



Nikola Corporation
Fourth Quarter 2022 Earnings Call
February 23rd, 2023

Presenters

Michael Lohscheller - Chief Executive Officer
Kim Brady - Chief Financial Officer
Dhillon Sandhu - Investor Relations Lead

Q&A Participants

Douglas Dutton - Evercore ISI
Jeff Kauffman - Vertical Research Partners
Bill Peterson - J.P. Morgan
Jeff Osborne - Cowen and Company
Michael Shlisky - D.A. Davidson
Winnie Dong - Deutsche Bank

Operator

Good morning. Welcome to Nicola Corporation 4th quarter and full year 2022 earnings and business update all. Currently, all participants are in a listen-only mode. We begin today's call with a short video presentation, followed by management's prepared remarks. A brief question-and-answer session will follow the formal, prepared remarks. If anyone should require operator assistance during the conference, please press * 0 on your telephone keypad. As a reminder, this conference is being recorded.

It is my pleasure to introduce Dhillon Sandhu from Investor Relations.

Dhillon Sandhu

Thank you, operator. And good morning, everyone. Welcome to Nikola Corporation's fourth quarter and full year 2022 earnings and business update call. With me today are Michael Lohscheller, Chief Executive Officer and Kim Brady, Chief Financial Officer. The press release detailing our financial and business results was distributed shortly after 9 a.m. Eastern time this morning. The release can be found on the investor relations section of our website, along with presentation slides accompanying today's call.

Today's discussions include references to non-GAAP measures. These measures are reconciled to the most comparable U.S. GAAP measures and can be found at the end of the Q4 earnings press release we issued today. Today's discussion also include forward-looking statements about our future expectations and plans. Actual results may differ materially from those stated and factors that could cause actual results to differ are also explained at the end of today's earnings press release and on page 2 of our earnings call deck.

Forward-looking statements speak only as of the date on which they are made. You are cautioned not to put undue reliance on forward-looking statements. After the video presentation, Michael and Kim will give their prepared remarks, followed by analyst Q&A. Then, we will conclude with questions from our shareholders. We will now begin the video presentation.

(Video Presentation)

Michael Lohscheller

Thank you, Dhillon, and good morning, everyone. Nikola is much more than just a truck company. Yes, we have successfully launched the Nikola Tre BEV in March of '22 and now on track to launch the first FCEV Class 8 in the second half of this year, but we offer much more than just the low-emission truck to our customers. We believe we are the only commercial EV company offering integrated mobility solution, consisting of trucks and energy.

With that goal in mind, we made a lot of positive changes in the fourth quarter of 2022, and are laying the building blocks for the commercialization of both truck deliveries and our hydrogen business. We made a lot of progress on the energy side, securing hydrogen supply for our FCEVs. We plan to produce, distribute, and dispense hydrogen with our partners. This is expected to be an important revenue and profit stream in the future of our company.

With the FCEV launch in the second half of 2023, we believe we will be the first in the Class 8 segment, and the Nikola Tre FCEV is the perfect offtake for our hydrogen. On the BEV side, we improved our truck substantially. This resulted in a lower number of deliveries in Q4 of 2022. We think this sets up well for a stronger 2023. Additionally, we made several changes on the commercial side of the business.

Kim will comment on this further, but I wanted to briefly touch on our liquidity and capital position. Nikola has demonstrated a strong ability to access the capital markets and we believe we maintain sufficient capital to continue and execute our business plan in 2023. Building an integrated, hydrogen ecosystem to support our truck deployment and creating a scalable energy business is a top priority for us. We have accelerated the execution of our goals in building this business and have reached several key milestones in the last few months.

We recently announced the launch of our new hydrogen energy brand HYLA, which will provide an integrated solution for our customers, covering solutions for hydrogen energy supply, distribution and dispensing, and infrastructure solutions. Over 300 fleet, government, supplier, energy, and media representatives attended the HYLA launch event. We believe this new brand will provide a dynamic platform for growing the energy business.

The scale of this business is expected to be significant. During the fourth quarter, we announced our intent to develop access to up to 300 metric tons per today of hydrogen and 60 dispensing stations by 2026 in North America. Hydrogen supply and infrastructure will be supported by several supply projects, with partners and third-party offtake agreements. We announced the potential benefits of regulatory initiatives, like the Federal Inflation Reduction Act, IRA, which includes hydrogen production tax credits of up to \$3 per kilogram.

These incentives, when combined with existing programs, such as a low-carbon fuel standard, LCFS in certain states, and truck incentive programs, like ATRIB (ph) in California, create positive tailwinds for supporting our customers and creating values in Nikola's HYLA energy brand. We have also progressed the development of our European truck and energy business, with the announcement of our collaboration with E.ON for hydrogen supply and infrastructure.

We have made several announcements recently, which provide tangible proof points of delivery for building a hydrogen energy business. Phoenix Hydrogen Hub in the city of Buckeye -- initial production of 30 metric tons per day and expected to expand up to 150 metric tons per day. This production will support the fueling of up to 750 Nikola FCEVs in Phase I, and up to 3,750 when fully completed.

Since purchasing the land in 2022, the project continues to make solid progress and has been fully engaged in the permitting process, as well as ordering long-lead-time equipment. Additionally, on December 1, we announced the project was invited to participate in Phase II of the Department of Energy Loan Program Office application process. We also announced our intent to purchase 30 metric tons per day liquefaction equipment of Plug Power, which will support production activities at the Phoenix Hydrogen Hub.

Overall, these actions underpin the solid progress made by this important project. In addition to the progress on the Phoenix Hydrogen Hub, we also announced a strategic supply partnership for up to 125 metric tons per day of hydrogen supply with Plug Power, where we will have access to Plug's green hydrogen production network across the country. We believe Plug Power will be a strong partner to help underpin the supply requirements of our hydrogen business.

Plug will also buy up to 75 FCEVs from us over the next three years and will also be a supplier of a hydrogen liquefier, a key piece of equipment at the Phoenix Production Hub. We announced another strategic collaboration for hydrogen supply with Fortescue Future Industries, FFI, a global, green energy company and a division of Fortescue Metals Group. FFI is building a global portfolio of green energy projects and their collaboration with Nikola will cover hydrogen supply and infrastructure across North America, including a potential investment in the Phoenix Production Hub.

