## Management Discussion

**Andrew Prococco - Analyst, Morgan Stanley**
Good morning, everyone. For those that don't know me, I'm Andrew Prococco. I cover autos here at Morgan Stanley. Very excited for our next conversation with Mike Aragon, President of Integrated Services at Ford. So thank you for joining us this morning. Yeah,

**Mike Aragon - President of Integrated Services, Ford**
Thanks so much for having us back at the conference this year. Of

**Andrew Prococco - Analyst, Morgan Stanley**
Course. Appreciate

**Mike Aragon - President of Integrated Services, Ford**
It.

## Questions & Answers

**Andrew Prococco - Analyst, Morgan Stanley**
Before we just get started, just a quick disclosure here. So please see the Morgan Stanley research disclosure website@www.morganstanley.com researchdisclosures. If you have any questions, please reach out to your Morgan Stanley representative. All right, so maybe just to kick us off, you're 18 months into the job at Ford, your career, you've been merging hardware and services and software across various other end markets. Maybe just discuss what you've learned. And you know what, you don't think the market might not be appreciating in terms of the opportunity at Ford when it comes to services and software?

**Mike Aragon - President of Integrated Services, Ford**
Yeah. When I came into Ford, there was, as I was going through the interview process, especially somebody not from automotive, brand new, mostly from the tech space. You know, one of the things that we didn't, I didn't see a lot of chatter about was Ford Pro and the fact that we have incredible hardware through super duties and transit bands that are commercial customers customers love, but this growing software platform on top of it, where we were getting a lot better at taking vehicle signals, prognostics and then closing the loop with physical service, which really adds a lot of value to our customers.

So that was one sort of area that I just felt was underappreciated. And what was exciting to me about that was that's a problem that travels pretty well to the retail side of the business. And so a lot of room to grow as we expand, expanded from just mostly a commercial focused initiative to more bringing that sort of same thinking and product development to the retail side of the business as well.

**Andrew Prococco - Analyst, Morgan Stanley**
That makes sense. And what surprised you the most? Is it the opportunity for Ford on the Ford Pro side? Is it BlueCruise as it relates to autonomy? Like, as you really dug into the weeds of everything Ford has built? Like, what surprised you the most as you've really started to do your work over the last of years? Couple few months.

**Mike Aragon - President of Integrated Services, Ford**
Honestly, the thing that surprised me the most, again, because I was an outsider coming in and a lot of my tech friends are like, oh, you're going to auto, you know, and there's a perception that as a 120-year-old company where are these companies going, especially with all of the competitive threats and sort of the macroeconomic threats. The thing that surprised me, pleasant surprise, was the focus and dedication on transforming our company. You know, we're 120 year old company and so. And it starts at the top with Jim.

I'm sure you've gotten to know Jim a little bit, but what you see is what you get with him. He's all in on the transformation of Ford because he sees us as this is our ripe opportunity to set us up for the next 120 years. And so it was a pleasant surprise that, you know, the company at the top gets it and it permeates down into the leadership team. And so all of my peers on the leadership team completely bought in. So I would say pleasant surprise just because I was hoping to do that. And that's the organization I wanted to be a part of.

But we're doing it and again, we're doing it with a pretty intense focus.

**Andrew Prococco - Analyst, Morgan Stanley**
Yeah, it's great. And when you think about executing the, you know, the growth in this business, I think you guys have disclosed 1.6 million paid subscribers growing at a very healthy clip. How should we think about the true addressable market as it relates to adding these services both on the pro side of the business, but also on the retail side of the business. And you know, how quickly can you actually increase that subscriber base? Is there hardware integration that needs to happen? Just maybe talk through

**Mike Aragon - President of Integrated Services, Ford**
The

**Andrew Prococco - Analyst, Morgan Stanley**
Addressable market and what it takes to get. So I

**Mike Aragon - President of Integrated Services, Ford**
Want to start with that 1.6 million subscribers because a lot of other OEMs look at it a little bit differently. That 1.6 million is just customers who choose to subscribe after they purchase the vehicle. You know, there are other ways to look at it. You can look at included with duration as part of that. You could look at trials as part of that. I know some of our counterparts in this space look at it that way. Nothing wrong with either option. We just want to look at early signals in terms of product market fit.

