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Dan Levy: Great. Thank you so much as we continue the Barclays Global Autos Conference. Very pleased to have with us Ford. John Lawler, the company's CFO. Sherry House, who will be the incoming CFO. Actually, before we go on, I want to ask, John, is this going to be your last sort of like public group street facing event where you work with the strategy role?

John Lawler: Probably not.

Dan Levy: Okay, good.

Sherry House: He's got a Vice Chair role as well.

Dan Levy: Because we like you.

John Lawler: Well, thank you. No, I'll still be engaged. Of course, not as CFO after we go through Q4 when Sherry will take over, but one of the great things about this is we've been partnering really well. It's been great to have her. We're going to continue to do that as we go into next year.

Sherry House: I feel like this was really an advantaged way to do the transition. It allows me to go over and really work on the operations of the business first. Tax, treasury, accounting, those things are easier for someone to come in as a new CFO, but learning the business and being able to take the time to dive in deep has really been a privilege and helpful.

John Lawler: It's been very helpful for the company. It's been good.

Dan Levy: Thank you. I think this is a good opportunity. We're just going to start, maybe Sherry, you can talk about your background. You were previously with Waymo and Lucid. What do you intend for your agenda to be as CFO, how that might differ? And then what are maybe some of the learnings that you could provide from Waymo and Lucid that applied?

Sherry House: Okay. Just my background really briefly, I served my first 15 years at General Motors. Then I spent some time -- I was in private equity, I was in venture capital, I did banking for a bit, largely around auto and tech. But then the last 7 years I spent on the more progressive edges of auto tech. I'd been focused at Waymo on autonomy and then most recently moved to electrification. Part of what was really attractive about coming to Ford was to be able to take some of those progressive edges of auto tech learnings that I had there and potentially be able to drive it at scale. That was a major reason why I was

interested in coming here. Sure, of course you have the iconic brand, we have a strategy that enables us to really keep consumer-centric, customer-centric. I like the opportunity to be able to lean into hybrid if you need to as an operator, be able to lean into EV, to be able to lean into the ICE business. And having all of that available to you as part of it.

In terms of learnings, well, there's many. But some of them I think Ford is already well established in. One of the observations I had early on is that when you're in a startup, you have the ability to be really focused, laser-focused on what's most important. But the way that Jim sets up his strategic agenda, is he really forces our executive leadership team to be looking around corners and to be setting up what those strategic decisions need to be before you need to make them. This is very similar to the way that you're operating when you're a startup, because you're looking at quarter to quarter, am I going to make the quarter? Because it matters if you're losing money every quarter. He really keeps us on that same type of pace so that we're able to make the decisions.

I was also surprised at how much time that we spend with our peers in the leadership team. A lot of times in companies, you spend more time in your function than you do with a peer set. But given it's big strategic decisions that we need to be making at the company, being able to spend that time with the peers is incredibly important for the objective setting, to making sure that everybody is coming together as well.

In terms of learnings, there's also many other things that I would say. I think one thing that Waymo did well is they very quickly went to Arizona to do the launch and to do that fully. And they did that before they scaled across many different states and countries. I think that you see that as a strategy that Ford is using in Model e. Instead of trying to scale everything simultaneously, you take 2 products. You take the Mach-E, you take the Lightning, you get those out quickly. Maybe you don't do it as efficiently, but you gather those learning very rapidly. And that enables you to make better longer term capital decisions after you're able to identify what the friction points are. And then be able to deploy that at larger scale, which now we're doing in Europe for instance with the Explorer EV coming out and the Capri EV that just launched in October, and the Puma that's coming out after that, to be able to take those learnings as well.

