

With a focus on profitability, Ford tweaks new model pipeline, sourcing strategy

23-Aug-2024 18:00 GMT

Amit Panday

S&P Global

Supply Chain and Technology, Automotive

Ford and LGES are planning to relocate the production of batteries, mainly required for the Mustang Mach-E, from Poland to Michigan, US, in 2025

Ford Motor Co. announced Aug. 21 that the company is tweaking its new model pipeline and its battery sourcing strategy with a focus to bring down costs and improve the profitability of its electric vehicle business.



Source: Getty Images/Ziga Plahutar

These changes in Ford's EV gameplan come at a time when global EV sales have slowed because of high acquisition costs and range anxiety among potential buyers, owing to the lack of adequate EV charging infrastructure. The slowdown in demand for battery-electric vehicles (BEVs) continues to exert pressure on automakers, which are looking to explore ways to reduce costs for wider adoption. Meanwhile, rapid overseas expansion by Chinese automakers further adds to the worries of US and European legacy automakers.

Under its revised strategy, Ford, which plans to prioritize enabling lower prices and longer driving range in its upcoming models, looks to expand propulsion choices by adding the hybrid powertrain to its new model pipeline, with a view that such an approach could "speed up" customer adoption of EV technologies.

The carmaker revealed that in its BEV portfolio, it will prioritize the launch of a new digitally advanced commercial van in 2026, followed by two new advanced pickup trucks in 2027 and other future affordable EVs.

At the same time, Ford now looks to scrap the previously planned all-electric three-row sport utility vehicle (SUV), which was first announced at its investor day in 2023. Instead, the company plans to develop a new family of electrified three-row SUVs that will include hybrid technologies offering breakthrough efficiency and extended driving range while cutting down on emissions compared to combustion engine-powered vehicles.

In addition, Ford also plans to launch the next-generation F-Series Super Duty pickup with a range of propulsion options.

As a result of this decision, Ford will take a special non-cash charge of about \$400 million for the write-down of certain product-specific manufacturing assets (for the previously planned all-electric three-row SUV), the carmaker said, adding that these measures are also expected to result in additional expenses and cash expenditures of up to \$1.5 billion.

"With pricing and margin compression, we've made the decision to adjust our product and technology roadmap and industrial footprint to meet our goal of reaching positive EBIT within the first 12 months of launch for all new models," said John Lawler, Ford vice chair and CFO.

Lawler further said that catering to the increasing demand for hybrids and accelerating the mix of battery production in the US to qualify for tax credits are key to enhancing profitability. The move will bring down Ford's mix of BEV-focused annual capital expenditure from 40% to 30%.

Meanwhile, the company also updated that its California, US-based engineering team has developed an all-new low-cost, highly efficient and modular EV platform. The platform is developed with a focus on Ford's new approach to next-generation vehicle development, reducing the complexity and bending the cost curve on EVs. The new platform is capable of quick-scaling

volumes by underpinning multiple vehicle styles for both retail and commercial applications.

The first affordable vehicle off this new platform is going to be a midsize electric pickup, which is slated for launch in 2027. The vehicle is expected to offer longer driving range, more utility and more usability, the carmaker said.

That said, Ford's next generation rollout of EVs will begin with a commercial van that will be assembled at Ford's Ohio Assembly Plant starting in 2026.

The company further shared that it is retiming the launch of its next-generation electric truck, code-named Project T3, to the second half of 2027. Developed on the new modular BEV platform, the planned new truck will offer upgraded bidirectional charging capability and advanced aerodynamics, among other features, and will be assembled at BlueOval City's Tennessee Electric Vehicle Center.

"Retiming the launch allows the company to utilize lower-cost battery technology and take advantage of other cost breakthroughs while the market continues to develop," Ford said.

Ford is also realigning its battery sourcing to support the requirements of producing both pure EVs and hybrid vehicles to enable cost reductions and improve capital efficiency by qualifying for tax credits under the US Inflation Reduction Act (IRA). Under this head, Ford and LG Energy Solution (LGES) are planning to relocate the production of batteries, mainly required for the Mustang Mach-E, from Poland to Michigan, US, in 2025, with an intent of qualifying for the tax benefits under the US IRA.

Moreover, the company updated that the local production of lithium iron phosphate (LFP) batteries is on track and is expected to begin in 2026 at BlueOval Battery Park Michigan. The site is touted to be US' first automaker-backed LFP battery plant, which will also help the locally made LFP batteries qualify for the tax credits under the US IRA.

"An affordable electric vehicle starts with an affordable battery. If you are not competitive on battery cost, you are not competitive," said Ford President and CEO Jim Farley.

CONTACTS

The Americas

+1 877 863 1306

Europe, Middle East & Africa

+44 20 7176 1234

Asia-Pacific

+852 2533 3565

www.spglobal.com/mobility

Copyright © 2025 S&P Global Inc. All rights reserved.

These materials, including any software, data, processing technology, index data, ratings, credit-related analysis, research, model, software or other application or output described herein, or any part thereof (collectively the “Property”) constitute the proprietary and confidential information of S&P Global Inc its affiliates (each and together “S&P Global”) and/or its third party provider licensors. S&P Global on behalf of itself and its third-party licensors reserves all rights in and to the Property. These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable.

Any copying, reproduction, reverse-engineering, modification, distribution, transmission or disclosure of the Property, in any form or by any means, is strictly prohibited without the prior written consent of S&P Global. The Property shall not be used for any unauthorized or unlawful purposes. S&P Global’s opinions, statements, estimates, projections, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security, and there is no obligation on S&P Global to update the foregoing or any other element of the Property. S&P Global may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. The Property and its composition and content are subject to change without notice.

THE PROPERTY IS PROVIDED ON AN “AS IS” BASIS. NEITHER S&P GLOBAL NOR ANY THIRD PARTY PROVIDERS (TOGETHER, “S&P GLOBAL PARTIES”) MAKE ANY WARRANTY, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE PROPERTY’S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE PROPERTY WILL OPERATE IN ANY SOFTWARE OR HARDWARE CONFIGURATION, NOR ANY WARRANTIES, EXPRESS OR IMPLIED, AS TO ITS ACCURACY, AVAILABILITY, COMPLETENESS OR TIMELINESS, OR TO THE RESULTS TO BE OBTAINED FROM THE USE OF THE PROPERTY. S&P GLOBAL PARTIES SHALL NOT IN ANY WAY BE LIABLE TO ANY RECIPIENT FOR ANY INACCURACIES, ERRORS OR OMISSIONS REGARDLESS OF THE CAUSE. Without limiting the foregoing, S&P Global Parties shall have no liability whatsoever to any recipient, whether in contract, in tort (including negligence), under warranty, under statute or otherwise, in respect of any loss or damage suffered by any recipient as a result of or in connection with the Property, or any course of action determined, by it or any third party, whether or not based on or relating to the Property. In no event shall S&P Global be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees or losses (including without limitation lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Property even if advised of the possibility of such damages. The Property should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions.

The S&P Global logo is a registered trademark of S&P Global, and the trademarks of S&P Global used within this document or materials are protected by international laws. Any other names may be trademarks of their respective owners.

The inclusion of a link to an external website by S&P Global should not be understood to be an endorsement of that website or the website’s owners (or their products/services). S&P Global is not responsible for either the content or output of external websites. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process. S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global Ratings’ public ratings and analyses are made available on its sites, www.spglobal.com/ratings (free of charge) and www.capitaliq.com (subscription), and may be distributed through other means, including via S&P Global publications and third party redistributors.