

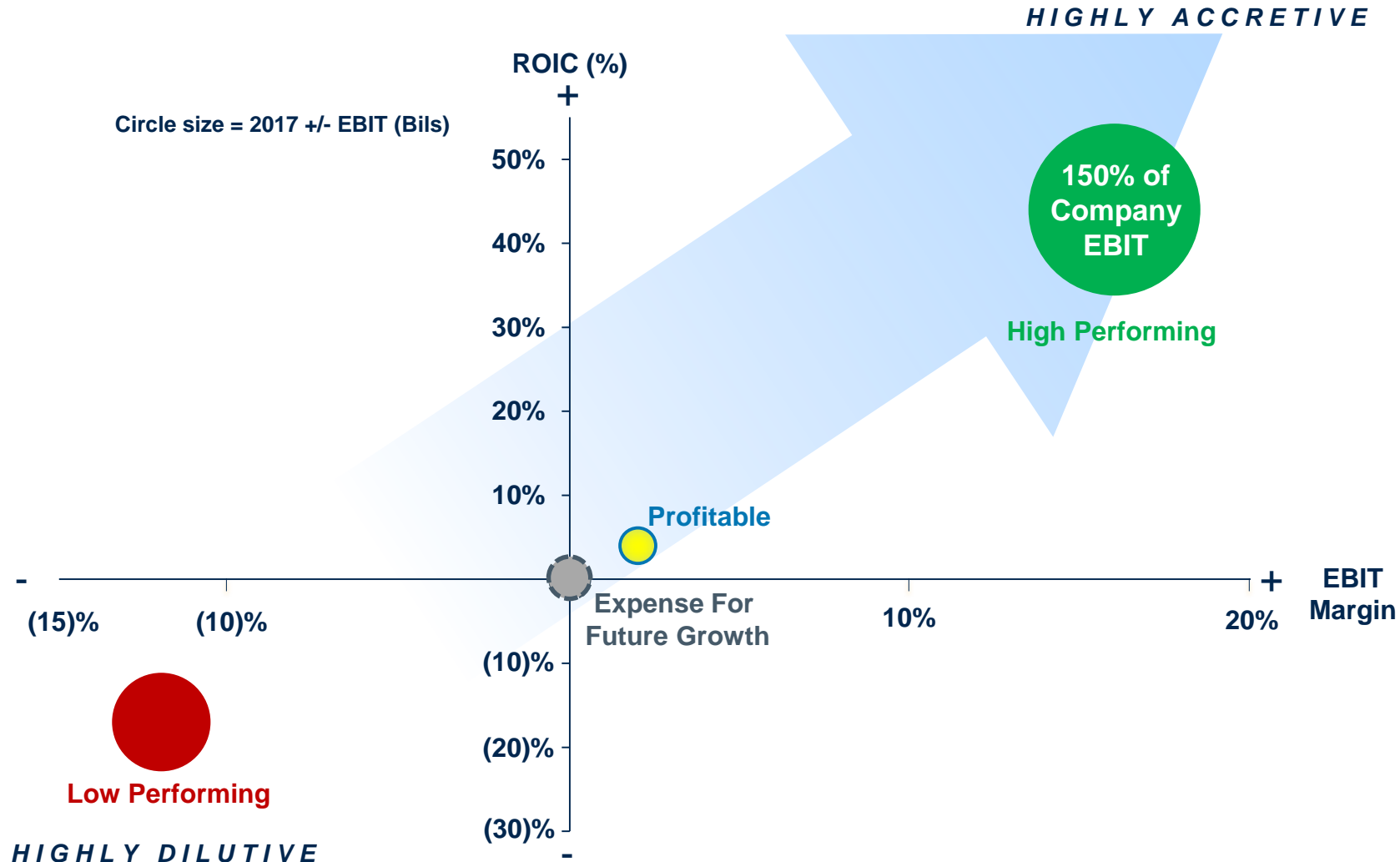


# **Bank of America Merrill Lynch 2019 Auto Summit**

Jim Baumbick  
Vice President  
Enterprise Product Line Management, Ford Motor Company

