08-Mar-2022

Ford Motor Co. (F)

Jefferies Spring Autos Conference

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MANAGEMENT DISCUSSION SECTION

Philippe Houchois
Analyst, Jefferies International Ltd.

Good morning and good afternoon to all Investors who joined us. This is the Spring Auto Conference jointly organized by Exane and Jefferies in London. And we're very pleased, today, we have Hans Schep, who is General Manager of Ford's European Commercial Vehicle. And what I propose to do is we get into, firstly, a discussion, go through main themes, main questions around what Ford is doing in commercial vehicles. And then, Stuart will lead the Q&A in the second part of the discussion.

Just as a reminder, if you want to ask a question, please type it into the box, I think, it's top right corner of your screen. So, we can have those questions for the second part of the meeting. So, again, thank you very much and welcome Hans. And I think you joined us last year for a similar event. We much appreciated your presentations. And a lot has happened at Ford...

Hans Schep
General Manager-Ford Pro, Europe, Ford Motor Co.

Thank you for the invite. Thank you.

Philippe Houchois
Analyst, Jefferies International Ltd.

Welcome. Lot has happened at Ford in the past 12 months. The share price is one thing. The leadership has been very, very impressive. And I think for – more in your case, I think there has been a lot of change as well with the creation of Ford Pro within Ford as an entity that plays through the strength Ford in terms of vehicle – commercial vehicle businesses.

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QUESTION AND ANSWER SECTION

Philippe Houchois
Analyst, Jefferies International Ltd.

Q

And so, what I wanted to, hopefully, discuss with you us, maybe when I – to set the stage, when I speak to carmakers around Europe, whether it's Stellantis, the Renault, even Mercedes, they all tell me they are leaders in commercial vehicle, they've number one market share everywhere, depending how you slice and dice it.

And I guess, if you can help us understand what Ford really is in Europe in terms of commercial vehicle, what is your edge and where you are leaders in market share or competence and where we can see that you may not be leaders and that goes to your competitors, but I think if you can help us frame what Ford really is in Europe for commercial vehicles.

Hans Schep
General Manager-Ford Pro, Europe, Ford Motor Co.

A

Yeah. Thanks, Philippe, and again, thanks for the invite. Okay. So, yeah let me be clear, Ford is the number one commercial vehicle brand in Europe.

Philippe Houchois
Analyst, Jefferies International Ltd.

Q

That's clear.

Hans Schep
General Manager-Ford Pro, Europe, Ford Motor Co.

A

And maybe to be clear on that, so obviously some of the manufacturers have multiple brands in their [ph] stack (00:02:43) of brands. So if you add those up, you get to different numbers. But if you purely look at a brand level, Ford is the number one brand for the last seven years in Europe. And so, we're leading the very large 1 ton segment, the largest segment in Europe, where we're dominating the pick-up segment, over 40% market share there. We also have some very – clearly some strongholds in markets like UK and Turkey, where we've traditionally been very, very strong. But also, actually in 2021, we were the number one brand in 9 out of our 20 markets. So, it's really – our strongholds are really growing, which is really great.

But getting back to your earlier point, Philippe, this is not something that happened overnight. We've been building on this for a very long time. And it's actually about 10 years ago now where we started revitalizing our product portfolio. And that was really the start of our focus on commercial vehicles in Europe. So, in 2012, we launched, as we called it internally, our big bang, where we set out and launched new products that really resonated well in the marketplace. And what we also did is we looked at our distribution strategy. So, we launched dedicated Ford Transit Centers, so dedicated dealers on commercial product and commercial customers, really focusing on the specific needs of commercial fleets, which is obviously very different from the retail world.

And those two things, I would say, really gave us our first push to market leadership in 2015. And what we did then beyond that is we realized that the market around us and also for our customers, the world was changing very, very fast with connectivity, with already electrification coming on stream. So, we said if we really want to continue this journey and actually extend our leadership, we need to focus even more on our commercial customer. And at the end of 2018, we redefined our European strategy, and we've talked about this in previous

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conferences as well. So, we set up a division for commercial vehicles, for passenger vehicles, and also small import division.

