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MANAGEMENT DISCUSSION SECTION

Mark Delaney

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We're live. Great. My name is Mark Delaney, and I cover the US Auto and Industrial Tech Sector at Goldman Sachs. And I'm very excited to be hosting Hau Thai-Tang who is the Chief Product Platform and Operations Officer at Ford. He has more than 25 years of experience in areas including product design, engineering, and purchasing for Ford. So, I think we'll learn a lot today from the discussion. With us today, we also have Jeff Zelenick, Associate Director of Investor Relations.

Let me turn it over to Hau. He has a few opening comments and slides he'd like to discuss and then we'll get into the Q&A. Hau?

Hau Thai-Tang

Chief Product Platform & Operations Officer, Ford Motor Co.

Thank you, Mark. Good morning, everyone. We're really delighted to have the opportunity today to give you an update on our plan. I want to highlight some of the new products that are coming online and then talk to you a little bit about how we're turning around our Automotive operations as well as really trying to drive growth in the business. So, as Jeff – as Mark mentioned, we did file the deck on our Investors site if you want to see the full deck. I'll just kick a few slides and then leave plenty of time for Q&A with Mark.

So next slide please. It's been nine weeks. It seems like a long time but it's only been nine weeks since Jim Farley has been appointed our President and CEO and he's really moved with a great sense of urgency. He's put together a really clear and compelling plan which you see here. We've done a fantastic job of cascading this plan to all of our key stakeholders, obviously internally with all of our employees but also with our board of directors, with our dealer network, and as well as our supplier partners. The plan is really focused on turning around the Automotive operations and then as well as driving growth.

In addition to the creation of the plan, Jim reorganized the company to really intensify our focus on the customers and supporting our business units, our profit and loss organization who are customer-facing. I'll share with you how we've tried to leverage the scale that we have with our industrial platform to really accelerate the creation of new products at faster time to market, but also to do it in a way that's more cost- and investment-efficient and get our structural cost to be best-in-class.

We've created a new technology and software platform that really modernized the company, leveraged the power of software, machine learning, data analytics to really increase the value for our customers but also for the enterprise internally and we'll touch on that as well. And then one of the elements of this plan is to disrupt ourselves. And Jim's created a new business platform as an incubation period that really tried to challenge the status quo, create new business concepts and then scale it up. So that's in place and we're very excited about the progress that we're making in such a short period of time.

If you hit the next slide, just to touch a little bit more about the plan. As I mentioned, we're really trying to execute a dual transformation. Number one is to turnaround our Automotive operation and get that to be really healthy and competitive with the leaders in the business. So you can see a lot of focus on improving quality, driving costs down, accelerating the restructuring of our underperforming businesses, allocating capital to where we know we can win with high confidence and then simplifying, reducing complexity and then modernizing our business practices and processes.

The second element is really all about driving profitable growth, increasing our positive key cash flow, so it's playing to our strengths. You'll see that as I go through some of the new products that are coming online, the examples, and then accelerating that revolution of electrification. And this is not just a shift in propulsion systems but it's an enabler for us to really change the business model from a transaction model where we're just selling products and hoping that customers come back five or six years later to buy another one to now having this continuous relationship with them, enabled by the connectivity platform that really enhance value for them and for Ford. And then you see a couple of the more growth opportunities, including leveraging our partnership with Argo AI to deliver a business on top of our self-driving system platform.

Okay. If we can go to the next slide, I'd like to just talk a little bit about this new organization and specifically this industrial platform group that I'm leading. In the past seven or so years, I really have seen the power firsthand of having a product development organization and a procurement purchasing function working side-by-side to really deliver value. And we want to take this to another level by integrating our enterprise product line management organization, our advanced research and engineering organization as well as our Ford model and advanced manufacturing and embedded connectivity organizations all under one industrial platform that supports all of our global products and services around the world. We feel that by doing this, we can really truly design for manufacturing, enable a lot more asset reuse, being much more capital-efficient. And as a result, drive greater returns and greater returns on invested capital as well as improving quality obviously and time to market. So the goal here for us is to deliver world-class connected vehicles.

