senior leadership is going to the team and saying, "How might we help you achieve that higher level of ambition?" And we've layered this into the overall structural design, our smart redesign of the company.

Now the cool part of this is, in the end, we probably will not deliver that 25-month ambition. But what I can say is we're on a path to deliver this 20 months faster than we ever have. And had we not tried to do this, had we not approached this differently, we would have never seen that level of speed improvement. And it's all foundational on some of the fitness enablers that we've had. Just to give you a couple of additional insights. When we identified

the area of opportunity in the customer space, we commissioned the team. In just 12 weeks, we went from an idea to a funded concept in the cycle plan, and that's faster than we've ever done before by a large margin.

Once we said go on that program, the team's got to their product definition milestone 15 weeks faster than we ever have, and they've continued to actually harvest that speed since that point in time. So I'm really excited to get this in customer hands in the 2021 calendar year. But again, it's an ultimate example of failing fast. Set that high ambition, create the environment for teams to try new and different things, operate at a different speed and interact with customers and get to an answer that's going to be awesome in the marketplace. Now you can't do that without some of those critical fitness enablers we've talked about. Flexible architectures are one of them. So for this white space vehicle, we've leveraged our C2 front-wheel drive, all-wheel architecture. Now when we designed this architecture in the early days, we designed it for scalability and flexibility to cover a wide bandwidth of product. In fact, by 2023 calendar year, this architecture will underpin nearly 2 million units and around 10 to 11 different nameplates.

So there's additional benefits to that. There's not just ongoing speed, but there's improvements in quality, reliability and efficiency, engineering spend because we're not spending time re-engineering all the parts that customers can't see, touch and feel. We're leveraging that catalog of parts, systems and modules to spend all of our time focusing on what is really going to allow customers to fall in love with that product, driving those deep insights into the overall holistic vehicle. So we're very excited about this. I can't unfortunately spend any more time or more insight on this product, but I want to shift to one I can. So everyone knows about the Mustang Mach-E, which we just recently revealed. Team Edison effectively was another pilot or prototype of this enterprise product line approach, these product line teams that own the outcome. We commissioned Team Edison to actually stand back at the development of the EV portfolio that we were engaged in and look at it more holistically and identify what is the right where to play, how to win. If we're going to play, we're in it to win it. So we asked them to take a look at that holistically, and it starts with consumer insights.

So I'm going to start with a couple of examples. Range anxiety, so anybody who's actually spent any time – significant time in a battery electric vehicle will know this is real. So to address this and reduce that anxiety, we took a number of critical choices. We architected the vehicle for up to a 300-mile range, but that's not enough. People will spend time driving beyond that distance. This is why we invested in the largest charging network in the U.S., so 12,000 charging stations, 35,000 different charging points. And that's not even enough. We've developed the HMI and the interface, cloud-connected navigation system to be able to connect through FordPass. So when you're doing your route planning, if you need to go an extended length, you know the right charging location in which to stop and get a fast-charge update to allow you to extend the duration

of your trip. At these fast-charging stations, in just 10 minutes, you can get a 47-mile top-up on your battery range.

So think of planning that route and your destination, and it tells you where the best location based on traffic and charging is to actually plan your route, execute it and get there on time, reducing that anxiety. But that's not the only place. This is also why, at home, a lot of the charge is going to happen overnight. We partnered up with Amazon to install 240-volt chargers in your home, delivering up to 32 miles in just an hour, so again, allowing you to top up your battery electric vehicle, get on with your day, but using this constantly connected vehicle to actually allow you to navigate in a seamless way. Now here's one of my favorite examples. When we spend time with battery electric customers and intenders, we knew that they wanted something different. These are very tech-savvy people. They wanted to actually have a new – the latest technology, new interface to the vehicle. So we couldn't just show up with the same old thing that we have in the portfolio.

And we commissioned a team based on that insight to say, "How would we create a world-class system that allows over-the-air updates and is very human-centered, intuitive, easy to use?" And we went through rounds and rounds of rapid prototyping. In fact, it's hard to tell from the picture of one of the initial learnings, and you can see that in our execution. There's some information that customers just want right in front of them when they're driving, like speed. And that's why we have in the Mach-E that small cluster to display that critical information that they don't have to hunt and take their eyes off the road to look for. But what's also in that picture – in that center picture is we wanted this interface to be intuitive, natural. So we've gotten rid of the nested menus and everything is available for surface. There's AI learning in terms of what your most frequent interactions are and then an HMI system. But customers were still looking for that quick action they don't have to think about. Think of things like turning up your volume. So they really wanted a knob.

