

FORD MOTOR COMPANY

Moderator: Mark Truby
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OPERATOR: This is Conference #: 9359298

Operator: Ladies and gentlemen, thank you for standing by. And welcome to the Ford Media Conference Call. At this time all participants are in a listen only mode. Please be advised that today's conference is being recorded.

After the speaker's presentation there will be a question and answer session. To ask a question during this session you will need to press "star", "1" on your telephone. If you require any further assistance please press "star", "0".

I would now like to hand the conference over to you speaker for today, Mr. Mark Truby. Please go ahead, sir.

Mark Truby: OK, thank you (Tammy). And thank you to everybody for joining the call this morning. Welcome. Obviously most of you have probably seen our news release but if not just go to media.ford.com and you can pull it down from there. Today we're going to have three speakers, Executive Chairman, Bill Ford; President and CEO, Jim Hackett; and our Chief Operating Officer, Jim Farley.

After their remarks we'll open it up for Q&A. We're going to be able to spend about 30 minutes total on the call. So as soon as we're done with the speakers we'll open it for the Q&A. And with that, I'd like to turn it over to Bill Ford for some (inaudible). Go ahead, please, Bill.

Bill Ford: Mark, thank you. And good morning, everyone and thank you for joining us. Today's an important day for Ford, you know three years ago I introduced Jim Hackett as our new CEO. And I asked Jim to help modernize Ford and to begin a transformation that would radically change our company. But I also asked him on his very first day if he would help me get the next generation ready.

So you all know, Jim didn't need this job, he had a very successful series of careers prior to this. But he loved Ford and he wanted to help. And he took on a huge challenge and I'm so glad that he did. We have lots of work ahead of us to really complete our mission. But thanks to Jim we are a very different company today than we were three years ago.

He revamped our product line-up by cutting losing models and we launched new, groundbreaking products like the last three that we've introduced; the Mach-E, the new F-150 and the Bronco. We now have a compelling electric vehicle plan and we're really well positioned in the (AV) space. We've established partnerships globally with VW, Mahindra and Rivian and our brand image is rising across the world. And we are finally tackling underperforming global markets.

And I'm especially grateful to Jim for his leadership during the COVID crisis. He moved us very quickly to protect our business and then he stepped up to help our country in a time of need. You know you all know, Jim, and you know that he's never sought credit and it's my belief that he still doesn't get enough for taking on the tough issues and slaying the sacred (cows) that he has. He cared more about Ford's reputation than his own. And, Jim, has been an incredible partner and thank him for his brave leadership and also for his friendship.

Well I mentioned, just a minute ago, that I asked, Jim, to help me get the next generation of leadership ready. And so he set out to build a strong team and then to identify his successor. Well in doing so he first asked, Jim Farley, to run Ford's global markets and then dive into, what we then called Auto 2.0, by running mobility and strategy groups. And finally, we asked, Jim, to become our COO.

So Jim and Jim have worked side by side for the past three years and if you saw in the release today I'm announcing that effective October 1, Jim Farley will be our new CEO and President. And Jim and Jim will work closely on the transition over the next two months. And that's something that I'm very pleased with because it will be seamless because these guys have worked together so closely for the last three years.

You know, Jim Farley joined us 13 years ago giving up a great career at Toyota and he came really to help, at that time, to save Ford in a very different circumstance. And during the financial crisis he was one of our very key players and he did it because Ford runs deep in his family. He cares about this company and he cares about the employees of our company and our company's image.

Jim, is a car guy through and through, you all know that. And it's his passion and it's his love. And he can (inaudible) – as you know he can be found on weekends often at racetracks racing his vintage cars and it's his joy. But as deep as his passion is for cars and racing, his passion for our company is even deeper. And it's important too to understand that Jim is perhaps the singular executive who understands the integration of technology and auto. And he understand how profoundly technology is shaping our future.

He's intensely competitive but I've watch him develop into a transformational leader with the values and he's always had the values, to lead Ford Motor Company into the future. I mentioned how much Jim Hackett loves Ford and how Jim responded in the COVID crisis. Jim Farley's the exact same way. He deeply loves Ford and he also, during the COVID crisis, leapt in immediately and said how can we help our communities and our country.