Next slide please. One of the big areas of focus for us and you guys know and you see it in our quarterly earnings is we've got to fix quality. This is a huge enabler for us to not only improve our margins and reduce costs but most importantly improve our customer satisfaction and advocacy for Ford and Lincoln.

So we're approaching this really in a very holistic way. There are three key elements that truly impacts quality: The upfront design and engineering, the work with our supply base and then of course within our own internal manufacturing organization and I won't go through this in excruciating details. But the bottom line is we're reallocating a lot more resources across these three elements. We're working to simplify our product offerings and

reduce the complexity, leverage the power of our flexible architectures and our modular catalogue to have a lot more reuse to reduce the risk and then driving accountability within our supply base.

One of the things we're doing is we have an automatic debit process where once we have five repairs that we see in the field, we basically start debiting the responsible supplier at 50%. This is not meant to be punitive it's meant to basically intensify the response rate and focus on containing the issues, understanding the root cause and then avoiding having a huge car park of defective vehicles and we've put this in place early this year and we're already seeing a much greater clock speed in terms of the resolution of issues.

And internally within Ford, we're also leveraging the fact that almost 100% of our products now are connected and we're able to use our connected data to identify issues much earlier, cut them off. And in many cases be able to do the change, the corrective action through an over-the-air update that's seamless to the customer; doesn't require them to come back to the dealership. So tremendous power here enabled by connectivity.

Next slide, please. I'd like to touch on the product launches. As you guys know, this is the lifeblood of our business. So the greatest tailwind we're going to have over the next 12 to 18 months is this very fresh product lineup that's coming online. You see them on the screen here. The key is 75% of these products, three out of the four, are all new and incremental products that we currently don't have today in our showrooms. So that's the Mustang Mach-E, the Bronco Sport as well as the Bronco. And, of course, we're updating and refreshing our F-150, the best-selling vehicle for over 40-plus years in the United States.

The F-150 is more than just a mid-cycle action. It's launching with an all-new electrical architecture, enabling us to do the over-the-air update and the connectivity benefits that I touched on earlier. It's launching with a driver-assisted technology system that's enabling hands-free driving. We're calling it the Co-Pilot360. And it also has a hybrid with a very exciting new feature which is power-to-the-box, up to 7.2 kilowatts of generator power, allowing our operators to use this truck to power their work site and really enhancing and unlocking productivity for them.

The Mach-E is our first true dedicated battery electric vehicle. It's signaling a couple of key things: One is our intent to play to our strengths. So, we're looking beyond just fuel efficiencies and zero emissions. It's using electrification to amplify performance and the attributes our customers love about Mustang but it's also signaling our intent to leverage strong brands like Mustang and Bronco and extending those product offerings beyond the traditional go-to-market strategy that we've had in place in the past and we're very excited about this. Mustang Mach-E is also launching with a new electrical architecture with the same over-the-air update capabilities and the hands-free driving capabilities.

Bronco Sport is a all-new products for us. It's really intentionally positioned as an off-road vehicle, leveraging the same underpinning and flexible architecture that underpins the Escape, the Kuga, the Focus but doing it in a very different way; completely different styling and different attribute proposition. We're getting fantastic reviews from our customers. We are shipping this product already to our dealers and great feedback from the media as well.

And then the Bronco, we'll be launching in the spring of next year. Very excited about this unprecedented response bringing back these iconic nameplates and it's also a great example of how we've allocated capital away from the lower-performing traditional passenger sedans into these much more profitable segments that align to our strengths.

The launches are going really well. We're already shipping the F-150 from both the Dearborn truck plant as well as from the Kansas City plant to our dealers. As I mentioned, we're shipping the Bronco Sport to our dealers and

we expect to start shipping the Mach-E very soon between now and the end of the year. And the Bronco is on track to launch in the spring. Okay.

Next slide, the other element I really want to touch on is cost and cost is something, especially material cost is one of the highest leveraged items on our income statement. And I'll be honest we lost sight of the cost that we're adding into our products over the last few years as part of our business plan as we worked to transform the product lineup. So we have an intense focus on taking this cost out. You can see it really starts with reducing the costs, discretionary cost that we're adding into our new products informed by our understanding of the customers. We're doing a lot more third-party benchmarking.