And this morning when I was getting ready, having a cup of coffee, I was reminded of the story. During this research – and what's in that picture is really just a mocked up K-Cup. And now that was the initial inspiration of it. The quick actions that customers actually wanted when they reach that screen, the natural inclination was actually just turn the knob, but they couldn't find a knob. So we did this mockup and then immediately started to kind of open up additional insights during the research, and that inspired a whole separate team to go off and innovate a beautiful knob that is chemically bonded to the glass to allow us to still use the entire screen for information but enable what is a very natural interaction for information that customers need at the ready.

Now we started initially down the path of this product that, certainly, we have to meet compliance requirements. But back to the strategy of we're going to play and where we play, we're going to play to win. Initially, we started leveraging one of our available flexible architectures, which was front-wheel drive-oriented. And we watched what was happening in the marketplace. We

looked at our product. And while it was – we thought it was a great product and could be fully competitive, it lacked a point of differentiation.

So one of the fundamental strategies that was being developed is we're going to play to our strengths. And as the team stood back, they said, "Well, how might Ford show up in a crowded battery electric market space in a way that only Ford could?" And that's where we've looked to Mustang for inspiration. Now we didn't take this lightly. To make the choice to actually using a Mustang actually resulted in us making our fifth flexible architecture. You can't just do a front-wheel drive execution. You have to fundamentally change the architecture. Core to a Mustang is rear-wheel drive capability. So not just the capability of the vehicle changed, so we modified the architecture, the entire display and demonstration, the soul of a Mustang had to be injected into the vehicle.

So there's the change in proportions, larger wheels and tires, a long hood, dash to axle changes and signature elements like the tri-bar rear – tail lamps and that rear Mustang hunch to really bring it to life. And what you end up with is a vehicle that is clearly part of that Mustang lineage and something that we think is a really credible entry and an exciting entry in a way that Ford can differentiate and show up in a very crowded marketplace. Now here's the cool thing. When you look at customers, back to the insights, the highest percentage of BEV intenders are associated with sports car and performance. And what says performance more than a Mustang? And I think that kind of closed the loop on how we're thinking about this.

So I'll kind of end... wrap up the session, that we have incredibly strong nameplates in our portfolio. We intend to leverage these strong nameplates: Mustang, number one sports car globally. Explorer is America's all-time bestselling SUV. Transit, the number one cargo van globally. And with our partnership with VW, we are absolutely playing to win, and it's underpinning and showing the strength of that nameplate and that franchise. F-Series, we all know that story, the number one full-size pickup globally. And Ranger, we're very excited about. It's the number two medium-size pickup outside the U.S. Back in 2011 when we're developing this architecture, were in the teens. So we've climbed that mountain. I'm excited to see how the full year plays out with North America and where we stand globally at the end of that. And what we're really excited about is Bronco. We are absolutely in it to win it, playing to win.

So I'll wrap up with a quick video that I think kind of brings the whole story to life, and then we can get into Q&A.

(singing).

Dan:

Thank you. Great. And for folks in the room, so we'll start the Q&A. Folks, feel free to interject with questions. Anyone who's shy to ask a question, you can e-mail my colleague, Rob Moon, to [robert.moon@credit-suisse.com](mailto:robert.moon@credit-suisse.com), and he can ask a question on behalf of you.

So I want to start with, I think, one of the Ford's slides that probably talks the most to investors is the bubble chart that, I think, was unveiled, call it, a year and a half ago, that really helps investors understand where Ford is doing really well and where Ford has some room for improvement. And I think that's really core to your work, and its core to really the product and yield management. So when we think about the sort of product transformation that has been very central to the Ford redesign, when should we start to see full run rate benefits hitting the bottom line? How does that differ by region? Just talk to sort of how that bubble chart is evolving to really addressing that and seeing that ultimately yield bottom line benefits at Ford.

Jim Baumbick:

Well, certainly, we're going to see significant improvements over the business plan period as we launch this wave of new product, because we think it's positioned in a way and underpinned by all the fitness work. I think what I would say as you think about that transformation and one of the fundamental changes is we're putting a shot clock on anything that is underperforming. It's kind of like you give it one shot to improve, you have to demonstrate progress. And if you're on that trajectory, we don't want to just make decisions too fast, but we have to demonstrate we're on a trajectory. And so this is really important about connecting that now, near and far time horizon, that what is our long-term ambition and do we see a long-term ambition and a viable business to continue to invest in?

