



FordMotor
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Adam Jonas: Okay. I'm very delighted to have representing Ford Motor Company, Navin Kumar, Chief Financial Officer of Ford Pro. We have the Ford Investor Relations team as well. We've got Lynn Tyson, we have Tony Ballesteros and Mel Alleyne joining us here in the front row as well. So you can catch them in the hallway afterwards. Navin, thanks for joining us. Want to kick off with any kind of key messages for investors, including maybe some of the personnel changes today would be great.

Navin Kumar: Absolutely. Thank you, Adam, for having me. Good morning, everyone. So I'll take a moment to talk about the announcement from this morning, along with a few key points on Pro, which will also come up through the fireside chat.

So earlier this morning, we announced that Ted Cannis, the CEO of Ford Pro, has elected to retire after a tremendous 35-year career at Ford. Ted's leadership, customer focus, passion for building Pro and its leadership team has set a really great foundation for our next stage of innovation and growth. I know Adam, you know Ted really well. Many of you in this audience probably interface with Ted. He launched the Mach-E. He led multiple regions, including Tukey and South America. And probably importantly for this audience, he led investor relations before Lynn. So that's where you probably got to interface with him. It's actually where I met Ted. When I joined Ford, my office was placed right next to Ted's. I met him on day two. And I know that Ted is rooting and cheering for Pro's continued success, sustaining our vehicle market leadership, growing our software and services ecosystem, and most importantly, continuing to improve vehicle uptime and productivity for our customers.

So a few key points on Pro. First, we serve commercial customers. They are a little bit different from retail customers. They're focused on total cost of ownership, vehicle uptime and getting the right vehicle to get the job done. And that can include factors like paying -- payloads, towing as well as flexibility to be modified for upfit for use cases.

Second, we're the market leader in commercial in North America and in Europe by brand, and we have the widest and most flexible vehicle lineup. If you look around where you live, look around where we are right now, you're going to see our vehicles everywhere. Trucks at a job site. Ambulances and first response fleets. And often it's going to have a Ford badge on that vehicle.

And third, the integration of vehicle hardware, software and cloud-based applications is really materially improving our customers' uptime and productivity with these vehicles, and it's improving their bottom line. They can do more with the vehicles. They can operate them more efficiently. And leveraging that data and insights, we're able to more proactively service those vehicles, minimizing vehicle downtime. And like I said, for our customers, it improves their bottom line. For us, it's growing and diversifying our business into higher margin software and service parts earnings streams that are more



durable. And we've made great progress with our leadership team. We have over 600,000 software subscriptions, we've been growing our physical service. And we're really starting to see use cases emerge with customers where they're seeing real material benefits.

Adam Jonas: So yesterday, you were at a competitor conference in San Francisco. And I believe the theme of your discussion was on the physical services and the software opportunity. Kind of remind this audience why is this a needle mover now.

Navin Kumar: Yeah, that's a great question. Let me unpack what is in Pro software, how we've grown that to date, how we plan to grow that and what customers are getting benefits from, because that's the most material important thing to this. We have over 600,000 paid software subscriptions. That's been growing 40% first half, first last year. It's mostly telematics. Telematics includes real-time fleet and vehicle tracking, fuel analysis, vehicle diagnostics. We go to market with it in two specific ways. Dashboards where the data and analytics are in a customer-friendly dashboard. And the second way is through data services, which is APIs that integrate the data into a customer's existing software systems. Our average ARPU, so average revenue per subscription per month, is about \$7 to \$8. That has grown historically. We started the business a few years ago with data services for rental companies. So that's was more like a data pipe. And then we got into more data curation and telematics dashboards for small businesses.

Our present growth and our near term growth both in subscriptions and ARPU is coming from a combination of market and product expansion. On the market side, we're now getting more traction with larger businesses as well as government. And the reason for that is actually just the historical differentiation of what we do. We are leveraging data right off the vehicles through an embedded modem. And so customers don't have to purchase a plug-in device from a third party, and that's how this historically worked. They don't have to install it. They don't have to service it. So it's higher quality data at lower risk. And we're now getting customer pull for these solutions as more customers are realizing the benefit of leveraging this embedded vehicle data.