By that, I mean, we're hiring external firms that really hold the mirror up to show us where we're not efficient and uncompetitive and then we're leveraging the connected vehicle data and I'll show you an example of that. So, for us, it's really, not only looking at where we should spend money but where we shouldn't spend money and moving away from the traditional attributes; ride, steering, handling to things that are basically now just a ticket to entry, reallocating the spending into the new emerging areas like connectivity, the human machine interface; some of the new technologies like driver-assisted technology.

And our focus is to partner with our suppliers to get to the best cost at launch and get away from the sort of the year-over-year cost concessions and rebates from the suppliers, getting it upfront and really improving the net present value for the enterprise.

If you go to the next slide, I'll show you the example of how we're leveraging connected data. So we have a feature in many of our products, Ford and Lincoln, called passive entry and lock feature. It basically monitors who's got a key fob. And when it recognizes you within close proximity of the vehicle, it allows the vehicle to automatically unlock the doors when you grab the door handle. We currently go to market with this feature on all four doors. But now that we have connected data, we can actually monitor how frequently the customers actually enter the vehicle through which door. And you can see across our product lineup here with the Aviator, Explorer, Nautilus, Edge, Ranger, 80% plus, 90% of the time, it's only being used in the driver's door and very infrequently is it being used in the other doors especially in the second row.

So as part of our go-to-markets on the new F-150, we eliminated this feature from the second row of the Crew Cabs. In the past, we would have had a lot of internal debate and most of it would be on very anecdotal opinions on whether or not the customers value this feature or not. Today, we can actually use the connected data and monitor actual customer use to enable these decisions. So something as simple as this, just by deleting this on only the SuperCab variance is worth over \$6.5 million annually in material cost-savings just on this one product line. So we're doing this across the board on things like paddle shifters and adjustable pedals just to get a really good understanding of how customers are using our products and what features they value and they're willing to pay for. Okay.

Next slide, the net result of all of this as I touched on earlier, if you go back and you look at the last five years in our business plan period every single year, the net material cost of our entire product portfolio increased year-over-year. This is a combination of spending on new technologies. In many cases, it's driven by regulatory content to be more compliant, whether that's for safety content or CO2. And in many cases, it's us putting in discretionary costs where we think the customers value it. And what we found is we have not been able to increase the pricing and the revenue at the same rate as the cost was going in and it was eroding our contribution margin.

With this new holistic process that I put in place starting next year, we are for the first time in many years seeing a reduction in total net material cost versus the last year across our product portfolio and this trend continues all the

way through the business plan period. Every single year, we're driving the net material cost down and this is a very significant change from our historical run rate. So we wanted to share with you this progress and of course this flows through and contributes to our return to 10% EBIT margin for North America is our target. Okay.

Next slide, in addition to material cost, the leverage that we're getting on our flexible architectures, the five flexible architectures that we have as well as our modular catalogue parts is translating into capital and engineering efficiencies, investment efficiencies.

Here is a great example. All of these products: Focus Escape, Corsair, this Bronco Sport that I showed earlier and we have a new one coming that we haven't publicly named yet; that's a white space pure product, are all coming off our front-wheel drive, all-wheel drive; unit, size, body, flexible architecture. By sharing that common architecture, we're able to realize sufficient – very efficient levels of investment spending. And you can see the level of efficiencies versus the first-lead products that when we launched the new Focus, we used that as a baseline for total investment. The subsequent products coming off are much more efficient anywhere between 30% to 75% less investment in engineering spending. With this windfall and these efficiencies, we can reinvest it into doing new products at a faster rate, keeping our average age in the showroom to be at a very competitive level around three years on average, which we think is about the best in the industry. Okay.

Next slide please. I want to touch a little bit on electrification. One of the things in Jim Farley's plan is really driving and leading the electric vehicle revolution, and we talk about playing to our strengths and I want to use this opportunity to really highlight and contrast Ford's approach versus others.

