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Ford Motor Co. (F)

Morgan Stanley Sustainable Finance Summit - Fireside Chat

CORPORATE PARTICIPANTS

James D. Farley

President, Chief Executive Officer, Director & President-Model e, Ford Motor Co.

OTHER PARTICIPANTS

Regina Lawrence Savage

Analyst, Morgan Stanley

MANAGEMENT DISCUSSION SECTION

Regina Lawrence Savage

Analyst, Morgan Stanley

Great. Welcome, everyone, and thank you for joining us all today for a conversation with one of the leaders in transformation of a critical piece of the real industrial economy. I'm thrilled to be joined this morning by Jim Farley, Ford Motor Company. Jim has been part of Ford since 2007 and assumed the role as President and CEO in October of 2020, as the company and the industry dove into its most significant transformation since the innovation of the Model T assembly line.

Under Jim's stewardship, Ford has introduced the Ford Mustang Mach-E and F-150 Lightning, daring to lead the path towards electrification with two of Ford's most iconic and critical vehicles. Ford has also recently reorganized the company and its reporting along the lines of its traditional gasoline powertrain, electrification and commercial vehicles, providing a pioneer in transparency and accountability in the industry. We're thrilled to have Jim with us today to discuss how he has approached revolutionizing a 120-year-old purpose-driven company and an industry with its stakeholders.

Before we dive into some questions, we'd like to share some background on Ford's mission and transformation journey with a short video.

[Video Presentation] (1:19-2:22)

QUESTION AND ANSWER SECTION

Regina Lawrence Savage

Analyst, Morgan Stanley

Q

Great. So, Jim, thanks for joining us today. Can you start by telling us a little bit about Ford's journey to transform into a leader in electric vehicles? And how is your strategy unique amongst your peers?

James D. Farley

President, Chief Executive Officer, Director & President-Model e, Ford Motor Co.

A

Sure. Well, first of all, I want to thank those of you who are partners with Ford and the Ford team for being here. We're the number one employer of Americans in our industry. We've got 60,000 hourly workers, about 20% higher than anyone else in our industry. And my grandfather was an hourly worker, started with the company in 1913. So this is a – and I worked at Toyota for 25 years. So I came back to Ford as kind of a volunteer, really, to make sure – do everything I can to make sure this American company makes it through the Great Recession and the transformation.

I would say we're entering the second inning of a nine-inning baseball game. It's in execution now, kind of no longer questioning what we need to do. We now know exactly what we have to do. The second order problems that we couldn't see in the first inning are now clear, like the geopolitics of raw material, processing for lithium and nickel, the labor overhang vehicles that are 20% or 30% less labor content. Those kind of real issues are very clear now, working through them.

Every one of my leadership team is new, except for one person. So it's been very difficult on a personnel level throughout the whole company. We've gotten out of India, gotten out of manufacturing in Brazil, which we were in for 100 years. We've restructured Europe and we've restructured China. Tens of thousands of people have lost their jobs, hiring lots of new ones.

And as we get into this, I guess, how we're different? We're leaning into what we're really good at. So we don't want to do any more generic vehicles. We want to lean into work vehicles. We're 41% share of commercial vehicles in the US. So if you have a health problem, you're probably going to be in a Ford ambulance. If you get pulled over, you're probably going to get pulled over by a police officer in a Ford. Or if your house burns down, the fire department is probably going to show up in a Ford. And if you have a plumber/electrician, they're probably going to be in a Ford.

That's the same in Europe. So we're – we do really, really, really well in commercial vehicles, and they're very difficult. It's a complex business. It requires physical service of the vehicle in a breakdown. And 95% of the market is small- and medium-sized business, very complicated. We do very well with passionate products like Broncos and Mustangs and F-150s, and we do really well on trucks and large SUVs. So that's what we're going to focus on our product strategy.

