

17-Jul-2020

Ford Motor Co. (F)

Analyst Meeting - BofA Securities

CORPORATE PARTICIPANTS

Jim Baumbick

Vice President-Enterprise Product Line Management, Ford Motor Co.

Mark Grueber

US Consumer Marketing Manager, Ford Motor Co.

OTHER PARTICIPANTS

John Murphy

Analyst, BofA Securities, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Good day, and welcome to the Bronco fireside chat. Today's call is being recorded. For opening remarks and introductions, I would like to turn the call over to John Murphy. Please go ahead.

John Murphy

Analyst, BofA Securities, Inc.

Thanks, Sandy, and thanks everybody for joining us. This is a very exciting call for me and all of us, I think, especially the Ford team. But first and foremost, we just want to hope that everybody is staying safe and productive in these tough times. This is a bright star in these tough times. So hopefully, this cheers people up amid some of the mayhem that's going on out there.

Today, we're very happy to host the investor reveal of what I believe is one of the most important product launches in decades for Ford and potentially for the industry, and that's the Ford Bronco and the Bronco family.

We'll start with a presentation from the Ford team, transition into a fireside chat to cover what we think are some of the really big questions that we think investors should look at and, from a product standpoint, I think everybody should be looking at. And if you have any questions, please submit them via the webcast. It's a Vericast system. You should be able to send those questions in there and if there's any that we're not covering, we'll certainly pipe up and ask them.

There's also slides that are available on the Ford IR website. And if for some reason, you can't get to Ford IR website, please send an e-mail to Aileen Smith, aileen.smith@bofa.com on my team and she can get the slides off to you as well via e-mail.

Now, admittedly, I am personally a bit of a Bronco junkie myself. I own a 1970 uncut, largely original truck and also I functionally restored a 1972, so it's actually in even better shape than 1970 with a strap roll bar. So it's – they're really fun trucks. They're both 308 – 302 V8s, 2.5-inch lifts. They're beasts to drive, a total blast. People think that they're tough to drive don't understand what this truck really is. It's really just a joy and a great product, these old trucks, and I can't wait to drive the new ones, so I'm going to keep wrangling the Ford team on that.

The buzz over the last few days since the launch has really been amazing. I would certainly encourage anybody who has not seen it yet can hop on YouTube or the Ford website. Go look at the global unveil. It's a really great few minutes that gets you really excited about the product and what it's going to deliver to the consumers that want it and will pay for it and the market, which is largely white space to where Ford is playing right now. So it's a really, really exciting time, I think, for Ford in this product launch.

Now, to discuss the Bronco and the new Bronco family, I'm very excited to have Jim Baumbick, Vice President-Enterprise Product Line Management; Mark Grueber, Manager of US Consumer Marketing; and Lynn Tyson, Executive Director of Investor Relations.

And with that, I'll be quiet, let Jim give us really the magic around the new product. Jim?

Jim Baumbick

Vice President-Enterprise Product Line Management, Ford Motor Co.

Thanks so much, John. Appreciate you for having us today. I go to slide 2. I know everybody is here to talk about Bronco, but I think it's really important to put Bronco in the context of the broader transformation happening at Ford, and our ongoing efforts to build a much more durable, winning portfolio for the future.

Today, we have incredible strengths in the portfolio, and they're the foundation of our playing to win strategy. We know work and we love our customers that rely on us to help keep their businesses thriving with our world-class trucks and commercial vehicles. We absolutely love bringing families together with our go anywhere, do anything capabilities of our utility portfolio.

Now, these everyday adventures are what bring families together and make memories that we all have. We love connecting customers' passions with exciting performance products like the Mustang. And one of the reasons the consistent kind of connectors between these products is that these customers have a human connection or a bond with these vehicles, as do we. The customers just absolutely love these vehicles. And that's what we're really trying to create at Ford.

If you go to slide 3, last April, I shared with you how we're shifting and changing the way we work at Ford using enterprise product line management, or EPLM, as a catalyst to institutionalize a change at Ford. Now, we're shifting from doing traditional research to much deeper customer insight, leveraging design thinking and doing things in a more area of co-creating way with customers to get to know our customers in a much, much more intimate way. We're shifting from the kind of traditional hierarchical decision making to a much more agile, empowered, and accountable teams to kind of drive speed, fitness, and better solutions for our customers.

We're moving from kind of a willingness to subsidize underperforming product lines to a clear implementation of a playing to win strategy. It's built on a fundamental of a fresh product portfolio, new product news every single year. And we've organized the business around these product line businesses to ensure that there is clear end-to-end accountability from the strategy, to the product execution, to the performance in the marketplace. These product line teams have a crystal clear mission, we win with customers, we move fast, stay fresh, and own the outcome.

I go to slide 4, and this is a chart that I shared when I was at a demo in April of 2019, and I expressed that at time our ambition to add to this list. A fundamental tenant of our approach or strategy is to ensure that we're channeling the capital to the strongest businesses. And in many cases we've created a competitive environment inside the company where the best ideas win and those ideas are anchored to results.

There's a really famous quote for me, something that's always stuck with me from our founder Henry Ford and the quote is, your reputation is not built on what you're going to do. Last time we spoke, I showed the Ranger was the number two medium-sized pickup outside the US. So quick update for the team, we've upgraded that to the global number two and there is zero ambiguity on our overall ambition in this space.