We really want to go in segments that are aligned to where the Ford brand is very strong, where we have dominant market share and where we can actually use those products and their attributes to amplify for the customers the benefit of electrification so we started with Mustang. But the next area of focus for us is really all around commercial vehicles; the F-150 bed and then this transit bed. Why is that? Well, many of these commercial vehicle owners and fleets have their own objectives to get to carbon-neutral or be sustainable. That's a part of their corporate mission. So it's very much aligned with what they want to do strategically.

They have very good connected data and an understanding on their new cycles. So, unlike a passenger and retail customer who tends to worry about the worst case Six Sigma; I'm going to go visit my grandmother, thanks for Thanksgiving, and I want to protect from that worst case range, we tend to over-spec the battery sizing which drives a lot of cost and then we found that very infrequently ever needed that use case. These commercial customers know exactly what their average new cycle looks like, what their range is. They have a lot of historical empirical data and they frankly don't want to over spend on the battery because that drives in costs, it drives in mass, and it takes away from the payload.

And, of course, with their duty cycle and their intense focus on cost of ownership and productivity, we can make the payback and the return on the initial spending very tangible for them. And, in many cases, it's within months or years rather than many years to get the payback and the benefit of the shift to electrification. And, finally, it gives us an opportunity to capitalize, not only on the electric propulsion but the digital platform to unlock productivity for them. Let's go to the next slide and I'll talk a little bit more about this.

So we're approaching this as a connected commercial solution set that's underpinned by an electrified product clearly but also much more importantly a digital platform and they benefit from the network effect. So we have connected modems. We have over-the-air update capabilities. We have features like power-to-the-box to exportable power that we're launching on F-150 that's available on this E-Transit as well. But most importantly we have these digital commercial services that's underpinned by the connectivity platform that helps unlock value and

productivity for our commercial customers. It allows them to have faster decision-making loops because they're able to see the connected data every single day, after every shift from every driver, and has everything from improving the uptime and efficiency and productivity of the driver to enhancing the safety, lower cost of insurance to the driver to lower cost of ownership because of fewer moving parts; lower cost of fuel, to things like optimizing the productivity of the business.

So the drivers are focused on where they can add value and enhance the bottom line results rather than doing a lot of the clerical things that we can now enable by this digital platform So we're very excited about this. It plays to our strengths. Ford is the dominant global leader in commercial products. We have greater than 40% global market share. We really have intimate knowledge of these fleets. We understand their business. We understand their income statement. We know how they make money. We know where the pain points are and where we can use our connected services and our commercial solutions to unlock greater value for them. And by doing that, it's a wonderful way for us to capitalize and consolidate and build on our leadership in this space. Okay.

Next slide, of course to do this, we have to create the technology stack. What do I mean by this and what do we mean by modernizing the company? It's really designing the hardware architecture. So it's more than just a vehicle platform and the electrification technology. It's the power distribution network, it's the electrical architecture to allow us to have consolidation of the modules and allow them to talk to each other that allow us to do over-the-air updates.

It's changing the way we work with our suppliers. We used to buy many of these things as black boxes. These standalone body, chassis, powertrain modules, infotainment modules come from Tier 1 suppliers and they didn't really talk to each other. So we fundamentally have re-architected that so that Ford controls that architecture and we were able to harness the efficiency and the scale across products and platforms.

On top of that sits a software platform and architecture where we control the middleware and the firmware, we partner with our Tier 1 suppliers on the customer-facing application layer and then we also leverage the cloud and edge connectivity to really enable the network effect. So as more and more customers join our network, they benefit from the data that we're collecting across the entire fleet to help them unlock productivity. So this is what we mean by the technology stack and this is what the new technology and software platform that Jim has created is enabling.

So I think that's a quick overview of what we wanted to cover. I'd love to turn it over to Mark and answer any questions that's top of mind from you, Mark, and from the folks online.

Mark Delaney

Analyst, Goldman Sachs & Co. LLC

Yeah. Thanks, Hau. We really appreciate you going over that presentation. A lot of interesting stuff. I have several questions and I'm going to start but we're happy to take questions as well from the audience. You can use the Webpass submission button and it will come into me and my team over our e-mail or you can e-mail it to me directly, mark.delaney@gs.com, and we'll do our best to accommodate as many of the questions as we can.