Everyone thought that the transition is going to be to electric. It turns out, that's actually not very interesting. It's necessary, but it's not interesting. The most important change is to go from an analog to a digital product. So we now know we didn't a year ago of what the three shippable software will be for the car, like a phone, it was like email and listening to music in 2007-2008. We now know it's like safety, security, productivity software and partial autonomy. So it's really exciting to have the teams build out the software and upgrade all the electric

architectures, insource all of that, all the software that controls the vehicle inside the company. And now we're in the midst of that.

We come out with our second generation products. We're number two in the US in hybrid and we're number two in the US in EV, sales behind Tesla and Toyota. And we come out with our second generation products, which will be radically different than the first in about two years. And we sell about 4 million to 4.5 million vehicles a year at Ford. We're like a middleweight in our industry. We're heavyweight when you look at our overall revenue, because we have very high expensive vehicles priced. The average F-150 today is \$63,000. When I joined the company 15 years ago, it was \$25,000.

So actually, Ford's transaction price in the US is just about \$10,000 less than a BMW now. They sold 200,000, we sold 2 million. So thing is we sell very expensive vehicles now, and that's our strategy. But our second cycle product will be 2 million units of incremental capacity. The company has never grossed since my grandfather was in the company 2 million vehicles, so a 30% growth in revenue.

And our software business will go – we have 600,000 subscriptions now in software and that'll grow by tenfold. So our revenue will start to be in the billions in software over the next couple of years, So we're building the platforms, both the consumer-facing platforms and the vehicle electric architecture platforms for all that software, and redoing our distribution. And at the same time, we have to fix our industrial system to be cost-competitive and to restore competitive quality so we can fund it all.

So that's where we are. We're in the messy middle. That's the hard work.

Regina Lawrence Savage

Analyst, Morgan Stanley

Q

So you're coming out with all these new products. Consumers are going to be adopting them and help them – Ford is going to grow. But a lot of these are going to be EV products, and there's an infrastructure issue related to that. How do you think about improving the charging infrastructure to support your customers as you grow this part of your business?

James D. Farley

President, Chief Executive Officer, Director & President-Model e, Ford Motor Co.

A

Yeah. It's a good question. I think on the commercial side, it's not an issue. Most of commercial customers do depot charging. So they know exactly what route they do and they do the same miles. They don't overbuy batteries. Anyone with an EV in this room has probably way overbought your battery, but the commercial vehicle customers don't.

And so the commercial side, we've gotten this far with mostly home charging. If you look at a place like Norway, which has been 50% electric for 10 years now, you can kind of find the answers to retail charging and how it'll play out. The government tried to do it there, it didn't really work. It was really Tesla did a great job building out the Supercharger network. And then, the building standards got serious and retailers started putting fast chargers in front of their stores like supermarkets, so people could plug in. And it took 2 seconds to fill up your car with electrons because people were shopping anyways.

So I believe we're, again, like maybe in the first inning of the infrastructure. I think we're most concerned about the grid. On the infrastructure side, I think it's room for some collaboration between the auto companies, which is totally unnatural for us. I keep thinking like in the 1800s, which train – how did the train companies agree on the gauge? The Western railroads had narrow gauge to go around corners, and then the Plain's gauges were much

broader, wider for cargo. Some had to agree who – what gauge to use. Right now, we have two different plugs, for example, NASC (sic) [NACS] (11:08) that Tesla invented and then SAE that invented the CCS, they're completely different. And it seems totally ridiculous that we have an infrastructure problem and we can't even agree on what plug to use.

So I think we need to start – I mean, I think the first step is to work together in a way we haven't, probably with the new EV brands and the traditional old companies. That's one. For us, we have to put – we have to take commercial charging into our own hands like Tesla did with the Supercharger network. I need to do that for commercial vehicles. So we create our own charging company, our own charging software company, and now we have about 50% attach rates, which is really high. So 50% of the people who buy EVs, pickup trucks or commercial vans are buying our charging equipment. That was a good move, I think.

On the retail side, there's no easy answer. It will take a long time. Of course, everyone wants an easy answer, but there is no one. It's going to be really difficult like it was in Norway.

Regina Lawrence Savage

Analyst, Morgan Stanley

Q

Speaking of things that there's no easy answer, the big theme around the auto industry recently has been the price cuts around Tesla...