And then what are the signals? Are we getting the signals in the marketplace? Is it resonating with customers and we're seeing the progress? And that's what drove us to make the choice on Focus; for example, where we thought we have a fantastic product based on the positioning here in the U.S. and the way we had architected that vehicle. It wasn't the right product. It wasn't on a sustainable path, and it wasn't what we wanted to invest in. And I think it also underpins the power of doing this work in the strategy domain and looking at any of those underperforming businesses and putting that clock on it, is making the choice frees you up to do new and different things. So back to how we could continue to try to actually improve the Focus, and I'm sure we would have made some progress. But what we actually ended up doing is taking all that time and energy and turning it into a new addition to the nameplate, looking for a new opportunity.

And we're in that space going to clearly play to win. And we know we're going to be a significant improvement in profitability if we just actually compare those two potential investments. And so that's exactly the approach. The only other thing I would say is every time we go through our rounds of capital allocation, we use the term shark tank. Everything is constantly competing for capital. So the teams are identified and incentivized to identify new investment opportunities, things they can further lean in to improve their business. And just because something has started, we want to keep that tension in the system to make sure there's not a better use of funds, a better investment of those funds. And so we have ways in which to gate the series of investments and keep them in tension versus new opportunities, so we can quickly pivot if necessary.

Dan: So I think fair to say that given where you are today, much sharper understanding of what is profitable, what is working, what product lines, what trim levels aren't profitable. Is there... I mean is this something where you're sort of still early stages? Or is there still more potential to even more sharply understand what works and that helps you trim the clock speed and act more quickly?

Jim Baumbick: I think just to underpin the, again, the culture, the mindset is around this continuously iterating loop. So we're constantly getting better at looking at this. What I think is probably most profound is, as we work through the portfolio and we're looking at these opportunities, we have a view of the consumer demand in each of our regions and identifying where we think our opportunity space is to play and to then constantly assess, "Is that a space where we want to play and we think would warrant a full unique vehicle investment? Or can we take an existing strong product and expand in different territories with a derivative?"

An example would be like the Explorer ST. We started down this path with Explorer when we introduced Sport. It was very successful, and we saw that as something that really connected emotionally with an expanded subset of customers, driving both mix and more revenue. And we've now doubled down on that with evolving into an ST, coming with more capability. And what we're seeing in the early days is nearly twice the mix. That's really speaking to customers in a new and different way. So we're constantly looking at the portfolio back and forth. When we make these bigger investments, obviously, we have to do those in a way that we know we're committing significant resource, we have confidence in that long-term ambition that we're embarking on.

Dan: Great. Let's talk about, I guess, some of the subareas of that bubble chart. And we'll start with China, which has obviously been a challenge area. And one of the core pushes in China is the product list. I think it's 30 products in three years. We're almost through, I think, year one of this blitz. Quarterly volume is still declining. I think there's still some more work to do on the local level. But when do we start to see the better benefits really flow through? And to what extent is this enterprise product strategy, this new sort of more refined focus on understanding vehicle profitability, how has that been... is that the same or different in China? So how has the China story played out in that regard?

Jim Baumbick: Let's start with the last part of this. The enterprise product line approach is a global approach. In fact, our leader of the luxury business is actually in China. We see China as the largest luxury market in the world and a huge opportunity for us and a space where Lincoln has actually been resonating quite well. So the product plan in China, we'll continue to invest in areas where we know we have a very strong point of differentiation. And we're making a lot of progress. So we expect to see a significant improvement in that business over the course of the business plan period. And in some of the products, like even the Mach-E will be our first introduction into the China market in the battery electric space. We've got very strong signals that that's a unique way for Ford to show up in the

marketplace. So it's just going through that same continuous iterative loop, driving the business and reading those signals and looking for new and unique areas of opportunity. Luxury is one of them.

Dan: Right. Let's go to North America and sort of the core franchise and the strength. Obviously, F-Series, LCV, these are businesses that are doing really well. And I think if we had to do – in your bubble chart, those are sort of outperforming. How much better can those be? And as we're looking at an F-150 launch that you're going to do next year, with ATPs at all-time highs, you have super strong mix, best-in-class mix, can this be even stronger? Is there a bigger push to commercial buyers? Or is it simply... is the game plan, on these sort of core franchises where you're really doing extraordinarily well, just maintain the strength?