We believe FFI will provide our energy business with another important partner in bringing hydrogen supply to our customers. Our previously-announced investment in Terre Haute, Indiana-based, Wabash Valley Resources is expected to provide us with up to 53 metric tons per day, supporting our truck deployment in the Midwest. This project is on track and is expected to receive a final investment decision later in 2023.

Our Crossfield, Alberta, Canada project, with TC Energy, up to 60 metric tons per day, which is intended to support our Canada truck market entry strategy -- Canada represents an important market for Nikola, with supportive incentives for trucks and energy and we see good potential for truck sales in Canada. In the Clinton County, Pennsylvania, KeyState off-take term sheet announced in 2022, will supply up to 100 metric tons per day to support our deployment of trucks in the mid-Atlantic and eastern states, which are important markets for Nikola.

These projects, off-take agreements, and others under negotiation, will underpin our goal of achieving 300 metric tons per day of hydrogen supply by 2026, which will help fuel up to approximately 7,500 trucks per day. This is an important baseline for our truck deliveries and could be a significant revenue-generation opportunity for Nikola. We have also continued progress on our dispensing station network, announcing an additional station located in West Sacramento, California, on February 21st.

This announcement, in addition to the previously announced stations in Colton, Ontario, and a location servicing the port of Long Beach, brings the total to four in California. Augmenting our fixed dispensing station network, on January 18th this year, we announced a major step forward in our hydrogen refueling capabilities, with the completion of our heavy-duty, 10,000 pounds per square inch, hydrogen mobile fueler. It is the first of its kind and is capable of fueling our FCEVs in flexible locations, with efficient fill time.

Coupled with our hydrogen cube trailer, with a 960,000 kilogram capacity, this will allow customers to refuel trucks, back-to-back. The first three mobile fuelers have completed commissioning and are released for operation by Nikola's truck validation team. Forced (ph) mobile fueller is currently going through commissioning and will be deployed for use in March. Mobile fueling solutions will allow us a flexibility to deploy hydrogen fueling infrastructure strategically at customer depots and Nikola refueling stations, completing permanent fueling infrastructure.

For customers, this provides them with great flexibility and a refueling experience that is similar to what they experience today, with diesel or natural gas, either behind the fence or as a refueling service that comes to their depot. For Nikola, it provides us a flexibility to refuel customer trucks in geographic areas with limited truck density and could be scaled to match the capacity introduced into that area as more FCEVs are sold. Mobile fueling solutions also potentially reduce CapEx by upwards of two-thirds the cost of a permanent station.

The steady execution of our energy goals gives a growing portfolio of valuable supply and infrastructure assets. We believe this gives Nikola a head start and competitive advantage in the zero-emission transportation sector and will help create sustainable shareholder value. In the 4th quarter, we successfully completed FCEV Alpha/Pilot testing with Wal-Mart and TTSI, accumulating over 7,800 and 9,500 miles, respectively.

As of today, we have completed the build and commissioning of 17 Tre Beta FCEVs. The Beta trucks are undergoing development testing and validation. Beta trucks incorporate a number of improvements from the Alphas, based on testing and customer input. From winter testing of the Alphas, we have improved water management in our fuel cell and exhaust systems. We also improved the performance, range, and efficiency of the Beta vehicles.

We are now building 10 Gamma trucks, which will include further engineering enhancements and refinement. Once the Gammas are commissioned, we will begin validation testing, as well as additional Pilot-captured fleet testing. We remain on track to deliver the first serial production FCEVs in the second half of this year. Ahead of customer deliveries in Q4 2023, our commercial team is in active talks with customers and is looking to secure deposits for the first FCEVs.

The first of the FCEV commitments came from Plug Power on December 15th. Plug will purchase up to 75 FCEVs, with the first being delivered in Q4 2023. And on January 25, we announced that Biagi Brothers will purchase 15 FCEVs in the fourth quarter of 2023. On February 3rd, we announced that the Tre FCEV received California Air Resources board approval to be eligible for the hybrid and zero-emission truck and bus voucher incentive project initiatives. This means FCEV customers can receive an incentive of up to \$288,000 for a Class 8 FCEV in California, in addition to a potential \$40,000 federal tax credit from the IRA.

We have made immense progress in our FCEV program and believe the future for medium- and long-haul applications will be served by fuel-cell, electric vehicles. We believe our FCEV program, in conjunction with our energy business, will serve to set Nikola apart from the competition. We believe we have a best-in-class fuel cell, heavy-duty truck and are excited to begin delivering trucks to customers later this year.

Moving on to our Tre BEV program -- we utilized the fourth quarter to improve our product and address customer feedback. This resulted in lower delivery numbers, as we worked to make the changes to trucks in Nikola dealer inventory before delivery to end customers. We chose to do this as soon as possible, before delivering additional vehicles, while we have access to trucks at dealer service center and our Coolidge Manufacturing Facility.

Some of the changes we implemented include our second, major, post-production software updates, an eAxle bearing enhancement, and improvements to our battery management software. Our second software update was a significant improvement for us and provided the following improvements -- increasing the usable battery capacity, giving the truck up to 40 miles of increased range, enabled 350 kilowatt charging capability, allowing 80% of charge in 90 minutes, introduction of front and rear cameras, improved, low-voltage power management, resulting in reduced, low-voltage consumption, Bluetooth and mobile app enhancement.

We have also worked diligently with customers, dealers, and charging infrastructure partners to accelerate the deployment of Bev charging at customer depots. We are innovating creative, interim solutions for fleets, as they work with utilities to install expanded, permanent power capacity at their depots. We currently have three charging options. One, Nikola mobile charging trailer, requiring 300 amps of power; two, ChargePoint Dual E-skid, requiring 200 amps; and three, a single ChargePoint skid, requiring 100 amps.

Another step we have taken is to strengthen our sales and commercial team. One of the first actions was to hire Bruce Kurtt. He has over 30 years of executive experience in the commercial- and medium-, and heavy-duty transport space, previously holding roles at Volvo, Navistar, Kenworth, and Mack, and brings extensive relationships with fleets and additional dealers to Nikola. Since joining the company, we have further expanded the team, hiring nine additional sales reps, with deep, trucking experience.