And then we're expanding our product lineup. We launched video telematics earlier this year, and that includes more robust driver monitoring, driver coaching and optimizing on incident reporting and claims management. One of the other differentiators is more command and control functionality, remote command and control functionality of these vehicles. So for example, a fleet manager can now set permissions on enabling or disabling vehicles so they can operate these fleets more efficiently. And we have expanded into fleet management software solutions for small businesses to automate on tasks like driver dispatch management, vehicle inventory, scheduling of service, as well as expense management for maintenance and repairs.

And when you put it all together, the customer benefits have been material. We've seen with some of our customers a 10% to 20% improvement in total cost of ownership just being able to run fleets more efficiently, generate fuel savings and more robust vehicle maintenance and management. Couple specific examples to your question, Adam. We have one customer with a specific job site where they took the software, combined it with our mobile service, which can service all fleets at a job site, and they took downtime from an average of a couple days to a couple hours. So you can imagine those material savings and then think about the scale as we apply it to other customers.



We found efficiencies where using vehicle diagnostics as well as the fleet coordination software. Some customers are saying, okay, we now have a better sense of when we want to procure new vehicles, and they were historically just using just the age of the vehicles. And now they can extend vehicle life. They can be much more efficient with procurement. And that's also saving time as well as money.

Where we take this. We are going to have more advanced telematics leveraging next-generation architecture, more safety and security functionality. As we grow electric vehicles, we're going to have more depot charging solutions. We're going to go from fleet management software into more managed maintenance and other productivity solutions. So that's going to start growing the attach rates, subscription growth as well as our ARPU.

Adam Jonas: Well, you nailed it. The question I was going to ask is evidence that these are improving customer outcomes. I just want to make sure I got my math right. 600,000 paid subscribers, \$8 a month. I'm just rounding, or \$100 a year. So that's \$60 million of revenue. Maybe it's 1.5% of your revenue. This is pretty profitable stuff, though. Maybe more than 1.5% of profit. But just make sure I'm right here just in terms of the contribution. Growing 40%, so this is going to compound. So maybe not a huge part of the revenue, not so much a disclosable segment, but is it just more the strategic value and the growth? Is this the relevance?

Navin Kumar: Adam, you're very good at doing math on the fly.

Adam Jonas: No, I'm not. Actually, my team is right here.

Navin Kumar: Second, directionally you're right. There's a few other elements in our paid software business that aren't, call it, subscription based, ARR based. For example, we provide connectivity for these vehicles when they're in the dealer lots, which has quality benefits and has better understand just logistics and things like that. So we have some adjacencies. But you're generally right.

Adam Jonas: But of the 40% growth, that's the subscribers.

Navin Kumar: Yes, exactly.

Adam Jonas: And then the ARPU, is that kind of -- what's that growing?

Navin Kumar: It's tied to the subscribers. So that math all links up. So where I was going to go with that is you're right on the growth trajectory, and you're right on the ecosystem. Because this is about driving loyalty on the vehicle side, growing our service parts business, growing our attach rate of that, and it's really all about that loyalty and uptime. And of course, we are growing a software business at a healthy clip.

At that competitor conference you mentioned, your competitor asked me a question of what do you prioritize? Do you prioritize ARPU and subscriptions? Well, with the way we organize -- and I have a great partner, Dave Prusinski, who is our Chief Revenue Officer on the software side. He is holding them to ARR targets, margin targets, ARPU targets, products and features to deliver. But then from an enterprise standpoint, because I



put on the enterprise hat, we absolutely prioritize subscriptions, because the more vehicles that are connected, the more data and insights. And that builds for us an intelligence mode to drive more proactive service, to deliver better uptime and grow our service parts business. And that really sustains us longer term.

Adam Jonas: Great. So Ford in August press release mentioned that the commercial customers, I don't know if they mentioned Ford Pro specifically, but mentioned that your commercial customers were converting to EVs at a faster clip than non-commercial. Can you give us some data to back that up within Ford Pro?

