

Ford Motor Company
Moderator: Ford Executives
March 2, 2022
8:00 a.m. ET

PRESENTATION

(Video Presentation)

Ford Employee

Today's discussion includes forward-looking statements about our expectations. Actual results may differ from those stated. The most significant factors that could cause actual results to differ are included on page 15 of the presentation we have posted at shareholder.ford.com.

Event Coordinator

Please welcome Jim Farley, chief executive officer, Ford Motor Company.

Jim Farley, President and CEO

Well, hi, everyone. Thank you for joining us today.

Before we get into today's news about Ford, I want to express how concerned we all are at Ford for the invasion of Ukraine. We're heartbroken by the crisis that's unfolding in the region. Because of what's happening, we're suspending our operations in the Sollers Ford JV in Russia. The Ford fund is making a donation to assist the Ukrainian citizens and the families who are now being displaced in the millions.

In expression of solidarity, we're flying the Ukrainian flag in front of world headquarters. Our heart goes out to all the Ukrainian citizens, including those who work at Ford and around the world. You're all in our thoughts.

Okay. Let's talk about the future of Ford.

We're announcing one of the biggest changes in our history today and let me be crystal clear about why. This is only about creating incredible products that improve over time to create a better customer experience than yesterday and ultimately to win as a company.

The reality is our legacy organization has been holding us back. We had to change. Let me get into some specifics.

Ten months ago, we outlined the Ford+ plan. It's our blueprint for winning in this new world of electric, digital, and connective vehicles. It's how we create more value for our shareholders as well as build a better world for our children.

We made a lot of progress in a short amount of time. You could see it right here. Look at these products. We're revitalizing our vehicle portfolio, including new EVs that people are absolutely lining up for.

We're harnessing our connected technologies in our vehicles and our operations. In fact, we've got over a million connected vehicles and OTAs now.

We're creating Ford Pro to expand our leadership and serve our commercial vehicle customers better than we've had in the past. And we're improving our financial performance.

But now, we're going to go all in to be a world changing company once again. We're forming two distinct but interdependent business units that we're calling Ford Blue and Ford Model e. This is for our current and future customers. They all deserve cleaner, more accessible, more connected, and let's face it, more fun products, like that Bronco and then Mach-E. And across our whole portfolio of not just electric but internal combustion vehicles. Let me tell you how we're going to deliver it to them.

Ford Model e will nurture the talent and the culture and the intensity of a high-tech startup. This will be clean sheet breakthrough EV designs, embedded software, and software that will create and bring to market at scale that's not seen today, even in the pure EV space.

Model e will focus on EV platforms, power electronics, inverters, batteries, e-motors, gear boxes, embedded digital software, and digital experiences and design language that will define Ford's next century. Model e was inspired by what we do best at Ford: small, mission-driven Ford teams, like the ones that created the Ford GT. We won Le Mans and we did it by working nights and weekends and our vacations in a custodian room in the basement of Ford's Product Development Center. The Mustang Mach-E, the F-150 Lightning, these were all created by small teams.

It will be a center of innovation where the best digital, design, and consumer thinking will come together, free of convention, free of the hierarchy that's so typical of corporate constraints. It's where we will create products that people can't even imagine today.

Disruption, risk-taking, experimentation, fast cycle innovation will be encouraged. It will be expected. Model e will produce as much excitement as any pure EV competitor, but with scale and the resources that no startup could ever match.

And I'm excited about Ford Blue. The Ford Blue team will wake up every day obsessed about how to deliver a more vibrant and profitable ICE business and it will start with these vehicles [on stage]. Ford is so fortunate to have icons that we do well without trying hard. The F-series, the Bronco, the Maverick, the Mustang, the Puma in Europe. Ford Blue is going to make those products even better, more derivatives, more investment.

Ford Blue will fuel our customers' lifestyles, their passions, their livelihoods to earn lifelong loyalty. We'll invest more in ICE products but only in very specific segments, like trucks. Ford Blue will reap the value of decades of industrial engineering expertise and our distribution network across the world. And Ford Blue will be a profit and cash engine for the entire enterprise. It will be aggressively lean, structured to drive out waste. Cost down, quality up.

This is where it gets even more interesting, though. Ford Blue and Ford Model e will drive the success of each other. This is why we didn't spin them out. Each will be the home of specialty capabilities, resources, and culture, and have talent in specific areas. Each will ultimately, though, have their own profit and loss accountability. Each will drive on the chemistry of the other to create an even stronger and more resilient Ford.

For example, the software, embedded software, digital experience inside the vehicle will be developed by Model e and that will benefit all customers, BEV and ICE. And Ford Blue's industrial power will help Ford Model e scale up to reach millions of EV customers.

And of course, Ford Blue and Ford Model e are still only part of the Ford story. These two new businesses will reinforce and support the entire company, producing products and technology for Ford Pro and the Lincoln brand. And they're going to partner closely with our mobility business, Ford Drive, as well as Ford Credit.