We are refining our strategy, educating dealers and customers on the benefits of zero-emission vehicles, including reduced fuel and maintenance costs, and solving infrastructure challenges. Two of the things already initiated to refine our strategy and improve products are related to lead generation and customer feedback. We have better defined target customers for the Tre BEV, from both perspectives of duty cycle and available power capacity.

These qualified leads should translate into better-qualified customer conversations and speedier sales conversions. About product improvement, we plan to make additional product enhancement to our trucks, including one, updating the sliding fifth wheel; two, changing the location of air tanks between the axles; three, new, longer-lasting traction tires; and fourth, adjustment -- the entry and egress to make it safer and easier for drivers to get in and out of the truck.

As part of our sales strategy, we think it is appropriate to address inventory. We think, in the early stages of our business, having roughly three months of dealer inventory is the right number. This will allow dealers to have deliverable inventory, as well as enough trucks to demonstrate to customers. Bringing potential customers to our trucks is a key element in this process. Sufficient inventory is necessary for this.

We ended Q4 with 115 trucks in dealer inventory and 127 in Nikola inventory. Regarding Tre BEV customers and pilots, on November 2nd, we announced a purchase order of 100 Tre BEV from Zeem Solutions. We are currently undergoing a pilot program with Zeem and will begin delivering trucks to them this year. During the fourth quarter, we also continued customer Pilot demos with Wal-Mart, CYA, and WattEV, accumulating over 35,000 miles.

And to conclude our remarks on the Tre BEV, on February 22nd, we announced we selected Plus Drive (ph) from Plus for the Nikola Tre BEV and FCEV. Plus Drive's enhanced safety system will augment existing Nikola-based features, including 100% electric steering, the ZF electronic braking system, and internally develop vehicle controls and software. We expect the first Nikola trucks off the assembly line to begin incorporating Plus Drive by the end of 2024.

Europe remains an important market for Nikola. We continue to work with our partners IVECO and E.ON, as we look to build zero-emission trucks and energy business on the continent. In Q4, development of the EU-spec Tre BEV, 4x2 continued. Currently, we are testing our Beta trucks and building Gamma trucks. We plan to start serial production, beginning in Q3, with deliveries beginning shortly thereafter.

We are on track to deliver the EU-spec, Tre FCEV in Q3 of 2024. As we communicated last year, when we unveiled the Beta truck, Nikola and IVECO opened the order book to European reservations. On January 23rd, we jointly announced an LOI with GP JOULE for 100 FCEVs. We are also pleased to announced further progress on our European truck sales and energy business. We had previously announced a collaboration with E.ON, one of Germany's leading energy companies.

We continue to make good progress on our previously announced collaboration with E.ON and are finalizing the joint venture agreement, which we expect to execute by the end of Q1. We are also pleased to announced that a letter of intent has been signed by Richter Group, a transport and logistics company based in Germany, for an initial order of 20 Tre FCEVs. Richter Group will also work with Nikola and its partners to potentially expand the conversion of its fleet of 160 trucks over the next few years.

Along with previously announced LOI for 100 trucks with GP JOULE in January, we see real momentum progressing in the adoption of our vehicles in Europe. The partnerships with IVECO, E.ON, and others in Europe, place us in a good position to continue making truck sales and building a hydrogen energy system. Now, we will give an update on the integration of the Romeo.

On January 13th, we announced battery pack manufacturing will transition from Cypress, California to our manufacturing facility in Coolidge, Arizona. This move will bring FCEV power-module assembly and battery-model, end-pack production under one roof. The new battery line in Coolidge includes automation, which is expected to improve the quality of modules, increase module input throughput, and enable significant cost reductions.

In Coolidge, we made additional progress on the build-out of the Phase II assembly expansion area. Upon completion of Phase II, the facility will be capable of producing battery packs, assembling Bosch fuel-cell power module, and boast the Tre BEV and FCEV on the same line. Assembly wholes (ph) nameplate capacity will be up to 20,000 units per year. During the second quarter, we will slow down the production rate in Coolidge, as we prepare to accommodate the assembly of the FCEV on the same line and install fuel-cell power module assembly and battery-end, end-pack production lines.

In conclusion, 2022 was a year of learning and growth for Nikola. We are now well positioned to serve customers, providing the fully integrated mobility solution they need to transition their fleets to zero emissions and we are excited to capitalize on opportunities in 2023. With that, I will now hand it over to Kim to cover the numbers.

Kim Brady

Thanks, Michael and good morning. In 2022, we remained committed to managing cash and disbursements, coming in favorable to our expense guidance. We intend to continue being disciplined with our spending in 2023. Let's jump into our 2022 results. For the full-year 2022, we produced 258 Tre BEVs and delivered 131 to dealers for revenue of \$50.8 million.

The cost of revenue was \$155.6 million. Gross loss totaled \$104.8 million. Operating expense for the full year came in favorable to our previously provided guidance, at \$643.9 million, inclusive of \$255.4 million of stock compensation expense. We have remained disciplined in our spending and managing cash.

Net loss for the full year 2022 was \$784.2 million and, on a non-GAAP basis, adjusted EBITDA came in at negative \$450.2 million. Adjusted EBITDA excludes, among other items, stock-based compensation of \$255.4 million, regulatory and legal matters of \$23.2 million, and Romeo acquisition cost of \$14.6 million.

CapEx for the full year, totaled \$170.7 million, predominately spent on our Coolidge Manufacturing facility expansion, hydrogen infrastructure equipment, and land for Phoenix Hydrogen Hub, supplier tooling, and HQ expansion in Phoenix. Moving on to our Q4 results -- we began consolidating Romeo's result of operations into Nikola's, after the merger closed in October.

In the last three months of the year, we produced 133 Tre BEVs and delivered 20 trucks and 21 chargers to dealers, generating revenues of \$6.6 million. This includes an unfavorable revenue adjustment of \$2.6 million, relating to a dealer rebate program associated with third quarter deliveries. Excluding this adjustment, the average selling price for the Tre BEV was approximately \$374,000 per truck.

On a consolidated basis, the cost of revenue for the quarter was \$52.3 million, generating a gross loss of approximately \$45.8 million, as compared to Q3. As a percentage of revenue, gross loss increased significantly, due to a lower volume of Tre BEV deliveries, higher fixed costs, including overhead expenses, and freight spread over a smaller number of delivered trucks, and inclusion of Romeo overhead and inventory costs, including one-time expenses associated with the merger.

