

**Ford Motor Company**

**Moderator: Mark Truby**  
**February 07, 2020**  
**9:30 a.m. ET**

OPERATOR: This is Conference #4636417

Operator: Ladies and gentlemen, thank you for standing by and welcome to the Ford Senior Leadership Announcement Conference Call. At this time, all participants are in a listen only mode. After the speakers' presentation, there will be a question and answer session.

To ask a question during the session, you will need to press star 1 on your telephone. Please be advised that today's conference is being recorded. I would now like to hand the conference over to Chief Communications Officer, Mark Truby. Please go ahead.

Mark Truby: Good morning, everyone. Thank you for joining us this morning. We – and hopefully you've all seen the news release we posted at 9 AM this morning regarding some leadership changes at the company.

Here today with us we have our present CEO, Jim Hackett. We also have our new COO Jim Farley and they're going to make some opening remarks and then we'll be pleased to take your questions for a few minutes. So with that, I'm going to turn it over to Jim Hackett, Jim?

Jim Hackett: (Yes), thank you, Mark. And good morning to everyone. You know, earlier this week, we talked about we've been working very hard to improve the fitness of the business. That included restructuring our operations around the world. We invigorated the product portfolio and worked really hard in cutting out the bureaucracy.

At the same time, we have in parallel been investing in a future that I often describe as the new S curve, smart vehicles for a smart world. It's my judgment (the time) is to move with urgency now to fully integrate and accelerate Ford's transformation into this higher growth and higher margin business and leverage the smart connected vehicles.

So today, I want to share some leadership changes that are another important step that help us shift our org structure to better move with that urgency to deliver on that future.

So, first I want to announce the Jim Farley will become our Chief Operating Officer, reporting to me. Now, Jim will be responsible for all global markets and automotive operations but also we're integrating Ford Smart Mobility and Ford AV LLC into that organization.

Now, Jim's had a deep passion for great vehicles – in fact, when I first came in, we worked very closely together on this portfolio evolution. I say that some magic came from that. But you should also know he had an intense drive for results.

And I've been impressed with his development as a truly transformational leader. Last year, I asked Jim to take a special role to help Ford determine how to capitalize on the powerful forces reshaping the industry.

Inside of this, of course, we're dealing with software platforms and stacks, connectivity, AI, automation and of course, the propulsion change that's happening in parallel with electrification.

I see Jim as a partner to work together to unite the Ford businesses now so we can move swiftly to take advantage of opportunities that are associated with this new S curve, totally integrating our vehicles with our rapidly evolving technologies and capabilities across product development, manufacturing, marketing and customer support.

There will be no chasm in this relationship between all those capabilities, and that's the advantage we get with this move. At the same time though, we're going to double down and ask Hau Thai-Tang to take on an expanded role.

Hau has had a great track record in the company, from reviving the Mustang brand years ago to helping us build a new platform architecture that's underpinning a lot of the savings that we're going to be having in the future in product development.

So, he will continue to oversee product development and purchasing, but he's going to take on a group that we created a year ago called enterprise product line management. This group's been doing wonderful work, and a group that's labeled connectivity, so think a product development purchasing product line management and connectivity.

This frankly gives us Hau in a position of primary architect as we bring together the vehicle architecture and software stack to create product services and experiences our customers will love.

This is important because we're now managing end to end the creation of the products and services that capitalize on our investment in connectivity to deepen the offerings and opportunities for our customers and other stakeholders.

This thinking, we started more than a year ago, to make this connection. It's something I've been talking about since I was here in June 2017. And candidly, as you read about other manufacturers in our industry, this is the hardest thing to do is to make the vehicle architectures move from the legacy state to this new state.

At the same time, with this news of Jim's and Hau's moves, we're announcing the retirement of a really good friend and accomplished global leader in Joe Hinrichs. Joe had been president of Automotive, and he's elected to retire after nearly two decades of a highly accomplished career with Ford.

Joe was instrumental in Ford's ability to survive the great recession a decade ago. He had a huge hand in helping to architect the (Biba trust) and the relationship with UAW to partner with us.

It's also well known that he helped build the China operation from scratch when Ford first decided to arrive there. And recently, he oversaw the global portfolio of (acomic) vehicles and he helped negotiate a long term beneficial agreement with UAW last year. Just note that ours took a couple of weeks and I cite Joe as the reason that that happened so quickly.

Maybe not as well known is the fact that Joe was sought out as an authority and promoter of smart global trade. He was really active in helping the settlement of USMCA and later with China negotiations relative to automotive.