Jim Baumbick: Yes. Well, we're certainly not approaching the business to just kind of maintain what we got. We think there is a lot of continuous improvement and upside potential in each of those markets. When you really get into it and you talk to whether it's large, small or medium fleets, fleet users, people that use these trucks in a very different and a wide range of environments, there's tremendous opportunities. So you think of being human-centered. We're doing a lot of things like partner center development, how do we actually tailor products to businesses' needs in a way that actually makes it even more productive for their business. And I think as we do more and more of this; we're unlocking more opportunity and new ideas. And those new ideas are things that other businesses can benefit from. We see it also in the Transit space. So we're continuing to go deep on that co-development and leverage that to identify these new derivative opportunities or unique selling propositions to large business owners. So I think it's got a lot of upside. And where we're strong, we're going to play to win.

Dan: Great. And then as we think about, on the SUV front, obviously, you're doing a lot there, refreshed Explorer, Escape, new Bronco coming. How do you ensure the sort of SUV proliferation that we've seen in the U.S. doesn't limit product differentiation, pricing power? How do you think about the incremental benefit of... And I guess this starts to get into the capital allocation piece, what's the cost of developing an incremental nameplate where there's clearly going to be some cannibalization?

Jim Baumbick: I think to avoid... And this is actually what you want to avoid. You want to avoid the cannibalization. I think the way to do that, so we've been... we have a proprietary survey that we've been taking for quite a long time, a little over 10 years. And it allows us to have a view of the consumer demand in each of these markets. And one of the, I would say, key insights that we've learned from customers is they have very clear functional needs. If you're a family and you're carting kids around, you need a third row. There are other people that maybe don't have kids; they don't need the third row. They're using the back of utility for storage and other flexible uses. So that's a needs-based, but there actually is a very clear segmentation around like imagery. Buying a vehicle is a very

emotional thing. And so in some cases, it projects the way an individual wants to be projected. Why does somebody buy a Bronco versus, say, an Explorer?

And the combination of this desired self-imagery, this emotion and those needs is the way we look at it. For Ford, the way we look at the utility portfolio, we want to make sure that each one of our utilities has a very distinct space and set of target customers that we're speaking to. So we think there's roughly three macro spaces that you think of that social family adventure of Explorer and certainly leaning into three rows, carting people, families, kids, friends, soccer games around and having the flexibility to go do adventurous things. We think there's an emotive space, which is a combination of... like a Mach-E, right? Mustang is ultimate expression, very high on the performance and emotion, but there are other needs in that space you see with like a Fusion... or I'm sorry, an Edge and an Escape. And then you go to the other spectrum, this off-road rugged imagery, which is not just imagery. It's tied to that capability, and that's where Bronco is going to play in a very unique space.

So ensuring that we have this very clear distinct point of differentiation, a way for Ford to show up in a crowded marketplace is really critically important. And where we choose to play, certainly we don't want to be eating our own lunch, so we need to keep these very distinct and different, speaking in a very precise way to that target customer in those demand spaces, right?

Dan:

Let's wrap up the last few minutes talking about electrification. And I want to start just more broadly because you've also done clearly a lot of work on capital allocation. I think one of the dilemmas that automakers are facing globally today is the problem that you have, these ICE products that are, for all intents and purposes, 98% or more of your volume, but you have a new product line that clearly needs a lot of investments. So how are you approaching on the capital allocation side, making sure that the legacy products are still getting capital that they need, because there's still a very long tail to this, but that you're also putting the right amount of capital into electrification so that you can still stay ahead of the curve? How do you work through this dilemma?

Jim Baumbick:

So I think this is a really important point. And we think there is a spectrum of offering, and electrification can be used if used the right way to really amp up the best of our products and those attributes that matter most to customers. So we're going to be... We've talked about hybrid electric F-150. So think of things like onboard power to the box, a capability like that. That's taking electrification which has both a sustainability benefit, but turning it into something that actually really matters to that customer in the way that they use the product. So hybrids are a critical part of this, just to make the right answer for the job. With battery electric vehicles, just using Mach-E as an example, those that are after performance, better electric vehicles, fantastic performance if architected the right way, and that's why we've done that with Mustang Mach-E.