Let's break down the costs of revenue. Of the \$52.3 million total, \$8.6 million is related to the bill of materials for the Tre BEV and charging products sold during the quarter. Fixed costs at our manufacturing facility in Coolidge came in at \$11.1 million for the quarter, which includes overhead, labor, and depreciation. \$5.2 million is related to inventory freight-in and duties. Freight and duty costs, as a percentage of inventory receipts, have improved dramatically, from 30% of receipts in July, to 9% of receipts in December.

The remaining \$7.4 million was related to inventory adjustments and non-cash, inventory-related expenses. Also included in our Q4 costs of revenues, are \$19.3 million related to Romeo's operations. Of this, \$4.3 million is for excess and obsolete inventory write-downs from products which will no longer be sold to third parties, since Romeo will no longer operate as a merchant-pack supplier.

The remaining costs are related to Cypress plant, labor, overhead, inventory freighting, and adjustments, which we expect to decline significantly as we integrate battery-pack manufacturing into our Coolidge operations. R&D expenses totaled \$69.4 million in Q4, including \$7 million in stock-based compensation. SG&A expenses totaled \$80.2 million, including \$34.4 million of stock-based compensation.

Net loss for the fourth quarter totaled \$222.1 million, on a non-GAAP basis totaled \$180.6. GAAP net loss per share, based and diluted, was negative \$0.46 and on a non-GAAP basis, was negative \$0.37, basic and diluted. Turning to the balance sheet -- we ended the quarter with approximately \$323 million in cash, including restricted cash.

Access to additional capital available to Nikola comes in the form of ATM (ph), of which \$232.2 million remaining; \$2 million equity line of credit, \$312.5 million remaining; and 475 million of convertible notes we have the right to sell, providing us with approximately \$942.7 million of total access to liquidity. As Michael

mentioned earlier, in 2022, we have successfully executed several agreements in the capital markets, including the sale of \$200 million of convertible notes in May, putting place a \$400 million ATM in August, and an agreement for an additional \$125 million in convertible notes, of which we received \$50 million in December.

Accessing our existing ELOC, ATM, and convertible notes sources of capital will provide us with sufficient funds to sustain our operations and execute our business objectives into 2024. Accounts receivable were approximately \$31.9 million. We are working with financing institutions to provide flow-planned facilities to our dealers, thus reducing working capital in the form of accounts receivable with dealers.

At the end of the year, we held approximately \$123.2 million in inventory. This includes \$57.3 million in ROM with rills (ph) inventory, \$63.8 million in finished goods and work-in-process, and \$2.1 million in service parts. As our commercial functions kick into gear, we expect our inventory turns to accelerate. CapEx for the fourth quarter totaled approximately \$52.3 million and we predominately spent on Coolidge Manufacturing Facility expansion, hydrogen production equipment, hydrogen mobile fuelers, and supplier part tooling.

As you know, we laid off approximately 7% of our workforce, or 100 FTEs in November, as we adjusted to the difficult macro-headwinds related to inflation, rising interest rates, and slower-than-expected Bev adoption rate. We are working hard to improve our productivity and reduce BOM costs, with greater focus and discipline. Our head count, as of December 31st, was 1,583 employees, including 299 employees of Romeo.

Moving onto the 2023 outlook -- in our Q3 earnings call, we acknowledged that the adoption rate of battery-electric semi-trucks is still very much nascent and slower than we anticipated, due to a variety of issues, including significant charging infrastructure challenges faced by our potential end customers. We don't believe these challenges will be abated any time soon and all the stakeholders will need to work together to address them. This will take some time.

We also pointed out that we would be better off delivering fewer Tre BEVs, preserving cash, and minimizing our losses until the planned BOM cost saving are achieved in 2023. Consistent with what we previously stated, we have reduced volume expectations for our Tre BEVs in 2023. We plan to produce 250 to 350 Tre BEVs and 175 to 225 Tre fuel cell, electric vehicles this year, and deliver 250 to 350 Tre BEVs and beginning in late Q3, 125 to 150 Tre fuel cell electric vehicles.

Our revenue guidance is \$140 to \$200 million. We anticipate gross margins for the full-year 2023 will be negative \$0.75 to \$0.95. We expect gross margins to improve substantially towards the end of the year, as we realize the cost-saving benefits from the Romeo transaction. We anticipate we can lower battery modules impact cost, excluding sales, on the Tre BEV by approximately \$100,000 per truck, by December 2023. We have already realized \$31,000 in material savings per truck, post-close, as the temporary pack price increase, associated with delivery incentives before the Romeo transaction close no longer is in effect.

We expect to achieve an additional \$41,000 in material savings by switching the battery pack enclosure and junction boxes manufacturing process from machined billet to casting. Additionally, by transitioning battery modules and pack production to Coolidge and implementing battery-line automation, we expect to reduce labor and overhead costs by roughly \$33,000 per vehicle. We believe bringing battery module and type manufacturing in-house, provides us with long-term, strategic value.

Estimated R&D expenses in 2023 are \$245 to \$255 million, which include \$34 million in stock-based compensation. Estimated SG&A for the full year is \$185 to \$195 million, which includes \$61 million in stock-based compensation. Our planned OpEx spending for 2023 is approximately \$0.12 below the 2022 level,

excluding stock-based compensation. We anticipate capital expenditures to be in the range of \$140 to \$160 million, mainly focused on the completion of the Phase II assembly expansion area in Coolidge, fuel-cell module assembly line, battery-module and pack assembly line, toolings for fuel-cell electric vehicle, and hydrogen infrastructure.

2023 planned CapEx is approximately \$21 million below the 2022 level. We are running at full speed to meet the Tre fuel-cell EV start-up production in Q3 2023. Our goal is to pre-sell the production volume of Tre fuel cell electric vehicle, including requiring a modest down payment. We expect weight average shares outstanding for the full year to approximate \$558.3 million and total shares outstanding to approximate \$567.9 million. We anticipate our ending head count to slightly decline to approximately 1,500 employees.