Navin Kumar: Yeah, let me unpack that. As I had mentioned, commercial customers focus on total cost of ownership and uptime. Additionally, when it comes to powertrain, it has to fit their use cases. Now with electric vehicles, what we've seen historically is interest, and that's been driven by carbon targets for government fleets, business sustainability targets. And in some markets, like we're in California, there's actually fleet regulation like Advanced Clean Fleet, which for many fleets is setting targets for a percentage of their fleet being zero emissions vehicles, and that percentage is growing. In our business, the core electric vehicle products are the E-Transit and the F-150 Lightning for commercial customers. I will unpack your question with the E-Transit and go into these numbers and go into by customer channel, the nuances that are happening in terms of EV adoption and growth.

On our investor website, we report U.S. sales monthly. Year to date for August, we had a little over 8,000 E-Transits sold in the U.S. Within our Transit population, that's about 7.7%. And if you look at retail and do the comparable analysis, that's in a range of 3.5% to 4%. So you can see a higher mix of EVs from an E-Transit standpoint, so to your earlier question. But I'm going to go unpack that further.

We grew year to date relative to last year about 76% in terms of E-Transit sales volume. But within that, about two thirds of it is local, municipal, state and USPS, so government. One third of that is a plethora of businesses, mostly skewed to general services and delivery. And unpacking that further, we see adoption with governments, state and local, because they're localized through a geo zone, and we went out deliberately with a multi-energy vehicle, 120 miles of range, so there's a good use case fit. They're able to monetize and realize state and local incentives as well as the federal Inflation Reduction Act. So it hits the needle on the use case, total cost of ownership, and that's why we've been seeing adoption there.

When you go into larger corporates, we have hundreds of customers. But overall what we have learned is that the more deliberate and methodical pace of adoption, Adam, and one of the big reasons for that is charging. We've been on this journey for years, and what we have learned is every job site is very unique from how it's set up to the power requirements to unique installation requirements, maybe like underground cabling, to the availability of installers. That has been a much more slower and deliberate pace for many of our customers and clients. At the same time, they are testing these vehicles, ensuring use case fit, durability cycles, operational in seasons, but they're coming back and saying we want to really derisk charging before we scale.

Some customers, it's such a great proposition that they're accelerating. Ecolab is a big partner of us. They're procuring F-150 Lightnings, and they're getting up to 50% savings in fuel each year. So it's a very compelling value proposition. When you look at small



business, you can't really modify a small business to need an EV. So it really has to work for their use case and for charging. And we know our EVs don't work for all use cases presently, and we're working on that technology to drive more use case adoption. Rental is a little bit more of a challenge.

Adam Jonas: How much is rental? Of the 19,000 EVs in Pro in the first half, and I get that from backing out your total wholesale deliveries of 55,000 units and then backing out the 36,000 of Model e. I get the 19,000 Pro Es in the first half of which you said 8,000 through August, but let's say you can -- how much is rental?

Navin Kumar: Yeah, great question. So I'm not sure if you're doing North America, Europe, but let me just do it on the 8,000 E-Transits. Rental is like not a material volume for that. And rental, just like in the retail space, you're seeing challenges with charging, because you need not just depot charging and home charging, you need access to public charging. You need high public charging uptime. So that's going to take a longer period of time and more investment.

But building on that, what are we doing about it? We have a comprehensive set of solutions, vehicles, and we're improving the range on the E-Transit charging, financing, consultative services to work with larger customers to integrate EVs into their fleets. We're doing a lot more dealer training, dealer education, simplifying the message. We're leveraging our data from our software and insights to help them understand what use cases these EVs work for versus what may be more of a challenge. And versus three years ago, we're in more partnerships. We're partnering with utility companies like Xcel as well as local municipalities like the City of Dallas to really bring electrification from a commercial standpoint.

Adam Jonas: That's great. But also according to August press release, Ford's kind of pushed out a lot of the new EV product to 2027. So over the next two or three years, you're not going to have anything new. So you've got to work -- you're going to work with Lightning. You've got to work with the Transit. We'll see what Mach-E does. So without new product for the next two or three years, should investors really expect that much more momentum in the EV uptake within Ford Pro?

Navin Kumar: Yeah, it's a good question. A couple of things. One addition to what you just said. We did go public with new next-generation van coming out, electric, in 2026. No specifics to share at this time. But --

Adam Jonas: Okay. The next-gen Transit or --

Navin Kumar: Next-generation electric van.