And so we see that as a signal if a customer has chosen to do this, it's not bundled. Pretty good sign of product market fit. So that's why it's an important metric for us. It's kind of a. Because we have so many products, it's a little bit of a tough question to answer, but I will give you a subset of that answer with a specific. So with BlueCruise we have 1.5 million vehicles that are part of the install base and of that, we have 530,000 customers who subscribe through us. And that's growing at about 40% year over year.

Of that 530, 200,000 are part of that cohort. I was just talking about the people who subscribe after the fact. And that's growing at 170% year over year. And so what you're seeing, what we're happy about, is that indicator, early leading indicators that product market fits, really starting to take on, especially as BlueCruise continues to get better with new features very regularly, every, every,

every year. The way I think about the. To answer your larger question, the broader opportunity, our job is to do a few things.

One is to grow integrated services. And so you see that, you'll see that number continue to grow. But if we do our jobs, taking all the vehicle health signals, looking at our customer behavior, solving real problems for them on the parts and service side, you're going to see us pull in more of that aftermarket back to Ford. Right. A lot of that escapes. A lot of OEMs have this problem or a lot of that aftermarket escapes to individual shops or some of these larger companies out there that do that.

And so we want to pull that in. But then the third component is if we do those first things really well, integrated services as indispensable and then pulling in more of the aftermarket, that next vehicle is going to be a Ford vehicle. And so we've earned their loyalty. And if we do those three things well, I think the total addressable market as from integrated services contribution, it's going to be a full force multiplier for Ford.

**Andrew Prococco - Analyst, Morgan Stanley**
And so it sounds like the attach rates are pretty healthy on some of these services today. I guess for the people that don't decide to, after the trial period, move to the subscription, whether it's BlueCruise or any of the other services that you offer. What's the reason, if you have any maybe view or insight into like the usage, are they just not using it during the trial period and therefore they're electing not to buy it? Are they just mostly driving kind of commuting point A to point B where they're not really using.

**Mike Aragon - President of Integrated Services, Ford**
It really depends. It depends on the cohort, general patterns of what we see. Maybe you're really rural and you're just not near any blue cruise zones. So there's just not a lot of opportunity. That's one cohort. And that makes sense for, you know, you got. We serve a lot of farms and sort of very remote locations. So Sometimes that's the case. Other times, yeah, you're in cities and you got short commutes and so that, you know, you're not on the highways that often. So there's a variety of reasons.

And then sometimes it's cost, especially given where the economy is for some segments of our customers. So it's a little bit of a mix of all those reasons.

**Andrew Prococco - Analyst, Morgan Stanley**
And when you think about, I think the interesting thing about software is that as long as you have the hardware on the vehicle, maybe the consumer at some point down the road might decide, okay, the technology's gotten good enough, I want to turn it on

**Mike Aragon - President of Integrated Services, Ford**
And

**Andrew Prococco - Analyst, Morgan Stanley**
Really experience that.

**Mike Aragon - President of Integrated Services, Ford**
Yeah. How

**Andrew Prococco - Analyst, Morgan Stanley**
Do you think about democratizing the hardware across vehicles? There's an added cost associated with that. You can either say, okay, customer A, you have to pay for that if you want it, or you could say, you know, we, Ford will bear that cost up front knowing that we'll have an opportunity down the road to benefit from that as customers decide to turn on that subscription. So how do you think about that internally in terms of, of what the process

**Mike Aragon - President of Integrated Services, Ford**
Right now, especially in this environment, it's really important for us to be meet our customers where they are in the journey. And we know a lot of, there's a lot a larger cohort of our customers where affordability, that's the number one factor. And so when we think about some of this hardware, especially the more expensive hardware, we need to keep it affordable on the lower level trims. And so we don't try to standard, we don't standardize, we don't try to push that because we want to meet them where they are in that journey.

On the middle and higher level trims, we see a lot higher propensity or willingness to purchase. And so that's where we try to standardize our software, especially BlueCruise. We also do look at the vehicle trims. And so I have a good example. Ford Fathom is launching, It's a sub $30,000 vehicle. It's considered affordable. But the cohort of customers that we're seeing there are going to be very tech forward, younger, just have a lot of expectations. In addition, we are dealing, we're, you know, we have some competition who are a little bit more bare bones.

And so we see ourselves is in a really good advantage spot here where we are going to make that available to every single vehicle. One, because the customer seems like they're the ones that would want it and two, because it distinguishes us against from products that are, you know, don't have quite the number of features that we believe we're going to be able to pack into that Ford Fathom for sub for under $30,000.