In Q1, we expect to deliver 30 to 50 Tre BEVs, for revenues of \$10.5 to \$17.5 million and generate gross margins of negative 215% to 140%. We expect gross margins to improve substantially, as we scale volume production and realize cost savings from Romeo in Q4 2023. Our estimated R&D for Q1 is in the range of \$75 to \$80 million, including \$8.5 million in stock compensation.

R&D expenses are somewhat heavier in Q1, due to the completion of the Beta fuel cell electric vehicle build, the commencement of the Gamma FCEV build and FCEV validation activities. SG&A will be in the range of \$50 million to \$55 million, including \$16.5 million in stock-based compensation expenses. We anticipate that CapEx will be approximately \$55 million in the first quarter, principally related to fuel-cell EV supply tooling and assembly line equipment to support the fuel-cell EV launch.

In Q1, we expect the weighted average shares outstanding for the quarter to approximate \$543.4 million and the total shares outstanding to be approximately \$558.4 million. Regarding our longer-term outlook, we are still in the early-adoption period of zero-emission vehicles and we can see the momentum building, albeit slowly. However, we anticipate the pace of adoption to pick up as approach to 2025 and 2026, and expect the Inflation Reduction Act to start providing a significant boost to Nikola's integrated, fuel-cell EV and fueling business model.

We are in a nascent industry, so there's a lot of uncertainty. Assuming zero-emissions truck adoption increases in greater numbers, our energy business executes on hydrogen production and fueling solutions and we are able to capture only 1.7% of ack (ph) researches, 2026 U.S., Class 8 truck new unit sale volume of approximately 360,000 units, then we have a line of sight to achieving our targets.

To share some preliminary thoughts our long-term thinking, in 2026, we would anticipate sales of approximately 1,000 to 1,250 Tre BEV and 5,000 to 6,000 Tre fuel-cell EV, for total truck deliveries of 6,000 to 7,250 units. In addition, if our energy business is able to successfully develop access to approximately 300 metric tons per day of lower-carbon hydrogen supply and there is adequate demand, we estimate that we could potentially generate roughly \$450 to \$500 million in hydrogen revenue, selling to Nikola FCEV and third-party customers.

Again, lots of ifs and a lot of work to be done and we cannot provide any assurance that we'll get there. But this is what we're striving for. Our current plan is to achieve a positive gross profit margin in 2024 and break even to positive EBITDA in 2025. We believe our outlook is achievable if our business develops as planned, our business milestones are achieved, and we continue to have access to necessary capital. We are laser focused on executing our glide path profitability. I will now hand it back to Michael for closing remarks.

Michael Lohscheller

Thank you, Kim. As we have done in the past, we have provided milestones for investors to track our progress and hold us accountable. We suggest you pay attention to and closely monitor our milestones. In 2022, we have taken steps forward that will make positive impacts on our business and set us up for success in 2023.

Our 2023 milestones are as follows -- complete the build of ten Gamma FCEVs by Q2; realize approximately \$100,000 in cost savings in battery modules and packs for each Tre BEV by Q4 2023; achieve final investment decision for the Phoenix Hydrogen Hub by early Q3; announce at least two refueling station partners by June; deliver 250 to 350 Tre BEVs to dealers for 2023; deliver 125 to 150 Tre FCEVs in the second half of 2023.

This wraps up our prepared remarks. We will use the remainder of the time to address our covering analyst questions, after which we will take some questions from our return shareholders. Operator, please open the line.

Operator

Thank you. If you would like to ask a question, please press * 1 on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press * 2 if you would like to remove your question from the queue. And, for participants using speak equipment, it may be necessary to pick up the handset before pressing the star keys.

Our first question is from Douglas Dutton with Evercore ISI. Please proceed.

Douglas Dutton

Yep. Good morning, Michael, Kim, and Dhillon. Nice update here. So, two questions for you. First, can you detail what the next steps look like with Anheuser-Busch as continued FCEV proof of concept for other customers? And maybe talk about how you see demand progressing, over time, for some of these bigger Pilot customers. It sounds like several of the first saleable FCEVs are spoken for. But for a larger customer, Bud or Wal-Mart, what does the trajectory look like into 2025 and 2030?

Michael Lohscheller

Okay. Thank you. Good morning, Douglas. Michael, here. So, let's talk about the development of the fuel cell truck. I mean, first of all, as I mentioned on the call, the truck is in good shape, the development is achieving good milestones. Now, we have, as you know, big agreements with certain customers, and Anheuser-Busch is one of them. Those trucks are in demos, which do really well.

And now that we will see the first deliveries starting in this year. The Badgi Brothers is another example, where we see the first 15. And then we would see that also going into '24, '25, and obviously, '26. I think, importantly, the outlook we gave, in terms of how important fuel cell is for Nikola, when Kim mentioned about the numbers for '26, obviously, very obvious that fuel cell is very important for Nikola. I mean, in terms of potential percentages, it could be up to 80%.

But, to your point, so we see the first deliveries in the fourth quarter, when we will launch the fuel-cell truck. And then, obviously, this will improve, step by step, in the coming years. The good thing, I think, is that we received good feedback from the demos. And, of course, customers have a new brand, a new truck, and I think this feedback is critically important. So I think we are on a good path of first deliveries this year and then improving into '24 and '25.

Douglas Dutton

Okay. Appreciate the answer. It's helpful. Final one was just on FCEV production. I see the goal is 10 Gamma FCEVs by the end of Q2. Can you tell us, who are the preliminary partners that these 10 Gamma builds are committed to? Thanks, team.

Michael Lohscheller

Yeah, so what we do is, I mean, first of all, the Gamma we used lots of validation. We also have certain marketing trucks, which we bring to certain shows, like are in Orlando in the next couple of weeks, where we present the truck. But the Gamma trucks, really, the main purpose is the validation, so to make sure that we are in great shape and that we then can start deliveries in the third quarter.

Also, another point I'd like to add is, I mean, obviously, this is our second truck we now develop and bring to the market. This is very helpful because we have learned so many things from the Bev. And, overall, the fuel cell truck is in much better shape because the Bev was our first truck we built. And we have lots of learnings out of that.

I mean, the fact that we have finalized the Beta truck to 17 is a very important milestone for us. Now, the Gamma, for validation, but we also have marketing trucks, which we bring to certain customers, also to certain truck shows, so that as many people as possible can get into the truck as early as possible.