QUESTION AND ANSWER SECTION

Mark Delaney

Analyst, Goldman Sachs & Co. LLC

Q

I thought Hau we could start out with some of the recent news at Ford and that's related to this leadership change with Jim Farley now becoming CEO. Maybe you can talk a little bit about how things have changed with Jim Farley as CEO and some of your own observations in your specific role?

Hau Thai-Tang

Chief Product Platform & Operations Officer, Ford Motor Co.

A

Yeah. As I mentioned earlier, I'm really impressed at how – the clarity of Jim coming on board in terms of what he wanted to do. But what's great is he really brought the leadership team and the craft to plan. It's our plan. It's not Jim's plan. It's really our plan as a team.

And it's a plan that's very simple. It's clear. We've done a great job of cascading that through the organization, so everybody throughout the entire organization really knows what we're trying to do. He's engendered a very participative leadership style. He's challenging the status quo, really focused on changing the way we work in terms of our management systems, our meeting cadence, the way we communicate with each other to really intensify the value add to the customers and eliminate waste and bureaucracy to speed up decision-making. So, as I mentioned, it's early days. It's been about nine weeks or so but he's moved very quickly and we're getting a lot of traction as you've seen with the Q3 results and we're going to finish the year I think well.

Mark Delaney

Analyst, Goldman Sachs & Co. LLC

Q

Yeah. No, it's been really good to see especially with some of the challenges that the whole country and the industry has been going through earlier this year, and closing out at much better levels has been great.

I wanted to dig in more about EV operations and something that you spend a lot of your time on. And I think one of the things Ford has spoken about on some of its earnings calls and other events like this is what's logical to procure from suppliers as opposed to what makes sense to do in-house? So maybe you can talk a little bit more about what are the key considerations that you think about in that make versus source calculation in any of the specific parts? You touched a little bit on this in your presentations, but things like batteries, and e-motors, inverters and why does it make sense for Ford to engage with Tier 1 suppliers and all their expertise versus some of the things you talked about where maybe Ford wants to take more of its own role on?

Hau Thai-Tang

Chief Product Platform & Operations Officer, Ford Motor Co.

A

Sure. I'll start, Mark, with some first principles. Obviously, we're very cognizant of what can we do well and where can we add value versus someone else doing it. And that's things like is this a good use of our capital? Is this a good use of our engineering resources? Can we actually unlock more value than buying it from somewhere else? We recognized that it's not a one-time discretionary decision. It's going to vary based on which region we're operating in, what's the volume and the demand profile look like. So it's something that we look at not as a one-time decision but how does it grow over time as the demand for electrified vehicles grow. So I don't want people to walk away from these things and said I heard this and therefore that's Ford's point of view. That could be our point of view at this point in time.

So, I'll use North America as an example. We're just launching the Mach-E. We've told everyone that the volume from year one is about 50,000 units. So, our first BEV product, that's 50,000 units. At this point in time, it probably doesn't make sense for us to have very high levels of complete vertical integration because of how capital-intensive it is and the level of scale that you would need to be very efficient versus doing it with a partner.

But that's going to change over time as we bring on the F-150, the Transit. We've announced an \$11.5 billion of investment in electrified products. That changes over time. We know what the typical lead time is. So as the demand and our product portfolio grows, we will then look at the next phase in terms of vertical integration.

So, as of today, what we've committed to is we're building the battery packs ourselves in some regions and we're building the arrays that go into the packs. We have announced that we're going to bring in, internally, the manufacturing and the motors, e-motors as well as the electronic transmission. That was part of our announcement with our Van Dyke plants.

So basically what we're buying then from the supply base would be the cells and some of the electronics, inverters, controllers; those types of things. And again as the volume grow we will evaluate when is the right time for us to increase the level of vertical integration.

Mark Delaney

Analyst, Goldman Sachs & Co. LLC

Q

That makes a lot of sense. So volumes is one of the primary factor that you consider in your role when you're evaluating these decisions with the return on invested capital ends, if I'm understanding correctly?

Hau Thai-Tang

Chief Product Platform & Operations Officer, Ford Motor Co.