**Andrew Prococco - Analyst, Morgan Stanley**
Yeah, it's like a really interesting dynamic in terms of the strategies that OEMs are taking in terms of. Of layering that hardware in versus making it more of a bundle package. And I guess when you think about it, you mentioned the Fathom as being, you know, a vehicle where it's going to be standardized.

**Mike Aragon - President of Integrated Services, Ford**
But

**Andrew Prococco - Analyst, Morgan Stanley**
As you think about the broader integrated services opportunity, whether it's an F150 or, you know, a Mach E, a retail kind of focused vehicle, how do those services. What's the opportunity? How does it differ across those vehicle types? Yeah, if you just maybe elaborate. Yeah,

**Mike Aragon - President of Integrated Services, Ford**
Yeah. So in the near term, the. The experience is going to be different between our EVs and our F150s. And that's actually a good thing for the business. And the reason why is because with uav, which is Fathom launching next year, we're launching a couple of things that are homegrown. One is our electrical architecture. That's homegrown. So traditionally we had used multiple suppliers for components like IVI and adas and audio, and now we're going to consolidate that into our homegrown platform, single compute platform.

So that's great. And what's great for the customer, from their perspective, what they're going to get a lot more frequent OTAs, a lot more features in general, because it's easier for us to do this instead of having to coordinate across a bunch of disparate organizations. And then it's going to feel a lot more cohesive because we're able to think about it as an ecosystem and tie those various components together a lot easier than it is if you had multiple partners doing it. So customer experience is going to be great.

But the thing for Ford and for customers is because we're building this in house, margins can be a lot better. It's a lot more economical for both of us. And so the experience is. Is. Is going to feel, you know, the margins just improve on that one. I think one of the things I'm also excited about is this new electricity architectural be on 90% of our vehicle fleet by 2030.

**Andrew Prococco - Analyst, Morgan Stanley**
And you mentioned building that in house versus outsourcing some of that technology.

**Mike Aragon - President of Integrated Services, Ford**
We're

**Andrew Prococco - Analyst, Morgan Stanley**
Going to get into that in a little bit more detail shortly. But I want to ask a little bit about the BlueCruise functionality. I think there's a. At least from our perspective, a very big Focus on personal autonomy. Right now, obviously everything Tesla's been doing as it relates to fs. So when you think about the functionality as to where it is today, how do you see that roadmap progressing over the next, call it two or three years. Whether it's point to point, eyes off. Like, what are the key milestones that you've really tasked the team at hitting over the next few years?

Yeah,

**Mike Aragon - President of Integrated Services, Ford**
To give you a little, to just establish a little bit of baseline where we are today. Even in the year and a half that I've been here, it's a product that I would characterize as have gone from good. Great. A recent upgrade is that the vehicles now do auto lane change. And so it's the vehicle making decisions for our customers and just making the ride even more seamless. We just announced this week that we're doing BlueCruise with towing and our F150 lineup in 2027. So that's another additive feature that's important for especially that cohort of customers.

And so we're going to keep evolving this product based on the use cases of our customers. But one thing that'll signal a little bit how we're thinking about this and this goes back to our in house ADAs and our in house electrical architecture. But we recently did a partnership with Apple Maps. As you know, Apple Maps has spent a lot of time and resource making that product a lot better over the past couple of years and they were really willing to work with us on integrating their maps more deeply into our ADAS systems.

And so from a customer's perspective, what they're going to be able, they're going to feel is a Maps, a mapping function that's more deeply integrated into adas. It's going to have a lot of better road visibility because you're not just relying on sensors that are looking right ahead of you. You've got now that Apple the maps data that's going to be able to signal where there are chargers, where there are bends in the road, where the, where are actually the off ramps happening. And so it's going to fuel up more integrated and seamless to the customer.

And so that's, I can't disclose everything that we're doing today because we are going to talk about

a lot of this over the next year before Fathom comes out. But that experience is going to feel just a lot more cohesive and is one thing especially as we think about those integration points with partners like Apple

**Andrew Prococco - Analyst, Morgan Stanley**
And when you think about the, the milestones or the Progress in terms of increasing that functionality. How much of it needs to be done on a software defined architecture like what you're doing with Fathom versus the existing architectures. I'm just curious if there's a tech ceiling for the existing platforms if it's not on UAV as it relates to autonomy. And do you eventually have to transition everything? Well, this

**Mike Aragon - President of Integrated Services, Ford**
Specific example is going to be on 90% of our fleet, which includes gas,

**Andrew Prococco - Analyst, Morgan Stanley**
Hybrid

**Mike Aragon - President of Integrated Services, Ford**
And then electrical vehicles. So the way we've architected it'll be flexible across multiple drive trains.