And that enabled us to really also start redefining our internal processes. So, we started by rewriting our strategy and really thinking deeply about our purpose. And the purpose of our business is to make our customers' businesses thrive. Now, that sounds very obvious and something like a great PowerPoint line, but it's much more than that. We really used that as a business filter to kind of re-spec our internal business. And the example I sometimes use is, if you would have been in a, say, quality meeting at Ford commercial vehicles department, well, perhaps five years ago, six years ago, it probably would have been a meeting about how can we reduce our warranty costs or something? Right.

So, that would be how can we reduce our costs to fix a problem for our customer? If you'd go into that kind of meeting today, it's actually the first meeting of the day is a stand-up, we look at how many vehicles of our customers are off the road. Do we have a solution for them? Do we have the parts available and the technicians available? If not, do we have an alternate vehicle for them so they can continue their business. It's a totally different mindset that we now have, and that's actually given us the opportunity to extend our leadership.

And then, now last year, we've announced Ford Pro, which is basically taking what we've learned in Europe and rolled out globally to really start building an ecosystem around our vehicles, not just vehicles and serve their financing, but also charging and software, basically giving our customers acceleration of productivity. And we'll talk about it later in the session, I'm sure. But it's been a really exciting journey. It's not happened overnight. We built this in 10 years, say, and we're very proud of where we are and our customers luckily tell us that they're very happy with it as well.

Philippe Houchois
Analyst, Jefferies International Ltd.

Q

All right. Very clear. Now, Ford Pro, I think we knew the strength of Ford in commercial markets, but it [ph] became (00:07:44) a bit of a surprise out of nowhere in a way. And I'm just wondering, is this a global business where you really have synergies in the technology like telematics, or maybe the customers you have worldwide contracts from customers, or is it more of a collection of regional businesses? And I think you seem to say that kind of the strength of Ford Pro came out of Europe in a way as a business that then decided to apply to the US. So, are there synergies globally or is it more of a collection of regional businesses?

Hans Schep
General Manager-Ford Pro, Europe, Ford Motor Co.

A

Yeah. So, it's definitely a global business. Ford Pro is a global setup and that's actually part of the strength for our customers. So, it's a global setup. It is for vehicles and services. It's for ICE, but also for BEV, it's both, right? It's actually also for multi-make, so if you've got other makes in your fleet, we can deal with that as well. And so, it's really wrapping our arms around our customer and really giving them that holistic capability. And the foundation in the US is the same as in Europe, right. Also in the US, we've got a very strong commercial presence, obviously, and built that up in years and have great relationships with our customers. But we really needed to take that step further, as I've just alluded to.

So, we've said – so apart from the vehicles, obviously, where we've been strong, including things like conversion, where we've got dedicated teams to work with our customers, we need to evolve our service capability as well. So, traditionally, we've been very successful at doing service also with our Transit Center, but also testing things like Mobile Service, for instance. We've got that in the UK. We're rolling it out in Germany, which our customers really appreciate. And we've recently launched FORDLiive. Actually, this month a year ago, we launched

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FORDLiive, which is a connected uptime system. So, we've got our control center – we've got actually three of them in Europe, where we can monitor our customers' fleets, interact with the Transit Centers using the mobile data that all our vehicles have.

All our vehicles have modems in them since three years now. And that's giving us tremendous results. So, we've reduced the downtime of our customers by over 50% using this. So, that's an example of how our service capabilities really driven us forward. But there is much more beyond that, like financing, obviously, ranging from commercial line of credit to full fleet management. But then software sales, we we've got a great telematics product that we can offer to our customers with several layers of capabilities. And the key one, I would say that customers are really interested nowadays is charging. Charging, obviously, comes in play with our electrification. And it's a really important journey for our customers.

Do I need depot charge? Do I need home charging? Where do our drivers take their vehicles to? Or do I need public charging? How do I get an integrated bill wherever they charge the vehicles? And if I have a depot, do I need AC charging, DC charging? How do I wire my depot? What kind of software can I use to make sure my vehicles are always ready, but I don't overload the grid? There's so many questions that we now know how to answer for our customers. So, ICE to BEV consultancy is also one of the key things that Ford pro bring. So, it's a fantastic journey. We can wrap our arms around our customer in their journey to electrification and keep their productivity going. Yeah. So, it's definitely a global business and we're building it up as we go, and the first results are amazing. Our customers love it.