A

Yeah. Its scale and whether or not it can justify the investment. But there are other considerations as well as – the battery cell technology and battery cell chemistry is a space that's changing. We want to make sure we understand how fast that's going to change that we don't get into a position where we make a huge capital investment and then the technology shifts on us.

We know, at some point, it's going to move to a solid state, for example. And there's an OEM out there in the past that made a huge investment to vertically integrate with nickel-metal hydride batteries. They spent about \$1 billion to industrialize that in-house for their hybrid products. And then the technology shifted to lithium ion and they were among the last to switch over because they had to swipe those assets.

So that's an example of an error state that we want to avoid. And then all of the battery suppliers, the best in the world, right; whether it's the Japanese, the Koreans, the Chinese they're spending 6% to 10% of revenue each year on R&D. So, by partnering with multiple suppliers, I can tap into that R&D spending and that knowledge to really understand how fast the technology is changing. I can leverage the competitive tension during this phase to drive the value proposition down. If we have to do that all in-house, we would have to basically make that investment. At some point, we may choose to do that. But at this phase it would be premature for us, not the best use of our capital.

Mark Delaney

Analyst, Goldman Sachs & Co. LLC

Q

And maybe just specifically on cells. I mean are you able to work with those different battery cell manufacturers and make sure that the exact chemistry is that they're using some of those different mixtures and the cathode and things like that are optimal for Ford products? So, it's not – even if you use a supplier, it's not like you're just like buying it off-the-shelf, you can still have some degree of partnership?

Hau Thai-Tang*Chief Product Platform & Operations Officer, Ford Motor Co.*

A

Yeah. Absolutely. So today between our hybrid and battery electric vehicle products, we're working with multiple suppliers all around the world. The best of the Japanese suppliers, the best of the Korean suppliers, the best of the Chinese suppliers. And we have a really good line-of-sight into what their technology roadmap looks like. We know we can compare things like energy density, power density, the cost glide path, the battery chemistry, how cobalt-intensive is one chemistry versus somebody else.

So those learnings, when you aggregate it across those multiple suppliers, there's a huge value for us that we wouldn't have that insight if we were trying to do it all ourselves.

Mark Delaney*Analyst, Goldman Sachs & Co. LLC*

Q

And as part of your presentation, you talked about how important it is for the different parts of the architecture to all work together well and you used the example of, in the past, we would maybe get different boxes from different Tier 1 suppliers or Tier 2 suppliers, and going through the Tier 1 supply chain up to Ford and maybe they didn't communicate well, and now you got to make sure all these different parts of the architecture are working properly together.

So, maybe if you can talk a little bit more about what Ford has to do in order to make that work? Is it getting your suppliers to collaborate and be more communicative between themselves or is Ford taking on that responsibility to make sure that the different parts are all working together more optimally than they did in the past?

Hau Thai-Tang*Chief Product Platform & Operations Officer, Ford Motor Co.*

A

Yeah. It's – Mark, it starts with a really fundamental change in the architecture of the vehicle. So, many OEM, historically, what we would do is we would buy a powertrain control module from a Tier 1 supplier; Bosch, Continental, somebody like that. And then we would buy body control module from another Tier 1 supplier, and then we would buy a chassis control module from someone else. Those Tier 1 suppliers were able to leverage the scale across their OEM customers so they could sell the same module to many OEM customers, leverage the scale, and then we were basically paying every single time we would use those modules in another application, we would have to pay for that engineering over and over again.

But the biggest issue is that those are all standalone uses that didn't really talk to each other, so you're really unable to get any of the system benefits. So we have to fundamentally change our electrical architecture to say now we have to come up with a new electrical architecture where we're driving convergence of some of these central compute modules and allow them to talk to each other and allow them to have connectivity and be able to do over-the-air updates. So, we've done that. We're launching that with our Mach-E and the F-150 first, but it's going to deploy across our portfolio.

The second step then is once you do that is to go change the relationship with our suppliers to say, look, I no longer am going to pay for a black box where I don't understand what's happening in that black box. I'm going to

specify for you the chip that I want you to use. I want you to use this firmware and this middleware that is going to be consistent across all Ford and Lincoln products. And really all I'm going to pay you to do is the customer-facing application layer that's maybe tailored for that product.