**Andrew Prococco - Analyst, Morgan Stanley**
Okay,

**Mike Aragon - President of Integrated Services, Ford**
Yeah, that's

**Andrew Prococco - Analyst, Morgan Stanley**
An interesting approach because I feel like we do hear a lot of times that you it has to be EV native. It depends

**Mike Aragon - President of Integrated Services, Ford**
On. Yeah, there are some ways that you build it that have to be EV native. The way we built this particular ADAS system, it'll be able to be. It'll port to other drivetrains.

**Andrew Prococco - Analyst, Morgan Stanley**
Super interesting. And as you think about the other offerings, like what's the most monetizable in the near term? I think we focus a lot on BlueCruise, but I know there's a lot of other things that you work on. So what are you most excited about from a monetization? Yeah, you

**Mike Aragon - President of Integrated Services, Ford**
Know, this goes back to one of the reasons why I was telling you I was excited about coming to Ford and just the whole hardware software service loop with Pro, I think there's a huge opportunity for us to continue to build that and expand that capability. So if you think about we have hardware, we have my software platform, and now we have a whole distributed fiscal network where we can actually solve real problems, real physical problems for our customers. And so the way I would think about it is the example of Ford Pro Intelligence where We're selling a $10 subscription for telematics.

That software is going to be able to tell us and our customers, hey, you've got a brake issue that's coming up, flag it to you, schedule that brakes and service part, make sure that that part's available

at the dealer and then fix it for them. And so what you've effectively done is you've taken a $10 ARC product per month and turn it into hundreds of dollars of aftermarket sales and service opportunities. And if you think about all the opportunities in different ways, you can do that. Again, this is another opportunity for us to really grow monetization.

You won't see it necessarily in integrated services, but I actually don't care. What I care about is that the LTV of the Ford ecosystem gets better. And that's where you'll see those types of wins.

**Andrew Prococco - Analyst, Morgan Stanley**
And you mentioned there a little bit the unit economics obviously quite powerful when you think about the total ecosystem, but maybe help us frame how the unit economics vary across offerings, whether it's BlueCruise, Ford Pro Services, and really what you see as like the pricing power of some of these offerings as they continue to improve in their functionality over time. Yeah,

**Mike Aragon - President of Integrated Services, Ford**
I can't give you, Andrew, too many details about the profiles of some of the unit economics, but what I, what I can tell you is that our margins are very healthy. They are very much in line with what you would expect in a SaaS business. Contribution margins are over 50%. And our ARPU for both a blended pro plus retail is $14 a month. And so our job is to keep those margins up and delivering products so that our customers are sticking with us, which then drives the LTV of the product over time. And so that's the sort of the playbook that we're, we're operating under.

**Andrew Prococco - Analyst, Morgan Stanley**
And when you think about the ARPU trends over time, like what, what have you, what, what are customers willing to pay for and what do you think is just becoming a more standardized, just expectation when going and buying a vehicle and

**Mike Aragon - President of Integrated Services, Ford**
How do

**Andrew Prococco - Analyst, Morgan Stanley**
You expect that to evolve over the next, you know, three to five years?

**Mike Aragon - President of Integrated Services, Ford**
I think a really good example that's super crystal clear to all of us at Ford that customers are willing to buy is if you're solving real problems. So as an example, our fleet management software for Ford Pro effectively helps our customers run their fleet schedules, their drivers, make sure that it's getting maintenance when it can, flagging pockets of vehicle health and solving those problems beforehand. And our customers are willing to pay for that, clearly. So that's sort of an easy answer to that.

I would say on the retail side, it's, it's a little bit more nuanced. The signals that we see on what customers are willing to pay for are when they use the service early and often you see them use it for a lot longer, they're sticky, they end up using other parts of the ecosystem. And so for us, that activation moment and getting them to continuously use their products is a really important element for us. But that's how I, yeah, that's, that's, that's the willingness. It's kind of depends on, on the different cohorts, but it's solving real problems for our customers.