James D. Farley

President, Chief Executive Officer, Director & President-Model e, Ford Motor Co.

A

Sure.

Regina Lawrence Savage

Analyst, Morgan Stanley

Q

...the competitive landscape. We look at what the product, the Chinese coming...

James D. Farley

President, Chief Executive Officer, Director & President-Model e, Ford Motor Co.

A

I have no idea why everyone is surprised with all that. Yeah, yeah.

Regina Lawrence Savage

Analyst, Morgan Stanley

Q

How do you...

James D. Farley

President, Chief Executive Officer, Director & President-Model e, Ford Motor Co.

A

This is a Henry Ford's – Henry Ford did it in 1913 with the Model T. Its intro price was \$810. And four years later, it was \$500.

Regina Lawrence Savage

Analyst, Morgan Stanley

Q

How do you think about – you've talked about how Ford is focused on the things that you're really good at...

James D. Farley*President, Chief Executive Officer, Director & President-Model e, Ford Motor Co.*

A

Yeah.

Regina Lawrence Savage*Analyst, Morgan Stanley*

Q

...and electrifying that first.

James D. Farley*President, Chief Executive Officer, Director & President-Model e, Ford Motor Co.*

A

Yeah.

Regina Lawrence Savage*Analyst, Morgan Stanley*

Q

How do you think about preserving that in the face of new competitive products coming from China and how do you think about Ford's position relative to sort of that transformation in the competitive landscape?

James D. Farley*President, Chief Executive Officer, Director & President-Model e, Ford Motor Co.*

A

Thank you. Well, first of all, the most important thing that we're learning about electrification is that some of the most appealing parts of the vehicle aren't actually the propulsion system. One of the main reasons why 50% of the Lightning consumers are new to pickup truck and new to Ford is because you can power your house for three days with the truck. It has nothing to do with the fact that the truck goes 0 to 60 miles in 4 seconds, which a President love. But it's actually the grid in the US, in Florida, in Texas, in California, has lots of problems, and people don't want to buy big expensive generators or if you're on a job site and you don't want to have six Honda generators humming away to build a new home. The Lightning is a portable battery system, and a lot of Americans really want portable energy to power their house or job site or a giant [ph] steel gate (14:18) or whatever.

So we're learning that actually we have to challenge ourselves to use the battery more creatively than just move the vehicle. I think that's really important. And I don't think the competitors have figured that out yet. The other thing is that our industry is obsessed with large batteries because the customers are worried about range anxiety. And really, we think the solution is actually not a big battery. It's a small possible battery for competitive range, because humans normally taking a long trip are going to stop after 200 to 300 miles. So actually, if you can fast charge and get another 200 miles in 10 minutes, that'd be better than having a 500-mile range battery, which costs like \$30,000 extra.

As the batteries are heavy, you actually have to put more batteries in to power the batteries – to move the batteries because they're so heavy. So I think as far as the Chinese concerned, it's going to be really humbling. They produce 70% of electric vehicles in the world in China, 70%, and the winners are BYD, Geely, Changan, SAIC, Great Wall. And if you add the Western brands up in China on the internal combustion engine, a 60% share, but not one name I've given you is a Western company.

BYD's scale is way bigger than Tesla now, and they developed the LFP technology, which is a better battery, no fire risk basically, doesn't use – and we use the little lithium, but it doesn't use cobalt or nickel, and it has twice the charging cycle of lithium-ion battery. So the Chinese are going to be the powerhouse, I think, we think. To beat

them, you either have to have a very distinct brands, which we think we do by leaning into our icons, or you have to beat them on cost. But how do you beat them on cost if their scale is five times yours? So I don't know.

The Europeans let them in. So now they're selling in high volume in Europe. We have a decision to make here in the US. And they have some of the best battery technology, as I said. So if the politics of the battery get caught up – battery – localizing their technology in the US gets caught up in politics, the customer is really going to get screwed. So we have to work through that in our country. And I think they're really interesting companies. So I think we see the Chinese as the main competitor, not GM or Toyota.