Adam Jonas: Okay.

Navin Kumar: Just addition to that you're saying.

Adam Jonas: I'm not trying to be cute, Lynn, okay? I swear. Maybe I am but --

Navin Kumar: A couple things. So there is some product changes and advancements, to your comment. In the Pro space, it is about getting that adoption of electric vehicles, growing customers



in our ecosystem. And electric vehicles have a potential for a higher attach of software solutions as well because you have the telematics, but you have charging which you don't have with internal combustion engine vehicle. And it's not just the attach that helps run those vehicles more effectively. For example, we've mentioned for few years pre-conditioning the vehicle to have optimal range at the start of a day. But there's other features as well.

The thing I'd add, Adam, is that we're managing compliance. We have EPA compliance. Our vehicles in our heavy duty space are in three compliance programs. California has over 8,500. You've been reporting on this. That's been adopted by other states. And so there's a calculus for serving customers, right use case fit, TCO and threading the needle on being compliant with these --

Adam Jonas: Super Duty is what it is. Now you've said that -- you claim that EVs are contribution margin positive in Pro, correct?

Navin Kumar: I believe that's -- yeah, that message --

Adam Jonas: Transit. That was Transit. Okay.

Navin Kumar: Yeah.

Adam Jonas: Thanks.

Navin Kumar: Historically, up until recently, we only had the E-Transit van in North America and Europe. We haven't really talked about Europe, by the way. We're expanding our lineup, including the E-Transit Custom and the E-Transit Courier coming in 2025. And that calculus for how we go forward also factors in, to your point, compliance, offer optimization, use case expansion, working with customers and growing lifetime value on the services.

Adam Jonas: Okay. All right. Here we go. Here we go, Lynn. All right, you ready? Deep breath. Year to date, Ford Pro's first half EBIT is \$5.6 billion. Ford total company EBIT is \$5.5 billion. Ford Pro -- and again, I'm brilliant at math -- was over 100% of total company EBIT. A common criticism from investors, including many in this room, is that Ford Pro generates all the damn cash, all the cash of the company, and that that money is going to pay for loss-making EVs and warranty costs. Is that fair?

Navin Kumar: I think I understand the gist of your question. Just for everyone in the audience --

Adam Jonas: I know you understand.

Navin Kumar: Great. So just for everybody. We have electric vehicles in Model e and Ford Pro. And as Jim Farley, John Lawler, Marin have said, the leadership is committed to making Model e profitable and sustainable profitability. So I'm going to focus the question on Pro, because building on the last question, Pro has to invest in electric vehicles. Pro has to invest in quality to sustain our vehicle market leadership, be compliant and grow in services. So we have -- and then we have to invest to stay competitive, of course. So we're not deliberately planning to maintain a near term margin umbrella. We have to



make those investments. And the portfolio of vehicles is strong, including the Transit and Super Duty, but we've got to grow EVs. And that's in both North America and Europe.

We had overall demand strong. That was infrastructure investment, telecom, utilities and persistent pent-up demand for variants like chassis cabs and transit wagons. But we're seeing weakness in areas like rental, as you've reported on as well. And so for us, it's really important to be investing to grow this long-term services and software ecosystem. Like I mentioned, we're seeing real benefits for customers. It's helping their bottom line. It's diversifying us into higher margin software and physical service parts, which makes the business more durable and helps sustain that margin longer term.

Adam Jonas: Okay. Company's kind of somewhere between I think closer to 16% operating margin. Ford Pro is closer to 16% adjusted EBIT margin than 15%. Your long-term target is mid teens. I think you'd agree that it is a cyclical business. Even though it's a wonderful business and there's a lot of recurring revenue, it's still cyclical. So some years it'll be higher than that. Some years it'll be lower than that. If I asked you, are we entering a period where we're going higher than that, or are we entering a period where we might need to go lower than that, where would you say we are?

Navin Kumar: I think I'll answer that from a customer standpoint. There are some customers where the demand is really robust because these tailwinds, like I mentioned in infrastructure, utilities, energy and oil and gas are persisting. And we still have persistent pent-up demand for certain variants for our vehicles. That's structural. Chassis cabs, wagons. So while there may be other macro elements, there are these structural elements that are in the business that are unique. So I just wanted to point that out. You're absolutely right for certain channels like rental and motor homes. We're getting into this period, and I'm sure you've heard it from some of our partners, and that is something we manage.

