

FORD

Ford stock was cheaper than a sandwich. Now shareholders are gloating.

[Phoebe Wall Howard](#) Detroit Free Press

Published 8:58 a.m. ET Jun. 4, 2021 | Updated 9:48 p.m. ET Jun. 4, 2021

After watching his Ford stock sink lower than the cost of a chicken artichoke panini sandwich at Starbucks, Mike Rau said he is gloating.

"And I'm breathing a sigh of relief," Rau, 33, of Grosse Pointe, told the Free Press "I bought into an American brand that's plowing into the 21st century and taking no prisoners. It's not scared. You just feel a sense of pride. I really buckled down for something I believed in, that's uniquely Detroit. I feel rejuvenated, just fired up, like 'Heck, yeah. I knew it.' I mean, \$5 a share, my hiney."

Ever since Ford CEO Jim Farley made his much-anticipated Capital Markets Day presentation on May 26, industry analysts have raved, Ford's stock spiked and has held steady.

He talked about billions in new investments, keeping promises and being a disruptor.

While the jump to \$16 a share may not seem like a big deal, it's a huge deal.

"Ford Shares Jump to Six-Year High After Price Target Boost From JPMorgan," said thestreet.com early Friday. "Ford has added nearly \$30 billion in market value this year and looks set to open at the highest levels since March of 2015 amid its renewed investment push into electrified vehicle sales."

The market value of the company had grown to \$62.69 billion by Thursday.

One shareholder earlier tweeted a comparison of his joy of "Every time I look at my Ford stock" to a sexual experience.

While new products play a significant role in the stock surge, faith in Farley is an essential element, analysts and shareholders often say — before and after Ford's investor calls.

Tesla CEO Elon Musk, whose company is considered the all-electric vehicle leader, was founded in California in 2003. From the West Coast, Silicon Valley leaders and historians are carefully watching Ford Motor Co. as it celebrates its 118th year.

'Like Steve Jobs'

Margaret O'Mara, a professor of history at the University of Washington, sees a clear comparison between Farley and the company founder — who employed Farley's grandfather.

"I think a lot about how Henry Ford himself was the face of the brand and himself an innovator," O'Mara said. "He was like Steve Jobs later at Apple, producing something for the masses that had been a boutique product for a few, and figuring out ways to make the product accessible and transformative."

"It's an interesting parallel that I think Farley is trying to pick up on," she said.

The approach Farley is taking with cars is similar to what Jobs did at Apple: explaining to people the personal computer was a bicycle for the mind, said O'Mara, author of "The Code: Silicon Valley and the Remaking of America."

"There were a lot of computer companies and Apple wasn't the leader. But they did ads that really were designed to enlarge the market beyond tech enthusiasts and explain how this computer was going to transform your life — in education, home finance and different ways the computer had not been understood as a tool.

"That's a really great parallel to Ford," O'Mara said.

Now Ford is taking a bestselling vehicle, the F-150 pickup, and using its new all-electric version to reveal to the world that you need to rethink how a truck can be a useful tool in your life.

More: President Biden's F-150 Lightning moment in Dearborn: How it really happened

More: Ford F-150 Lightning will be 1st all-electric pickup truck to offer full-size spare tire

"This is just like personal computers in the 1980s, for people who didn't grow up playing with computers in their basements, the computer nerds," O'Mara said. "It became a tool for all sorts of things that made our lives easier and better."

During his investor presentation last month, Farley said Ford is transforming from a traditional automaker that does build-and-sell transactions "to a lifelong, always on,

customer relationship ... Our ambition is to lead the electric revolution. We really mean that."

Texans in crisis

Lisa Drake, chief operating officer for Ford North America, said, "If you think about disrupting a \$1 billion portable generator business with a truck, there's a lot of opportunity there."

Ford plans to reinvent how vehicles are perceived.

It's not a philosophical discussion point. It's real life.

Consider that California has scheduled rolling blackouts for hours during periods of extreme demand on the electrical grid. Texans, many who don't have winter coats, lost power for days after a February storm. Owners of the F-150 Hybrid truck made headlines for using the truck as a power source to light their homes and refrigerate their food and run their coffeemakers.

'Pain point'

But this all-electric truck is designed to go further.

"We see how customers go about their lives and extrapolate how the power can change the way they interact, the way they live, the things they do," said Ryan O'Gorman, who has gone from working in Ford product development to electrification. "I have an electric edger to edge the curb along my front lot. I'm putting 150-foot long extension cords to get to the curb. You could call that a pain point. Whereas, I could just pull the truck into the street, plug the edger into the truck and problem solved."