There's another big change on the page and that's the Bronco that we're here to talk about today and hopefully you did catch the reveal on Monday night and if you haven't, I would highly encourage you to check it out. We think the Bronco perfectly represents what I mean about more deeply understanding our customers and channeling all that energy into what matters most for those customers to play to win. So, I say it's GAME ON!

You go to slide 5, our fresh products are central to the health of a winning portfolio. We're very excited that we'll be [ph] replacing one of the (07:18) freshest lineups by replacing 80% of our portfolio through 2020. And this is key. What's really important is maintaining freshness over time. One of the metrics I'm most proud of over the last two to three years is that we've architected and tweaked our plans to maintain freshness at [ph] big (07:35) levels and we just want to keep the pedal down with new product news every year. And that's a statement post-COVID to the extent that we're trying to look forward on our plan.

Efforts to refresh will continue throughout the plan where we'll replace over 100% of our portfolio by 2023. We'll have an average showroom age of about right around 3 years, 3.1 years in 2023. In fact, in some cases, we're going to turn some of those products to fresh twice in that six-year period.

Fresh product is absolutely essential, but it's not sufficient to actually win in the marketplace. We have to continue to drive deep customer centricity in every aspect of our business, serving the products but the opportunities are even larger on accessories, services and experience of the entire ecosystem focused on winning with those customers.

So let's shift to the Bronco and maybe bring it to life with that as an example. On slide 6, all you have to do is go look and, John, you could probably attest to this, average price for a vintage or even a well-used late 1960s or early 1970s Bronco to see passion and emotion. You heard it in John's voice.

We looked at all demand spaces and found that the rugged adventure utility space has more than tripled in volume and doubled in retail share of industry since 2010, incredible growth. Now, in that time, six nameplates made up nearly 65% of the volume in that space.

And here is the cool part. Gen Xers are driving the growth in the vehicle class. They've almost doubled since 2016, and you add to that an outdoor recreation industry of nearly \$900 billion that is growing at an annual rate of 4.3%, an explosion of Gen Xers and millennials driving growth in camping and overlanding, and you wrap it up with the fact that without truly playing to win in this space, the number one cross-shop brand, the Jeep, is Ford, enter the Bronco family.

You go to slide 7, our human-centered design approach on Bronco get us very close to Bronco customers allowing us to learn what they want and it really came down there are couple of key things. You've got to have capability. These customers want to cut new trails and limits are really not for them. And that's where you see it in the Bronco's class-leading capabilities.

Customization is incredibly important. They want these Broncos to represent who they are as individuals. They want to be able to make it their own and customize it in their own way. We've been thinking about this from day one and architected that in the video into the Bronco platform.

Open air, they want to push the boundaries, feel alive and they want the air. They want to feel free. And they want simplicity. The new Bronco needs to have the latest technology but just enough, not too much, and then you see that in the way we've offered the various different trim levels so we can speak to those that want something a bit more pure to the 1960s or those that want a lot of technology. And most importantly and we heard this from every single person we talked to and this is why we wanted to make sure we had to get it right, it had to be authentic – authentically a Bronco and nothing else.

You go to the next slide, slide 8. [indiscernible] (11:05) teams have been working very differently, much more agile ways. This is a collection of photos of using nonprecious prototypes foam, wood, things like that, in some cases cardboard. Interacting with customers using these types of nonprecious prototypes to test out ideas [indiscernible] (11:27) actually weren't great ideas but we actually learned something. We got insights from those customers. And we iterated that, turned it into new and different ideas for better executions.

Just about every one of the features we've shared about Bronco has started somewhere in this context with an idea that we try to [indiscernible] (11:44) and countlessly iterated it to just get it right. That picture on the upper left hand corner, I was joking as my team has pulling the slides together, that's probably the most enduring photo of that prototype. It was pretty [ph] rush (11:57). But it's an example of a concept buck that we built in the very early days making architectural choices with wood and foam and [ph] bar stack (00:12:05). We were trying out different roof and door concepts.

And what's really important, we really wanted to go wide and be divergent in our thinking. We look outside the industry to push the boundaries of modularity, so customers can truly make the Bronco their own. And we have a lot more to tell in that story.

You go to slide 9, with all those customer insights, it was clear. As I said, customization was critical. We'll have well over 200 OEM accessories available to tailor your individual Bronco to you, and even more to talk about as we get closer to job one. We needed to stretch our thinking for our customers to address pain points that we see in competitive products in new and different ways. I have a place on the west side of the state that's near an ORV park, and you don't have to work very hard to walk outside and see [indiscernible] (00:12:58) leaning on a tree or chained to a tree.

When we think about that, what's lost about the spontaneity of doors off and open air, and why not take them with you? That was the simple question that we started with on the four-door model. And that's where the doors onboard EZ Air stowable doors concept really come from. Now, when you remove those doors in a competitor's vehicle, you lose your mirrors. So, like, ask the question, why should your ability to see what's behind you or next to you be compromised with an open-air experience? That's why the Bronco mirrors are mounted to the cowl, so they're with you, doors on or off.