April 17, 2019

# Driving Capital Allocation To High-Margin, High-Growth Businesses

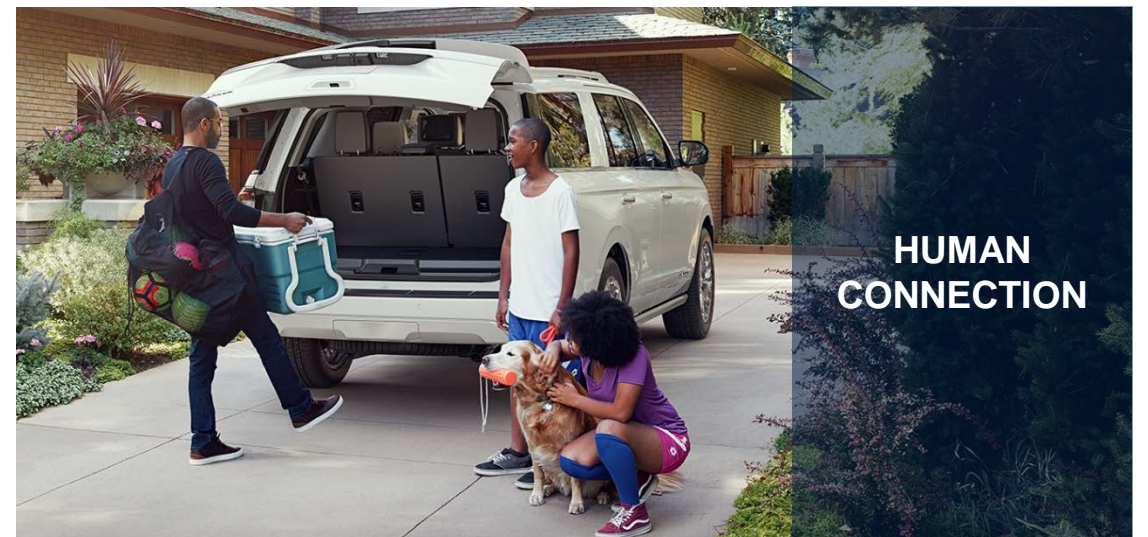


- Utilizing Product Line Management to take necessary actions, with urgency, to optimize portfolio and drive profitable growth with appropriate returns
- Raising the returns of underperforming assets where we can via fitness and alternative business models
- Shifting capital to higher-return businesses and investments



Note: All references to EBIT and EBIT Margin are on an adjusted basis






# Leveraging Ford's Strengths





# Migrating To A Product Line Management Focus

## Successful Businesses

F-Series		➔	<b>#1</b> full-size pickup globally
Ranger		➔	<b>#2</b> medium-size pickup outside U.S.
Transit		➔	<b>#1</b> cargo van globally
Explorer		➔	<b>#1</b> America's all-time best-selling SUV
Mustang		➔	<b>#1</b> sports coupe globally

## Eight New Product Lines

- 1 North America Truck
- 2 Global Truck
- 3 Commercial Vehicles
- 4 Utilities & Passenger Vehicles
- 5 Icons
- 6 Luxury
- 7 Electrified Vehicles
- 8 Emerging Markets

**Based On Ford's Most Successful Vehicles, We Are Scaling  
The Product Line Management Focus Across Our Full Portfolio**

# Migrating To A Product Line Management Focus

## Successful Businesses

F-Series



Ranger



Transit



Explorer



Mustang



## Common Elements Of Success

**Affinity for the product line:** Team members wake up living and breathing the product line

**Empowered teams:** Autonomy to make decisions and respond to rapidly changing market conditions to **optimize business outcomes**