So nothing makes me happier than to have a smooth transition, we have that now. This is something that we've been planning for some time and it seemed like the right time – coming out of the second quarter where we performed much better than I think the world thought we would. We set the stage with great new product introductions and I think it really serves therefore as the

right time to make this move and to let Jim Hackett have a well deserved break and to elevate Jim Farley into this job.

And with that, I'd like to turn it over to Jim Hackett.

Jim Hackett: Thank you, Bill. To the listeners today you know from a distance when I was running the (steel case) I saw William Clay Ford as one of the most inspirational leaders in the country in his day talking about how you can make an industrial company sustainable, environmentally responsible. People that know my background, my father was a leader in agriculture in this area and I hadn't really heard of a business leader, other than my dad, until I met Bill that thought the way he did.

When I got a chance to join the board, I jumped at it because it meant that I got to work closely with Bill. And then when Bill asked me to take on the CEO role well I asked him to think about the question of you know was I really the right fit. Because I was going to come at the business differently than other had. I came from outside the industry, I was going to bring new (inaudible) and a new perspective. He said that's what we need, I really would like you to do it.

I knew that it would test the patience of our stakeholders and I was OK with this because I had done this once before and I saw how the narrative plays out. Getting the product right, in our case connecting the vehicles, bringing the technology in, addressing unfit parts of the business that's hard to deal with. We had to reduce bureaucracy but I think as important was rekindling innovation.

There's so much talent here at Ford Motor Company, so many inventions that have – that have come from this place that (could we withstand) some static in the short term to build the company the way we, the three of us, Bill, Jim, and I believe it would be destined to be?

So I aimed for moving ahead versus just moving fast, could we – could we aim for a longer arc kind of reward? And in this case, with 3 years it takes kind of fundamentally to get new products to market, you're starting to see the fruits of our labor. With the Mustang Mach-E launch last November, and I

mentioned this in the analyst call last week, I just test drove one of the early build models, it wasn't supposed to be (as fit) as it was at this stage, it's ahead of plan. And then of course the Bronco, where we announced that our reservations are over 100,000.

We know that the work that we've labored over and the approach that we've taken actually has potential to be really a great Ford Motor Company, and so I asked myself (essentially) when's the right time to retire? Because when Bill asked me to do this, I knew that I was responsible for finding a longer term solution for the company, and it presented itself in Jim Farley.

When I first took over as CEO, I asked him to work closely with me on the product strategies. We made some significant decisions in the earliest days that were quite controversial, like getting out of the sedan business was a difficult question, but as you see, the Bronco's success, (it's being built in one of the factories where one of the sedans that was unprofitable is yielding now way) to the Bronco.

Jim's grasp of the products is legendary. When he did work in a previous company, Toyota, started a brand from scratch, was part of the Lexus launch and the Tundra pickup, so he's got – he's got a history in product and that really matters in this industry in a very, very important way.

And then he had some things to learn, and he jumped in with both feet. Over a year ago we asked him to step out of the market's role and to look at technology for its disruptive potential. We've actually created some alliances that we haven't announced yet. Under Jim's leadership, we've started to really get our act together around the autonomous vehicle development with the alliance with VW, and I (then witnessed, as Bill and I kind of) – with great awe the way Jim dug in with the pandemic.

See, a company like Ford has so much fixed cost with the factories and when you turn those off there's almost no way to avoid the kind of losses that we were likely to face, and Jim dug in with a really incredible team and we were able to carve back a lot of the losses in very short time, which is a statement to

his management prowess and his grasp of the business. He has an encyclopedic recall of what's going on in our company.

In this way we've partnered really well together, and I think it bodes well for our transition to October, because we really love working together around these kinds of topics.

Jim has grown tremendously in the 3 years that we've been working together, and it just hit me, probably in the spring, if you asked the question when is the right time to retire, and said we ought to do it now because the wind in our sails is really starting to pick up, Jim had a big role in that, and I can feel confident that the things I was asked to do have actually started to take root.

So I'm really pleased to announce and introduce to you today, as Bill – as our next President and CEO in October, Jim Farley. Jim, I'll turn it over to you.