And one of my favorites is open air. We spent a lot of time talking about this and working through different iterations. Our open air ensures unobstructed views of nature for everybody, regardless of where you're sitting. So just think, if you ever watched a baseball game sitting behind a pillow, this won't happen in a Bronco.

You go to slide 10, not everyone has the confidence to rack up the Johnson Valley and run a top trail, but our goal with the Bronco was really the flight of the novice and enhance the experts experience. Things like trail mapping

system that we've got available on Bronco works online or off. It allows the users to download hundreds of available curated trail maps to drive, and then it enables you to track, capture, and share those adventures with your friends.

Trail management system with G.O.A.T. Modes, a Bronco exclusive, and allows the customers to adjust the tuning of the vehicle to the specific type of terrain they're traversing. And then, just a whole host of trail assist technologies to make the overall experience better, and just to give you a couple of examples. An available one-pedal drive to manage acceleration and braking control in various different maneuvers versus a two-pedal actuation, something much easier for the novice to use.

It's actually, as an experienced driver, a fantastic feature to just augment the capability and the attention traversing challenging terrain. Or a front-wheel spotter camera that gives you more precise and confident control when you're doing slow mode rock crawling on those tough off-road conditions to avoid piercing the side wall of your tire.

And one of my personal favorites, Trail Turn Assist, the ability to avoid the need for three-point turns off-road. You hit a switch, the rear-end side wheel locks. It serves as a pivot point, accelerate, and rotate the vehicle. It's awesome.

Last, but not least, Bronco has over-the-air update capabilities to allow all of our customers to keep their vehicles up to date in a very convenient way without significant downtime. We do service trips and most importantly, really important part of this, improve their vehicle experiences over time with new content.

You go to slide 11 and I'll wrap up. I want to wrap up by kind of sharing an update and a preview of things to come, as well as give you a progress update on our portfolio plan. Last time I was with you, I mentioned that we were looking at Michigan assembly plant. I just put a boundary diagram around it. And the application of our strategy moving from products like C-MAX and Focus at the top, shifting to more targeted, differentiated, and winning products, like the Ranger and Bronco, resulted in about \$1 billion EBIT improvement.

Well, there's much more of the story. And as we execute the similar change over in Hermosillo from the Fusion and MKZ, on the bottom left, to the Bronco Sport that we just revealed and the all-new affordable Whitespace vehicle that I shared with you last time, and I'm dying to talk about it, but I can't share any details on today, we see the EBIT improvement climb over \$1.5 billion for both those locations combined.

To me, that's what a winning portfolio starts to look like on all the changes we've made with our [indiscernible] (00:17:14) approach, our laser-focus on customers using human centered design and an incredible cross-functional product creation team, are really truly starting to bear fruit with products like the Mustang Mach-E, the new F-150, and then this week the Bronco and Bronco Sport, and we got much more to come. At the moment, we're very laser-focused on execution and methodically implementing that play-to-win strategy.

So with that, John, I'll turn over to you, and we can kind of transition to the Q&A.

John Murphy

Analyst, BofA Securities, Inc.

Jim, thank you very much for all of that detail, and we're looking forward to hearing more as it seeps out as we get closer to job one.

QUESTION AND ANSWER SECTION

John Murphy

Analyst, BofA Securities, Inc.

Q

But maybe just to start and talk about sort of the details of the vehicle, there's been a – a decent amount that's been released. We see six models ranging from the base at an MSRP of \$28,500, I think up to the Wildtrak at a little over \$51,000. Then the first edition, I think which was just over \$63,000. Those are MSRPs. And as you mentioned, there's a lot of option packages that I would imagine consumers in this segment are going to take. So I'm just curious, if you have a view maybe sort of in the launch phase, and then maybe steady-state, on actual transaction prices or maybe mix that you're expecting, because the MSRP is a guide, but it's really just a guide at the moment. There's a lot of layers to what the ATP ultimately will be.

Jim Baumbick

Vice President-Enterprise Product Line Management, Ford Motor Co.

A

Yeah. I can start with that, and then, Mark, you may want to add to that. I think what's really important is in a launch year and given the pent-up demand for Bronco, I think certainly we expect to launch very strong and we're getting incredible response since we've opened up reservation. And the Bronco is going to have a starting MSRP of \$29,995, which for its capability we think is hitting the sweet spot. But certainly when you look at the segment, there's an incredible amount of customization and ability to augment and add to your vehicle. And so we think that's got this wide bandwidth, and that's why you see kind of the two different packages that we're offering as we segment a vehicle and a vehicle package intended for a customer's purpose.

Mark, I don't know if you want to add anything to that.

Mark Grueber

US Consumer Marketing Manager, Ford Motor Co.

A

Sure. I think just adding to that, the reservations will certainly provide us a great opportunity to match our production with demand. Like a lot of new vehicles, you would expect that, at the start, some of the customers will be more what we call a rich mix as far as some of the higher-priced trim series.

As Jim mentioned, really our approach on Bronco is to offer a wide range of different series, different packages, and content and powertrains to satisfy all the different types of customers that are out there, because everybody wants to make it their own. And I think a real strength of Bronco is that it's set up to appeal to so many different customers, we'll be able to adjust and target each of those different customers.

John Murphy

Analyst, BofA Securities, Inc.