**Deep customer intimacy:** In-market presence and deep customer understanding with a **human-centered design approach**

**Continuity over time:** Team members involved and learn from the same product line **over multiple lifecycles**

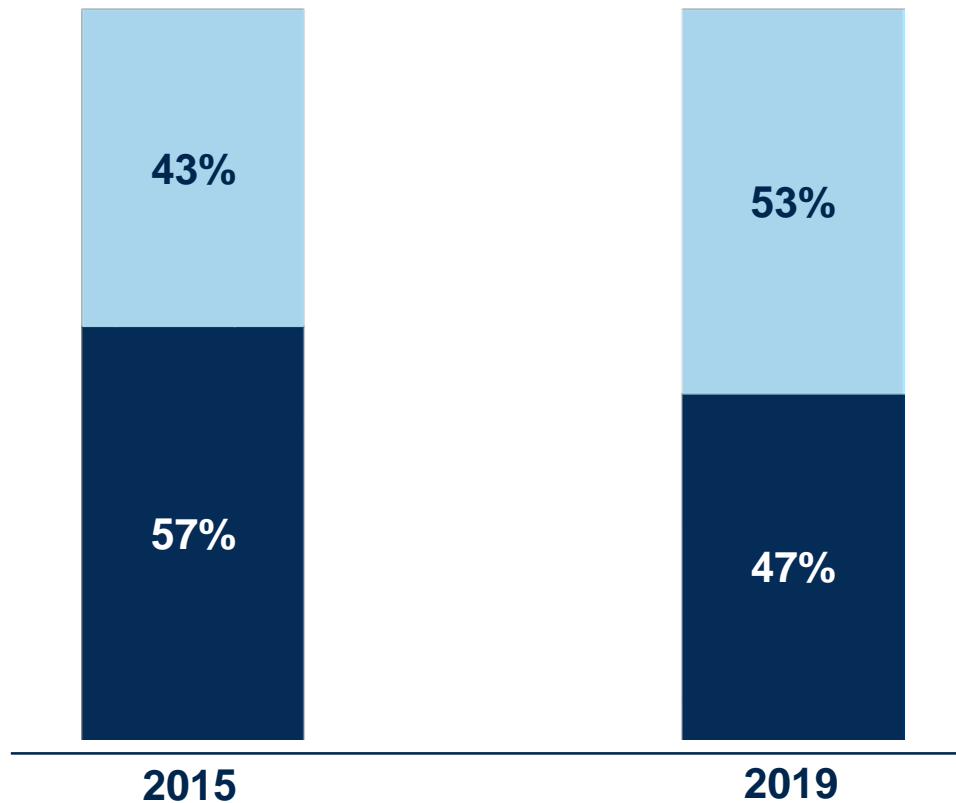
**Well-understood Franchise DNA:** Customers and Ford teams know **what the product line stands for**