Regina Lawrence Savage

Analyst, Morgan Stanley

Q

Are you talking about the batteries and just how important it is to secure the supply? Your targets require a lot of batteries to be best.

James D. Farley

President, Chief Executive Officer, Director & President-Model e, Ford Motor Co.

A

Yes.

Regina Lawrence Savage

Analyst, Morgan Stanley

Q

Right?

James D. Farley

President, Chief Executive Officer, Director & President-Model e, Ford Motor Co.

A

70 kilotons of lithium and nickel in the next four years.

Regina Lawrence Savage

Analyst, Morgan Stanley

Q

How do you work with your suppliers and the supply base to make sure that the building of those batteries is aligned with your values and your ESG commitments?

James D. Farley

President, Chief Executive Officer, Director & President-Model e, Ford Motor Co.

A

So, Bob and the team are here. It's not easy. We have requirements. Ford was one of the first auto companies to have a sustainability policy. Whether it's zero water use or 100% carbon-free electrons to power our plants in the US, we were one of the first. So, child labor, corruption, all of those basic things, we feel like we have to not only go secure their offtake agreements, we have to physically be at the sites where the processing takes place and the mining takes place, and we'll have an audit validation process to make sure that this is done right.

It's going to be very difficult because the scale of mining and processing of raw materials is very complicated supply chain. The processing of lithium and nickel, as you know, boats go across the ocean multiple times just to develop the raw materials for battery, cathode and anode materials. So it's going to be very challenging to say hand on heart, we're good. But I think we have as good a process as anyone in the industry, but it's going to require physical oversight.

Regina Lawrence Savage*Analyst, Morgan Stanley*

Q

So you talk about the value chain. You guys have recently announced this JV to procure nickel underneath here, which we helped advise you on.

James D. Farley*President, Chief Executive Officer, Director & President-Model e, Ford Motor Co.*

A

Yeah.

Regina Lawrence Savage*Analyst, Morgan Stanley*

Q

And you've made a couple of announcements earlier this week related to lithium. How important is it for you to go upstream and are you done?

James D. Farley*President, Chief Executive Officer, Director & President-Model e, Ford Motor Co.*

A

Well, the issue is like lithium is super plentiful. The problem is, it takes – like there's not enough now. And so, it takes time. Does anyone know the average permitting in the US for a mine? Yeah. Who wants to have a mine in your neighborhood? It's like 12 to 15 years just to get permitted. So there's plenty of lithium, but to actually get it out of the ground and then processing it, there's zero processing capability in North America, other than Tesla's Corpus Christi site.

So yeah, it's critical. I mean, this is just like what happened in mobile phones. You have to have the best product strategy and you have to have the best strategy. But if you don't control the supply chain, you won't win. You have to secure the raw materials. But that's necessary, it's not sufficiency. Sufficiency is back to your product strategy and your cost, competitiveness, all the basics.

But it's – so there's a land rush right now for us working with you and many others to secure 100% of the raw materials we need for 2 million vehicles growth. So we're building the assembly plants. Go down to Tennessee right now, we have our largest industrial site ever, it's 6 miles by 6 miles. And we have like four battery plants in construction right now. So we got to have raw materials and all that. So it's absolutely essential. And there'll be losers.

Some people won't – they'll rely on their JV partners, the battery companies. The battery companies, oh, sorry, we just couldn't get it or it's too expensive. So there'll be winners and losers in the supply chain as we go this – let's put – then again, I just want to say the most important thing is not the batteries. It's not the electric motors or the inverters. It's the electric architecture. That's what's going to transform our customers' experience. It's going to be shipping software to them.

Regina Lawrence Savage*Analyst, Morgan Stanley*

Q

So on this software theme, I mean, software has the ability to make these vehicles safer...

James D. Farley*President, Chief Executive Officer, Director & President-Model e, Ford Motor Co.*

A

Yeah, yeah.

Regina Lawrence Savage

Analyst, Morgan Stanley

...better over time, flexible.