I want to leave you with this, that we're more confident than ever about Ford's huge potential to create, (lead) and deliver great value for customers and other stakeholders in our rapidly evolving industry.

Now, before we take questions, I'd like you to hear from Jim Farley and he'll provide a few comments and then we'll come back and take questions. Jim?

Jim Farley:

Thanks, Jim. And first of all, congratulations to Joe on what a incredible career and what a fantastic colleague and friend and also to Hau with his new role. You know, three years ago, we started this journey of smart vehicles smart world and we've laid now all the key foundational elements.

We (have) a great battery electric line up. We have a fantastic new global portfolio, as Jim said, and we have laser focus on profitable regional operations. We have connected all of our vehicles. We have great partnerships now that we have some optionality and we have all the foundation elements of this transformation that Jim talked about.

So now, it's go time, execution, and really excited to lead the team to bring this vision – Ford's vision (on to life).

We're a different company. We have a portfolio of commercial vehicles that is the envy of the industry and more importantly, a relationship with those customers that's been decades long, across the world to add connectivity, to put a service layer above those, is a great example of the transition we're going to make over the next few years at Ford and building on top of (a) strong vehicle business.

Again, I'm really excited to work with Hau and (entire) team to bring this vision to life and it's going to be a wonderful chance to prove our executorial excellence.

James Hackett: Thank you, Jim.

Mark, we'll take questions.

Mark Truby: Yes, operator, let's just go the phone and take our first question.

Operator: And if you would like to ask a question, press star 1 on your telephone keypad. Please hold for your first question. And your first question comes from the line of (Tom Krishner) of (Libby Associated Press). Please go ahead.

(Tom Krishner): Hi, thanks for taking the call or taking my question and having the call. Jim, I guess – I'd like to ask if the (DPS 6) transmission and the launch of the Explorer in Chicago had anything to do Joe Hinrichs departure?

Jim Hackett: (Tom), it's Jim Hackett. Just so that you guys know, there's two Jim's so...

(Tom Krishner): That's true, I should (inaudible)...

Jim Hackett: ... (inaudible) that's OK. And it's all good. So, listen, we – we've been really clear in the company that Joe Hinrichs was an outstanding leader operationally. He was beloved in the company.

The (DPS 6) transmission problem which really happened before this regime was in place in 2017 – Joe wasn't in the role that he now had, so all the fix frankly that I'm proud of that we – our team has taken in the last 10 months to get that totally behind us, Joe was quite active in driving that.

The launch of the Explorer is a company issue that involved a lot of aspects that included Joe's job but others, we share that together and this really is not tied to that at all. In fact, I want to make that really clear, that we were all accountable for that performance. Joe and I both would stand up and say that.

But this is something that I started to work on more than a year ago as we built the organization that we were in, which was to see how a company like Ford can straddle these two eras.

I mean, we cannot change all the vehicles at the same time, you know, unlike a technology company, the architectures done move that quickly. We have to deal with all the control systems (in side vehicles) so that – so that they're safe and things move at the speed of light.

We have to work on privacy rules as we have now data from our vehicles. I mean this is an extraordinary transformation for Ford, and I tried to get this through in the analyst call that a lot of the hard work in the beginning, which took some time to think through, has started. And so, we're now in execution mode.

And what the company needs is to come together behind this vision. And candidly, I have a partnership with Jim Farley in that I think the two of us complement each other really well – I'm going to answer this question now, I plan on staying in this job and working with Jim tightly to now realize the value that we've been promising.

Thanks, (Tom).

(Tom Krishner): Thank you.

Operator: Your next question is from the line of (Mike Martinez) with Automotive News. Please go ahead.

(Mike Martinez): Hi, guys, this is for Jim Hackett, I know – you know, media analysts, investors have been waiting for some time to sort of see some of these results

from everything you guys have been talking about over the past few years. What do you expect to be different now?

You talked about this sense of urgency, you know, in detail, what more can we expect to see moving forward.

Jim Hackett: You know, (Mike), I regularly meet with employees and the smart vehicle, smart world concept has really sunk in. We get it. We have a shared view of that. That was my challenge in the beginning.

The thing that they ask me to work on is the speed in which the company can make decisions, how difficult it is to navigate through the functions of the company to make this happen, pleading with me to simplify kind of the control mechanisms – I'm using that term in terms of the organization control, so that things can get done.

In Jim's – Farley's role (and) expertise, this is something that he's demonstrated that he's able to do. You know, prior to my arrival, he was in Europe and was working really hard on the restructuring of Europe as it's continued.