Common Elements Of Success Will Change The Way We Work

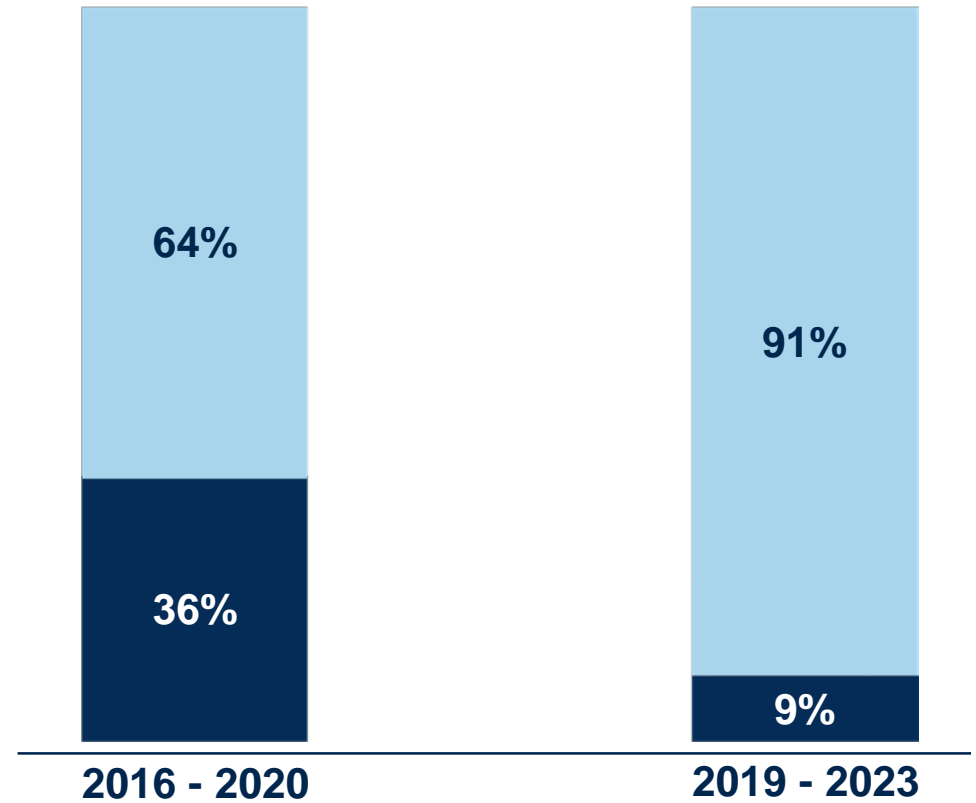
# Shifting Spending To Successful Truck, Utility And Winning Businesses

Global Industry Segmentation (% Of Total)

Truck / Utilities  
Car



Ford Capital Allocation Shift (% Of Total)



# Changing How We Work

## Operating Model and Key Objectives

### FROM

- Traditional customer research
- Hierarchical formal decision-making
- Subsidized underperforming product lines



### TO

- Deeper customer insight – design-thinking
- Agile and streamlined decision-making
- Making shrewd choices

## Drive Stronger End-to-End Business Results



**We Are Driving Strong Business Results Using New Operating Models End-to-End Along Product Lines**

# Deepening Our Customer Relationship And Growing Moats Through Human-Centered Design Thinking



Ford's Experience Designers analyzed a courier's typical day and identified ways to enhance human performance to save seconds each time a drop was made. Operator fatigue was reduced and efficiencies realized



Safely **shutting down, securing** and **re-starting** a modern van can require as many as **50 actions per drop**

**Illustrative Example:** **15** seconds saved per drop x **80** drops per shift = **100** minutes saved per week = **850+** extra drops per vehicle, per year  **\$2K** salary savings per driver, per year

**Human-Centered Design Enhances Partnerships With Our Customers To Make A Successful Business Even Better**



# Improving Our Successful Commercial Van Business

## Transit Family



## Growing Leadership Position



NA

**#1** Brand  
Outsells next competitor 2:1



EU

**#1** Brand  
Leveraging relationships to improve  
an already strong business

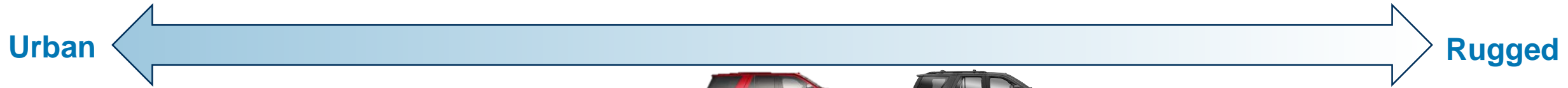


China

**#1** Brand  
Poised to grow in wide-body  
bus and van

**We Are The Global Leader In The Commercial Van Segment;  
Our Product Line Focus Will Drive Continuing Growth**

# Expanding Our Portfolio To Preferred Segments



Large  
Small



## SHARPEN

Sharpening our focus to be more expressive in Urban Active and performance oriented utilities

## FORTIFY & GROW

Maintain core offerings and capture growth with emotive sport and off-road offerings