Philippe Houchois
Analyst, Jefferies International Ltd.

Q

Yeah. Thank you. And now, in terms of size, I think at a time, last June last year, I think Jim Farley said [ph] Ford Pro (00:12:18) probably $45 billion revenue, [ph] I was not clear it (00:12:20) was Europe, globally. But as we move into 2023, Ford announced last week that there will be a split in the reporting between Ford Blue and Ford e Model (sic) [Ford Model e] (00:12:31). And will we get some element of profitability or size from Ford Pro? Because I guess Ford Pro is a bit of a virtual company within Ford for the products. You'll be buying vehicles from both sides of Ford, but then offering your own services as well. So, should we be prepared to have a little bit more disclosure on the profitability of Ford Pro?

Hans Schep
General Manager-Ford Pro, Europe, Ford Motor Co.

A

Yeah. So from 2023 onwards, we'll be sharing those numbers. And yeah, right now, we're right in the middle of basically preparing for that. But what we announced is still relevant. We've got a massive revenue potential and opportunity to grow not just on the vehicle side, but certainly also on the services side. Yeah. But you're right, we'll be splitting those numbers out and you'll get more insights from 2023 onwards. Yeah.

Philippe Houchois
Analyst, Jefferies International Ltd.

Q

All right. Now, when I listen to Jim Farley in the US, he keeps talking about order bank, and I think, implicitly, he's trying to find a ways of selling more and more directly built to order, which creates a bit of a distance with the dealer, which is very difficult in the US, typical to change that relationship. But in Europe, how do you integrate dealers into Ford Pro, because, effectively, it's easier to separate the OEM for the dealer in Europe than it seems to be in the US. But I would think dealers are an integral part of your service to customers. Or are you looking at kind of taking over some of those services and taking some of the distribution away from dealers, which is what we hear from some of your competitors?

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Hans Schep
General Manager-Ford Pro, Europe, Ford Motor Co.

A

Yeah. Philippe, you're absolutely right. The dealer organization and our Transit Centers are a vital part of our strategy. And they play a vital role in delivering productivity to our customers. Now, that doesn't mean that the role of the dealer cannot pivot. And we're actually – we're right in the middle of a lot of change, obviously. First of all, our customers need different solutions and want to operate in a different way. It's really dependent also on how large our customers are, how large the fleets are, so to say. We typically interact with our larger fleet customers today already. And the smaller fleets are usually interacting with our Transit Centers.

But also e-commerce is coming up. Customers want to deal differently with OEMs. And we'll make sure that that's possible that they can interact in the way they can interact. But there will certainly be a role for the Transit Center to play. I have no doubt about that. And the size of the order bank to me is not really driving that. It is the way the business and the world evolves will also change that.

Philippe Houchois
Analyst, Jefferies International Ltd.

Q

Right. This question from me is CO2 emissions compliance, it's moving out to commercial vehicles. And I was just wondering where you stand in complying with those rules. And also, I think that we've heard some of your competitors talk about hydrogen. I don't think I've heard Ford talk about hydrogen. So, I was curious about how that fits into your strategy to go towards zero emission.

Hans Schep
General Manager-Ford Pro, Europe, Ford Motor Co.

A

Yeah. Before we talk about compliance, it's important to talk about sustainability, right. So, it's very clear – Ford has a very clear view on that. It's – we've got a very clear goal with the company to be carbon neutral globally by 2050. But there are other initiatives like the ambitious RouteZero initiative, where we are working together with other cities and other businesses as well to offer carbon neutrality way earlier than that, as early as 2035. And that's a global initiative. Now, if you look at Europe, it's our hypothesis that we'll be there sooner than that. And that's also why we announced last year in February that by 2024, the Ford's commercial vehicle lineup will be zero emission capable. So, that means plug-in hybrids or BEVs. And we expect that by the end of the decade, more than two-thirds, about 70% of our sales will actually be zero emission vehicles.