By delivering an extraordinary customer experience with extraordinary products that people can't even imagine today and a technology platform, we will deliver extraordinary value for our investors.

We laid out the Ford+ investment thesis last May showing how our foundational strengths plus our enhanced capabilities are going to produce an expanded total addressable market and create value. Ford Blue and Ford Model e enable us to capture even more of that TAM and unpack even more value for our investors. In fact, today, we're sharing new performance targets.

We're targeting annual production of more than 2 million EVs by 2026. Now, I can't predict what's going to happen by 2030, but I know what's going to happen in the next four years and that's 2 million vehicles, representing about a third of our volume by 2026 and half by 2030. That means we're going to capture with EVs greater market share in the segments where we already compete, but we'll do it with innovative new products that people can't even imagine.

We're planning to invest \$5 billion in EVs just this year. That's a twofold increase from last year. And in four short years, by 2026, we'll have invested over \$50 billion in EVs and new technology development. And we're now anticipating a company adjusted EBIT margin of 10 percent by 2026, four years. That's a nearly 3 percentage point improvement from last year.

Now, what's going to drive that? It's going to be higher volumes. It's going to be lower cost of our EV bill of material. And it's going to be about a \$3 billion reduction in our structural costs for the company.

To address one question I've already heard, well, no, we are not spinning off Ford Model e. That's because this structure we've set up actually makes it stronger than a spinout. Ford's going to be a different animal, unlike any startup or any OEM. No one has done this. We're going to have the ability to scale up quickly and we have plenty of capital in the company.

Thrilling products, all new digital experiences for our customers, greater value for our shareholders, and a better, cleaner world for our families.

As you can tell, I'm pretty excited, and I hope you are, too.

Now, I'd like to ask some of the key leaders to join me on stage and share some of their insights and perspectives to bring this announcement to life. Come on up, team.

You should know that all of us tested negative for COVID-19 this morning, allowing us to communicate with you without wearing masks.

QUESTION AND ANSWER

Jim Farley

I'd like to start with a few questions of my own that I have for my team. Let's start off with Kumar.

What's your vision for Ford Blue? How are we going to get all that efficiency and improved profitability?

Kumar Galhotra, President Ford Blue

So, Jim, thanks for the question. Good morning, everybody.

Ford Blue has a set of sub brands that no one else has. Mustangs, Broncos, Raptors, F-series. These are very serious passion products. We are going to seriously invest in these vehicles and we're going to continue to grow this portfolio. I think we have a huge opportunity to do some very cool emotional derivatives for all of these sub brands.

On top of these great vehicles, we are creating experiences for our customers that bring them joy, that remove friction from their lives, like pickup and delivery, and Bronco off rodeo.

Now, we're going to do all of this with an incredibly lean cost structure. So, you take those things, great products, great experiences, really lean cost structure, and what we have is a great profit and cash machine for the entire enterprise.

In terms of your question about efficiency, we have three big areas that we really need to go after: complexity, quality, and structural costs. And nothing's going to be off the table. Our complexity needs to be radically simplified. Our warranty costs need to be substantially lower. Our advertising cost needs to be lower.

And what we do when we invest in our products, those investments need to be made at world class efficiency.

So, you combine all that, that's how we're going to take out \$3 billion over the next two to three years that you described. So, it's a really exciting business.

Jim Farley

Thanks, Kumar. We're all here to help you.

I'd like to bring in Hau and Doug now to weigh in on this next question. How is Ford Model e going to create amazing products? And how are both of you going to work together?

Hau Thai-Tang, Chief Industrial Platform Officer

Thanks, Jim. I've been with Ford for 33 years and we've never have had an opportunity like this to reimagine and transform our business and I can't ask for a better work partner than Doug. We're both united by a common mission, which is to unlock the potential and talent of our Ford teams to deliver amazing products, services, and experiences that will delight our existing customers, but more importantly, conquest new ones. And we'll do this by capturing and harnessing the best of Ford Blue as well as Ford Model e.

Think about our industrial might, the operational excellence, the engineering mastery that we've amassed and accumulated over the past century. Combine that with our new and emerging talent in tech and software that's underpinned by homegrown talent as well as new leaders coming joining us from tech. Together, this combined capability is something that no startup or existing OEM has. And this is why I'm so excited to get started.

Jim Farley

Thanks, Hau.

Doug Field, Chief EV & Digital Systems Officer, Ford Model e

Thank you, Hau. In the same way that you've been here 33 years, I feel, in a lot of ways, like my entire career has been leading up to this and the partnership with you is going to be a huge part of delivering incredible products.

The Model e team will have responsibility for a few things. First, we're going to continue to really invest and push in our embedded systems and software technology for all the products, not just electric vehicles. So, our advanced driver assist systems, our ability to do always-on, continual updates to make the products better and better, that is going to be a key part of Model e. And building a place where we can attract the very best people from consumer electronics or anywhere that can help us on that mission.