When people camp, they have a mobile power source. When sports fans tailgate, they may want a mini fridge instead of an ice chest, and the all-electric F-150 has 11 outlets with four of those in the enormous front trunk known as a frunk.

"One guy said that was more than his garage had," O'Gorman said. "These are just enhancements to life. You're sitting with friends in the driveway and you can play the radio without killing the battery. We just watched how people lived."

This all charges in the garage overnight with no trips to a gas station.

"What we're doing is unique to the industry. It's a different mentality," O'Gorman said. "I mean, when I was down in Texas with family, near Houston, I was watching kind of an

apocalyptic scene. I was thinking how things are going to change. You will be able to power your home for about three days."

It's more than a portable generator. It's just the truck itself.

"Clean energy is not going to sell too many electric vehicles," said Sam Fiorani, vice president of global vehicle forecasting at AutoForecast Solutions.

"Fear of the unknown keeps you from changing from the vehicle you're driving. But showing people how practical this can be is a good way to open the eyes of a prospective buyer," he said. "We're seeing the instability of life in general, whether it's COVID or weather-related or any other disruptor that could change how you're living. Life is not as easygoing as I thought it was last week."

Farley has effectively explained that Ford is further along the electric vehicle route than most people realized, Fiorani said. "Nobody really thought they were building EVs or investing enough. I mean, why do they need to go EV when they're making a fortune on the F-Series? But when you're showing you can electrify the F-150, you show you're ready to make the bold step."

Yet Farley often downplays expectations, which seems to play to his favor.

He's an under-promise, over-deliver and exceed-expectations kind of guy.

When Bronco reservations surged in 2020, Farley cautioned Wall Street analysts that the excitement needed to be tempered with strategic execution on the production side. When Ford earnings exceeded expectations for first quarter this year, Ford executives were quick to cite unmet challenges and cautioned that the company would take a hit in the second quarter.

'Wisdom vs. hype'

Farley mentioned during the Capital Markets Day discussion last month that the company is planning for an all-electric Explorer and an all-electric Lincoln Aviator.

Automakers globally are responding to policies designed to reduce pollution and slow climate change. More than a dozen states in the U.S. have toughened emissions standards and have incentives such as speed lanes restricted to electric car use.

More: Ford makes come-from-behind push with Mach-E as industry enters new era

More: Bill Ford's controversial viewpoint has changed Detroit automaker

Ford has said it will be 40% all-electric by 2030 while GM has said it has an aspiration of 100% all-electric by 2035.

"Ford is ... supremely hedged by continuing to offer internal combustion, hybrid and EVs in a situation where being hedged will not only save the company but make it stronger," said market analyst Jon Gabrielsen. "GM is standing naked as a jailbird with all bridges behind them burned. This is pragmatism and wisdom versus hype."

Talk of an all-electric future is a fast track to praise and stock growth. So, while Farley is definitely laying out a plan, he's not rushing it and that's noticed.

"GM is saying they are targeting 2035. It's all in how they explain it," Fiorani said. "They're not expected to hit 100% but that's the goal. It is not a requirement in their business plan. And it's very unlikely that they'll hit it. Wall Street does not like legacy automakers. In the last year or so, GM and Ford have done very well in pivoting and making themselves look like modern tech companies."

More: No one knew secret behind Ford's Mustang Mach-E, Bronco Sport — until now

Things seem to be going well for Farley since he took the helm Oct. 1. He is overseeing the launches of the 2021 Bronco Sport, Bronco, Mustang Mach-E and 2021 F-150. The Mach-E won international recognition immediately.

While Farley talks about the many things the all-electric 2021 Mustang Mach-E SUV can do on the road, and what to expect from the all-electric F-150 Lightning, the company is spotlighting value when the pickup truck sits still. He has changed course from his predecessor on partnerships and investment priorities such as battery production.

Ford announced it would create a separate business called Ford Pro to focus on commercial and government buyers with a goal of growing annual revenue from \$27 billion in 2019 to \$45 billion by 2025.

Norway puts Ford on top

In addition, a hot topic among industry analysts is the Ford plan to provide over-the-air (or over the internet) software changes on vehicles sometime this year, which introduces technology and subscription services that could generate billions for Ford.

More: She is chief engineer of all-electric Ford F-150, leading a revolution

More: Ford CEO 'humbled' to team up with top environmentalist as part of global team

Despite production problems caused by COVID-19, semiconductor shortages and overall supply chain disruption, Ford continues delivering its all-new Ford Bronco Sport and Mustang Mach-E as fast as they can be built, and selling them.