The last thing that maybe I would comment on in terms of observations and learning is that when you're in companies like a Waymo, a Lucid, a Rivian, some of these companies that are more pure play, you have a design methodology that tends to be more laced up. You tend to have hardware and software and supply chain all working together simultaneously. We are doing that with Skunkworks, and I'd be happy to share more about that later in our conversation if you'd like. But what is interesting is that this is reinventing the way that Ford does design, the way that Ford does manufacturing, the way that Ford does procurement. And that is going to be a competitive advantage for us I am convinced. I thought that as I was coming in, but now that I'm inside and I'm able to see it more, you're seeing that the way that this links up enables you to reduce complexity, it enables you to reduce mass. You have more vertical integration, so you don't have all these friction points with suppliers, which enables you to have more rapid feedback cycles as well. That type of design methodology I believe is going to be what allows Ford to move into electrification more fully at scale in an affordable way.

Dan Levy:

I want to start with maybe some of the more near-term environment. Perhaps we could start with an announcement this morning that you made on some headcount reductions here. Could you just talk to that?

John Lawler:

Yeah. We all know that the biggest opportunity for Ford, or unlock for Ford is our cost structure. You've also seen, over the last 2 years, the benefits of restructuring we've taken

overseas. Started restructuring in Europe, we restructured India, we restructured South America. And the punchline to all of that is that we're now very positive from a free cashflow and EBIT standpoint versus losses that we had in the past. We're going to be aggressive in restructuring where we see the need to do so. This is another step along that line. We announced 4,000 heads coming out in Germany, largely in the UK and Germany. In Europe, largely in the UK and Germany. And we're seeing the market dynamics in EVs come along a bit slower. There's still pressures on the business there, so we're going to be aggressive and restructure it.

That's the commitment we've made and that's the commitment we're going to follow is we're going to create higher growth, higher margin, more durable and lower cap expense businesses and this is part of doing that. It's another step forward in what we're doing here on cost structure. We have to work with our social partners, but we've said that most of them are going to come out by 2027. As you know, in Europe there's a process that you need to go through and we'll follow that. We've done it in the past and we'll work with our partners.

Dan Levy: Another item that's been topical, U.S. inventory. Using some of the third party data, it was 95 days at the end of October, 91 days at the end of September. I know that part of this is sort of elevated because it's in transit or at upfitters, so it's not as high versus the targets you communicated. Could you maybe just talk about the path going forward, how you balance volume and price and how you think about that inventory target in light of the competitive environment that we have?

John Lawler: You're right, exactly. 95 days based on 611,000 gross inventory. There's about 225,000 of that is vehicles in transit and Pro vehicles. Pro vehicles, at the end of October, two things. 1) upfitters. 2), we have a lot of orders at dealers, those largely sold, that will roll through coming out of October into November. When you look at it on a retail base price standpoint, it's about 65 days. And we've said that we were going to end the year about 10 days higher than our 50 to 60-day target. 50 to 60 days is on average. End of the year we're going to be about 65 days. We have Expedition and Navigator launching in the first quarter. Now remember, Expedition and Navigator are built down in Kentucky. Super Duty is built in the same plant. When we take that plant down for Expedition and Navigator, we have to take Super Duty down, so we're going to have higher stocks at the end of the year for those 3 vehicles.

Now next year, on average, we're still going to be in the 50 to 60-day supply. Some quarters will be above that, some quarters will be right in that range or at the low end of the range. I doubt you'll see us go below 50 days, but we're going to manage that. I can guarantee you we are not going to go back to the pre-COVID levels of inventories where they were sitting in the 80 days on an ongoing basis which caused pressures on the top line. We're not going to go back to that. We're going to manage this. It's important to understand the details, but I don't want you to think that we're parsing that out to say it's okay. That's not what we're doing. We are going to manage to 50 to 60 days on average and we're going to adjust that up and down as we see fit depending on launch cycles and other things that are going on in mix of vehicles.

Dan Levy: Great.

John Lawler: Yeah, that's everything. That's it. That's ICE, that's hybrids, that's EVs.

Dan Levy: The election obviously has driven a lot of questions.

John Lawler: There was an election?

Dan Levy: Maybe Michigan was a swing state. Hopefully you voted only once.

John Lawler: I did grow up in Chicago.