Q

Okay. So, I mean, it sounds like, once again, these are guides and things are probably going to be very rich to start with. It will be interesting to see where it settles in. When we look at the option packages, there's a number out and the Sasquatch is the one that's probably the most interesting and most appealing I think to, I mean, a lot of people that are looking at the truck.

As you look at those, I mean, is there any way to kind of give us a range from high to low of what might be charged on the option packages? And these are distinctly different than what the aftermarket accessories are, which I think we'll get into in a second, is that correct?

Mark Grueber

US Consumer Marketing Manager, Ford Motor Co.

A

Right. So these are all from the factory, John, and the Sasquatch package is one that we're really proud of. Essentially, it's our package that includes the 35-inch tires. That's a segment-exclusive to offer tires of that size. Typically customers have to do that in the aftermarket and it can be expensive to do that. So, not only are we offering 35-inch tires on these Broncho, but offering it on every single series.

So even if you want to kind of back to the basics kind of A series or the high-end series, you can get those 35-inch tires, and it includes some functional content like front and rear lockers on that. So, we're going to be announcing pricing on some of the options and more details on that coming soon. Today, we've simply just announced the pricing for each of the series, the starting price for each of the seven different series.

John Murphy

Analyst, BofA Securities, Inc.

Q

Okay. And when you look at that 200 aftermarket accessories that you have in the pipeline, as things stand right now, I don't know if you can give us an idea of what those are. And could there be anything in the aftermarket accessories that might be included in an OTA update, where some functioning on the truck or something in the HMI system may change or be upgraded? Could that be part of the equation over time?

Mark Grueber

US Consumer Marketing Manager, Ford Motor Co.

A

Sure. Maybe I can start and then, Jim, I'll pass it to you on some of the over-the-air piece of it. But there's a number of different accessories that I could point to right now that will be available at job one part of the 200-plus accessories, it'll be available at your Ford dealer at the time of launch. One of my favorites is what we call internally bring your own device.

So basically what we would see with our customers is they would be mounting their phones or their GoPros or navigation devices, and they would have to figure out how to attach that to their vehicle. So we've got a attachment device that mounts right on the top of your instrument panel and it's even powered, and so you can easily attach any of those devices to your vehicle without tearing up the interior.

We have a ton of different functional content, like rock rails and modular bumpers, different top options for the customers, things such as winches and off-road blades, a slide-out tailgate when you just kind of want to hang out in the back, and – maybe at a football game or out at a campsite. So, just a bevy of different options in addition to all the traditional options, such as roof racks, etcetera. So, just an enormous amount of accessories for the Bronco.

And I don't know, Jim, if you wanted to touch on some of the over-the-air in the future.

Jim Baumbick

Vice President-Enterprise Product Line Management, Ford Motor Co.

A

Yeah. Just maybe two additional comments. This is a space that I am incredibly excited about. We think the accessories opportunity is enormous. And this will be an evolving story as we get closer to job one, lot to tell here. This is where we actually looked, not just internal to our industry. Our competitors, we said some of our customers there, 25% of those that buy our competitors' products spend more than \$5,000 on their vehicle. In our own experience on things like Ranger and F-Series, we see customers spending between \$700 and \$2,000 on average to customize their vehicle.

So the key here was we've really thought about Bronco, the Bronco platform and the way we've architected it as a platform. And we want that to actually evolve and build out over time. And we sought some inspiration outside when you think of the UTV space, incredible amount of customization in that marketplace. So there's a lot of opportunity and a lot more to tell about how we're approaching on Bronco.

And on the OTA side of this, absolutely, to your question, John, the intention is that your vehicle will get better over time, and it will be another channel of post job one after you buy the vehicle to enhance your experience with features and services that we can make available and deploy through over the air.

John Murphy

Analyst, BofA Securities, Inc.

Q

And when you look at these accessories and OTA updates, how will they be delivered to the consumer and how will the economics be shared or not shared necessarily with the dealer group? I mean, will this be sort of FordDirect with some of these aftermarket accessories, where you're ordering them online and installing them yourselves, or these be items that – or accessories that would be – the dealer would participate in the installation and the economics or is that still TBD?

Jim Baumbick

Vice President-Enterprise Product Line Management, Ford Motor Co.

A

I think that we're going to play in both camps. But when I said we're thinking of Bronco as a platform for customization, many of these will be available to order as you order the vehicle.

John Murphy

Analyst, BofA Securities, Inc.

Q

Okay. That's exciting, at least for me hopefully. And over time, launching with these six-model range plus the First Edition, which are limited, so it seems like it will be six models to start. But over time, certainly, in your mention of product freshness and replacement rates, will there be other models that are released, maybe like a Baja version or a Raptor version? Is that the kind of thing that we can expect to see over the years?

Jim Baumbick

Vice President-Enterprise Product Line Management, Ford Motor Co.

A

We think Bronco has a lot of bandwidth. We're not in a position to talk about future product plans, but we think there's a lot of life in Bronco, and we're confidently looking at a wide range of possibilities.

John Murphy

Analyst, BofA Securities, Inc.

Q

Okay. And then just lastly on the vehicle details, there's been some discussion and some people have been critical that you don't have an EV variant that's obvious, which, in this truck, I actually don't think you need it, but that's a larger discussion. But it does seem like you have talked it and clearly made it clear that you're going to have a hybrid version. Is that correct? And is that something that would be available in the near term, or is that sort of a mid-cycle change in the product or addition to the product line? I'm just curious what you think about that.