So, it's going really fast in Europe. So, the key here is – and I just reflected on that when we talked about Pro as well. That's a change for us, but imagine what it is for our customers. They need to go through this journey as well. And that's why it's so important that we don't only offer electrified vehicles, but we help our customers with the journey to these vehicles. And with everything that goes with that, as I just mentioned, charging and software services, et cetera, et cetera. Now, obviously, we're looking at compliance as well. All of the initiatives we have in place keep us on track to be compliant. We've got fantastic homologation department that's striking day by day where we are, and we're on track to deliver that. Now, when it comes to hydrogen, we've been testing and researching hydrogen since a long time – since the early 1990s, I would say. And yes, there certainly will be use cases were hydrogen can be an option, mainly in the heavy goods or heavy duty, I would say, use cases.

Now, having that as a solution is one, but you also need to be able to offer it in a sustainable, affordable way, obviously. So, hydrogen needs to be – the cost of the solution needs to be interesting enough for our customers. You need an infrastructure, obviously, to get hydrogen, it needs to be green hydrogen, et cetera, et cetera. So, right now, if I look at use cases that we have, electrification is clearly the first mover, the first technology. And well, that's clearly what we see around us. And also, battery technology and charging technologies are evolving rapidly.

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And so, we're monitoring all of that and we're part of that. And as I said, we're piloting and testing it. So, we'll be in an excellent position to decide in time for our customer what the right solution, the right technical solution will be for them to deploy for all their use cases also by the end of the decade or so. So, yes, we're deeply involved. We think there are more options and we'll make sure that we've got the right one available as and when needed.

Philippe Houchois
Analyst, Jefferies International Ltd.

Q

Right. Thank you. And one last question from me, and I'll pass on to Stuart for the Q&A. But I look back, you made that deal with Volkswagen a few years ago, where you're almost like making available to Volkswagen the platforms that underpin two of your best products, the Ranger and the Transit. And I know in exchange, you're getting access to – you're getting access to the MEB platform on the car side. But it seems like what are you getting out of this relationship with Volkswagen on the commercial vehicle side? I wouldn't think you need help. I wouldn't think you need scale. And am I missing something?

Hans Schep
General Manager-Ford Pro, Europe, Ford Motor Co.

A

No. I don't think you're missing anything. I mean, one of our key strengths in Europe is our low-cost manufacturing source both for Transits – the big Transit and long [ph] ton (00:20:58) Transit Custom in Turkey, but also our Ranger, the compact pickup in South Africa in Silverton, they're fantastic assets, state-of-the-art plants. But obviously, with everything, as I've just said, going on with electrification, connectivity, automation and later on autonomy, there's so much costs coming into our business and we need to make sure that our customers still get the right tools to run their business. And scale is clearly in the game here to play.

So, we've got these fantastic manufacturing assets. And building scale on top of that gives us the ability to keep on leading. And I must say, the Volkswagen has been a phenomenal partner. So, this is, obviously, the commercial vehicle side. But then, on the other side, they've got the MEB platform that they scale with us. And I must say, it's a balanced relationship. It's not like you need to do this so I can do that. It's a very balanced relationship. And it's important also to reiterate, this is an industrial agreement, which means that, obviously, on the market side, we're completely separated as companies. There is no interference at all there. So, it's an industrial agreement on engineering and manufacturing, and it's giving us the scale and opportunities to develop future solutions for our customers that we really need.

Philippe Houchois
Analyst, Jefferies International Ltd.

Q

Great. Thank you very much. Stuart, over to you.

Stuart Pearson
Analyst, Exane BNP Paribas

Q

Yeah. Thank you. Thank you, Hans. So just as reminder, you can ask questions, I think, on the top right of the screen. But I do have a few in already. So, I'll kick off, maybe just following on from that Volkswagen relationship. And just one question on that, might as well cut straight to on chip supply and [ph] then I (00:22:57) guess supply where there might be a shortage of components going forward. And how is allocation work in that partnership, if there is a shortage of one particular component, how do VW and Ford fight it out between themselves when it comes to that kind of thing?

Hans Schep
General Manager-Ford Pro, Europe, Ford Motor Co.