**Andrew Prococco - Analyst, Morgan Stanley**
And when you think about the selling aspect of this business, when it, when it comes to informing dealers how to sell these products, it's obviously very new. You mentioned that industry that's been around for a long time and really haven't seen that much innovation on software and services. So how are you working with the dealer network to make sure that they know how to sell this product so that what you are building internally is appropriately getting advertised to the market? I've

**Mike Aragon - President of Integrated Services, Ford**
Never had a dealer network like, I've never had a distribution path like this in any of my career points. So I actually saw it as a gift just because they're the ones that are shaking the customer's hand and have that relationship. But Ford has a culture where our partners are. Our dealer partners are extremely important to us. And so I spent a ton of time with them. I probably spend at least a couple days a month with dealers, either speeches or gembas or, you know, just being at the shop with them and learning from them.

But I would say that, you know, one of the ways that we think about education, to me, that dealer experience is so critical to us because it gets the customer activated. You know, there's a trust that's been developed over that sales process. And so we spent a lot of time doing. Using technology to train our dealers because a lot of our products change regularly. So you have to scale communications and we build tools so that as you're closing the deal and, you know, off boarding them into their vehicle, that they go through and activate the services.

Because we know that when you activate early and often and they use early and often, they end up sticking around for a lot longer. It's just a concept that you see in a lot of digital products. No different for Ford. And so that's why we don't see them as just this distribution path. We see them as a critical activation partner and spend a lot of time making sure that they're compensated, that they've got the right tools to do it, and that the customers leave the lot knowing they've got a lot of great both physical and digital technology that's at their disposal.

**Andrew Prococco - Analyst, Morgan Stanley**
Yeah, it's an interesting dynamic because I even see it personally in my life where people who haven't experienced this on the retail side, some of the offerings that you know are available on the market today when it comes to autonomy, even if it's just L2 today.

**Mike Aragon - President of Integrated Services, Ford**
But

**Andrew Prococco - Analyst, Morgan Stanley**
As soon as you try it, you want to use it. And that's

**Mike Aragon - President of Integrated Services, Ford**
The moment, and that's the thing that's not scalable. Going back to BlueCruise, that moment where you take your hands off the wheel. To us, like we've used It. Okay. We're sort of conditioned to it. But I've seen a lot of, and been in a lot of gembas where you know, the salesperson that's telling, go, go. Take your hands off the wheel. And then like, I don't know, they're kind of gripping it. They do it. And there's like an aha moment there. And so the best way to scale those aha moments, you can't do them on a YouTube video.

You got to do it in real life. And our dealers are best equipped to do that.

**Andrew Prococco - Analyst, Morgan Stanley**
Yeah, that's.

**Mike Aragon - President of Integrated Services, Ford**
Yeah,

**Andrew Prococco - Analyst, Morgan Stanley**
It's. It's got to be something that you experience. I agree with. You see a TV advertisement about it, it doesn't do it justice relative to actually experiencing it. And we see

**Mike Aragon - President of Integrated Services, Ford**
That as well.

**Andrew Prococco - Analyst, Morgan Stanley**
Yeah. And I want to go back to something you mentioned in terms of build versus buy. Yeah. How have you, you know, when you've made the decision to build in house versus buy something from a partner, what does that decision look like? And what ultimately do you want to own in terms of customer experience versus, you know, outsourcing from a capital efficiency standpoint to make sure that you're scaling this as, as capital efficient as you possibly can?

**Mike Aragon - President of Integrated Services, Ford**
Well, what you just said at the end is sort of the magic quote, which is Ford will own the customer experience. That's first and foremost. And there are examples where we decided to build because we needed to own that customer experience better, because we wanted to get features out to our customers faster. We want it to be simpler and for it to feel like not a bunch of disparate services, but for it to feel like an ecosystem, which is why we decided to build our in house electrical architecture.

So that's an example of a build internally to do that. Plus it's more cost efficient. But we also look at where pockets of value are. And our Apple Maps partnership, great example, where they spent a ton of time over the past couple years making that product even better. And they were very willing to work with us as the first OEM that they partnered with to take that map data integrated into adas, integrated into our ivi, so that it does feel from a customer's experience, one experience, not three different experiences like it does on other platforms today.

And so that was an example where we wanted to take the best of the best with a great brand, do what we know best, which is build products for our customers and own that customer experience. And that's a partnership example. But the one thing that we won't ever compromise on is owning the Customer experience. We want people to know that this is a Ford customer experience.