And prior to that, when (Al Melali) was here, Jim was really behind a lot of the rationalization of the product line, because he was head of marketing, when the company had to import a lot of the silhouettes from Europe to compete in the American market.

So, he quietly had a big influence in Ford history. When you look backwards, he had a – he had a really rich career at Toyota, (his fingerprints) all over the Lexus introduction here in the United States. And he led the development of the (Zion) brand.

So, I think his career, in a way, has compounded to this moment, (when – he now) gets to sit here and help me transform Ford, because he's used to this kind of change and change management.

Female: (Inaudible).

Jim Hackett: Thank you.

Operator: Your next question is from the line of (Phoebe Wall Howard), with the Detroit Free Press. Go ahead.

(Phoebe Wall Howard): Thank you gentlemen for taking calls today. For – this is for CEO Jim Hackett, and that is it looks like the stock – Ford stock really plummeted to a 52 week low, and with this announcement, it seems to be climbing. So, my question is why are people immediately responding? The other team you said, is a solid team.

And moving forward, what is significantly different for Wall Street? What are they seeing or what do you think they're seeing?

Jim Hackett: You know, (Phoebe), that's your job, you get to go ask them. You know, we talk about the fact that our focus has been the same since the beginning. We knew the transformation of a company takes some time but not too much time. We knew that the leadership is accountable you know, to get this to happen and to make it clear.

And so, I think – what I can speak to is what's going on inside the company, and I just confirmed to you that the employees really want us to get on with this vision because just this week, we won an award in Europe with the transit van as vehicle kind of of the year. It's a three year old platform and it gained favor because of all the connectivity and the kind of services that come with it.

So, there's more than weak signals here that we're on the right path, and that's what we're trying to get across and maybe, just maybe, that's what's coming through.

(Phoebe Wall Howard): How – what's the reaction currently on Joe's departure? Because as you said, he is beloved and that's consistent with everything we in the press know.

Jim Hackett: Jim didn't depart...

(Phoebe Wall Howard): Excuse me, Joe, I said.

Jim Hackett: Yes, so the – I talked to all Joe's people last night and to a person he was beloved and (Bill) and I feel that way. The board feels that way. And Joe's going to have a wonderful career, but everybody believed the momentum that we're talking about building here is the right thing to do.

Operator: Your next question is from the line of (Ben Clayman) with Reuters. Please go ahead.

(Ben Clayman): Yes, hi. Thanks for taking my call, this is for Jim Hackett, I wanted to ask sort of the more obvious question, does this position – Jim Farley as your heir apparent for the CEO job eventually – and I know you sort of touched on it, but how much longer are you staying in your position?

Jim Hackett: Well, you know, the board's role in managing succession is one of the most important things they do. So, I'm certainly not going to speak for them at this moment. And I sit on the board, so it's something that we worked very hard on.

I'm really proud of the fact, in my previous jobs, where I was a Chairman of a bank board and a lead director in another boardroom and we managed through succession that there's a really disciplined process for that. So, I want to confirm that Ford is really, really spending the time and effort to do that.

But in this case, I think that this is more about getting the company strategy advanced and the activity that you heard me describe and the advantage by having someone partner with me and Jim, as far as my tenure, this is the kind of thing I love to do. I'm having a – really a fulfilling assignment here and – and (I) told everybody that I've fallen in love with the company.

I walk through rooms that when I first came here I thought you know, I'm a stranger in this place, and I hope I can be a resident and now it feels like I'm part of it. So, that's the kind of thing that won't come through in a – in a move like this, but the leverage of that, from my experience, doing this two other times, is when we get the best results.

So, I need to be here for that momentum.

(Ben Clayman): Can I ask a follow up to Jim Farley, we've seen – obviously Ford struggles in China and now in effect, we have another leadership change in terms of the person responsible for China, so I was just wondering what your sort of priority is for that market, which is obviously an important one for you guys?

Jim Farley: Yes, thanks so much. It's a great question. We have a really important year for us in China. We have a lot of vehicles that we're localizing. Beyond the Coronavirus, you know, this is an execution year for us.

We made a lot of progress last year on the financials. This year we have a equal ambition to continue to bend that curve in those new launches and localizing key models like the new (Crosair) are really key.

We have a great management team as Jim mentioned on the fourth quarter earnings call. So, we have all the pieces in place now for China to be a – you know, a profit improvement story for us. So, that's really the focus is execution.