## CONQUER

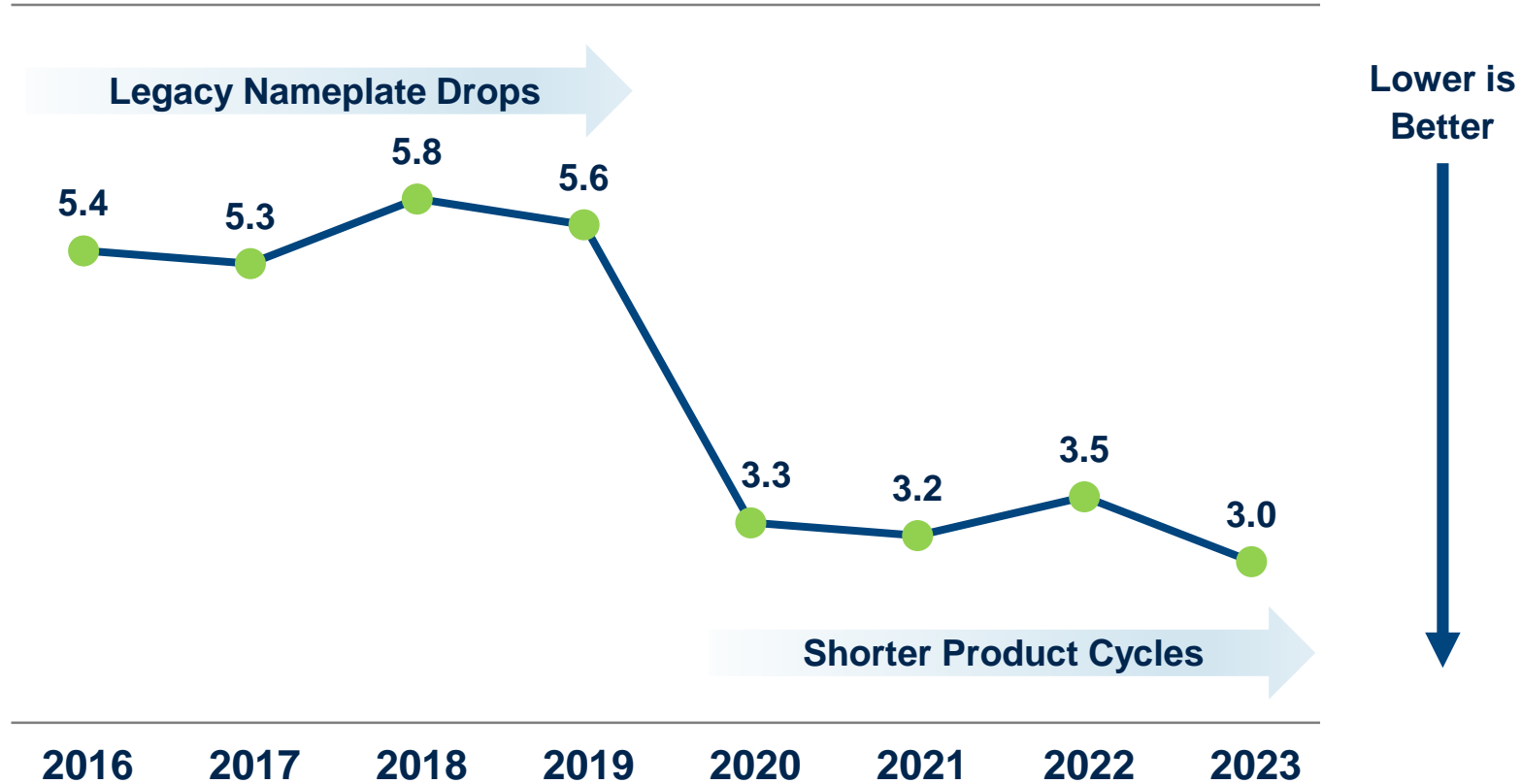
Aggressively re-entering the off-road adventure space that we helped create