Jim Farley:

Thank you, Jim, and thanks, Bill. Like so many, Ford Motor gave my family an opportunity. My grandfather, (Emmett Tracy), first walked into Highland Park back in 1913, and we have found a better place as a family in our life thanks to the Ford family.

As Bill mentioned, Ford has endured for 117 years because our values are timeless. The courage to bet the farm on a big idea like building the Rouge or a new silhouette like Mustang, or the integrity to provide equal opportunity to African Americans and other minorities during the great migration, the desire to lift the standards of millions of working people who depend on our commercial vehicles to get their job done, the strength to weather the 2007 crisis without a government bailout, the vision to restore a once great train station to reinvent the future of transportation and be a positive symbol for the city we love, Detroit, and enough independence to battle COVID, as Jim and Bill mentioned, without ever being asked.

My unbridled enthusiasm and humility in being asked to lead Ford at this time is rooted in a desire to serve our customers, our team, and most of all these values. To Bill Ford, thank you for entrusting me to help you ensure Ford keeps changing the lives for the better for the next generation and far beyond.

It's been over a decade almost to the day that I joined Ford, and I've watched you lead with integrity, vision, courage, and I've never known a leader who cares more deeply about others than you do.

I'm especially grateful to Jim Hackett for his leadership and partnership. Jim brought ambition and optimism to Ford, recognizing that we don't have to cede the future to anyone, but also challenging each of us with the reality that we were not moving boldly enough.

He also helped Ford rekindle its connection with the customer, and we're now (a more) curious and less insular culture today thanks to Jim Hackett. He has laid a solid foundation for a vibrant future.

Now we know our competition today. It's Amazon, (Vido), Tesla, Apple, Toyota, and others. They're well-financed and voracious companies and I'm inspired by the positive momentum that we're now building.

You know, it's not our history that made the Bronco great, it was a small team of people who are obsessed with creating an insanely cool product and awesome experiences for a group of customers that our team love.

So here's how I see it. Our mission (is to improve the lives of our customers and with our products and services they can't) simply live without. We will do this by honoring Ford's values, from taking personal accountability to strength and never give up attitude, and step one is to execute our (fixed and accelerate) priorities.

That means 10 percent margin in North America, immediate material and warranty cost improvements, restructuring our underperforming businesses, maximizing our commercial vehicle business opportunities, move to a large scale (connectivity) for quality and internal value creation for the new F-150 and the Mach-E that we're about to launch.

And the best in class execution of our upcoming North America launches. And to fulfill our mission, we need to swing for the fences, just like we did when we built the ROUSH to grow and expand where we're already strong, like the transition of battery electrics, the commercial vehicle business.

To make software and infrastructure equal to our physical products, to expand our affordable lineup and also services and to take our (E.V.) technology to market to bring down the cost of moving. I'm humble to be selected to lead Ford Motor Company. Your relationship is very important to me and to Ford as we continue our journey, we will keep you informed and keep you close. Thank you.

Mark Truby: Thank you, Jim, Jim and Bill. (Tammy), could you just quickly repeat the instructions so the journalists can ask a question? And then we'll get started.

Operator: Thank you. As a reminder, to ask a question, you will need to press "star," "1" on your telephones. To withdraw your question, press the "pound" key. Please stand by while we compile the Q&A roster.

Mark Truby: OK (Tammy), go ahead and get started with the questions, if you would.

Operator: Your first question comes from the line of Mike Martinez with Automotive News.

Mike Martinez: Hey guys, thanks for taking questions. This one is for Jim Farley. Jim, I know your two predecessors try and failed to increase the stock price, I'm just wondering if that's top of mind for you, and if you feel that you will be the one who will be able to raise it.

Jim Hackett: Hey Mike, I think your mic – we couldn't really hear your question, so I'm sure it was a great, but maybe if we can get the line cleared a little bit clearer, if you kindly repeat your question, that would be great. Thanks, Mike.

Mike Martinez: I apologize guys, I was just going to ask Jim if you felt you could be the one to finally raise Ford's stock price and whether or not that was a tough goal for you.