Douglas Dutton

Thanks, Michael.

Operator

Our next question is from Jeff Kauffman with Vertical Research Partners. Please proceed.

Jeff Kauffman

Thank you very much and thank you for all that clarity on what happened in 4Q and what the plan is for 2023. I'm going in a different direction. This week or so ago it was announced that British Petroleum had acquired about 270 fueling stations from Travel Centers of America and I know BP's been focused on this hydrogen concept in the Midwest, as well.

I'm just kind of curious what your read is on that acquisition. And you had started a program where you were going to start bringing fuel into a couple TA centers to do fueling in California -- I think two centers, if I got that right. How -- does this affect any of your thoughts in that area? Is it an opportunity? I -- just kind of curious view on BP taking such a large stake in commercial vehicle fueling locations.

Kim Brady

Jeff -- great question. So first, the fact that they have actually acquired TA -- this is wonderful news, from our perspective. It means, you got oil majors becoming more serious about hydrogen distribution and they understand that hydrogen is really the fuel of future and now. When you think about in terms of our relationship

with TA, nothing has changed. And the fact that majority of our energy team comes from BP and they're very familiar with the folks at BP who have acquired TA, we believe that this will actually strengthen our relationship with TA, going forward, and it will accelerate our partnership.

Jeff Kauffman

Okay. Just kind of curious -- based on the current plans on the board, as you start to bring these fuel cell trucks to market in '23 and 2024, I guess, how much fueling capacity are you going to need to meet the needs in, say, your first 12 to 18 months of fuel-cell vehicles being on the road, as we kind of build this plan toward to 2026?

Kim Brady

So, for 2023, as you know, based on our modest view, in terms of number of trucks that we'll sell, the needs that we have is only about 7.3 tons per day. And so, we believe we can meet that demand, based on what we have procured already from third party. And we know exactly, for our launch market, where will exit the hydrogen. And we have mobile trailers ready so that we can fuel them behind the fence, whatever makes sense for our existing customers. So that's something that we very comfortable, that we have already covered.

Jeff Kauffman

Shouldn't -- you'll have the capability by '26 to support about 7,500 fuel-cell trucks. You gave me 7.3 million tons per day for '23. What do you believe those needs will be for '24, as you start to ramp and sell more fuel cells?

Kim Brady

For 2024, we anticipate, based on what we are looking to sell. Now, Jeff, in your question, while we have not disclosed what we anticipate, in terms of truck sales, at a high level, we do think we'll need around 40 to 45 tons per day. And once again, based on what we have already contracted, we feel very comfortable meeting those numbers.

Jeff Kauffman

Okay. Wonderful. Well, thank you. Those are my questions.

Operator

Our next question is from Bill Peterson with J.P. Morgan. Please proceed.

Bill Peterson

Yeah, hi, good morning and thanks for taking my questions, and as always for all the great disclosure and you having a presentation and prepared remarks. My first question is, you gave shipping status of trucks to dealers, I guess the most important question is how many of these BEV trucks are really in the hands of any customers?

And how soon could you deliver more trucks or increase the number of trucks in customer hands by, maybe, the end of this year? And, you made additional hires with Bruce Kurtt and additional sales reps, I guess, the

strategy in customer targeting -- I didn't (inaudible). Just trying to get a feeling for how it will (inaudible) the equation, over the next few years, maybe given the challenges on charging and other areas you mentioned?

Michael Lohscheller

Yeah, thanks, Bill. Thanks for the questions. So let me provide a little bit of color, also, in terms of the overall development. I mean, first of all, if I look back at 2022, I think what worked well at Nikola is the development of the truck, the production. We worked through the supply chain issues. And now, the first trucks comes to end customers. Right? So overall, we have close to 40 trucks in customer operation.

We talked about the inventory number. I think it's fair to say that we have sufficient inventory at the moment. We'll also bring this down, going forward, which is helpful to have inventory in these days, because, obviously, people also need to experience our truck. I mean, it's a new brand, it's a new truck. So the more people we have in our truck the better.

In terms of the guidance we gave, in terms of deliveries to dealers, the 250 to 350, we will see a higher number to retail customers -- right? -- during the year. I think we will see progress in the first and second quarter, then, and then ramping this up. And we have done a lot of measures, also, to improve this. I mean, as we highlighted, we have more salespeople now. We have much more truck experience. The dealer management is much better.

And, again, we need to bring our customers into the truck, experience that. So we will see a gradual improvement there, in terms of bringing those trucks into customer hands operation. And then, obviously, also take their feedback. And that's why we purposely made the decision to also improve some of the trucks now, and not at a later stage, because for us, as a new company, the customer endorsement is so important. So I think this is how we see that going forward the next couple of quarters.

Bill Peterson

Okay. Thanks for that color. And the second question, more on hydrogen infrastructure. A little bit different than the prior ones. You talked about 60 dispensing stations by 2026 and then you have mobile refuelers, how should we be thinking about the rollout of additional stations in 2023. And then what is the associated spend from Nikola.

And then, sorry for the multi-part question, when you look at the -- the Phoenix, Arizona hub, you're looking at FID by 3Q, and what's left to be worked out here. And then, again, what's Nikola's expected contribution? Can you remind us of partners and how they are involved?

But I think in prior discussions, you talked about TCE or other partners and doing the lion share of the build. And then, now you talk about the potentially being involved. So, trying to understand more about the hubs, as well as the basis for the infrastructure side if you think about this year and overall next few years.

Kim Brady

So, Bill, there are lots of components to your questions. But let me iterate, when it comes to our hydrogen ecosystem, our strategy is to be asset light and capital efficient. That means we will have partners for our hydrogen hubs as well as refueling stations. What you have started to see, in 2022, is for us to kind of lay out, in terms of how we will build that hub network, as refueling network.

In 2023, especially in the next couple months, three months, I think what we have stated is that you are going to see additional announcement, with reflect to refueling network. What we have stated, as a company, is that by 2026, we are looking to have approximately 60 refueling stations. California is our large market. We anticipate, in California, likely there will be at least 20 stations or more by 2026, and will provide a complete coverage for California network.