Dan Levy: I think the question that's on top of everyone's mind is, we heard about potential changes to EV policy. We've heard about potential impacts to trade. And recognize there's still a lot that has to play out, but want to get some preliminary views, and let's just start with EV. Heard about potentially reduced emissions standards, higher airfield, that's already been reported as a likelihood or a possibility. How does the strategy change like that?

John Lawler: Strategy in itself doesn't change. Right? What we do is provide choice. ICE, multi energy, hybrid, plugin, HEV, obviously there will be other multi energy choices coming, and then EVs. The strategy is not going to change. We are going to provide the consumers choice. They can choose the best propulsion system that fits their duty cycle and their need.

Now, there are requirements for meeting emissions, there are requirements for meeting DEM state regulations, of course the IRA plays into it, etc. All of that is going to change. What we're doing is we're modelling various scenarios and we will adjust accordingly. I think we're in pretty good shape because we do have hybrid vehicles and we can pivot. I don't know how it's going to play out. I don't think anybody knows how it's going to play out, but it's going to change, that's for sure, and we're going to adjust based on clarity when we have clarity. Other than that, we can speculate. We have a list of scenarios that we're going through and we're modelling and that's what we're going to do for now.

Sherry House: When you think about their cycle plan, they extend longer than political cycles do, right? You have to be able to adapt. We've been adapting for 121 years to political changes, to policy changes. And what I talked about early in the outset about one of the strategic advantages I think our company has is their nimbleness as an executive leadership team. These are the things that we're studying right now. And then we're looking at all of the ancillary items as well, like what's happening with currency, what's happening potentially with inflation, and running those types of scenarios and sensitivity analyses to make sure that we're ready to be able to optimize within the situation, but not change course. We think that the course that we're on is correct, but we may need to modify in order to optimize for circumstances.

Dan Levy: Would IRA credit repeal potentially change your pricing strategy? I know there's -- it's a more limited lineup right now.

John Lawler: I think one of the things we believe is that there is going to be incredible pressure on prices next year in the EV market. It has been for the last few years, and we think it's going to continue next year. There's reports that there are going to be by 2026 150 nameplates. Will there be that many? We don't know, but there's going to be new entries. And if the IRA comes off, the consumer tax credit comes off, that means prices are going to go up for consumers which means volume is going to go down unless the prices continue to go lower.

The one thing we do know that I'll say with certainty is that consumers are not willing to pay much of a premium for EVs versus an ICE vehicle. That's been proven in the marketplace so far. With that as a cornerstone, understand and then you build your models and your analyses around that.

- Sherry House: What's interesting though is that we have found that consumers are interested in paying a premium for hybrid.
- John Lawler: That's right.
- Sherry House: And we've seen it in F150, we've seen it in Maverick. And this is where I talked about our ability and the flexibility we have to lean in in different parts of our strategy is an advantage.
- Dan Levy: The trade side of things. Again, we have to see how everything plays out, but maybe you could just remind us, we know you have some Mexico exposure, but less than others. It's Bronco Sport, Maverick and Mach-E if I recall in Mexico. What was the impact to Ford when USMCA was enacted in 2019/2020? And if there is a tariff or incremental cost of doing business in Mexico, what is the flexibility you need to have?
- John Lawler: The good news is, as you said, we are the number one producer in the U.S. That's a positive. And it's our cornerstone vehicles. We have F Series, we have Super Duty, we have Expedition, Navigator, transit vans, Explorer. It's a good footprint to have. And when we talk about some of our cost disadvantage versus competition, that's part of it. Maybe that becomes a positive going forward. We'll have to see what the level of tariff is, what we can do with that, what type of pricing we would have to take on those vehicles coming in to offset that or do you just take margins down a bit? Remember, it's 4 years and we don't know how lasting this will be. Again, as Sherry said, we need to think about things on the longer cycle and the longer arc. No good answers right now. We have to see what happens. It depends on the level of tariffs. And then based on that, we'll have to adjust accordingly.
- Dan Levy: Great. I know you -- we still have a few more months before you're going to give your 2025 guidance, so maybe we could set parameters of industry conditions and movements in business, how to think about '25. Maybe let's just start with industry assumptions. Do you have some maybe preliminary views on SAR, pricing? I know you mentioned EV pressures, but how do we think about industry as a whole going into '25?
- John Lawler: I'll start, then Sherry can jump in. Industries, the 2 big ones to look at, U.S. and Europe. We see U.S. in 16, mid 16s. We see Europe about 15 million units. Pricing pretty much turned out the way we had talked about last year at this time I think. We said we thought as an industry we'd see about a negative 2% negative pricing. I think you're going to see it in that range for the industry again in 2025.
- Again, we're going to continue to have pressure on the topline given that supply and demand is back in balance. We did a bit better this year on the topline than we had expected, largely due to the strength in Pro and mix. We have new vehicles coming out next year, Expedition, Navigator. We have some changes on Bronco, Maverick. That might be a partial offset to what we see in the topline pressures. We do expect, as I said earlier, for EVs there to be pressure on the topline. If you look at EVs since the first quarter of '23, volume is up what, 35%?
- Sherry House: It went to 34% to 35%.
- John Lawler: And the revenue is flat. \$14 billion of revenue even though volume is growing. I don't think we're going to see a change in that trend, so there's going to be topline pricing pressure.