We've already started this process with some of our products and it's just going to get bigger and bigger in terms of the kind of value we can deliver to customers.

On top of that, we are building our center of expertise in electric vehicle technologies and propulsion from energy storage in the cell level through higher power electronics down deep into power silicon through electromagnetic design of motors. We are going to get really, really deep and we're going to become the best in the world at these core EV technologies.

And we're going to obsess over the efficiency that's so important to generating electric vehicles that actually have margin.

And then, finally, we are going to lead the programs that create the vision and the opportunities with these new electric vehicles. The project that we called Team Edison that gave birth to the Mustang Mach-E and the F-150 Lightning, which are incredible entries--first entries into the EV market, we're going to scale that model and we're going to take what we learned, keeping small teams, but back them up with the industrial might that Hau just talked about.

Those are going to create, I think, incredible opportunities beyond just what we did in Team Edison because we're going to have the opportunity to start with a clean sheet. Optimize vehicles as EVs and not inherit the constraints of internal combustion engine vehicles.

So, throughout this, the way this works, particularly when compared to startups that have started to really get good at these technologies, our secret weapon is Ford Blue and the backing that we'll have in scale, in great engineering, and in the depth of over 100 years of history that Ford has built.

Jim Farley

Thanks both of you. And to complement that, I'd like to bring Lisa in to talk about how in this change of technology, it's very clear that the supply chain and supply side is actually as important, if not more important, as the product creation. Lisa, what's your remit at Ford Model e?

Lisa Drake, VP, EV Industrialization, Ford Model e

So, there is no doubt we have to be hyper, hyper focused on product cost and that means excellence in sourcing. And also, competitiveness in manufacturing. Not only the efficiency of how we operate these new plants, like BlueOval City, but how much capital we put into them.

So, the way we're looking at sourcing is this, Ford Blue will source with breadth of scale. They have millions and millions of units of scale to source that Ford Model e will be able to take advantage of, for things like sheet metal, glass, seats, steering wheel, things that aren't EV specific. So, we'll enjoy the benefits of that scale.

While Ford Model e will source very deeply with depth. So, we will only focus on a few things, things that are very specific to EVs: batteries, the power electronics that Doug mentioned, raw materials in the batteries, nickel, lithium, very deep into the supply chain, tier two, tier three, tier four, places where we actually haven't gone before and where the semiconductor situation has now shown us where we need to be.

So, when we do that, some of these great embedded systems that Doug talked about that will ultimately be in Ford Blue, delivering these digital experiences for F-series and Bronco, they're going to need some of those same components. And so, through the work of Ford Model e, Ford Blue will then benefit from that lower cost work that we've done.

Then on the manufacturing side, it is all about complexity reduction in the EV space. And also using these embedded systems that Doug and the team are designing and making them part of the manufacturing process to make us even more efficient than we are today.

You know, on the complexity side, I think it surprised even us that the F-150 Lightning generated 200,000 reservations with one cab, one box, 4x2, 4x4, those are the truck choices, and standard and long-range battery. 200,000 units at scale on one body style configuration.

Dearborn Trucking--Kentucky truck, for example, can run 70, 80, in some case, 90 jobs an hour in those facilities. And you can imagine how efficient they will be when we can reduce that complexity on EVs down to the levels that we've seen on the F-150 Lightning? That is going to unlock amazing efficiency through the process.

And when we learn those things, we will then apply it back to Ford Blue. This is this complementary work that we see between these two organizations and I'm super excited to get started.

Jim Farley

Thank you, Lisa. So, maybe last question before we open it up is for John. To bring all the comments from Kumar and the team together, how are we going to get to that 10 percent margin? We were below 8 percent last year. So, this is going to be a big move in four years.

John Lawler, CFO

It is. But I have to tell you, I am so excited about what's in front of us and the value this team is going to create across the five businesses. And you heard some of it here just how we're going to do that, but it's really going to come down to execution.

And the first lever we're going to pull is growth. We're going to reach 2 million electric vehicles by 2026. And then, in Ford Model e, as Doug and Lisa was saying, we are going to lower our material costs--our bill of material as we scale and achieve fully competitive margins with those that are best in class by our next generation of products while also establishing an incredibly efficient manufacturing footprint.

Now, as Kumar said, for Ford Blue, it's all about being lean. It's about complexity reduction. It's about efficiency. And taking out \$3 billion over the next two to three years.

And when you bring those three things together, that drives value, that drives growth, and that's how we get to the 10 percent EBIT margin by 2026.

Jim Farley

Thanks, John. Well, let's open up the floor to questions from the audience. Operator, can you please call on our first question?

Operator

Certainly. Our first question is going to come from the line of Mike Colias with Wall Street Journal.

Mike Colias

Thanks for the question. Jim, can you talk about whether you guys looked at any kind of spinoff either for the EV or ICE business and whether there's still a chance at going forward you can consider some sort of change in the capital structure that would allow investors to make a cleaner bet on the growth side of the company?