Q

James D. Farley

President, Chief Executive Officer, Director & President-Model e, Ford Motor Co.

Yes.

A

Regina Lawrence Savage

Analyst, Morgan Stanley

But you have to build that architecture in.

Q

James D. Farley

President, Chief Executive Officer, Director & President-Model e, Ford Motor Co.

Yes.

A

Regina Lawrence Savage

Analyst, Morgan Stanley

And it brings in all these new concerns that you haven't had...

Q

James D. Farley

President, Chief Executive Officer, Director & President-Model e, Ford Motor Co.

Yes.

A

Regina Lawrence Savage

Analyst, Morgan Stanley

...to traditionally deal with, data privacy, protection.

Q

James D. Farley

President, Chief Executive Officer, Director & President-Model e, Ford Motor Co.

Yeah.

A

Regina Lawrence Savage

Analyst, Morgan Stanley

How are you maximizing the benefits of that software and managing those risks that are new in how you've approached your business?

Q

James D. Farley

President, Chief Executive Officer, Director & President-Model e, Ford Motor Co.

It all come down to getting the eight players on the talent side because they attract eight players, which our industry doesn't really get, kind of think of a mechanical engineer, like they're all kind of the same. But software is so different. If you can get the best person, it's a force multiplier. And those – but then you have to have company values around privacy. You have to kind of pick your brand's positioning.

A

I think we really like – not because Apple is Apple, we really like their idea about around privacy. You can imagine how personal data is on a vehicle, like where you've been, how did you get there, who are you with. It's really intimate data. So we think for our commercial customers, too, like their clients, like we really want to be on the right side of that. But we have to use the data of the car to make the experience really good, to make the software better. So it's a huge tension.

I'll give you an example, real one. So how many of you have rented cars and lied about the amount of gas that was in it when you turned it in, right? Like all of us, right? Yeah. So the rental car company comes to us and says, hey, that little float in the gas tank, don't you know exactly how much is in there? Yeah. Why don't you just sell us the data? And then we'll charge people based on how much fuel is actually in their car.

So what do you do then? Now, we could sell the data to the rental car company. But if you're driving a Ford, what's our contract with the renter of that Ford? Should we sell their data because we happen to know how much fuel is in that, even though it's actually, frankly, their data? That's like 1 trillion examples like that of vehicle data coming off the car. How do you handle it practically from a privacy standpoint? I think we have the right ethos and values, but we almost kind of don't know what we don't know yet. So we'll get into it. I don't want to be entrepreneurial about consumers' data. After looking what happened with Facebook and a lot of social media, I don't want to be too entrepreneurial with my team.

On the other hand, I definitely need the data to make predictive failure of the components better for a plumber, because if I can sell them a car that never goes down, that's very valuable to them. If you're a plumber somewhere in Manhattan, you lose that van, you're going to lose the revenue for that day. So if you have a vehicle that can self-diagnose itself and send warning signals to the owner two weeks before it fails, that's really valuable to them. So I have to use the data to make it better, but I can't – there's a line.

Regina Lawrence Savage*Analyst, Morgan Stanley*

Q

You talked about in this how important Ford's values are.

James D. Farley*President, Chief Executive Officer, Director & President-Model e, Ford Motor Co.*

A

Yeah.

Regina Lawrence Savage*Analyst, Morgan Stanley*

Q

And you've also mentioned there's this big labor dislocation, a lot of your core leadership team has actually changed.

James D. Farley*President, Chief Executive Officer, Director & President-Model e, Ford Motor Co.*

A

Yes.

Regina Lawrence Savage*Analyst, Morgan Stanley*

Q

How do you change the people and the talent in the way that you're doing it, but preserve that 120-year-old culture and core values of Ford? I mean, this seems like an enormous challenge. How do you balance that?

James D. Farley*President, Chief Executive Officer, Director & President-Model e, Ford Motor Co.*

A

You got to recruit for people upfront that share that. One of the things, values the company's greediness, people. We found a lot of technology people who don't have the greediness. So we have to recruit for the values. And then you have to codify them. We have in our behaviors what we expect from a leadership team. And then you have to evaluate people based on them and give them regular feedback.