A

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Yeah. I can't really comment on that yet. We're luckily not in that situation yet. Hopefully, we'll be out of the worst situation as we really get into manufacturing in Turkey. I must say when it comes to the supply situation right now, we do believe we still will see shortages in 2022, specifically in the first half, maybe even through to 2023. However, the actions that our suppliers have taken at the end of 2021 will start to show results, hopefully, second half of this year. But yeah, we're still not out of the woods there.

Stuart Pearson
Analyst, Exane BNP Paribas

Q

Even internally, is a question just within Ford, given the profitability of the commercial business, does that have priority in terms of chip supply or any other component supply over wiring harnesses, I guess, today versus other parts of the business? You'd rather sell the Transit [ph] than (00:24:19) the Fiesta, I guess, is the question.

Hans Schep
General Manager-Ford Pro, Europe, Ford Motor Co.

A

If you ask me, yes, I would rather sell a Transit than a Fiesta, absolutely. So, no, we look at our entire business and look at what's best for the business, but – most of all. So, what's best for our customer. And I mean, maybe just as an anecdote, where we – two years ago, we had an issue with the part that we couldn't get and we had some issues in the field, we needed to help our customers there, which would mean that we need to supply parts to the field to help our customers and not actually put them in vehicles on the line. So, we looked at that and we decided to shut down the plant for several weeks in order to help our customers. So in the end, we look at what's right for the customer. And in the long run, we're convinced that that's the right decision and that will give us the best [ph] vision (00:25:31) going forward.

Stuart Pearson
Analyst, Exane BNP Paribas

Q

Okay. All right. Well, shifting topics, there's quite a few questions around electrification, unsurprisingly. Just one here, do you see higher oil prices is likely to accelerate the electric transition or, perhaps, more likely to slow it down as fleet owners look to extend the useful life of their fleet to offset higher operating costs? So, how do you see, I guess, the impact of this booming oil price on the business in [ph] the rate (00:25:58) of electrification?

Hans Schep
General Manager-Ford Pro, Europe, Ford Motor Co.

A

I think it's quite clear where we're going. Electrification is the way to go, and that's not going to change. And I think the speed of change will really depend on much more than just the oil price. It's a factor, but it's also, as I just said, it's really how can our customers solve the puzzle of which use case needs what vehicle. And in that respect, a commercial vehicle fleet has a more difficult puzzle to solve than if it's just cars, right, because each commercial vehicle does a different job, has a different use case, has a different a specific energy pattern. And electrification will fit with some, maybe not yet all.

Obviously, we also have different electrification solutions and battery packs, then the charging solution going with that. So, it's complicated, and that's why we're spending a lot of time on EV consultancy, give our customers telematics to figure out how could you best transition, also give financing solutions not just for the vehicles, but also for the infrastructure you need in your depot. So, I think that we're on that journey. It's not going to change because of the oil price. It will be a factor in there, but I think it's not going to slow down.

Stuart Pearson
Analyst, Exane BNP Paribas

Q

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Okay. And then, is another question [ph] here (00:27:41) around the Russia-Ukraine situation, and how that's affecting Ford Europe, I guess, in broader perspective you have? And the relative pressure that's coming between wire harnesses, palladium, semis, which of those is the key bottleneck, as you see it today, as much as you're able to comment?

Hans Schep
General Manager-Ford Pro, Europe, Ford Motor Co.

A

Yeah. Obviously, as a company, we're very troubled by the situation in Ukraine. And yeah, our hearts go out to talk to all of our colleagues and other people there. It's a tragedy. And yes, it's obviously a situation that hurts us and it hurts – as it hurts others. We'll deal with this as we've dealt with other risks to the business. But first and foremost, it's a tragedy for the people involved. When it comes to the specific components or specific raw materials, I cannot comment on where they sit in the hierarchy or which one's most precious to us. We've got teams in place to work through all of those and to get what we need to deliver them to our customers.

Stuart Pearson
Analyst, Exane BNP Paribas

Q

Yeah. Okay. And I guess, either way, in terms of whatever happens next, I mean, the raw material inflation that everybody's facing is probably greater than many of us thought even a few weeks ago when companies were giving their guidance. So, just the question around how you expect that raw material inflation to impact the business this year in terms of your business plan? How confident are you of being able to pass that through in pricing? So, how is the price environment in the European market? And I guess, in that context, this is another question we can link to about, how has the Stellantis merger changed the pricing environment overall, if at all, in the European light commercial vehicle market for that consolidation?