And what that means is that when we think about, for California, and for hydrogen, by 2026, what we have said is around 300 ton per day. These are coming from our hub in Arizona, as well as off-take agreements that we have with Plug and with others that we'll be able to announce here. And you're going to see is that, when you add direct production tax credit of up to \$3, as well as the potential LCF as credit in California, three -- three, let's say \$1 to \$2, and all of a sudden, you're talking about \$4 to \$5 of incentives.

So, based on our production costs, we believe we can actually meet -- parry with diesel, or even actually improve, and still make very, very attractive margin. And that's what we are excited about. And so, when we think about our Arizona hub, we said we'll go to FID by early third quarter. What that means, is that we have already announced a letter of intent with FFI and we have talked about that FFI will take at least 51% ownership, Nikola has 49% ownership.

We have already contributed to that 49% in the form of land purchase, as well as electrolyzers that we have already paid for, that have been delivered, that will be contributed to our portion of Arizona Hub. So that commitment has already been substantially paid, and Nikola, ultimately, will have an opportunity to sell down portion of our equity to parties that are interested in jumping in. And we're having some of those conversations.

What we will do, though, is that we talked about, ultimately, what is important to Nikola, is to control the molecules, meaning we'll be the principal off-taker from Arizona Hub. We will move those molecules and dispense it at locations that either we own, outright, or in partnership with other parties. And so, we think we have a very compelling business model, as we go into start of production for fuel cell truck and, ultimately, delivering those fuel-cell trucks.

And by having fuel available, we believe there is an opportunity to potentially accelerate faster than BEV, because this is something we can orchestrate and we can control much better than permanent, charging infrastructure for BEVs.

Bill Peterson

Yeah, thanks for the comprehensive answer there. I think (inaudible).

Kim Brady

Hey, Bill, you're breaking up and I really did not understand your question. Are you able to repeat it?

Bill Peterson

Yeah. Sorry about that. My question was, is this the -- that was a very comprehensive answer, but my question was, is how does a potentially DOE loan play into the hub?

Kim Brady

applied with DOE loan program, we have already passed Phase I, we are in the process, in terms of going through Phase II. Ultimately, once Phase II is passed, then we will have preliminary indication of the loan approval and the size of the loan. But the size is pretty significant. We talked about up to \$1.3 billion.

And this is important for us, simply because, once again, it gives greater confidence for project financing. What's really exciting is that once you get to actual production, before you even sell, as long as you can produce hydrogen, you have hydrogen incentive for production, up \$3 for kilogram. So that makes the project viability really exciting and interesting and attractive for investors. And by having DOE loan guarantee will only make that -- make it even more attractive.

Bill Peterson

Thanks for the color.

Operator

As a reminder, just * 1 on your telephone keypad if you would like to ask question. And in the interest of time, we ask that you please ask one question and one follow-up question. Our next question is from Jeff Osborne with Cowen and Company. Please proceed.

Jeff Osborne

Hey, thank you. Just two quick ones. Kim, I was wondering, on the gross margin commentary for '24, about being positive. Great to see the \$105,000 reduction on the battery side. Makes a lot of sense. I just wanted to understand, on the pricing side, should we assume \$374,000, give or take, for the next year or two? Or are you seeing, or anticipating pricing to come down, as other folks enter the market?

Kim Brady

Well, yes, great question. As you know, I would say the market still is in early stage, especially when it comes to Bev. I think we have shown that for 2022, our ASP is closer to 365, 370. We suspect, while we are a bit more conservative, when it comes to our budget, but in terms of what we'll actually realize, could be higher.

Jeff Osborne

Got it. And then, what are, sort of the broad strokes parameters around reaching EBITA, break-even in 2025, I think you said. Is that sort of a few thousand deliveries. And then, gross margins in the mid-teens? Like, is there any broad strokes you can give on how you would get to that number?

Kim Brady

We haven't really given out numbers for 2025. Obviously, we have indicated what we believe could be possible by 2026. When we think about, from 2025 to 2026, I would say the increase, in terms of FCEV volume, is modest, not significant. I think the big jump that you see is more from 2024 to 2025. And as you can see, in terms of our guidance for Bev, for this year, versus outlook for 2026, once again, that jump is not significant.

So, we are being very realistic, when it comes to adoption rate for Bev. And, ultimately, as of now, and -- I think we'll be able to have more confidence as we go into second and third quarter, but because we can better control

having fueling available for our fuel-cell truck, likely we think we may be able to accelerate adoption faster on fuel-cell, electric vehicle side.

So when we think about getting to EBITDA break-even, as well as EBITDA positive, the first step, we need to get gross margin positive. And then, the second step is to generate more gross profit margin to cover our R&D and SG&A. And in 2025, we think that's going to be key, but most of the volume, as Michael alluded, will be coming from fuel-cell electric vehicle. And the -- by 2025, I guess we look to more like 75% FCEV and 25% BEV.

Jeff Osborne

And with a very profitable energy business to complement I assume.

Kim Brady

And very profitable energy business. That's correct.

Jeff Osborne

Perfect. Thank you.

Operator

Our next question is from Mike Shlisky with D.A. Davidson. Please proceed.

Michael Shlisky

Yes, hi. Good morning and thanks for taking my questions. The run-rate you've got for Bev deliveries in the first quarter, is that an appropriate kind of run rate for Q2 and 3Q, with the kind of rest of the guidance happening in the fourth, when you've got the very -- cost situation under control?

Michael Lohscheller

Thanks, Mike, for your question. Very good point. So, be very clear, I mean, obviously, we will do better in Q2 and Q3, going forward, right? I mean, we have done a lot of measures now, on the product type. But in particular, also on the commercial side, so that we will see better results in Q1. But we will see -- to continue this improvement also in Q2 and Q3. So while we then focus a lot in the fourth quarter on the launch of the fuel-cell truck.

So you will see improvements on the Bev run rate in the second and third quarter, because all the measures we have taken in place are, obviously, working. And there are many of those. Right? So, just to highlight a few, again, we have experienced truck people now. Dealer management is in place. By the way, all our dealers now having a license, something which was not in place last year. Product improvements are coming through.

I think we'd make a lot of progress on the infrastructure. While infrastructure will stay a topic for all of us, going through this period of time, also some other states are coming now with incentives. And the more people can drive our truck, the more successful we will be, in terms of conversation to retail sales. So, you will see improvement in the second and third quarter, as well.