Jim Baumbick

Vice President-Enterprise Product Line Management, Ford Motor Co.

A

Yeah. At the moment, we think we've got the right powertrains for our customers in the way they use the vehicles. That's how we ultimately made the decision. We're constantly looking at how we can enhance and grow the Bronco, but it has to be authentic and hit those needs and capabilities. So we're really excited about our 2.7 and 2.3. We think that's the right powertrain for the way these vehicles are being used, especially for our off-road customers.

John Murphy

Analyst, BofA Securities, Inc.

Q

Okay. And then the Bronco Sport, which is getting lost in the shuffle. It's another very good product, maybe a little bit less flashy than – or exciting than the Bronco itself, but still a very, very good vehicle. I'm just curious. I mean, that's going to launch by the end of this year, so it'll launch ahead of the Bronco itself. How are you kind of differentiating and marketing that to get airtime as you're seeing just the air sucked out of the room by the Bronco itself, which is a fantastic, high-class problem to have. But you got this new smaller product that's coming out ahead of that. What's sort of the marketing plan there and how are you pushing in differentiating the Bronco Sport in the market?

Mark Grueber

US Consumer Marketing Manager, Ford Motor Co.

A

Sure. So, we're really excited about the Bronco Sport. I like to call it the Bronco of small utilities. It's an extremely capable product that's really, I think, going to surprise a lot of people. As you mentioned, it is a different product than the larger Bronco two- and four-door, and we see a distinct customer that still wants the Bronco, but needs potentially a little bit smaller vehicle, may not need quite the level of capability and cargo carrying of the larger Bronco.

So, the Bronco Sport will be arriving at dealers late in 2020, and it's got the same DNA as the larger Broncos. For those customers that want to get back out into nature, they want to get to the trailhead, and that's where their adventures begin, and they might go biking or hiking or what have you then. And so, the team really spent a lot of time understanding that customer experience and made sure this Bronco Sport is ready for fun, ready for adventure.

So, it's got just a lot of great details and designs on the vehicle. Things such as a cargo system in the back, where you're able to have a foldout table, you can store a couple mountain bikes even inside the vehicle, mounted straight up because of a safari-style roof. And just a ton of capability in this vehicle that's going to get you to that adventure and get you back with confidence. And then it just looks like a Bronco, it's every bit of a Bronco and it's ready for adventure.

John Murphy

Analyst, BofA Securities, Inc.

Q

Yeah. No...

Jim Baumbick

Vice President-Enterprise Product Line Management, Ford Motor Co.

A

If I can add to that, John, I...

John Murphy

Analyst, BofA Securities, Inc.

Q

Sure.

Jim Baumbick

Vice President-Enterprise Product Line Management, Ford Motor Co.

A

No, I was just going to say, the other part of this is outside of it – it's a really capable vehicle. And one of the things that I would add to Mark's comment is this vehicle got a twin clutch rear differential unit and with torque factoring actually it does amazing on sand. But when you think about where the Bronco and [ph] more of the (32:14) Bronco family, one of the things that we've seen over time and I think this is where the positioning of our utility becomes really important.

So you think of an Escape, it's a bit more of a design oriented self-expressive type of target customer. And that's very different than a customer that aspires to be rugged outdoor, that desired imagery and capability to get back to nature. And we saw two very distinct customer groups in that rough size of vehicle and that's really what inspired us to actually go in two different directions because you can try to thread the needle down the middle but then you're not really being authentic to one or the other and this is where we thought we could really amp it up.

And when we talked to customers, those that actually more aligned with that more self-expression, desired imagery, how they want to be seen. It's polarizing to them, they love the Escape and they're not so interested in the Bronco. But the exact opposite happens and that's where this match between imagery and capability and we think there's two very large constituents of customers that we're going to serve uniquely.

John Murphy

Analyst, BofA Securities, Inc.

Q

Yeah. No, it's interesting when you start cutting the consumer segments and the demands. And I guess that gets to sort of the next question – question group is, what are the target customer demographics, income levels or regions that you're going after? And I'm just curious if you could get any insight early on in the reservation process that maybe you could talk about what you're seeing in the reservations as well.

Mark Grueber

US Consumer Marketing Manager, Ford Motor Co.

A

Sure. So the reservation data again is we've been very pleased with the high demand for the Bronco and Bronco Sport. We're really seeing broad appeal across the country, California, Texas, Northeast, Southeast. We're seeing demand throughout the entire country, and I think it really speaks to the Bronco's positioning, the original positioning of Bronco was – the original codename was G.O.A.T., which actually meant goes over any terrain. And Bronco has always been great at all different types of terrain, whether it be mud or sand or rocks. So Bronco, we think, is going to appeal to customers all across the country and the initial reservation data is supporting that.

John Murphy

Analyst, BofA Securities, Inc.

Q

Yeah. I mean I don't know if you can disclose this, but I mean – and we can certainly see this for some of the things like the first edition being shut off for reservations at the moment. I mean, I'm not sure if you can disclose exact reservation numbers or reservation numbers relative to at least your expectations. I mean, it seems like the interest is through the roof at least from what we can tell anecdotally.