Hans Schep
General Manager-Ford Pro, Europe, Ford Motor Co.

A

Yeah. We've seen a quite a bit of pricing in the market, as you'd expect. And specifically in the commercial vehicle market, we've seen about 5% in the second half of last year, 5% of pricing, and some more in the first quarter. And we haven't seen the end of it yet. We're at the top end of that corridor, I would say. So, we've been able to price, yeah, to that extent, a bit more. And I think, as a market leader, yeah, we have to and we should. So, yeah, we obviously keep following all the developments very closely, specifically also given the high order bank that we have. We need to plan ahead and make sure that we make the right calls. But yeah, there is quite a bit of upside on the revenue part of the business, luckily.

Stuart Pearson
Analyst, Exane BNP Paribas

Q

Okay. And as a follow up to that [ph] comment (00:30:59), I mean, how do you see in your business the elasticity of demand to any price increases that you have to put through because of raw materials? Is there much elasticity right now or how would you normally expect to see volume react to the price increases you might have to implement?

Hans Schep
General Manager-Ford Pro, Europe, Ford Motor Co.

A

Yeah, no, we've – so, as I said, we've – so the pricing we've taken has not slowed down our order take, which tells me that there is strong demand. And also, because of the size of the order bank that we have, we can adjust, if we have to. But so far, we haven't needed to adjust any price changes that we've made. So, yeah, there is a

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strong demand. There are many businesses that actually – that need supply, that need their productivity tools. So, yeah, I've not seen demand drop so far.

Stuart Pearson
Analyst, Exane BNP Paribas

Q

Okay. And when you are raising prices with dealers, is this something that's communicated well in advance or is this something that can be updated in real-time? Or is it something that's set the next month or so and there is a little bit of lead time to changing price? Or can it be quite dynamic?

Hans Schep
General Manager-Ford Pro, Europe, Ford Motor Co.

A

That's a bit different by market. Some markets have other agreements than others. Now, you have prices, on one hand, but you also have marketing support, obviously, which is a shorter-term tool. So there, you have both longer-term instruments and shorter-term instruments that you can use to influence, basically, the whole business short term and long term.

Stuart Pearson
Analyst, Exane BNP Paribas

Q

Okay. And then, [ph] which is a linked to the – (00:32:47) on used pricing clearly, that's been hugely positive on the passenger car side. I guess, we talk a little bit less on the commercial vehicle side. Presumably, it's probably been similar, but perhaps a few comments around what you've been seeing on that and if there's any signs of any change in direction there?

Hans Schep
General Manager-Ford Pro, Europe, Ford Motor Co.

A

Yeah. Residual values on commercial vehicles have been strong as well. Now, obviously, as you say, Stuart, it's a bit different because, obviously, a commercial vehicle needs to do the job it's designed for. And a white rental van has a different pattern versus a bespoke ambulance, so to say. So, there is quite a variation in use cases. Also, some converted vehicles are actually purchased by customers to really drive for 10 to 15 years until they basically need to purchase new ones. And others have the cycle of three to four years. So, it's very different from the car market, but there where you can compare it, so when there it is kind of a cycle of, say, four, five, six years, and the vehicle is quite generic, so not too specific an [ph] upfit (00:34:09), a conversion, we see that – yeah, that residuals have been very strong.

Stuart Pearson
Analyst, Exane BNP Paribas

Q

Okay. Staying on the pricing point, but shifting towards electrification, a question here that EVs, certainly in the passenger car market, command quite a significant premium versus ICE, maybe 30% to 40% more, depending on how you're measuring it. How does that compare with LCVs? Are customers willing to pay a large premium for the EV powertrain there as well and buy on a TCO basis? Or what's your observations there?

Hans Schep
General Manager-Ford Pro, Europe, Ford Motor Co.