Jim Farley

Thanks for your question. First of all, our auto business is going to have three parts to it. We'll have Ford Pro, which is distribution of services for our professional customers, then we'll have Ford Blue, and we'll have Ford Model e. They'll have P&Ls and it'll all be clear to everyone.

We certainly looked at a spinoff, but number one, we have enough capital. We can fund this ourselves. We don't need access to capital markets to do everything that the team just explained.

Number two, the magic in this is to focus both organizations on what they need to focus on more than asking everyone to do everything like we do today. And number two, to get that leverage between both organizations. If we spin this out, one or both entities or all three, we really risk that leverage.

The new startups would love to have the industrial know-how of our company. Why would we spin out Ford Model e and risk that?

The same thing goes for Ford Blue. We have such great technology opportunities, like Doug mentioned, for our ICE business, why would we spin that out? It doesn't make sense. We looked at it carefully. This leverage is really the key point, and we have enough capital.

John, anything else to add?

John Lawler

Jim, you're right. We've spent a lot of time talking about this and we have the capital we need. And the synergies are really the cornerstone of how we're going to deliver this and drive towards that 10 percent EBIT margin. So, we spent the time and we've agreed that this is the best way to move forward.

Jim Farley

This change is not about financial management of the company. This is about focus, capabilities, better products, better experiences. It's how we're going to win as a company.

Operator

Thank you. Once again, to ask a question, please press star, then one on your telephone keypad. Again, star, one to come into the question queue.

Our next question will come from the line of Phil LeBeau with CNBC.

Phil LeBeau

Hi, guys. Quick question. You mentioned the \$3 billion in the cost savings that you believe that you'll be able to extract out of the company over the next couple of years as you grow your margins, grow profitability. Is most of that coming out of what would be the Ford Blue or the ICE business? Where is most of the cost savings and the greater synergy savings going to be coming from?

Jim Farley

The answer is yes. I'll ask Kumar, maybe John to comment.

Beyond that, though, we want to make it really clear, we're going to go after bill of material costs on the EVs. That's also part of that 10 percent roadmap. But the 3 billion, Kumar.

Kumar Galhotra

Yeah. The \$3 billion, Phil, comes primarily from Ford Blue. We need to get much more efficient than we are today. I'll share a few examples with you.

The cost of our quality, our warrant costs, are higher than our competition and we're working diligently to bring that lower. That's going to be substantial.

And then, we're going to attack all parts of the income statement. Our advertising costs will have to be lower.

I talked about we're going to invest heavily in these products that are icons, but that investment needs to be efficient. Today, when we build plants, when we buy tooling, when we invest with our supplier partners, the investments we're making are not world class. So, those investments will have to be extremely efficient for us to reap the benefits of these efficiencies.

So, to put it simply, nothing's off the table. All parts of the income statement and a major attack on our structural costs.

John?

John Lawler

Yeah. The only thing I'd add is we'll be investing in Ford Model e. And so, there will be costs added into Model e. That focus that Kumar just talked about is going to be on Ford Blue.

Jim Farley

Thanks, team. And thank you, Phil. Next question.

Operator

Our next question is going to come from the line of Mike Martinez with Automotive News.

Mike Martinez

Thanks, guys. Wondering if you can address where these units will be physically based. Will Model e, for example, work out of the train station in Detroit? Thanks.

Jim Farley

Thanks. So, nothing's changing. Our company's headquartered right here in Dearborn where Henry Ford was born. Nothing is changing.

Will we have new satellite operations where we need expertise maybe in Tel Aviv or Palo Alto? Sure. We're going to have more talent, especially for Ford Model e around the world in those hot spots for talent.

We're going to make several policy changes, though, as a company. Be more flexible about where people live and those will be rolled out to the employees this morning.

But nothing's changed about our headquarters. We're a Michigan company. That's where we're headquartered and that's where the businesses will be run.

We will definitely have part of our mobility and some of our software team work in Corktown, and we cannot wait to open that and show the world what the Midwest can do when we invest.

We're also investing quite a bit, but we'll be very lean in our facilities here in the Midwest as we headquarter these two businesses here, as well as Ford Pro. But we are rejuvenating the facilities we do have while we speak, Mike. So, it's a big investment in the local community and nothing's changing at Ford in that regard.

Operator

Our next question is going to come from the line of Chris Bryant with Bloomberg. Chris, your line is open. *[called dropped off]*

Our next question will come from the line of Sam Abuelsamid with Guidehouse Insights.

Sam Abuelsamid

Thank you. Earlier, I think Doug mentioned that Ford Model e team will be responsible for things like ADAS systems. So, is primarily all of the things like electronic control systems going to be done out of Model e and then shared back to Ford Blue? So, you're going to partition things that way?

Jim Farley

Yes, exactly. Ford Model e will be the place where we can attract the very best talent in embedded systems and software, silicon electronics. That's got to be a key hub that allows Ford to be world class in those areas. And we will partner very closely with Ford Blue. These technologies are critical to the advancement of our ICE business as well as EVs. So, that's exactly what we'll do.