- Sherry House: Yeah. If you look at our Q3 Model e, volume is up, pricing continues to go down, and so it's that leveling that we were still able to eke out a bit of improvement versus the prior quarter. But this is what we're managing day in and day out.
- John Lawler: And so then, Dan, I think the most important thing for us next year is costs flowing through to the bottom line, cost reductions. Getting after the \$7 billion of costs that we have relative to competition, and that's the big unlock for us.
- Dan Levy: When we think about these product launches that you said, Expedition, Navigator, somewhat Bronco and Maverick, how do we think about the puts and takes within the profit plan? Is this, hey, there can be some price benefit offsetting topline industry pressures? But is there incremental costs that you'll absorb from these new launches?
- John Lawler: One of the things this year, take this year for example, we took out \$2 billion in costs out of material and the manufacturing and supply chain systems, freight and duty, etc. But we also had some headwinds that hit us on warranty and we had headwinds on inflation in Europe through our joint venture with Otosan. But the good news is that we took the \$2 billion out. We should see, again this year, progress on our costs coming out. But we need to see that flow through to the bottom line and that's what we're focused on.
- That's where we're headed. We did see costs go in on new products in 2024. And with the new products coming in next year, there will be some added costs. Now, going forward after that, what we're working to do is to design the vehicles so that when they come out, we come out with a new vehicle, we don't have the big cost increase. We have to find the offsets upfront to offset emissions and regulatory requirements that add costs in traditionally, but coming out with the vehicles at the same cost or lower cost I think is going to be a big unlock for us as we go forward. And that's what Kumar and the whole industrial platform is working on right now.
- Sherry House: I think what's important though is to be able to show that we built the muscle to be able to reduce costs. We've done it across the enterprise. We've also done that very specifically within Model e. In Model e this past year, we had over \$1 billion in cost reductions. That was material costs, it was some of the supply chain costs that John just referenced as well. And that's what we're going to continue to do. That muscle is being built and it needs to continue to be exercised in the years ahead. Good news is that we see opportunity to go after there.
- Dan Levy: Another aspect of cost warranty that's obviously eliminated a lot of the questions, maybe you can give us a sense, when we add it all up in 2024, how much was -- has this headwind tracked at? And how do we think about framing how much of this has been inflation related versus just sort of ongoing service actions on previously produced vehicles? How much of this does theoretically nonrepeat in 2025?
- John Lawler: About half of it was inflationary and half of it was physicals related when you look at the warranty costs on a year over year basis.
- Sherry House: But when you go after the inflationary, there's also innovative ways to go after that. One of the things that we have done is to use more frequently over the air updates. You've seen us on 4 million vehicles this year doing over 20 million over the air updates. This is a way to reduce the costs when you do have something that can be repaired by an over the air update. You see us really learning that better. We've got a much larger part of our fleet park, our car park that is now enabled that you're able to do over the air updates with. And we're also pushing some of that into the dealers. If in the case where something has to be done at a dealer, we're moving to this more pushbutton ability to flash a vehicle

which is bringing costs down on a repair basis. Which ultimately, when you're looking at repair times repair costs, number of repairs into repair costs, it's bringing and shrinking that down. There's innovative and very tactical steps that we're taking to address that inflation. It's not that it's just a foregone conclusion that it's going to exist. There's things we can do to back off of that.