Bronco Sport sales totaled 14,947 in May with 63% of sales coming from customers outside the Ford brand; the top source is Jeep, according to J.D. Power research data.

Farley warned that he planned to go after Jeep with a vengeance.

On the other side of the world, buyers in Norway registered 1,384 Ford Mustang Mach-E SUVs in May for a 10% share of the influential country's overall car market, ahead of Toyota RAV4 hybrid and Skoda electric Enyaq. Tesla Model 3 placed sixth, according to the Norwegian Road Federation.

Ford only began delivering to customers in Norway in May.

Demand for the Mach-E is so strong that the company is building and shipping as quickly as possible, but customers must wait months. Ford delivered 1,945 Mach-Es in the U.S. in May.

Ford, like its competitors, has been cutting production of less-popular vehicles to ration semiconductor chips for the hot new products.

Still, the 2022 F-150 Lightning saw more than 70,000 reservations in its first week, a \$100 refundable preorder that is meant to show an indication of interest. The Bronco reservation system held strong, pushing some delivery into 2022.

Ford expects one-third of its pickup sales to be fully electric by 2030, said Hau Thai-Tang, chief product platform and operations officer.

"I want to be clear. This is not some future aspiration. This transformation is already underway at Ford," Farley said. "Ford will have about 1 million connected vehicles in the field this year, and that number of close to 33 million by 2028."

To business experts who understand what it means to monetize data in a digital world, all they hear is the cha-ching of cash registers, said veteran analyst John McElroy, host of "Autoline After Hours" webcast and podcast.

On top of all that, a plan to cut into generator industry profits dovetails with surging growth driven by construction and weather-related disasters, according to a Fior Markets report on Thursday.

Construction industry workers, a core Ford F-Series customer base, use power drills, air hammers, compressors and drills that require power and often need generators.

"Previously, Ford was perceived as having a less focused EV strategy," said analyst Dan Levy of Credit Suisse. "Jim Farley's strategy has resonated well with investors. They see CEOs as potential change agents. Ford's execution and financial strength has better resonated with investors, as it has reversed the trend of execution missteps from recent years."

It's about time, Detroit

Critics of Farley inside the company complain he is all hat and no cattle.

But external observers share a different opinion.

"I love everything coming out of Ford lately. I'm finally hearing them talk like a Silicon Valley company instead of a stodgy old world company," said Russell Hancock, president and CEO of Joint Venture Silicon Valley, a consortium of business and government leaders working to address regional challenges. "When California passed clean air laws with higher smog standards Silicon Valley companies went out and hired engineers. Detroit companies hired lawyers. That's always been the rap on Detroit."

Tesla's CEO wasn't thinking about selling cars; he wanted to solve a planetary crisis, Hancock said. That meant creating an electric car that excited passion.

"Suddenly, Detroit is turned on its ear. And Detroit is totally getting it," Hancock said.

The public has witnessed that disruption innovation in autos is not just a dream.

"When people have been thinking about cars, the only disruption to date has been Elon Musk and Tesla. He created this vision no one could believe. He created a signal effect that anything was possible," said investor Melissa Bradley, a business professor at Georgetown University and managing partner of 1863 Ventures. "There's a new level of belief and expectation within the car industry that Farley is willing to capture. It's pretty f-ing awesome."

By bizarre chance, the timing is impeccable, Bradley said. "Nobody wanted to get on a plane or a train or a bus over the past year. People were getting rid of their cars. Farley's like, screw it, I'm going to make you understand cars are important to you."

More: Experiencing the Ford F-150 Lightning through the eyes of a young journalist

Seeing Ford recognize the love car owners have for internal combustion engines shows they understand their huge consumer base, which is primarily in the U.S.

"When people see measured approach, there's a sense of security that wasn't there with (previous CEO Jim) Hackett," said Marcus Hudson, executive director of the Calderone Advisory Group based in Birmingham, which advises suppliers in the automotive industry.

Farley's approach resonates, he said. "It's a master class in risk management."

More: Ford CEO Jim Farley is doing important work at TCF Center — and few know it

More: Elon Musk trolls GM, Chrysler on Twitter. Ford CEO responds with 1 word.

More: Tesla's Elon Musk claps back at Jim Farley, Ford with 'Tommy Boy' clip on Twitter

Contact Phoebe Wall Howard: 313-222-6512 or orphoward@freepress.com. Follow her on [Twitter@phoebesaid](https://twitter.com/phoebesaid). Read more on Ford and sign up for our autos newsletter.