Mark Truby: It's really hard to hear Mike, Jim Farley, but the question was related to how you feel about the prospects for Ford to raise the stock price, reward shareholders.

Jim Farley: Well Mike, my goal – our goal as a team is for a smooth transition, nothing changes. We're very optimistic about North America's performance improvement with the launches and (cost) work that we're doing. And as I said, as the growth initiatives come more into focus for Ford, like commercial vehicle battery electric transition, we are so optimistic about the (inaudible). So really excited to get going and dig in.

Operator: Your next question comes from the line of Matt DeBord with Business Insider.

Matt DeBord: Good morning everyone, congratulations, Jim. Congratulations, Jim. But just a very quick question for both Jim Hackett and Jim Farley, gentlemen, one of the important initiatives that Jim Hackett undertook at Ford was to redesign the company and to transform the culture there around the whole idea of thinking in a design way about how the companies – this company is structured.

So I'd like to know from both Jims if you intend to continue that initiative. From where I sit, that's had a great transformational impact on Ford's culture, possibly one of the biggest transformational impacts on the history of the company. So I'm interested in your thoughts on that, both Jims.

Mark Truby: Jim and Jim, sorry, we're having a little bit of trouble with the volume. Matt's question was related to design thinking. He believes it's the transformational tool that's been introduced to Ford and with this transition, will we – maybe start with Jim Hackett, and Jim Farley, will we continue looking at design (inaudible) human center thinking as a transformation tool for the business?

Jim Hackett: Yes, so I want to yield to Jim Farley's reaction a sincere exhibition for you to how it's taken hold. You see, it's not really me, it's a way for people to unpack problems and to find opportunities for our fitness and our customers. So it's now (theirs) and they've taken it and they've run with it and we're starting to see the impacts. Jim, I'll let you add to that.

Jim Farley: Thank you for this question, because after being in the industry for decades and being an (old) product (planner), I thought I knew a thing or two about

products, and then Jim brought human center design to Ford and it really forever changed many of us as leaders in the company.

As Jim said, it's not just me, it's the team. What you see in the (marquee), not just a physical design, but the physical experience, what you'll see in the next generation of our commercial vehicles was all fundamentally changed and shifted because of human center design. So we as a team are complete believers and we are all in.

And as the silhouettes commoditize in utility or the company really sees our brand coming to life in digital connected services, or even experienced digitally inside the vehicle, they're all going to be informed by this process of human center design that Jim gifted all of us.

And I had a meeting earlier today and (inaudible) imagine Ford getting to the point where we are with our digital experience without it. So all I would say is thanks for the question and we're all in.

Operator: Your next question comes from the line of David Shepardson with Reuters.

David Shepardson: Thanks for having the call. This is to Bill. Bill, did you consider any other outside candidates in deciding to have Jim Farley for this job? And what, if any, changes do you see Ford making with the leadership change?

Bill Ford: Yes, thank you Dave. So well we really didn't look outside; we talked about it, because anytime you do a transition, you have to consider, how does our inside group stack up against what is available outside.

So we clearly talked about taking a look outside, but what was happening was increasingly, everybody was getting very, very inspired Jim Farley's leadership and so I think while we talked about it and we did throw some names around, every time we did that, we always felt that Jim Farley rose to the top.

And there is tremendous – sometimes going outside is great, I mean, (Allen) and Jim Hackett, I think both are proof of that. But also there's great strength in continuity, particularly if you're on the right path. And so, our board felt

that we were on the right path, that the kind of projects that Jim and Jim were working on together are exactly the kind of things that needed – we needed to propel our company into the future.

So, at the end of the day, everyone really, really responded to the notion of Jim Farley becoming our next CEO. And so it wasn't – to answer your question, no, we did not do a deep dive externally. In terms of other management changes, look, that'll be largely up to Jim Farley, but I will say this, Jim Farley and Jim Hackett have really, together, helped formed this management team.

And so, where I sit, I wouldn't expect any big surprises, frankly. But having said that, we're always looking to strengthen and we'll always look for talent wherever we can find it, regardless of who the CEO is.

Mark Truby: Next question please (Tammy).