Mark Grueber

US Consumer Marketing Manager, Ford Motor Co.

A

Yeah. We've been very pleased with the amount of demand and the reservations. There was so much demand at the time of the reveal on Monday night that even though we anticipated a lot of it, it caused some of our servers to really be challenged there. So, we are still taking reservations on both Bronco and Bronco Sport. And it's been

extremely high demand that we've experienced on both of these products, but again, we've been happy with it and we continue to take reservations on ford.com.

John Murphy

Analyst, BofA Securities, Inc.

Q

Yeah. I would encourage anybody to go check it out and put their reservation in because it's a fantastic product. But if you think about the competitive position and the potential for brand extension here, obviously, the Wrangler and Jeep are what I think a lot of people are looking at. But just curious, as you think about the demographics of who's coming in, the strength of the product, could Land Rover ultimately be considered as well? And when you think about brand extension here, I mean how far could this go? I mean what we're looking at is the three or the two Broncos, the four-door and the two-door and the Bronco Sport at the moment. But could this become a whole brand lineup that might go a little bit further than that and be something more similar to what Jeep has as far as its portfolio or even Range Rover...

[indiscernible] (37:17)

Mark Grueber

US Consumer Marketing Manager, Ford Motor Co.

A

Yeah. So, John, I think you're touching on a really important point. My comment, I'll just – and I'll repeat it. I think the Bronco brand, Bronco family has incredible bandwidth, and we are certainly looking at a wide range of possibilities. That being said, we are laser focused on getting the Bronco we just announced out and out with quality and on time. And using that focal point, incredible response, we're blown away by just how much energy there is this week, and it's not a small task to blow up a bunch of servers. There's a lot of excitement around the brand, and I think that just fuels opportunity of exploration to the future.

John Murphy

Analyst, BofA Securities, Inc.

Q

Okay. And when you look at what you're showing, I think it's on slide 11, with the Whitespace vehicle and that looks like it's coming out of Hermosillo. So I'd imagine that's unibody structure. Would that be under the Bronco brands or sub-brand, however your semantics, how you're discussing it? And then also it looks like there's a Bronco pickup that might be launched right around calendar year 2024, you don't have that on here. I'm just curious if that's something you're also considering. It seems like it's in the pipeline but not being discussed at the moment.

Jim Baumbick

Vice President-Enterprise Product Line Management, Ford Motor Co.

A

Yeah. John, I'm not in a position to discuss our future product plans, but I'm excited to talk to you about that Whitespace vehicle, probably in a couple of months, sometime early next year. And we're excited about that because it's going to be another big add to our overall portfolio strategy.

John Murphy

Analyst, BofA Securities, Inc.

Q

Okay. We'll definitely look forward to that. Then on the production side, I mean, obviously you've had – it appears that you have tremendous demand given all the buzz we're hearing this week and the reservations. I'm just curious when you think job one or SOP will be, what target volumes are for the Bronco, the Sport, and how we should think about that because we've seen your competitor, I think, or one of your competitors, not just your competitor but one of your competitors, being the Wrangler, maybe saturating – oversaturating the market.

So I'm just curious how you're going to think about when you start production, what the target volumes will be, kind of how you'll manage them over time to keep residuals up relative to volume. It just seems like there are some mistakes that have been made in the market by one of the big competitors. I'm just curious how you're thinking about the start of production and ultimately what run rate volume would be on the Bronco and the Sport.

Jim Baumbick

Vice President-Enterprise Product Line Management, Ford Motor Co.

Yeah, great question. So I'll start with your last point. We spend a lot of time, and one of the benefits of us having these enterprise product line teams is they have to curate and manage and grow the business over time. And so we want to avoid exactly that error state where we're doing something in the short run, it has a negative impact on the long-term health of the business. So we are always holding those intention and that's how we're measuring these enterprise product line teams.

The Bronco will be available spring of next year, and the Bronco Sport will be available later this year. We project we'll build over 200,000 units of Ranger and Bronco combined, and we have flex capability between those vehicles. And the same thing, we have a dedicated line for Bronco Sport where we have the ability to flex up and flex down based on demand.

That being said, we're obviously seeing really strong signals [indiscernible] (41:23) get through next couple weeks and months as we head there to look at what the [ph] ambient – (41:28) ongoing level of demand is once we get through the initial launch.

Mark Grueber

US Consumer Marketing Manager, Ford Motor Co.

Yeah, Jim, if I could just reinforce another point on that. Just as far as John's comment about the overall market and – overall, we know 2019 was the highest sales of SUVs that the industry has seen. And again when we look at a subsegment of that that we looked at called rugged portion of that, that's growing even faster than the overall SUV market. And there's very limited competition there. So Ford is not really playing in that space today. And I think we've got a real opportunity to not only grow that market that's already seeing great growth but also have a lot of incremental sales and revenue opportunity for Ford.

[indiscernible] (42:21)

Jim Baumbick

Vice President-Enterprise Product Line Management, Ford Motor Co.

... just add to that – go ahead, John.

John Murphy

Analyst, BofA Securities, Inc.

No, go ahead, Jim. Sorry. Obviously, you have thoughts, so go forward. Sorry.

Jim Baumbick

Vice President-Enterprise Product Line Management, Ford Motor Co.