Jim Hackett: In fact, I would just add the secret sauce here is having that great China team – in Jim Farley, I've got someone who understands almost the arc of product changes before they happen. That's what was one of the gaps that we stepped in in China that we were late with products that would, should have been in earlier.

So, the kind of momentum in describing in my opening comments about the smart vehicles, smart world, we think China will be one of the earliest markets that actually is affected by this S curve.

So, now with that, I just want to reaffirm something with the moment that we have here, in the earnings call, we said our year is planned without the effects of the Coronavirus. I'm really proud of the kind of commitment daily Jim and I – Joe was too – we were on – we're on morning calls that scour the – you know, the effect of this through – throughout the company – throughout the supply chains.

It's way too early to report any kind of impact to our financials, but we're really working to take care of production and customers, and it's taking attention – I want to make sure you know that, because it is a complicating factor that wasn't expected, you know, six months (inaudible)...

Operator: Your next question is from the line of (Neil Bodet), with the New York Times. Please go ahead.

(Neil Bodet): Good morning, we're coming up to three years since Jim Hackett took over as CEO. And while there have been changes at Ford, they haven't come through in the bottom line (and the) stock price. Why is it taking so long? And why should investors remain convinced that it's working?

Jim Hackett: Thank you, (Neil). And (I) – you know, it's the kind of question that I think about once a year. I don't think it obsessively, because here's the reason, when I came in the job I asked myself, is the company designed right or wrongly? Does it have the right or wrong people?

I got the point where I felt like we have the right people but we have the wrong design. And if you go well what does that mean? Well, witness what actions we've taken. They've been extraordinary. We had to make the decision first on the Silhouettes, so this notion of the sedan lack of profitability, we were the first company actually to come out and talk about that.

The replacement products, (Neil), take time to get to market. So, one of the first products that represents the (era) of our thinking is the Mustang Marquee. We confirmed last fall, when we announced the launch of that, that it'll be contribution margin positive as it hits the market.

We started to work on the restructuring. Some of the issues that we had to deal with in Europe hadn't been dealt with for 40 years, so 30 months I'd been in the job seems tame doesn't it, to 40 years and where – we – Europe has made great progress. (Tim) reported in earnings that some of the restructuring cost that we expected to spin there – you know, we've retrieved some of that.

Further, the rest of the portfolio that needed to be conceived, including the 11 different things we're putting into electrification, billions of dollars committed to that. We had to start from scratch with that. And the revival of the Bronco, which is – I don't want to get ahead of myself, but you know, news of that this year.

There's a lot of things that are sitting in the offing. And I will point to some of the people that Wall Street puts forth, have seen the story from us. A year ago, when we had a really good quarter, I think the news started to travel that people understood now what we're trying to do and how this can happen.

Now clearly, if you look at last year's scoreboard, we'd underperformed and we know where it happened. And so there's no room for that kind of miss, in terms of the launch of a product. So, we've taken steps to make sure that all the new products that we're having come out, that we really have our arms around that.

So, I couldn't be more confident, (Neil) about what we said we were going to do and where we are today.

Operator: Your next question is from the line of (Keith Naughton) with Bloomberg. Please go ahead.

(Keith Naughton): Hi, Jim and Jim. Jim Hackett, this actually comes right out of what you're just saying. You have some very important launches this year with the F150 and the Marquee and the Bronco.

Joe Hinrichs was the guy who launched the aluminum F150, kept the truck production going after the supplier fire – you're losing a lot of talent in his retirement. How do you replace that when you have these very important launches coming up that would seem to be right in his skill set?

Jim Hackett: No question, Joe had mastery in the industrial side of business, but that's the great news about Ford and one of the astounding things when I got here, we have a very deep bench. We have people that have – I don't know. Collected thousands of man years around the topics that you just mentioned. And so,

I'm really confident that we won't miss a beat, relative to the expertise that we have inside the company.

This ascension of Hau Thai-Tang as well, is built on the heels of progress that he's made, 30 years with the company, working on the portfolio I just talked about, the simplicity that we brought into is translating now into production efficiencies. This has all come from kind of his perspective and we aren't losing that either with – in fact we're making it a higher emphasis with his ascension.

(Keith Naughton): Thank you.

Operator: And I would now like to turn the call – conference back to Mark Truby for any closing remarks.

Mark Truby: Thanks again for joining us today. We're out of time for this call, but the communications team here at Ford can take any of your questions or follow ups, so please reach out and let us know what you need, and thanks again. Have a good day.

Female: (Inaudible).

Operator: Thank you again for joining today's call. You may now disconnect.

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