**Andrew Prococco - Analyst, Morgan Stanley**
And I'm assuming that's especially important on the pro side of the business as well, where

**Mike Aragon - President of Integrated Services, Ford**
The

**Andrew Prococco - Analyst, Morgan Stanley**
Fleet uptime matters a lot and you want to own that experience. And I guess when it comes to that, you already, I think, emphasize the life cycle, how important it is to own that. But I'm curious if you have any data points that you can potentially share in terms of people that are using the Ford Pro

software, you know, intelligent services, what the retention rates are look like relative to someone who isn't using it, any KPIs that you could potentially share in terms of, you know, the success rates that you're seeing once someone adopts that technology?

We

**Mike Aragon - President of Integrated Services, Ford**
Are seeing very, very positive signals that the more you use Ford Pro intelligence, you come back to us for parts, you end up being a stickier customer in the ecosystem. And we believe that and we know that so much that Alicia Bowler Davis, who runs Ford Pro, she's, she and I both joined around the same time outside of Ford when to give you a little bit of history of how we went to market with this product, Ford Pro would sell the hardware. And then my team, we have like a SaaS sales team, we would kind of come in over the top and say, hey, do you want to buy some software?

And Alicia and I, that got us to, you know, 900,000 subs. That's growing. But one of the things that was puzzling to Alicia and I is why are we battling out with other SaaS businesses, software only companies? You know, we have a strength, we have super duties that our customers love. We have the software platform and we have a very well connected physical service footprint that we can close that hardware software service loop. And so instead of selling software, we said we need to sell solutions to the ecosystem.

How can we lower your total cost of ownership? We're the only ones that can do that because we've got all three of those components. How do we guarantee uptime so that your vehicles or your assets aren't down, you can continue to make money? And so we've shifted that conversation because of this stickiness, because of what we're able to offer. We just executed that reorg. So now my sales team's part of her, she owns go to market. And that's the right thing to do because they're coming to us for our hardware first and it's early innings.

But there's a lot of upside for us to make sure to, to come with a differentiated sales proposition. That nobody's really doing today that only we can do.

**Andrew Prococco - Analyst, Morgan Stanley**
Okay, well looking forward to hearing more about that over time. Maybe shifting gears a little bit in terms of AI integration outside of the customer facing software and services. How is Ford adopting AI inside the organization to either improve productivity, but also I think the more interesting potential angle here is from a product innovation standpoint, I think there's a lot of eyes on how impressive China has been in terms of how quickly they've been able to innovate and bring products to market.

**Mike Aragon - President of Integrated Services, Ford**
So

**Andrew Prococco - Analyst, Morgan Stanley**
I'm curious how Ford is really bringing AI into the organization to potentially help improve that part of the business.

**Mike Aragon - President of Integrated Services, Ford**
So about four months ago, Jim Farley asked me to co lead our enterprise AI initiatives. Not just what's in vehicle, but what's in the employee base. And one of the shifts that I've taken the company on in our strategy is let's focus on a bunch of scattered pilots and just experimentation with AI to

really thinking about two layers. Layer number one is our employees. We've got a large employee base and so what we want to do is get them the right tools for the jobs that they're doing and what we care about, we care about tokens and usage and all that.

Those are important because obviously there's economics involved with that. But what I'm trying to do is map where all of our, where all of our employees are in the maturity curve and help them graduate up that maturity curve over time through training, better tools. And so as an example, we know that there's large cohorts of our customers don't use AI at all. All right, how do we get them to prompt the only prompters? How do we get them to actually start to use some agentic AI capabilities that we built in house so that we can make your job easier?

And for those who are even higher on the maturity curve, how are you redefining your workflow so you can become more efficient and then adding AI on top of that so that you can really be a force multiplier for your job. That's layer number one. But the layer that I spend most of my time on are our transformational bets. So these are big bets that Jim is very deeply involved in that we believe can help us bring products to market faster, to reshape our factory so we can not only build your build vehicles, but build even more complex physical products like batteries and share those learnings in real time.

How do we build a product like Ford Energy native AI native from the ground up because we're unencumbered by legacy systems and thinking we can actually literally act like a startup out of, out of San Francisco. And so those are the big bets that we're working on. And those are really meant to use AI as a tool, but to use that tool to help forward transform the way we know we need to do business for the next 120 years.