Operator: Your next question comes from the line of Paul Eisenstein with NBC News.

Paul Eisenstein: Yes, thank you gentleman. Congratulations Jim and congratulations Jim. Two very fast things, first of all, whenever somebody comes in, no matter how closely they worked with their predecessor, there are some things that they have in mind that they want to change or areas they want to focus on that they felt may not have had enough attention.

So, can you – Mr. Farley, can you talk about that? And more broadly, we're in an industry where investors seem to be going gaga for the new. We've seen a whole bunch of startups get rewarded with crazy IPOs. Nickel effort example, we now are about to see Lordstown Motors and Fisker do IPOs. Can you talk about that, an old-line company, 117 years old, struggling with its stock price while we see new competitors who have never built a product come in and get rewarded to crazy levels?

Bill Ford: I think – Jim Farley, did you hear that question?

Jim Farley: I did, I did. Thanks Bill. Paul, thanks for your question. Just a couple quick comments, first of all, I'm – the highest priority for us is to transition and to

execute our fix and accelerate plan in the coming months, so nothing's changed. But I did want to highlight that we're committing to develop a very specific plan for everyone and that will come out in due course.

But I tried to (inaudible) in my comments where we really see growth opportunity for the company. And that is to expand and grow as the industry and as Ford as the leader transitions to e-mobility for commercial vehicles. We see growth opportunities for adding to our products, a whole software business and infrastructure business. We're very committed, thirdly, to expanding our affordable end up of vehicles, but not just vehicles, services, and you'll learn more about that.

And the movement of AV technology, or a self driving system into an – a real business to reduce cost of moving is another growth area we see. As far as affordability (technical difficulty), I'm very optimistic. I think we're in a great position. We're a leader in the CB business, for example, globally. We have great relationship with our customers. We have the talent and know how in the company, as Bill said.

For incremental talent, we'll find it. We've been able to track great people for conductivity, data analytics recently from outside our industry, and they're so motivated to help reshape Ford. So I'm feeling fantastic about our ability to compete with new competitors. And look, I took almost a year out of the core business to really learn about technology and these new competitors, so I am saying that from perspective of learning and listening to these new competitors themselves.

Male: (Tammy), let's take one more question please, and then we'll wrap up.

Operator: Thank you. Your next question comes from the line of Keith Naughton with Bloomberg.

Keith Naughton: Hi. Jim and Jim, congratulations to both of you, I have a question for each. For Jim Farley, you mentioned some unconventional competitors, Apple, (BYD), I just wonder how you see the challenge you confront being different than what Jim Hackett did? And then Jim Hackett, I'm just wondering what

you feel your biggest accomplishment was in your three years as CEO? Thank you both.

Jim Farley: Well, Keith, from my standpoint, I don't see any daylight between Jim and myself. You heard the areas, the four areas that I believe we have huge growth opportunity in the company. Those are the same areas that we've been working together on, Jim and myself.

Yes, I'm – I am my own man, but we have a tremendous team at Ford, and I'm very optimistic about executing our base business and these four areas to compete against the new and existing competitors. I'm really excited Keith to share the specifics with the team at the right time.

Jim Hackett: And Keith, no, Bill described my personality where I'm not one walking around with the accomplishment list because I keep seeing the next challenge. I can talk about pride in a couple of areas, which have to do with how to take a company, and this is not the first one that I've had to deal with, which has such a long history of legacy of success that's so beloved by its employees, and the edge of the competition is getting stronger and stronger.

So, how to get them to recognize what is really powerful about who they've been, but more promising about who they can become, and that takes time. It's a cultural, it's about transformation, it's about working on the bureaucracy, how decisions are made, how reasoning is done. So, I would say Keith, all of those things become apparent if you work with me overtime. They certainly aren't obvious on day one, but I'm comfortable and proud that it's taken hold.

Mark Truby: OK, thank you Bill and Jim and Jim, and thank you to everybody who dialed in this morning. If you have any further questions, please contact us. The communications team will be available to answer any questions or help you out in any way you need to. So thanks again and have a great rest of your day.

Operator: Ladies and gentleman, that concludes today's conference call. We thank you for participating. You may now disconnect.

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