I was just going to add to that, going back to the reason I mentioned the Gen Xers and millennials that are really driving some of this growth. When you look out in time, the new vehicle buyers, the percentage of Gen Xers and

millennials are going to start to overtake boomers when you look out into 2030. So when you think of bandwidth, time horizon and durability of the brand, we're very excited about the Bronco [ph] family (43:04).

John Murphy

Analyst, BofA Securities, Inc.

Q

Yeah. And when you mention the dedicated line for the Sport, Jim, I mean that could mean a lot of things, on capacity in the Hermosillo plant as you set a dedicated line, I could interpret that is 250,000 units or maybe less than that. Is that what you meant the Hermosillo plant would be, the dedicated line or is it a line within the plant? I just want to make sure I understand that correctly.

Jim Baumbick

Vice President-Enterprise Product Line Management, Ford Motor Co.

A

Yeah. Sorry. We have a standalone line for Bronco Sport, but we will have an overall capacity, and I think build a share a little bit more. As we get into 2021, I'm going to talk about the affordable Whitespace vehicle that we've got planned for there as well. And between those two as well some other products we have in the plan, we can flex volume in that facility.

John Murphy

Analyst, BofA Securities, Inc.

Q

Got it. Okay. And clearly, the Bronco itself is probably – new whitespace, I would imagine there would be any, if any at all, cannibalization with existing Ford product. And, Jim, you kind of mentioned before that the Bronco Sport was not even crossing over with the Escape. But I'm just curious if there's any concern or even just expectation naturally that the Sport may cannibalize some of your other crossovers or – and how much of it do you think could be incremental or not?

Jim Baumbick

Vice President-Enterprise Product Line Management, Ford Motor Co.

A

Well, we think there is a significant and incrementality here. And it gets back to really understanding customers in a much more intimate way. And truck and utility customers are after a certain type of imagery and capability, and that's very different than customers we're targeting for an Escape, as an example. And by making sure that we can actually push those out to those targets and separate them, that gives us the opportunity of having a very clear and differentiated position in the marketplace. And that kind of get stuck in the middle where we're trying to meet everybody's needs, but you're not really authentically awesome at something specific.

And that is decidedly the strategy and that also plays out with the Bronco. We think it's going to be incredible complement to the portfolio, not 100% incremental, but a sizable incrementally with some complement to the existing portfolio. So it's just – it really bodes in to our existing lineup and gives us a different space to compete and one that's growing.

John Murphy

Analyst, BofA Securities, Inc.

Q

Yeah. Definitely. Okay. And then maybe switching to the distribution channel, because we've been hearing a lot of rumblings from dealers for the last year plus on some requirements to build out space for the Bronco brand and really create, sort of, differentiated space in the dealerships. I'm just curious what the strategy is there? What they have to do to meet requirements to sell the vehicle?

And it really does sound like when you're working with your distribution channel to create this kind of distribution or space in their dealerships that is really – the Bronco family sounds like it's much more not a two or three product family but a larger family. So, I mean, what are these dealers looking at? What are their requirements? And what do they actually have to do to sort of meet the requirements to sell the Bronco family? Are they all turned on or if they don't do this they don't get access to the brand?

Mark Grueber

US Consumer Marketing Manager, Ford Motor Co.

A

Yeah. I can take that. So, Bronco is going to be distributed through all Ford dealers. So, all of our dealers have met the requirements or readiness that we requested. So we've asked for them to do some unique training and get ready for accessories [audio gap] (00:47:26) and display accessories. And those are the basic requirements for Bronco. And again, Bronco will be available at all Ford dealers.

Now, there is a lot of excitement, as you mentioned, at our dealers and several of them have a desired or requested that we have some showroom opportunities to kind of uniquely display the Bronco and everything that it has to offer to the customers because it is a bit of a different customer. There's no requirements from a dealer in terms of showroom displays or investments, but there are a number of our Ford dealers who are looking for a unique display for Bronco, and we're going to be rolling that out to our dealerships in the very near future some optional elements that they can do at their store to kind of offer a unique experience for our customer.

John Murphy

Analyst, BofA Securities, Inc.

Q

So, Mark, you're actually looking to – for direction on how to position the product in their showrooms with a branded space, but they want to do themselves but are – or following up with you to make sure that they're meeting your requirements to do this correctly to represent the brand correctly. Is that a correct – is that the right interpretation? That's pretty amazing that your distribution channel would be reaching out like that.

Mark Grueber

US Consumer Marketing Manager, Ford Motor Co.

A

Yeah. It's similar to that. I would describe it as – again, Ford is not requiring any unique showroom requirements for our dealers and Bronco will be at all dealers. But we are having dealers wanting to do more. They're raising their hands. They know it's a significant opportunity for them and for Ford. And they, like we do, see the different customers and they want to have some elements at their showroom, such as displays for accessories and even the vehicle themselves. And so, we've heard those requests and we've developed basically a kit, an optional kit but different things that they could do at their dealership. And though many dealers want to invest in that and even some unique dealers are looking at converting existing space or even facilities into Bronco, but that's all optional and – but many dealers are very interested and passionate about doing something more to provide this authentic experience for our customers.

John Murphy

Analyst, BofA Securities, Inc.