Sam Abuelsamid

Thank you.

Operator

Thank you. Our next question will come from the line of Joe Light with Reuters.

Joe Light

Hi, good morning, everyone. I'm actually just following up on the point that was just made. How do you manage what I guess is going to be a different way of compensating people between Ford Model e and Ford Blue? And probably also a different way of engineering and kind of how long

you take to validate or engineer a product because the software side of it probably needs to move faster. Can you talk about that? Thanks.

Jim Farley

Maybe Doug and Hau, you can take the last point before I do. Absolutely, we're going to make changes to our compensation system. Also, our performance management system will have a number of other policy areas that will change. There's going to be a lot more people driving electric cars and we want more and more of our team to go to the dealership to experience things firsthand. And that's part of revitalizing the company including our compensation.

Over to you guys for the engineering.

Doug Field

Yes. We're really trying for a distinct culture in Ford Model e, a culture that cultivates a different kind of work that's required for some of these technologies but that's still very compatible with the culture of Ford Blue. So, these are different cultures, but they're compatible, mutually respectful. And Hau and I are really committed to that not being a cultural divide.

But we need a culture in some of these technologies and for clean sheet EVs. That's the kind of culture that attracts the best technical talent. This is how a lot of these startups have made such progress in technical areas, is they've created an environment where people from tech who never dreamed of actually joining the auto industry have a place, and we have to have that place as well.

So, it's going to be a culture of rejecting constraints, never inheriting them from the past, never accepting constraints from suppliers, being able to start from scratch, go deep on the technology, and be really focused on building great talent. We want the best people. I don't care if they come to work in bunny slippers, but we got to have the best people.

Jim Farley

And Hau?

Hau Thai-Tang

Yeah. So, you heard Jim mention that when we reflect on when Ford's at our best, it's really these small dedicated, co-located teams that are mission-based, whether that's the Ford GT, the Maverick, Team Edison, and that's what we want to replicate. And that's going to benefit both Ford Model e as well as Ford Blue.

In terms of the product development process, Doug and I are working together and really going through and de-coupling the hardware, long lead items, and the timelines that's dictated by that versus software where we have a lot more agility. And those learnings, again, will be applied to both Model e as well as Ford Blue.

Jim Farley

Thanks, Hau.

Operator

Thank you. And our next question will come from the line of Brian Sozzi with Yahoo Finance.

Brian Sozzi

Hey, good morning, guys. Hey, I'm rocking proudly in my bunny slippers here. Don't knock them unless you try them.

I think the significance today is not lost on a lot of us. And Jim, philosophical question to you. Does today mark the start of a slow wind down of making gas powered cars in this country? And what is the message to America's dealer network?

Jim Farley

Yeah. So, first of all, this day is about growth. This day is about Ford growing. And yes, maybe over time, as mass adoption to these digital and electrical vehicles change and accelerate, will our ICE volume fall over at some point or deteriorate? Yes, that could happen.

The one thing that people need to understand is that a lot of our ICE products, those segments are not served well with electrical vehicles. If you have a super duty and you're pulling a horse trailer in Montana, an electrical vehicle isn't an ideal solution. And so, a lot of the vehicles we've shrunk wrapped the company around, the ICE vehicles, are those kinds of vehicles.

So, although maybe the volumes go down as large adoption happens, we aren't the average company. We make Super Duties. We make Ranger Raptors. We make Broncos. These are vehicles that are different than the large adoption of EV.

And so, I think we'll see a really revitalized ICE business. We have to focus more on post-warranty customer retention. That's going to be really important.

And your second question can you repeat again?

Brian Sozzi

On the dealer network, what's the message to dealers? If you're a dealer out in the middle of the country, this is going to require a lot of investment from them, too.

Jim Farley

Yeah. Thank you so much for your question.

We're making a different bet than a lot of our competitors. We're going to bet on the dealer franchise system. That's a different bet than I hear from others.

But we're going to do it by asking them to specialize. Our dealers may be a Ford Pro dealer. If they're going to be an electric dealer, we're going to have new standards. In the next 60 days, we're going to be out talking to all of our dealers around the world and developing a pithy list of standards for new experiences that's going to be better than Tesla.

It'll have to catch up in certain ways, like digital remote, no inventory, but it's going to be better in other ways. And that will be through our dealer network.

It's interesting for me to see the net promoter score from some of the new startups. The net promoter score is much higher than ours in the early part because the experience is transparent, it's digital, there's no inventory. They can track their vehicles. It can be remote.

But it's really interesting--it's an epiphany for me as a leader--after three, four years, the second owner, the net promoter score is actually much worse than ours. And the reason is because people have fender benders, parts on the vehicle wear out, their doors don't shut right, they have

questions about the 60th OTA they have. And they--the system that is lean and very cost efficient doesn't work for everyone, especially as they get late in their ownership cycle. That's where we have the opportunity.