So we see it as... certainly, it's a transition, and those products need to have a range of solutions that are available. But we don't want to be caught in the

middle. That's why we're making certain choices around hybrids and other choices where we want to have an unconstrained battery electric architecture to underpin it.

Dan: Would you say that over the next handful of years that EV development spend will be greater than ICE development spend?

Jim Baumbick: I think we're shifting more and more of the capital towards those new propulsion spaces, but that doesn't mean we're divesting in the other products, in ICE-based products. But we're using electrification as a way to enhance the capability of the vehicle; again, both from a sustainability perspective because we're very committed to reduction of CO2, but at the same time, turning it into value for customers in a way that's meaningful to them.

Dan: And then as we think about electric pickups or the topic du jour, on your front, you've talked about an electric F-150. You've talked about also a Rivian-based vehicle. First of all, How do you think about sort of your... You're putting a number of different bets on the electrification front, some hybrids, some EV. How do you make sure that you're getting the right sort of return on these, that they're still addressing distinct market needs and you're getting the right return, versus others who are... say, who are ditching hybrids altogether and focusing all on EV?

Jim Baumbick: Within a product program, and we make choices on ways to electrify internal combustion engines, those are all looking at it from a business case view, coupled with a consumer need. So we're matching those things up. If it's a need for a customer or a way to actually differentiate with customers, we're making good business decisions. And at the same time, when we're deciding to invest in demand spaces with a whole shift, like F-150 battery electric vehicle, we clearly see a demand space for that. But, it needs to be cast through that customer lens. Total cost of ownership and some of our fleet customers as well as retail customers who are committed to sustainability goals, it has to make business sense for them and it has to make business sense for us. And that's precisely why with, say, Mustang Mach-E and the F-150, we're leaning in to those spaces, because we see the opportunity and the demand. We see the opportunity to actually be contribution margin positive and grow the profitability of those vehicle lines, and we see the match up to customers.

Dan: We have a question.

Audience: I've got a question. [inaudible 00:37:37] I want to talk about... Oh, thank you. I wonder if you could talk about just the new tools that you might be implementing to enable that from maybe software or design to manufacturing kind of transition. And also, we see quite a few sort of manufacturing houses going to digital setups and striking partnerships with various kind of techs or going on to industrial automation or IoT platforms. What are you doing in this space?

Jim Baumbick: That's a great question. I unfortunately probably can't go into too much detail today, but I can tell you with absolute clarity, we are... we believe and we're leaning into smart vehicles in a smart world. And if you think of just the start of this with the Mustang Mach-E, having an over-the-air updatable connected vehicle, and you expand that boundary into the manufacturing system, and you think of the power of having, say, a digital twin connected to a customer that actually goes through the entire industrialization system back to the vehicle that we're actually delivering to a customer. We're thinking about that total system and the power of that to enable much higher clock speeds on getting product and sensing in the system where we're seeing market trends to actually make faster reaction through the whole industrialization system and to compete at a different speed based on opportunities we see in the marketplace.

So I think that's going to be certainly a much larger growing area, and we are absolutely committed in leaning in to that space, thinking about the system holistically.

Dan: On electric pickups, who do you think is the core customer for this? I mean, you know your pickup customers quite well; they span from the urban cowboy getting the very high-trim vehicles all the way down to your very strong commercial share. Who is the core buyer of an electric pickup?

Jim Baumbick: I think there's really two. There are businesses that are committed to sustainability goals like we are, and with that, they're looking at the total cost of operation of a product and an investment to run and help their businesses thrive. And that's how we're approaching it from a work perspective. And from a retail side, there are many customers out there that based on their needs and usage and, again, their commitment to sustainability; you see that as an opportunity. And again, you can't walk away from the opportunity that battery electrics also provide really amazing performance. So there's probably a range of core customers. Well, there is. And we're actually thinking about the subsegmentation of each of those that where is a battery electric the right solution for a particular customer versus the new F-151 we're going to launch next year, where we have a range of, I would say, traditional ICE offerings with improved fuel economy and capability and then leaning in to electrification through hybrids as a way to increase the capability of the vehicle for those customers in the way that they need it.

Dan: Great. Okay. I don't have any other questions from the crowd? All right. And I think we'll leave it there. Thank you so much, Jim.

Appreciate it.

Jim Baumbick: Appreciate it.