**Andrew Prococco - Analyst, Morgan Stanley**
And would you say there's reception inside the organization to adopt some of these tools? Where are you in terms of like, implementation? There

**Mike Aragon - President of Integrated Services, Ford**
Is. So we, we've defined all of these big bets. We track them. We, we, we track the employee usage every month. But we, on the, on the bigger bets, the ones that are going to transform forward, it is. Jim led, I support him on this one because it needs to come from the top. But we're already moving on every single one of these initiatives. And we have a commitment that every single board meeting, we report up to them what our progress is. And our goal is every single meeting, every single week, there has to be a step change in how we redefine our data set, how we redefine processes and flows to take out all the inefficiencies.

Now that you have, you know AI is a polymathic tool, right? It is polymathic, meaning it knows a lot of things very wide. It knows a lot of things very deep. And so if you have, now that we have that tool, we have to redefine our processes to leverage that tool so that we can move towards outcomes that we care about. Like how do we get some of these really great concepts to customers way faster than we have in the past. And so that's how we're thinking about it.

**Andrew Prococco - Analyst, Morgan Stanley**
That's great. And you brought up energy storage.

**Mike Aragon - President of Integrated Services, Ford**
Ford's

**Andrew Prococco - Analyst, Morgan Stanley**
Energy storage business has garnered a lot of attention over the last few months. And I'm curious how you envision that side of the business and the services opportunity both from a physical, almost like a Ford Pro basis, where you're monitoring the battery, making sure it's operating efficiently, but also from a pure software basis where, whether it's at a data center, you have to manage load fluctuations. Just curious how much of your time is being spent on that side of the. A

**Mike Aragon - President of Integrated Services, Ford**
Lot of my time because it actually crosses over two of my jobs, integrated services and AI. So in integrated services, we built years of knowledge and expertise in how do you remote monitor assets, how do you detect problems and then solve them through dispatch? And if you think about the physics of the problem, which is you have thermodynamic problems, you have Vibration sensor problems, you have voltage monitoring, the problems arise. How do you dispatch the right people at the right time to make sure that these things don't become major problems?

Well, that problem travels extremely well whether you're in a Mach E, lightning Mach E with a battery or if you're an energy cell system. And so what I'm excited about is we're taking all of the learnings that we have and applying that to building that software layer on top of Ford Energy. And the way I see it is this solves a couple real problems for our customers. A lot of them are entering into 20 year service agreements. And so what it turns our business into from is a transactional business where we sell energy cells to now one where we sell effectively, hopefully a 20 year annuity on services on top of that so that we can help our problem, help our customers maintain that asset and make sure that they're getting the highest ROI out of what they they purchased from us.

And so early innings. The other cool thing about that is because this is a brand new business, we are taking a very AI native approach. It's literally a small team of me and a few of my product leaders from that, from Ford Pro Intelligence that are building out the product requirement documents and the architecture. We're seeing prototypes in literally hours and days. It a lot of fun because I feel like we are working at big Ford, but we also get to act like we're in somebody's garage in Santa Clara, California building a startup.

And so it's kind of a cool way to mix my old world with my new world and hopefully do something for Ford that in a year or so you guys can say, wow, these guys did this and they did this AI native and they did it super fast. So I love being a part of something like that. That's

**Andrew Prococco - Analyst, Morgan Stanley**
Awesome. And I guess on that if we're sitting here and four or five years from now and Integrated Services is a massive success, what do you want to be telling everyone in the room in terms of what you've been able to achieve and how that's fundamentally changed Ford's business?

**Mike Aragon - President of Integrated Services, Ford**
Yeah, I think for us it would be that I look at it always from the customer's perspective that they would see us as they don't see the seams of Ford anymore. They walk into a dealer, the dealer already knows the who they are, the problem that they've got, they've already staged the vehicle part and the right technician to fix it and what used to be a three or four day problem with the vehicle out becomes a half hour problem because they already got it. They diagnosed it. They know what they got to do.

Base sitting there ready to go, and the technician's ready to go. And so eliminating those seams is

how we want this Ford experience to be. And not only that, but we want it to feel like it gets better over time, because OTAs have gotten better. We're upgrading BlueCruise and all of our digital products. And so it feels like you own a Ford, we know who you are. You don't feel the seams of Ford. And I feel like this vehicle that I paid X amount for, it just gets better over time.

**Andrew Prococco - Analyst, Morgan Stanley**
That's great. Well, looking forward to that discussion in a few years, and wishing you the best. And thanks for coming. Yeah,

**Mike Aragon - President of Integrated Services, Ford**
Thanks, Andrew. Appreciate it. Thank

**Andrew Prococco - Analyst, Morgan Stanley**
You.