So, our message to the dealers is we're betting on you. But we're going to work together as a team to develop new standards for these electric customers to deliver those new experiences that'll be superior to the startups. It's a big bet for our company.

I talked to the dealer council with many of our teammates late last night and they are pumped up to get ready to go. And the real message for our dealers is get ready to specialize. You may be Lincoln, you may be Ford Pro, you may be electric, you may be an ICE dealer in rural America, that's fine. Get ready to specialize.

Operator

And our next question is going to come from the line of Paul Eisenstein with The Detroit Bureau.

Paul Eisenstein

Well, thank you, gentlemen and ladies, for taking the call.

Couple of questions for you. What--first of all, why could you not do it under the current structure?

The second question is sort of a flip on that. We have seen other companies, one across town, has some experience with doing major reworks, splitting the company up in different ways, and found itself facing, in some case, years of turmoil.

What did you learn from things like that and how do you prevent having a situation where you create paralysis rather than efficiency?

Jim Farley

Yeah, great question. Very important one. This is something that as a leadership team we spent a lot of time benchmarking and looking at different possibilities.

The reality is we've been—and Lisa is a good example as the COO in North America--she's working on chips. The next meeting, it's raw materials for batteries. And I can see it in the face of our people, we got to stop asking them to do everything. We have to specialize.

But unlike our competitors, we're not creating a separate brand. We're not creating internal competition. In fact, if anything you could learn--see today is a commitment we have in each other on leveraging the expertise for the other businesses. We've been very intentional to do that.

Today, our corporate structure is holding us back. It does not allow us to focus. We need the ICE business to be cash generating and serving those iconic brands. And we need our electric business and digital business to be about innovation. We cannot ask the team to do both at the same time.

And that is a very poignant lesson for us as a team. We have a lot of epiphanies as leaders around that. But make no mistake about it, even though this is a big change from where we've been, we are not going to create separate brands. We are not going to compete with each other.

In fact, that's why I'm leading the electric business as the CEO because I cannot allow any of that to happen at Ford.

Operator

Thank you. And our next question will come from the line of Nora Naughton with the Insider.

Nora Naughton

Hi, guys. Good morning.

Jim Farley

Morning.

Nora Naughton

I'm curious if you could talk about whether the cost cutting for Ford Blue might include staff reductions. And just more broadly what the personnel restructuring for this move looks like. And then, related to that, if you see a Model e specific EV team as the draw for recruiting talent that might not otherwise think about coming to a legacy automaker.

Jim Farley

Maybe Kumar and Doug, if you could touch on those two questions.

Kumar Galhotra

Yeah. As I mentioned earlier, in terms of cost, we don't have anything to announce today, but everything is on the table. It has to be if we're going to take out \$3 billion over the next two to three years.

In terms of specifically about your question on personnel, as we move forward, there's going to have to be a change in the skill mix. We will reduce skills in certain areas, and we'll have to invest more in other areas. So, nothing's off the table and we're going to work with our employees with all our partners to do this in a very integrated way.

And I'll ask Doug to respond, too.

Doug Field

Sure. The second part of the question was around recruiting and is Ford Model e a way to attract new people to the company. Absolutely.

We have some really great people here. We have a lot of really great people here. I've been in design reviews on high power inverters where I've seen ideas that I've never seen before. And I'm really excited about leveraging all of the folks here that maybe haven't had that focus that we've talked about and the ability to start running with those and implementing them.

But to attract the very best people, particularly in areas like software, we do need a different way of working and a different environment, and the flexibility to do things like remote work. And that is a key part of Model e is to give us access to the very best talent.

Jim Farley

And on the first point, there's a principal at Ford that runs through the place when it comes to change for our employees, our union partners is we will be transparent, we will be thorough, and we will be inclusive and there won't be any surprises. That's how we approach these changes at Ford.

Nora Naughton

Thanks, guys.

Operator

Our next question is going to come from the line of John Murphy with Bank of America.

John Miller

Good morning, guys. And thanks for all the info today. It's very interesting.

Jim and Doug, you kind of alluded to this, but haven't gone into in detail, what the impact of increased connectivity will mean. Obviously, it's an overlay to Ford Pro, Ford Blue, and Ford Model e. And I'm just curious how you think about that in your 2026 targets or is there an opportunity beyond that to massively increase lifetime revenue and profit of sort of the whole product portfolio. Because there are some thoughts out there that as you increase connectivity, you might be able to double or even maybe more your lifetime revenue and profit opportunity.

Jim Farley

Yeah. How I thought about it--by the way, John, we have your Raptor here--your Bronco Raptor. So, just let us know when you want it--.

John Miller

--I'm looking for it--.

Jim Farley

--To deliver it. How I think about it as a CEO is that we have enormous marketing cost in our industry. And one of the biggest opportunity beyond quality improvements is going to be--to use connectivity to deliver customer experiences, many of which won't cost much for the customer in a way that they become so thankful with the experience after they buy the vehicle that we will have much, much higher loyalty than today. And that will dramatically reduce our marketing costs.