It's not easy, though, because some people don't know what they don't know. Some people don't know what good looks like. So it's not easy. And many people haven't dealt with the reality of firing 5,000 people because they happened to be just in the wrong place. So I think there's only so much you can do, but you just have to overcommunicate. You have to make it really clear and you have to recruit the right people. Anything I missed, team?

Regina Lawrence Savage*Analyst, Morgan Stanley*

Q

So the other thing is you've talked about Ford values, but they're not static, right? You've actually maybe shifted some of the priorities in it. You've started to prioritize a little bit more speed, innovation, and efficiency. You've talked a lot about lean and how...

James D. Farley*President, Chief Executive Officer, Director & President-Model e, Ford Motor Co.*

A

Yeah.

Regina Lawrence Savage*Analyst, Morgan Stanley*

Q

...important that is in the organization. Reducing complexity was a big theme of your Investor Day on Monday. How have you shifted that prioritization and the values of the organization overall, because that's got to be all the way down to the bottom, right?

James D. Farley*President, Chief Executive Officer, Director & President-Model e, Ford Motor Co.*

A

Yeah, just tied it to the business results. I mean, we've had a kind of culture personality of CEOs in the car industries that kind of fall in love with quality and then someone doesn't care. And so, like, if you want to be world class in quality, you want to be world class in waste elimination. You have to do it culturally with something like lean or else it will fall apart the next person, which I want to get better, I'm a transitional CEO, I want the next person to get better for them. They don't have to worry about it.

So I think the needs of the business really speak very clearly on what changes need to happen in our behaviors. Speed is really important, like a lot of – I know my competitors are snickering at the Lightning right now. But they haven't sold 100,000 Lightnings, I have. But they're like, well, it's not a ground-up EV? Yeah, but you are three years late. Like, the President drove our vehicle. Like, we were the first one to innovate in full-size trucks. So speed really does matter a lot, and we want to be the first one with hands-off autonomy on a highway in a sunny day in New York. And we want to be – we have to be first sometimes. So it's just the needs of the business.

Regina Lawrence Savage*Analyst, Morgan Stanley*

Q

Well, we've spent a lot of time today talking about electric vehicles. But the fact is, is that people are still going to be buying gasoline-powered...

James D. Farley

President, Chief Executive Officer, Director & President-Model e, Ford Motor Co.

Oh, yeah.

Regina Lawrence Savage

Analyst, Morgan Stanley

...vehicles for a long, long time.

James D. Farley

President, Chief Executive Officer, Director & President-Model e, Ford Motor Co.

Yeah, for sure, for sure.

Regina Lawrence Savage

Analyst, Morgan Stanley

What opportunities do you see from the work that you're doing around EV and efficiency in improving those vehicles and pursuing those ESG goals, even in the context of a product that some would say is counter to that?

James D. Farley

President, Chief Executive Officer, Director & President-Model e, Ford Motor Co.

Yeah. I think what we learned – when we went through aluminum on F-150, we learned a lot, that actually the image of people who buy a full-size truck for work, actually they don't want to get left behind. They actually want technology like everyone else. In fact, they're probably more inclined to use technology in the inside of their vehicle than a retail customer. So we're number two in hybrid in the US, which we don't toot our horn about, but we are. We put hybrid on F-150. It's extremely popular because it could power your house for seven days. So we use it for other things than just more efficient propulsion, like when I worked at Toyota with Prius.

But we have – so we have to modernize the drivetrain so that – so no one who buys a Ford Blue or internal combustion engine vehicle feels like they're left behind. Like, they need to feel like, hey, I got the most efficient vehicle. But what we learn is that there are certain duty cycles or drive cycles that will never go electric because electric vehicles are a really bad solution. If you're towing a fifth wheel in Wyoming, you do not want electric vehicle because it will only go like 100 miles if you're towing something really heavy or doing real work. So we took our internal combustion product lineup and we only invested in areas that won't be disrupted quickly from electrification, and then modernize and then also invest in electric architecture upgrades.