And by doing that, we can get a lot more reuse across the middleware and the firmware across all of our products. We're not paying for that engineering over and over again. But most importantly we can control the data flow and the access and the system integration. So Ford is going to play the integrator role in this new approach going forward.

Mark Delaney*Analyst, Goldman Sachs & Co. LLC*

Q

And it sounds like using the software with those different hardware components is an increasingly important part of what Ford needs to do. I mean can you talk a little bit more about what has to happen to get all that software to work properly together? How many software engineers is Ford looking to bring on or just qualitatively if you could talk to some of the efforts Ford is doing there and is that something again that on the software side is mostly in-house or is that another area you're looking for some partnerships?

Hau Thai-Tang*Chief Product Platform & Operations Officer, Ford Motor Co.*

A

So to do the middleware and the integration, we have to do that ourselves. So we have built that capability. We now have about 15,000 software engineers within Ford. A lot of that was done through acquisitions. So, as you guys know, we did an acquihire with BlackBerry. We brought on a large chunk of their team. We've kept them in place in Ontario to really allow them – Ontario and Ottawa to allow them to have that autonomy and because software is very different than hardware we didn't want to turn them into our Ford hardware engineers. They move at a very different clock speed.

We've done acquisitions like Autonomic, who's our cloud integrator; Pivotal as well. And then frankly, we've hired a lot. Most of our hiring now is all around software. So that's how we've gone up to the 15,000 number and it's going to grow as we go forward.

Mark Delaney*Analyst, Goldman Sachs & Co. LLC*

Q

That's great. We have a little under 10 minutes left. I'm going to go to some questions from the webcast. And one's come in around the Kuga PHEV product, and I think the company spoke a little bit about on this on the earnings call. But there have been a supplier issue and Ford was looking to mitigate that. Can you give us an update on [indiscernible] (00:37:22) with that?

Hau Thai-Tang*Chief Product Platform & Operations Officer, Ford Motor Co.*

A

Yeah. We made really good progress with our supplier partner. There was a quality issue in the manufacturing process. Consistent, again, here's another great example of the clarity of Jim's plan: One of the elements is treat customers like family. So as soon as we had this issue, he made it very clear to us that protecting our customers and treating them like family was the number one priority and that's been our focus. We now have clean stock and we're working to repair the vehicles for those customers as well as resuming production, so really good progress on that.

Mark Delaney

Analyst, Goldman Sachs & Co. LLC



And another question came in – just better understanding what Ford is doing with ESG and some of the goals the company has around being carbon-neutral and use of recycled materials which I think is a great question for you in your position. So maybe you can talk a little bit more about what Ford is doing in order to meet some of its ESG targets?

Hau Thai-Tang

Chief Product Platform & Operations Officer, Ford Motor Co.



Yeah. I think we really benefit from having Bill Ford as our Executive Chairman who's been really unwavering around his focus on sustainability and the environment. Ford, as you guys know, committed ourselves to supporting the Paris Accord and doing our part to support the two-degree glide path stabilization. We're also the first OEM to really side with California and working to support that mandate.

We've announced that by 2050, we want to get to carbon-neutral, starting first with our new electrical vehicle facility that we're building at our ROUSH site, so that facility that's building the battery electric F-150. That site is carbon-neutral. So that's a great first start.

And then on recyclability, if you look at the vehicle almost 100% of all of the sheet metal part today is already derived from recycled material. So, the real next opportunity for us is around the plastic parts. And Ford has been a leader in doing, using recycled plastic for a lot of the non-appearance parts, the structural parts. We've done things like soy foam seats in our seat cushions. So our next big area of focus is looking at the plastic parts to increase the level of recycled materials and reuse there.

The remainder is really in the fluids in the vehicle. And as you go to battery electric vehicle, the use of a lot of those fluids reduces. So that's really our big area of focus now in terms of recyclability is on the plastic parts.