Michael Shlisky

Okay, great. And then, for my follow-up, I didn't hear it in the comments, can you update us on the situation with the former Romeo customer, Lion, and how the discussion is going with them? It sounds like they're -- they are to have a valid contract and obtain Romeo batteries. Are you participating, either having to give them the batteries that they've asked for, eventually, over the next five, six years, or a cash payment to exit the contract?

And then, secondly, it sounds like a second company has come forward. And they have they have their fourth quarter numbers kind of impacted by a lack of Romeo batteries. And, they seem like they also have a valid contract. I'm curious if you've opened any kind of discussions with that party, as well? Thank you.

Kim Brady

So, Mike, without going into all the details, because we are in arbitration, with respect to Romeo, and we understand the -- in terms of their filing, that they believe that certain provisions, with respect to purchase agreement, has been breached. We disagree. So we are working through that. But as you know, even before our purchase of Romeo, Lion has always communicated to Romeo that they intend to purchase -- to actually build their own battery pack and modules.

In fact, on December 21st, 2022, they actually announced they have actually produced their first models and packs in Canada and that they intend to go into production starting in Q1, late Q1 of 2023, and continue to expand their production volume. So that was always the understanding. And so, we believe we'll be able to work through this. We don't believe there will be any long-term consequences there.

And we have always made it clear, at the time of Romeo acquisition, when we announced, that we do not intend to be in burch and batter tack ~~(ph)~~ business. With respect to the other party that you have alluded, there are substantial disagreements, in terms of our view and what they're entitled to. As you should know that many of **f**, or some of these claims were related to production packs. And, right now, there are disagreements, with respect to what the understanding of those production packs. But once again, we're not concerned. We believe we'll be able to address all of those issues.

Michael Shlisky

I appreciate that color, Kim. Thank you, so much. I'll pass it along.

Operator

Our final question is from with Winnie Dong Deutsche Bank. Please proceed.

Winnie Dong

Hi. Thanks so much for squeezing me in. I was wondering if you could give a sense of where you're tracking with the \$105K in cost saving for battery modules and packs. And then, if the reduction is more or less steady throughout the year, and is that something to primarily to benefit Q4? And I have a follow-up, as well.

Kim Brady

Winnie, great question. I think what we have stated is that we believe we can actually take \$100,000, approximately, in terms of cost for modules and packs. We have already achieved about a third of that. And then, additional labor savings will come through once we integrate into our Coolidge facility at some time in late Q2, early Q3. So those savings will be through second half of this year.

And then, ultimately, the bill of material savings, with enclosures, will likely happen towards late third quarter and Q4. We have already what we call cost sample packs, in terms of what we have received in casting. Obviously, there will be validation that will be required. But we know the numbers, based on the quotes we have and the volume that we're expecting, the cost that we will be able to save, as we transition from machine billet to casting

Winnie Dong

Got it. Thanks. That's very helpful. And then, apologies if I missed it earlier. On the outlook for the 300 units, the mid-point for Tre BEV, what percentage of that do you anticipate, ultimately ending up in customer hands? And it is sort of more than doubled in what was moved over to dealers in 2022. So maybe, can you give us a sense of what visibility you have to end-customer demand now? And then, maybe some examples of how – **you know** what your commercial team is doing to better engage customers. Thanks.

Michael Lohscheller

Yeah, great point. I mean, first of all, what are doing differently, also, now on the commercial side? I mean, first of all we have very experienced truck people. We also have many more salespeople in place. We hired more than nine -- nine people, additionally. We have very good regional steering now. We also did a lot of training with our dealers and customers, because selling zero-emission mobility is a new thing.

It's also sometimes more time consuming for everybody. We have many more offers on the infrastructure in place. We have many financial products in place. And we have more customers experiencing our truck. And that's the key, because our customers need to see the truck, need to experience the truck. The drivers are very enthusiastic about this. So, that's a flavor of what we are doing.

In terms of what percentage will go to end customers -- basically, we think now that we have very good level of inventory. Actually, it will have to come down. And what we are now invoicing to the dealers will go to retail customer, actually ideally more, because we need to reduce the level of inventory. And we have given the guidance for the first quarter.

I also said, just to repeat it, that we will see more progress in the second and third quarter of the year, because the fourth quarter is all about the launch of the fuel-cell truck. And I want to make sure that we are laser focused on this. So, expect to see some improvement in the second and third quarter of the year.

Operator

Thank you. I would like to hand the call back over to Dhillon for shareholder questions.

Dhillon Sandhu

Thank you, operator. Our first question comes from Ali. Ali asks, does Nikola have adequate cash to sustain operations and continue development into 2023? Kim?

Kim Brady

Ali, thank you for your question. We believe we maintain adequate access to capital to fund our business operations in 2023. As of December 31, 2022, our total access to capital was approximately \$942.8 million. The mid-point of our guidance implies approximately \$635 million in cash spend in 2023, including gross loss in truck sales, R&D, SG&A, net of stock compensation, and capital expenditures. We have demonstrated that we can access the capital markets and believe we can continue to do so in 2023.

Dhillon Sandhu

Thank you, Kim. The second question comes from Bernard. Bernard asks, where is Nikola at in the \$1.3 billion Department of Energy loan process? Has the government given Nikola any indication regarding acceptance or not since you were invited to Phase II of the process? Michael, would you like to take this one?

Michael Lohscheller

Sure. Bernard, thanks for your question. We have been fully engaged with the Department of Energy on completing the requirements for Phase II. We anticipate completing the submission for Phase II in the coming months. The loan program office process has multiple steps and we cannot predict when a decision will be made. We will continue working closely with the Department of Energy loan program office and responding to their feedback. And, of course, we'll update you and all shareholders when are able to share progress.

Thank you, everybody, for joining our earnings call today. We are excited about 2023 and what will accomplish during this important year. I want to reiterate, again, we will make improvements on the Bev. This year is very much the year of the launch of the fuel-cell truck, which will happen in the second half of this year. And we are excited about the opportunities on the energy side of the business.

As I said in my first comment, Nikola is much more than a truck company. With that, thank you for joining and have a wonderful day, everybody. Bye-bye.