I think a lot of my competitors will go [ph] student body (32:19) left and invest in electric architectures and that they're only on their new stuff. And I think that would be a terrible mistake. So our super duty customers is the most profitable vehicle for – and our customers love super, it has the highest Net Promoter Score of any vehicle in our fleet and we're like 50% market share. They're going to like shipping software to their car just as much as [ph] our marquee (32:44) customer. So you just have to keep investing, but you have to make sure that the products are durable, the revenue is durable as much as you can, and then you need to have really ruthless operators who operate that business to get the most out of value for the company.

Regina Lawrence Savage*Analyst, Morgan Stanley*

Q

So, Ford purpose is helping to build a better world, well, that's your mission. How do you feel about your stature in the industry and how – what is your responsibility to lead from the front?

James D. Farley*President, Chief Executive Officer, Director & President-Model e, Ford Motor Co.*

A

I think we're a family company, Bill Ford is Chairman. Thankfully, our family is very involved in the business, fifth generation now of Fords involved in the business. So there's a long arc to the company. It's like 120 years in a few months. So we've gone through wars and depressions. All sorts of shit happened, and we kind of made it through.

So I think our responsibility is to be a leader. It's maybe not fair, but it's great, and we accept that. We accept that we want to be – like our competitors do stuff like this. We're going to have – we're going to be – we'll only have carbon-neutral electrons in our manufacturing. But then what they'll do is they'll go to Florida and buy credits and still run their Michigan plants off coal.

We won't do that. All of our plants will get low-carbon electrons. It's just the right thing to do. Same with water use, same with child labor and corruption, with the raw materials, the rare earth. And I think we also should take a lead in things like making – reaching across from an old company like Ford to a new company like a Tesla or a NIO or a BYD to kind of work together in a nonnatural way as competitors. I think you'll see Ford do that just because that's what kind of company we are.

Regina Lawrence Savage*Analyst, Morgan Stanley*

Q

All right. We have a few minutes. You're ready for the Lightning round?

James D. Farley*President, Chief Executive Officer, Director & President-Model e, Ford Motor Co.*

A

Yeah, sure.

Regina Lawrence Savage*Analyst, Morgan Stanley*

Q

All right. So, first of all, how's the F-150 Lightning resonating with customers?

James D. Farley*President, Chief Executive Officer, Director & President-Model e, Ford Motor Co.*

A

Good. We're in our – going into our third year. We're sold out. We've increased our price \$11,000. Tesla has reduced their price by \$7,000. We had a fall in the Mach-E, but it's only one-third of our volume. Two-thirds are E-Transit and Lightning. We thought we'd sell 20,000. We upgraded to 70,000 capacity. And now we're rebuilding the facility the third time in three years to 150,000 capacity in September. So, yeah, we're sold out. So far, so good. But the competition is going to get really exciting here by the end of next year. There'll be a lot of choices for customers.

Regina Lawrence Savage*Analyst, Morgan Stanley*

Q

Good. Tell us the principles you live by.

James D. Farley

President, Chief Executive Officer, Director & President-Model e, Ford Motor Co.

Pretty simple. For me, when someone asks, how are you doing? I always say, I'm learning. Yeah.

Regina Lawrence Savage

Analyst, Morgan Stanley

Growing up before you joined Toyota...

James D. Farley

President, Chief Executive Officer, Director & President-Model e, Ford Motor Co.

Yeah.

Regina Lawrence Savage

Analyst, Morgan Stanley

...before you joined Ford, what was your dream job?

James D. Farley

President, Chief Executive Officer, Director & President-Model e, Ford Motor Co.

Be a product planner for a car company, to be like the person who invents the product concept.

Regina Lawrence Savage

Analyst, Morgan Stanley

All right.

James D. Farley

President, Chief Executive Officer, Director & President-Model e, Ford Motor Co.