Dan Levy: You're taking the steps. I think hopefully that provides some green shoots on the new vehicles. But can we get a sense for -- how do we get comfortable with the magnitude of recalls that we've seen on previously produced vehicles? When does that eventually start to flatten? Any color on that?

John Lawler: That's a great question. We've been working feverishly as you would expect to run predictive models on what we think is going to happen with the field service actions. I can't tell you with confidence that we're through everything, because we don't know what we don't know relative to what could potentially fail. But we'll react quickly. Given that things can happen, what have we done to help mitigate the impact of that? We have a whole process in place where we react to them much quicker so that we can, if it's in production, cut it off very quickly. But if it's been on past vehicles, that we can get out in front of it and we can work on getting the lowest cost repair possible and get through them quicker so that we have them behind us.

I wish I could give you an absolute yes, we've been through the peak, that we won't have any more on past models, but that's not anything that we can do because we don't know what we don't know. I would like to think that we're through a majority of the issues and we're tracking very carefully the rate and pace of change depending on the cycle derivative we need to look at and what's happening with the older models. And as we gain confidence that that's slowing, we'll be able to talk about that.

Sherry House: I would say in addition to what John just said, kind of focused on the here and now, tracking things like zero MIS, 3 months in service, these types of things, we're also looking backwards. And we're saying where earlier in the development cycle can you take more action, can you make sure that you've got KPIs on some of these core things that can later contribute to a warranty event? I used to be an engineer. I was a designer and lease engineer very early in my career. But some of the things that you do as you do these design and failure modes effect analysis is you go out to your suppliers and you do the production part approval processes. You make sure that they can run at rate. You make sure they can get the yield quantities out. And so, what we're doing in a very systematic way, and Liz Door, our supply chain leader, is really leading a lot of this, is making sure all of that is happening and that we're tracking it on a monthly basis with KPIs. That gets ahead of it so that hopefully it never becomes a warranty event. Now we realize that the effect of that is going to be years down the road, but you have to be doing that at the same time as you're addressing the current situation.

Dan Levy: To put a bow on costs, you talked about the \$7 billion cost gap versus your competitors. Is there anything that structurally prevents you from narrowing that gap?

John Lawler: No. Absolutely not. We need to make progress on that. There's nothing -- one thing -- footprint. Maybe it's footprint. We've said in the past that it's \$3 billion to \$4 billion of warranty, roughly \$2 billion in material, and about \$1 billion of footprint. Footprint could affect that gap.

Sherry House: Even backing change over time, but it takes time.