Mark Delaney

Analyst, Goldman Sachs & Co. LLC



That's quite helpful. I also had another one and really it is something on my own list that came through the webcast was about how the company is thinking about balancing its portfolio between full BEV vehicles and hybrids and some companies are committed entirely to BEV and Ford has been a little bit more balanced in its approach and maybe you can talk about why the company is making that decision. But then also in your role, how do you think about some of the cost implications of that and trying to – only so much capital you have to invest, \$11.5 billion it's a lot of money. How are you thinking about allocating that when you have a couple of different things to support?

Hau Thai-Tang

Chief Product Platform & Operations Officer, Ford Motor Co.



Yeah. I think each OEM is in a different position, Mark. We've really have benefited from the fact that we had already spent or invested in having the full suite of full hybrid, plug-in hybrid, and battery electric vehicle technologies available to us and we have different variants that's optimal for front-wheel drive, all-wheel drive as well as rear-wheel drive in terms of our hybrid technology. So, it wasn't a matter of us having to expend a lot more capital to develop that. We already have that in our modular catalogue. So, it's now just applying it. We know that the rate of adoption of electrified products, full battery electric vehicles will play out differently depending on markets and geographies and segments.

I live in Michigan, and frankly where I live, most people drive to their mailbox. They don't ever walk. They don't even walk to get the mail. They drive. My neighbors drive to take out their garbage into the mailbox. So we were just recently in Texas with Jim Farley and as excited as they are about the battery electric F-150, they really tried to reinforce for us in West Texas and some of those places.

These customers don't have the infrastructure and there's still a lot of anxiety around range. So we really think having this full suite of electrified products will help us facilitate the adoption of the electrified products and walk our way to full battery electric vehicles when the infrastructure comes online.

From a cost standpoint in terms of material costs, people need to recognize that as the cost of batteries come down and battery electric vehicles become more efficient, the hybrids become more efficient as well because the batteries in the hybrids are still a large part of their cost structure of those products. So it's kind of a moving target. We're very – I think we're advantaged because we have that flexibility in terms of our portfolio and it gives us the ability to manage some of the uncertainty around the adoption rate.

Mark Delaney

Analyst, Goldman Sachs & Co. LLC

Q

We are running out of time here. Maybe I can sneak one last one in. I probably have another half hour of things that I can keep you for but I know you have other things to do and we really appreciate you taking out the time.

So, one other question I wanted to get to you was as Ford is thinking about the different ways it plans to go to market with EV there's been a few different approaches in Europe. There's been the partnership that the company has to be able to use the MEB platform. There's been some discussion maybe working with Rivian. You talked already about what you're doing with Mach-E and exciting to hear that that's going to be shipped into dealers later this year, so thanks for that update.

As you think about it with some of those principles that you talked about; of scale and where can Ford add value, do you see that conversion into more of just one single modular-type of platform or do you think it's still going to be different platform would make the most sense for different vehicle segments or geographies?

Hau Thai-Tang

Chief Product Platform & Operations Officer, Ford Motor Co.

A

I think – well, we have the global platforms that we're leveraging, so the Transit for sure and then the Mach-E platform. But what we're finding is in certain geographic markets, there are differences in customer requirements. So, in Europe, so the infrastructure of the roads fundamentally haven't changed from Roman times, right? So the size of the vehicles are much smaller. They're centered around like a C-sized, B-plus segments whereas in North America, it's C, D or larger.

So in this early phase, again it's going to change over time, but initially the heart of the market in Europe is much more aligned around a C-sized segment where for us to leverage the scale of an MEB platform with our partner, BMW, we can have a lot more scale leverage that results in better value.

Over time, as we move into other segments, it will allow us to drive for greater convergence in terms of the Ford platform. So that's the way we're thinking about it. It's really, at this point in time, what's the best return and value and how do we maximize scale.

Mark Delaney

Analyst, Goldman Sachs & Co. LLC

Okay. Well, Hau, we really appreciate you taking the time to speak with everyone today and really exciting things that you spoke about. We'll be on the lookout for some of those new vehicles in the coming months.

So, thank you for the time today. Jeff, thank you as well for being with us with our session today.

Hau Thai-Tang

Chief Product Platform & Operations Officer, Ford Motor Co.

Thanks for having us, Mark.

Jeff Zelenick

Associate Director-Investor Relations, Ford Motor Co.

Thank you.

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