The early innings would suggest that the big subscription revenues and opportunity and upside are in Ford Pro, with telematics, fleet management, energy management, and ADAS on the retail side. Maybe I'll ask the team to make any more precise comments.

But the top of the house, we can clearly see the pricing power for these software experiences in ADAS and Ford Pro right now. And I think Ford is completely uniquely positioned to take advantage of the software opportunity in Ford Pro.

Doug? Hau?

Doug Field

Yeah. Jim said earlier in the call that we're going to build products we can't even imagine. Software is such an important part of that. When you open a box of a consumer electronics product, a phone, you expect all of a sudden to be able to do a whole bunch of other things. It's not the end of your journey to take it out of the box. It's the beginning of the journey.

And our focus in Model e is to build really incredible platforms, hardware and software platforms, that have clean interfaces and high flexibility, and then we can develop incredible applications on top of that for Ford Pro, for consumer. And some of them, we won't even think of at launch. Our customers will help us figure them out by being connected to them.

But software is the key to creating things that we can't imagine. And great platforms that we can build software on top of is how you do that.

Jim Farley

And Hau, your team came up with the idea of Pro Power on board and other features--hardware features in F-150 Lightning. What did that tell you? Because it's been such a hit for us on our trucks, what does that tell you about using that as a metaphor for the software opportunity that Doug talked about?

Hau Thai-Tang

Yeah, it's this idea of the products getting better over the life of ownership. And it's coupling innovative hardware solutions like exportable power with the software changes. Onboard scale is another great new innovative feature that we're launching for the first time to the market.

So, a couple of things I'll underscore, and to build on Doug's comments, is software is scalable and it's much less asset and investment intensive to do that. Secondly, because these products get better over the life of ownership and especially on the EV side where you no longer have to make in cycle investments for regulatory emissions improvements because there's zero emissions, we can really rethink our whole product freshening cadence, and that's going to allow us to be even more investment efficient.

So, a lot of opportunities here.

Kumar Galhotra

I was just going to add one more thing about connectivity. You mentioned earlier we have a huge opportunity in our post-sale business prognostics. Connectivity gives us a huge opportunity to be able to constantly monitor the vehicle and understanding where a fault is about to occur and allow the customer to come in or do an over the air update. It's going to be good for our business in reducing warranty costs. It's great for the customers to avoid failures because we can watch them before they even happen.

Jim Farley

John, we're on the eve in our Ford Pro business of designing a vehicle because of the software and hardware platforms to actually predict failure of almost any component that would take it off the road. Imagine being able to promise to our Pro customers that you have 100 percent utilization in that vehicle. And if there's anything that would threaten that, you can do something before it happens.

The power of that--the pricing power of that is unbelievable. I don't want to speak for John as the CFO, but we think we can get a very large share of that 2 billion--that enormous software opportunity. John, I don't know. In your eyes, how big is the prize?

John Lawler

Well, I think it's substantial. You look at the business model, that just expands it tremendously beyond what we've ever had in the past. And you can see the power of when you have really strong software capabilities combined with great hardware. And as Doug was saying, that's what we're going to do.

So, we're not going to provide the metrics today around what that looks like, however, what I will say is in 2023, when we start reporting the five business units discretely with P&Ls, EBITs, revenues, margins, we'll be able to give you more of those metrics that will build over time to show

how each business unit is progressing. And we'll progressively do that as we run through this year and as we get into '23 and start reporting separate segments.

Jim Farley

Thank you, John, for your question.

John Miller

Great. Thank you.

Operator

Our next question is going to come from the line of Adam Jonas with Morgan Stanley.

Adam Jonas

Hey. Thanks, everybody. And Jim, thanks for making our morning so exciting. I think you're going to see a lot of OEMs in your competition do pretty much what you guys have laid out here or something of that ilk.

I had a question on the supply chain. Can you tell us specifically what Ford has done or is doing right now to secure raw materials--in particular, refined nickel, cobalt, and other electric metals that give you the confidence to target over 2 million cars by 2026?

You got, like, roughly 50 kgs of nickel per car, depending on the chemistry, and that'd be, like, 100 kilotons on the nickel by then. And this is really--I would imagine you're at very advanced levels with the mining companies all the way up to the mines. Any detail there would be helpful. Thanks.

Jim Farley

Super important point. I'm going to ask Lisa to answer that. We've been deep into this for quite some time. We don't have a bunch of deals to announce today. But Lisa, over to you.

Lisa Drake

Yeah, you were pretty close, Adam. Not quite 100 kilotons but in that range.

So, I think I would start with we thought about this, actually, back in 2017, 2018. So, this isn't new for us to talk about raw materials. At the time, we purchased our battery cells. So, a lot of our supply right now is locked in through those supplier contracts.

So, we've done the due diligence. We make sure we understand where they're getting the material not only at the mine level but their cathode supplier there. Precursor supplier, et cetera.