A

Well, for commercial customers, it's really about cost of ownership. So, it's not so much – and obviously, you need to finance the vehicle, right? So, you've got out-of-pocket costs. But also there, there are many solutions that also Ford Pro, for instance, can help with all kinds of financing of fleet management products. But yeah, it's all about

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the cost of ownership. Actually, the cost of ownership of a commercial vehicle – of an electric vehicle, an electric commercial vehicle can be quite interesting. Obviously, you look at the energy consumption versus petrol or diesel is interesting, servicing the vehicle in terms of less parts that wear out is very interesting. And so, it's really at the total picture that you need to look at, and very interesting, right.

If you look at the cost of running a fleet, the first one is typically depreciation, which you have for both ICE vehicles and BEV vehicles. The second is fuel. Now, that's going to change with the electrification, right, because electricity is not as expensive as the traditional fuel. It's our hypothesis that the third cost element of running a fleet is actually downtime. It's something no one ever talks about. We've done a lot of research on this, and that the number three cost element of running a fleet is downtime. And that's why it's so important that we're launching all these service capabilities with FORDLiive and Mobile Service, et cetera, et cetera, to keep your vehicle on the road. And that's what we're betting on going forward. But yeah, so electrification, it definitely adds cost to the vehicle, but it doesn't add cost to the cost of ownership, if you do it the right way.

Stuart Pearson
Analyst, Exane BNP Paribas

Q

Yeah. Okay. And then just have a question around competition, I guess, the new entrants coming in. Obviously, we're seeing it more, famously, on the passenger car side, but there's – some players have new business models, had a rival at the conference today. So, how do you see the threat from some of these players offering a perhaps more bespoke commercial vehicle solutions on these EV platforms [ph] that rival are (00:37:07) offering versus what Ford's able to offer? How do you see that competitive threat?

Hans Schep
General Manager-Ford Pro, Europe, Ford Motor Co.

A

Yeah. I don't really see it as a threat. I mean, if you think about it, the new entrants that are in the market really focus on last-mile delivery, which is about 10% of the use cases in the European market. And it's typically with large customers. So, the new entrants offer a solution for large fleets with last-mile delivery use case, and I'm sure they're going to do a great job. But we can do this – we'll be offering the same solutions with the Ford Pro ecosystem around it. But apart from that, we also offer solutions for the 90% that remains, right? So, all the other use cases as well. We offer [ph] ICE (00:38:02) and BEV. We even offer solutions for other brands in your fleet. So, yes, we think it's absolutely a viable use case. We'll be offering the same and we'll be offering all the other use cases as well.

Stuart Pearson
Analyst, Exane BNP Paribas

Q

Yeah. Okay. And then, you mentioned a bit during the conversation with Philippe about that charging services being a key service that Ford will offer going forward. But just some questions asking for a bit clarity on what does Ford provide there? What is it relying on partners for? What – is it Ford's own software that's providing charging services? So, is that just something that you're buying in and passing through to your customers, or is it something where you're adding IP [ph] yourselves (00:38:46)?

Hans Schep
General Manager-Ford Pro, Europe, Ford Motor Co.

A

Yeah, it's a great question. So, we acquired a company a few months ago, end of last year. It's called Electriphi. And it's a US company that develops specific depot charging software, which in a very intelligent way makes sure that all your vehicles are ready when they need to be ready with charging patterns that reduce cost and also take advantage of not overloading the grid, et cetera, et cetera. It's absolutely class-leading software which we're

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offering in Europe as well. It's also got an integral offering with home charging and public charging that we integrate in our payment system. So, everything you need, dependent on the use case and where your drivers live, we can offer you at lowest cost possible, all integral and one bill, if you need that, to not spend any time on [ph] admin (00:40:03) and make things really easy. So, yes, we definitely invest in that capability and we're bringing that software solution to Europe as well.

Stuart Pearson

Analyst, Exane BNP Paribas

Okay. All right. And with that, I think we are out of time. I can see it's got dark behind your Hans while we've been talking, and it's getting late. So, thank you very much for your time and the very clear answers and everybody for joining. I think that's the end of the conference for today. Hans is back, I think, with us on some meetings tomorrow. But on behalf of Exane BNP and Jefferies, thank you everybody for joining this meeting today. Thank you very much, Hans, again.

Hans Schep

General Manager-Ford Pro, Europe, Ford Motor Co.

Thank you very much.

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