= portfolio expansion

# Transforming Our Product Freshness Portfolio

Ford U.S. Passenger Vehicles  
Average Age of Portfolio (Years)



## Improved Short-term Approach (2018 - 2020)

- Significant new Utility product introductions
- Elimination of legacy Sedan nameplates

## Enhanced Long-term Approach (2020+)

- Shorter product lifecycles, with a longer outlook on nameplate direction
- Customer / competitive-driven cadence actions



Note: Mid-Cycle Actions not included; non-volume-weighted assessment

# Allocating Capital To Win – Michigan Assembly Plant

## 2017 Products (200K Units)



C-MAX



Focus

## 2017 vs. 2021 Improvement

**\$1B+  
EBIT**

## 2021 Products (200K+ Units)



Ranger (2019 launch)



Bronco (2020 launch)



# Benefits Of Product Line Management

- Capital allocation informed through strategy – making choices
- Leverage franchise strengths
- Expand portfolio to preferred segments
- Grow moats with a relentless focus on customer use cases
- Increase speed to market
- Transform product freshness

**Allocate Capital To Where We Can Win – Higher-Return Opportunities**



**Q&A**

# Cautionary Note On Forward-Looking Statements

Statements included or incorporated by reference herein may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on expectations, forecasts, and assumptions by our management and involve a number of risks, uncertainties, and other factors that could cause actual results to differ materially from those stated, including, without limitation:

- Ford’s long-term competitiveness depends on the successful execution of fitness actions;
- Industry sales volume, particularly in the United States, Europe, or China, can be volatile and could decline if there is a financial crisis, recession, or significant geopolitical event;
- Ford’s new and existing products and mobility services are subject to market acceptance;
- Ford’s results are dependent on sales of larger, more profitable vehicles, particularly in the United States;
- Ford may face increased price competition resulting from industry excess capacity, currency fluctuations, or other factors;
- Fluctuations in commodity prices, foreign currency exchange rates, and interest rates can have a significant effect on results;
- With a global footprint, Ford’s results could be adversely affected by economic, geopolitical, protectionist trade policies, or other events, including Brexit;
- Ford’s production, as well as Ford’s suppliers’ production, could be disrupted by labor disputes, natural or man-made disasters, financial distress, production difficulties, or other factors;
- Ford’s ability to maintain a competitive cost structure could be affected by labor or other constraints;
- Pension and other postretirement liabilities could adversely affect Ford’s liquidity and financial condition;
- Economic and demographic experience for pension and other postretirement benefit plans (e.g., discount rates or investment returns) could be worse than Ford has assumed;
- Ford’s vehicles could be affected by defects that result in delays in new model launches, recall campaigns, or increased warranty costs;
- Ford may need to substantially modify its product plans to comply with safety, emissions, fuel economy, and other regulations that may change in the future;
- Ford could experience unusual or significant litigation, governmental investigations, or adverse publicity arising out of alleged defects in products, perceived environmental impacts, or otherwise;
- Ford’s receipt of government incentives could be subject to reduction, termination, or clawback;
- Operational systems, security systems, and vehicles could be affected by cyber incidents;
- Ford Credit’s access to debt, securitization, or derivative markets around the world at competitive rates or in sufficient amounts could be affected by credit rating downgrades, market volatility, market disruption, regulatory requirements, or other factors;
- Ford Credit could experience higher-than-expected credit losses, lower-than-anticipated residual values, or higher-than-expected return volumes for leased vehicles;
- Ford Credit could face increased competition from banks, financial institutions, or other third parties seeking to increase their share of financing Ford vehicles; and
- Ford Credit could be subject to new or increased credit regulations, consumer or data protection regulations, or other regulations.

We cannot be certain that any expectation, forecast, or assumption made in preparing forward-looking statements will prove accurate, or that any projection will be realized. It is to be expected that there may be differences between projected and actual results. Our forward-looking statements speak only as of the date of their initial issuance, and we do not undertake any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events, or otherwise. For additional discussion, see “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2018, as updated by subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