That's the beauty of Pro. We're a highly diversified business. Hundreds of thousands of customers, relationships built over decades, serving all channels, serving all industries, which gives us the ability to make decisions on vehicle mix and for profit optimization, supporting our customers. Now sometimes there'll be some lag seasonally, but the diversity and diversification of this business gives us a lot of levers to work with.

Adam Jonas: And what would you say would be the biggest moat, then, as to how you could defend that over time, notwithstanding the volatility? What would be top of the list in terms of the moat? A lot of your competitors are thinking, hey, we have our Pro -- call it something else. I think maybe one of your competitors might even call it a Pro. But they're trying to get in on this, and it's probably not going to happen overnight. So why do you maintain the advantage?

Navin Kumar: Yeah. Well, I'll start with our historical moats. As I mentioned, deep customer relationships, breadth of customer relationships, the widest and most flexible vehicle lineup in the space, an industry-leading dealer footprint and upfitter partnership network. And they're investing alongside us to bring Pro solutions to customers. Building on that with the investment in great products, software and services ecosystem expansion, bring your customers into electrification, we're the market leader in commercial vehicles for electric. That's key to sustaining that market leadership. But the software and services ecosystem is super important. And that builds a data and intelligence moat as we get



more subscriptions, we get more insights and optimize as a software and it helps us drive much more proactive service.

Adam Jonas: Stickiness.

Navin Kumar: Stickiness, exactly.

Adam Jonas: Higher switching costs.

Navin Kumar: Yeah. It's a virtuous cycle. So to answer this question specifically, I read what our competitors say, and I see an emphasis on software growth and an entry point into electrification with last mile delivery. And we're focused on software and electrification for all our customers to improve their economics. And it's the linkage of that, to your earlier question of what do we prioritize, with the physical service and the proactive service managed maintenance that really drives that unlock and value creation for our customers. And that takes time investment years in physical infrastructure, in mobile service, in data structures, in CRMs.

And this is where we built a really great team in Pro. The people in Ford who knew those commercial customers, they were in different teams. We brought them together with a common purpose and vision on continuing to improve our customers' productivity and uptime with people from the outside who've had experience in other sectors like media, where you made a transition from a transactional arrangement with a customer to a lifetime arrangement. And these continual digital touch points are important. And culture.

When we recruited -- and I was a big part of this in recruiting a lot of our Ford Pro leadership, as you know, as we have some mutual friends. It's are they going to attract talent and build a culture around them? So like our CRO, Dave Prusinski that I mentioned, he brought in a lot of software sales talent, revenue ops talent to build that infrastructure, effectively like acqui-hiring without having to pay an acquisition fee. And so we have this great stability in our verticals, as well as the overall organization, because we brought in not just experts in the space and what we're trying to execute, but their pull to bring in talent.

Adam Jonas: I do want to go to audience before we run out of time. But just on the divisional accounting here -- and obviously, Ford Pro is more than just a reporting segment. It's changed how you run the business. I think your team's emphasized that a lot in the communication. But let me just kind of give you some numbers. Ford Pro -- I'm rounding. Ford Pro EBIT margin, 16%. Blue year-to-date around 4%, a little over 4%. Model e, negative 195%. These are your numbers. Negative 195% EBIT margin.

So Blue and E have the assets, though. Blue and E have assets that they must depreciate. Ford Pro has no assets. I mean they have people, there's cost, there's marketing. It's a marketing and sales, it's a customer engagement organization but no assets. So therefore, it would have no DNA. You don't report it, but you don't have assets, you don't have DNA.

So remind us of the intercompany markup, because I think that you show this great business with the great stickiness, and is it John Deere, Caterpillar? Could it account for 200% of the market cap of the company? But then people are like, the criticism is this is



just like kind of a -- how do you handle the transfer price? Why is Ford Pro's margins not overstated? How is that kind of intercompany -- like where is Blue -- how are Blue and E compensated? Is it at cost, or do they kind of earn a margin at a transfer price? And how is that set? Because a critic would say, oh, you're just juicing it to show your jewel and make it look better than it is.