Still doing that work now. It drives my team nuts, actually. I think we need this. At least I don't say my son likes that or my daughter likes that. But, no, I – yeah, I just love – I actually get as excited on a minivan as I do a Ford GT or a Raptor. I just love seeing – I was a product planner, came up with the idea of a unibody lightweight crossover for women and combine it with a great dealership experience called the RX 300 or Lexus in 1992. And it created – we became the number one luxury brand in United States. So I loved – I always loved finding a hole in the market that others can't see because in our business it's a big advantage. And that's what I love, product planning, yeah.

Regina Lawrence Savage

Analyst, Morgan Stanley

Name a manufacturer, any industry, any part of the world who's getting it right.

James D. Farley

President, Chief Executive Officer, Director & President-Model e, Ford Motor Co.

I like BYD. Totally vertically integrated, aggressive, unapologetic. They're even doing silicon carbide inverters themselves now. Very, very impressive company. And they've – they always were committed to electric. That was never a fashionable thing. They did it way before it was fashionable. I like also what Larry is doing to GE a lot. He is – if anyone can install a lean manufacturing system in American company, it's Larry Culp.

Regina Lawrence Savage*Analyst, Morgan Stanley*

Q

What cars are in your garage today and what cars are going to be in your garage in 10 years?

James D. Farley*President, Chief Executive Officer, Director & President-Model e, Ford Motor Co.*

A

I have no idea because I flip cars for profit. So, all right, that's my hobby is buying old cars and fixing them up and selling them for a profit. So it changes a lot. Probably my – well, my daily drive is a 1973 Bronco. It's all original. It's nothing fancy about it. No, I guess my favorite car – I have a 1950 Lancia. The company went bankrupt because their engineers were too good. Cost was too high. They were bought by Fiat. And they made a better car than Ferrari in the 1950s. They were the first V6, production V6 in our industry. The first [ph] DDR (39:16) rear suspension. It's first independent suspension car. First GT design is beautiful, designed by Pininfarina, who wind up doing all the Ferraris. So I love that car. It's very complicated. I could see why they went bankrupt, but it's really fun to drive because it's actually faster than a Honda Accord and better to drive, but it's a 1952 car. You cannot believe how modern it is. Those are probably my favorite. Yeah.

Regina Lawrence Savage*Analyst, Morgan Stanley*

Q

All right. Best book you've read recently or favorite podcast?

James D. Farley*President, Chief Executive Officer, Director & President-Model e, Ford Motor Co.*

A

My favorite podcast is mine. Sorry. I do think I'll drive – I interviewed like Tom Brady last year and only talked about cars. I just did Jimmy Fallon, just did Neil deGrasse Tyson. And so I – that's what I do on my weekend is usually a podcast. So I mean, I guess I like any podcast about well-being, staying calm, rejuvenating yourself, kind of a junkie for that stuff.

Regina Lawrence Savage*Analyst, Morgan Stanley*

Q

You seem like a very calm person.

James D. Farley*President, Chief Executive Officer, Director & President-Model e, Ford Motor Co.*

A

Yeah. And books, I'm very diverse. I read a lot about Native Americans.

Regina Lawrence Savage*Analyst, Morgan Stanley*

Q

All right. Superpower you'd most like to have and why?

James D. Farley*President, Chief Executive Officer, Director & President-Model e, Ford Motor Co.*

A

Kindness. I like to be more kind. I'm not. I have a – yeah. So the CEO of Corning, Wendell. Wendell, he's a really special guy. He gave me a Play-Doh sign that I have on my desk that says, please be kind because most people are carrying a big burden that they don't share. So I kind of live by that. I mean, I wish I had that superpower. Like, I see a lot of really kind people and that's what I'd love to have.

Regina Lawrence Savage

Analyst, Morgan Stanley

All right. Well, thank you for joining us today.

James D. Farley

President, Chief Executive Officer, Director & President-Model e, Ford Motor Co.

Sure.

Regina Lawrence Savage

Analyst, Morgan Stanley

It was a great conversation. We're going to have a short break, but please join us here in 10 minutes for a panel discussion on emissions data and disclosure.

James D. Farley

President, Chief Executive Officer, Director & President-Model e, Ford Motor Co.

Thank you.

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