I think for mid-decade, we know what we need. As Jim said, we don't have anything to announce today, but I can tell you, talking about external talent, I think on the back of some of these great products, we've beefed up our raw materials team inside of Ford with some experts from the industry. I would call them metals and mining experts. And they're helping us develop our portfolio plan right now.

But nothing to announce today, but I think you'll see something soon.

Jim Farley

And Adam, just to be really clear, this is going to cost billions of capital for us to secure that capacity. There's only so much we can do on the pricing side. Probably have to use some financial

instruments. But this is going to be a huge capital commitment. And part of that \$50 billion is embedded in that.

So, watch this space for Ford. This is a very, very critical area for us. We recognize that those companies, like Ford, that move on the supply chain faster than others will be part of the winners. And we will be part of that group.

Adam Jonas

Thanks, Jim.

Operator

Thank you. Our next question will come from the line of Dan Levy with Credit Suisse.

Dan Levy

Hi. Good morning. And thank you for taking the questions. Real interesting presentation this morning.

I'd like to ask about the Ford structure because when we think about the different corporate functions within Ford manufacturing, procurement, marketing, engineering, Blue and Ford Model e both need control on these functions. So, can you just describe or talk about organizationally what the structure's going to look like and how the different functions will be managed given Model e and Blue both need to use these functions?

Jim Farley

Yeah, great question. So, just kind of imagine on the Ford Blue side a product development team supporting that, all those ICE products. As you would imagine, a very large purchasing organization. That's how, when Lisa mentioned buying instrument panels and seats and the normal things we buy, a sales and marketing team, all things you could imagine.

Maybe I'll ask Kumar to comment.

On the ICE side, that team is going to look very different. They are extremely focused. We're going to have a product development team that owns the platforms and the top hats for the EVs. We're going to have a development team for all the technology platforms, as Doug mentioned. And then, we're going to have a specific supply chain and advanced manufacturing team that will design how the plants run and how the supply chain, and then we're going to have a whole customer group that will be a unique industry to support that very different experience for those customers.

If you line them up, yes, some of them will have marketing--they'll have marketing and they'll have the same functions. But actually, they're very specific and specialized.

Kumar, do you want to mention what--especially what the Ford Blue team's going to look like?

Kumar Galhotra

Yeah, Jim, thanks. You covered PD, how the product development, product creation would interact between Ford Blue and Ford Model e. You covered marketing as well. The CMO for the company is Suzy Deering. She's going to continue to be part of team Blue, but she will also, obviously, assist because it's still the Ford oval--assist the Ford Model e team.

Manufacturing is something you didn't mention. Manufacturing, for now, we have two or three plants that are dedicated to battery electric production. It's our Rouge Electric Vehicle Center. It's Cuautitlan in Mexico. Those teams will continue to be part of the overall manufacturing team because we want to maintain one manufacturing system, but we'll also report metrics to Lisa because Model e team needs to be taking all those learnings from manufacturing in real time.

So, we've thought through every single position. Manufacturing over time, as volumes shift, more and more plants become battery electric specific, they will, of course, be part of the Model e team.

Sales and distribution you mentioned earlier. We're going to have a very seamless, transparent, awesome experience for our customers on the Model e side. And we're going to build those experiences and those standards with our dealers so the team--Model e team will have that team that will work with the dealers.

So, I won't go into every single position, but we've gone through each position and talked through where it makes sense to have them dedicated to one team or the other and where we're going to have teams that serve the entire enterprise at the same time.

Jim Farley

So, we'll lift and shift part of the organizations and build new ones for Ford Model e. Model e will have the enterprise connectivity, all the advanced ADAS systems, the electric propulsion, all the tech planning for the company. The EV specific customer experience, all the EV platforms, also the EV product programs, our digital e-commerce for the electrical vehicles. The Ion Park battery team will be part of that.

We'll have, of course, EV marketing team that will be doing a lot of pricing. We'll have an EV equality team, a HMI team that will also be serving Ford Blue, a specific supply chain team that Lisa mentioned, a advanced manufacturing team that will set up the design of these EV plants, and that will get bigger and bigger. And of course, our research and advanced technology team.

And that gives you a flavor for what Ford Model e will look like, and that will be quite different than the Ford Blue team.

Hau, any final comment here?

Hau Thai-Tang

I think you guys covered it.

Jim Farley

Okay. Thanks.

CONCLUSION

Jim Farley

Well, we've come to the end of our Q&A session. So, thank you very much for dialing in. I really appreciate it.

It's a big day for Ford. These changes are significant. It's not the first time Ford Motor Company had to reimagine its future and form its own path that's different from other companies.

The bottom line is this, we have the opportunity to blow people away with amazing products in the second and third inning of this digital transformation for our industry and to completely reinvent the experience of owning a Ford.

Is this about winning? 100%. No qualms. We want to beat the old players. We want to beat the new players.

Thank you.

And for those of you who want to hang on the line a little longer, we have a short video that sums up our announcement today. Please be safe everyone.

(Video Presentation)