Q

I've got one last question on profit, but I just got a couple of questions online that I think are – they're from some investors. There is – I guess there's a question on why this Bronco, the new Bronco would be off the Ranger platform, like the Gen 1 Bronco, and why you wouldn't have considered maybe doing it off the F-150 platform and done something like the later-generation Broncos? Why that decision was made? I'm glad you went the direction you went in because the Gen 1 is more – what I personally like and think the market might go after. But I mean, why did you make the decision to go in that direction with the Bronco, more Gen 1 versus the later generations

are off the F-150? And is there the potential to do something called a full-sized Bronco or Bronco XL or whatever you might call it in the future off the F-150 platform?

Jim Baumbick

Vice President-Enterprise Product Line Management, Ford Motor Co.

A

Yeah. So I'll just maybe hit two points – reinforce. I think the Bronco brand [indiscernible] (00:51:13) has a lot of bandwidth, and so we are going to continue to look at opportunities. I think the reason why we really focused in on the Gen 1 is, it goes back to my opening comments, I think there's such a passion around those products and you can see it just how sought after they are. And we thought that that's the best way to actually bring back the Bronco, right? Almost kind of going back to its roots, but modernizing it in a way that actually sets it up to really establish a resurgence of a brand in its own right, for the future, our family of products.

On your question around architectures, and this is where I think we have a lot of flexibility. And we talk a lot about using flexible architectures, and one of the opportunities here is, again, sharing that platform with the Ranger and using that as part of the evolution, there's efficiencies and synergies about that, but it also grows the capability of the platform that opens up considerations for different spaces and different opportunities. So it's all part of our strategy. You can go off and develop one of these things in isolation, but then you don't get the leverage. Our fundamental strategy around fitness was leveraging flexible architectures and understanding with precision our customers and matching up those requirements. And that's where we just thought the big opportunity lied with the Bronco we just revealed.

John Murphy

Analyst, BofA Securities, Inc.

Q

Okay. And then just the last question for me to wrap up here and I'm going to push you a little bit because you deserve to be pushed because you have a great product here, on slide 11. And when we think about the Wrangler, there's incredible speculation that they're doing 10 to 15 FTAs, doing about \$10,000 to \$15,000 in profit per truck, and they, I think in 2019, did almost 350,000 of those, right? So they generated somewhere between \$3.5 billion and \$5.25 billion off that truck. It might be at the low end, it might be at the midpoint of the range, but it's something in that range. So when we look at what you're putting out in front of us right now and what we would – might speculate on the pickup in the future, but without getting into brand extension like you kind of keep alluding to, assuming that the Bronco two- and four-door do about 100,000 units at about \$15,000 op profit per truck, that's \$1.5 billion.

The Sport, which it sounds like will be in the ballpark of 150,000 units, without even that new whitespace vehicle that you're talking about, call that about 7,500 units – \$7,500 op profit per truck, that's over \$1 billion. And then the pickup at a slim 50,000 units at \$15,000 as well, that's another \$750 million. I kind of roll this up, and in the near term with the Bronco and Bronco Sport, 12 to 18 months, there's about \$2.6 billion of incremental profit, and I look at the potential for the pickup, that's maybe another \$750 million. So you're over \$3 billion, call it almost \$3.4 billion in Bronco profits before we get into other brand extensions that you kind of keep alluding to, and it's not even getting into aftermarket parts.

I mean, it seems like you have something that's Jeep-like burgeoning in the product portfolio. I mean, is there something – is that a logical line of thinking? I know you can't confirm those numbers exactly, of course, but that \$1.5 billion you're showing on slide 11, and what's – I'm giving you a hard time because you have a really good product story here, seems to be pretty conservative. I'm just curious what your thoughts on the statement or sort of a question like that might be.

A

Mark Grueber

US Consumer Marketing Manager, Ford Motor Co.

Well, John, I – it's – well, appreciate your confidence in the success of our products. I think both – well, particularly, Ranger demonstrated the ability to really segment a market with minimal cannibalization. And to the question that you asked earlier about Bronco, we do feel based on all the human-centered design features, and designing around the needs of our customers that that volume is going to be highly incremental.

And also, Jim alluded to the fact that we do have opportunity probably more on the Bronco and in the future. But I think right now, what we're comfortable talking about is what that improvement in profitability is on a plant basis, when you compare a passenger vehicles going through them versus Ranger and Bronco and the whitespace vehicle.

John Murphy

Analyst, BofA Securities, Inc.

Okay. Yeah. I think you have a hit on your hands here. That's – those are my words. I think those are a lot of people words. So, congratulations on a great launch. We really appreciate you doing this call and getting the information out to the folks. And we are very much looking forward to hearing more and more about the Bronco, and ultimately, getting bucks and seats and driving those things because it will be a lot of fun. So, thank you very much and congratulations, Jim, Mark and Lynn. We really appreciate the time today.

Jim Baumbick

Vice President-Enterprise Product Line Management, Ford Motor Co.

Thanks so much, John.

Mark Grueber

US Consumer Marketing Manager, Ford Motor Co.

Thanks, John. Have a good weekend.

John Murphy

Analyst, BofA Securities, Inc.

Thank you. You too.

Operator: This concludes today's call. Thank you for your participation. You may now disconnect.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2020 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.