- Dan Levy: Let's talk about EVs. You talked about, you hinted at some opportunities on tax credits from IRA. Maybe you could just walk us through where are you right now? Do you have any benefit? And how does this play out over time?
- Sherry House: The production tax credits right now, we do receive it on the battery modules for the Lightning. We don't receive it for the Mach-E today. As we're moving forward, we do have plans in place. You might have seen announced that we did a deal with LG to be able to move our production of batteries from Poland to Holland, Michigan that will enable an unlock for the production tax credit. You also know that we have our BlueOval manufacturing site that's going into Marshall. Eventually that will provide for the full production tax credit to people at the sell level as well as the module level. On the consumer basis, our Lightning enjoys it today. The Mach-E doesn't today. There is various levels of where we're advantaged in using it today versus where we will in the future. It's a mix.
- John Lawler: Right. If it goes away, it's less of an impact for us than potentially those that get a full ETC or CTC.
- Dan Levy: Another question on EVs. On Europe, 2025 is a sharp step up in emissions compliance requirements. How are you positioned right now and how do you weigh out the different opportunities or options to achieve compliance between pooling or more EVs? And if the consumer demand isn't there for EVs, how do you manage that?
- John Lawler: Well, of course the levers we have are, sell more vehicles, so we're launching Explorer and Capri right now --
- Sherry House: Next year.
- John Lawler: And that's a positive on that end. We are pooling where we see fit. And as we've said in the past, we'll look at all the levers we have and we will optimize for profits across those levers. We'll do the same thing in Europe as we're doing here and that is to optimize based on where the level of demand is, the pricing to clear that demand relative to the cost of pooling or other means of meeting compliance. We will be compliant, but we'll work to optimize that across the levers we have.
- Dan Levy: Let's pivot to Pro and then I'll open it up to folks. Maybe you could just give us some context on the margins in Pro, and specifically on pricing. We've seen incredible run on Pro pricing. How sustainable is this? How much of this pricing is contractual versus spot so to speak? And 3Q saw a step back on margins, sort of 11%, 12%, 11.6%. You were operating previously at that mid-teens target. Give us a sense on the puts and takes on Pro.
- John Lawler: We're seeing strength continuing in Super Duty and Transit, in the vans primarily on the stripped chassis. That's continuing to be strong. Some of the ancillary products within Pro, it's not just Super Duty and Transit, we do sell other fleet vehicles, key fleets. You'll have things like Explorer come along with that, and so we're seeing more pricing pressure there as you would expect.
- But overall, Pro still has a lot of upside. It's a strong business. We're seeing incredible growth as we move towards a solution sale. Paid subscriptions are up about 30% this year. Margins on paid subscriptions are over 50%. And I think the future for Pro is the moats that we're building and the approach to our consumers, commercial customers. And that's the great thing about the segment too is we're focused in on what the needs are

for those specific commercial customers. And it's providing them the fleet management, the software product, and the opportunity there then that over time will be the unlock on share of garage, and share of wallet. And we're starting to see that we're gaining traction in both of those places.

- Sherry House: We also have the largest commercial dealer network in America which is enabling the services part of it. You talked about software, which is growing over 50% year over year on a revenue basis, but then you also have the whole dealer network that's an advantage.
- John Lawler: There's lots of puts and takes within that business and we're very bullish on where we can hear with Pro and the upside there. We're going to continue to build up the moats and we're going to continue to build out those competitive advantages.
- Dan Levy: Can you talk to electrical architecture and how that plays into the software side?
- John Lawler: Yeah. We're continuing to progress electrical architectures with each new product. We go to the next level of electrical architecture which makes the vehicle more capable from a software enabled standpoint. And so, when we launch our next generation of commercial vehicles, it will have the next generation of electrical architecture and there will be a bigger unlock.
- But we're doing things today, if you look at that solution sale that we can do from a fleet management standpoint, that are really accretive to customers. Like we can control the vehicle. Those that don't have access to the vehicle the way we do, just have a keypad or a dongle that they plug in, they can't control how long the vehicle idles. They can't shut the vehicle off. They can't do limits on speed. They can't give feedback on braking or how the vehicle is being driven. Start/stop, turning the vehicle off where it can't be started. All of these things it unlocks help fleet managers manage the vehicles in a better way. And that's available today. And there's going to be increasing features that are supplied as we go through time. Safety, security, etc.
- Dan Levy: Questions in the room?
- Unidentified Speaker: Going back to the point it would take \$3 billion to \$4 billion to \$7 billion? For the vehicles you're producing in 2025, where are you relative to the competition? You're talking about this gap, right? I'm just trying to figure out where our starting point is, what you're producing today. Maybe use 2024, just as a reference point.
- John Lawler: When you look at it, one of the things that we measure is 3 months in service. Things gone wrong in 3 months of service. That's improved about 35% on a year over year basis. Two years. Over the last 2 years, it's improved 35%. That's the indicator. That correlates higher, there's a higher correlation there with high time in service, so that's the initial leading indicator that the quality is getting better. Again, launches, spikes during launches, that's improved as well. Those are the leading indicators. Warranty cost is going to be a lagging indicator. And that we need to see those leading indicators improve and then warranty costs will come down over time. Simply, the vehicles we're producing today, the quality is 35% better than what it was 2 years ago and we're going to continue to work on improving 3 months in service as the leading indicator of where the quality is.
- Unidentified Speaker: It's all relative, so is that 35% improvement maybe like half the gap with your peers?
- John Lawler: When you look at JD Power, they rank. And I think we improved 9 spots in the last ranking and I think that puts use in the top third. From bottom third to the top third.