Navin Kumar: Yeah. So luckily, I worked on this.

Adam Jonas: I'm asking the right person.

Navin Kumar: Yes. And off the bat, I can hit the high points on accounting. The margins are not overstated. But for anyone who wants to go through the details, it's on our investor site --

Adam Jonas: But does that mean they're not overstated because even though you don't have depreciation, you bake it in? You're compensating the other units within that margin for what it would be?

Navin Kumar: Actually, it's a -- we do pick up the depreciation. So the way it works is for every vehicle in our perimeter, we pick up all the direct costs at a vehicle identification number level. So that's material cost and warranty. We pick up all the product costs. Labor and overhead, depreciation amortization for everything, and direct engineering. And then we share on SG&A and indirect engineering on volume. Furthermore, we do pay a markup to Blue and that Model e in the range of 1% to 2%, depending on the vehicles.

Now, there's actually historical precedent for this in Ford. Jim Farley, when he led our European operations years ago, segmented Europe into commercial vehicles and passenger vehicles. Hans Schep, who leads Pro Europe, has done a great job growing that business. We've been the market leader by brand for many years, and we've continued to grow share. Part of that is because of great product, the Transit lineup. And how we procured the Transits is through a partnership with a joint venture called Ford Otosan. It's publicly traded. It's co-owned by Koc and Ford. And that is an external purchase vehicle arrangement where we pick up all those costs like I described, plus the markup.

And I was a banker, so you've got external comparables. We didn't just look at that. We looked at the external market in comparables. So we're confident in the accounting. It's very fair. The margins are not overstated. And we have a historical precedent. And that's what we use to structure Ford Pro.

Adam Jonas: Great. Thanks, Navin. All right. Got a couple minutes left. Any questions for Navin from the audience? I had a long list. You tackled a lot of them. All right. Then maybe before we wrap up, I think investors -- I've described Ford Pro as Ford's Ferrari. I hope it didn't upset you. But people struggle, I find, and frankly we find, we struggle modeling it, the end markets.

So imagine, since you were a former banker -- and I hear your spreadsheets are fire. Your Excel skills are total fire. If you imagine you're in front of a blank Excel model with someone who's trying to kind of conceive of how to start with the revenue tab of where your end markets are, whether it's ag or energy, oil and gas, resi, non-resi, small business, kind of how would you start to do that revenue build with them? Just to understand what we track. I know you're not like -- and I'm just asking for order of magnitude just so that



as people see the economy develop and see oil and gas does this and infrastructure here and we're onshoring this and they have an understanding of where that pie is for the end market, that would really help.

Navin Kumar: Yes. So first, I like the Ferrari analogy because they've diversified with their brand and their retail stream, and that builds that loyalty for that user base on the vehicle side and their repeat business. So you could use those analogies on the Pro side. It's just our software and services ecosystem. Then to answer your question --

Adam Jonas: I think also Super Duty margins might rival a lot of Ferrari products, like flat out EBITDA margin.

Navin Kumar: Exactly. You break out vehicles, software and we're giving you those physical --

Adam Jonas: You're touching 40%. I'm guessing you're touching 40% EBITDA margin on some of those products, but you don't have to comment on it. All right.

Navin Kumar: Back to your question, right? You've got your vehicles, and you mentioned cyclicity. You've got half the progression of how we grow our service parts business. And we've been sharing physicals around that and how we're growing mobile service. How we're growing commercial service base, Jim has talked about that. And we're starting to share physicals as you can see on the software side. And so kind of have to break it out into those three chunks, and then it comes down to risk. If you grow those other two, is it derisking the vehicle side and that market leadership? At a high level, that's what I --

Adam Jonas: So you're not going to give me end market vocational markets?

Navin Kumar: I did at a high level give the splits on volume by channel. Like a third of our business goes into small business and retail, a third goes into larger corporates. And this is on a sales standpoint. 18% into -- is government, so state, local, federal. And 15% into rental, and that's more U.S.

Adam Jonas: Okay. We'll leave it there. Navin, thank you so much and the team for joining us, and thanks for spending the day with us. Appreciate it.

Navin Kumar: Thank you.

Adam Jonas: Thank you.