Dan Levy: Let's talk quickly about capital allocation, free cashflow. Maybe you can talk about the CapEx side. Do you see any opportunities for reallocating spend? And if there's a longer tail of ICE and EV policy changes, how does that change the CapEx side? Is an extension of ICE platform fairly capital efficient for you?

John Lawler: Yeah, we haven't backed off on investments in ICE. We still believe that there's a long tail to the ICE business, especially for the larger vehicles. As we've talked about in the past, the application of batteries to large vehicles, the physics doesn't work, it's not in favor. And so we think that for trucks, vans, large SUVs, the ICE business is going to go on for quite a while. And that's why we pivoted into Skunkworks as well. We'll have offerings for our customers because our commercial customers will be required to have electrification sometimes for access for the balance of their fleet, etc. But we think there's a long tail to ICE and we're continuing to invest in ICE.

Dan Levy: I want to just wrap with one on Skunkworks and the path to driving EV costs lower. You comp, or you've talked a lot about comping a lot to the Chinese who have a very clear cost advantage versus the rest of the industry. How do you replicate that going forward knowing that you do not have the same supply chain benefits that you have in China? And how does the Marshall, Michigan plant factor into that?

John Lawler: I'll start and then Sherry can jump in. Two things. Marshall will, when up and running, be the lowest cost sale act in the U.S, available in the U.S., so that's one. Number two, the Skunkworks team has benchmarked what a Chinese competitor could produce in Mexico. Their challenge is to be cost competitive with that. There are different things that we can do. Will they have a lower cost of battery? Yes. Their battery costs will be lower than what we can achieve because they are very vertically integrated and they've been at it for quite a bit longer. But there's thing that we can then do to optimize to be able to get the same performance for a similar vehicle with a smaller battery. And that's what we're seeing. There's ways that you can go about finding opportunities to get to lower costs.

The other things is, part of that is going to be utilizing some of the new suppliers that are emerging as well in Mexico and in other areas. And so, then the third point, and I'll let Sherry talk about this a bit deeper, because she's seen this at her old companies and she's seen what Skunkworks is doing about that integrated process and the new integrated design process that's allowing us to get to a much more efficient design.

Sherry House: Yeah, and I'll just pick up where I left off earlier. I talked about the fact that you're co-locating your manufacturing engineers with your design engineers, with your supply chain. And it's just allows this ability for the hardware to be optimized for the software, for the software to be optimized for the hardware. When you're not outsourcing these things, you're not taking something off the shelf that someone else is producing. You are making something that is efficient as possible in a design as pure as possible.

Also, you're not having to wait and have longer time periods for the design as well. All of this translates into costs over time because you get engineers on task for a longer period of time if you're not shrinking the time as well. You've got this basically improved cycle time, you have this efficiency that comes out. John spoke to the efficiency in the overall product design, so you're actually optimizing voltage, you're optimizing aerodynamics, you're optimizing mass. And a lot of what they're doing is driving simplification. They're ending up with fewer parts, less mass. Fewer parts means less things that you have to manufacture. Less things and less parts that you have to bring line sight into manufacturing plants so that reduces your logistics costs. You just keep building on these small efficiencies that when taken at scale and when taken across the entire product development cycle, actually make a very large difference. And then also, just case in

point, why do we believe that our costs are going to better? It's because we're 70% already sourced, so we know what those numbers are on this next program that we're launching.

Dan Levy:

I think we can leave it there. Great, John. Sherry, congratulations on your new role.

Sherry House:

Thank you.