Nikola Corporation
Nikola Corporation Q1 2021 Earnings Conference Call
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Presenters
Britton Worthen, Chief Legal Officer
Mark Russell, Chief Executive Officer
Kim Brady, Chief Financial Officer

Q&A Participants
Paul Coster – JP Morgan
Jeff Osborne – Cowen & Company
Jeff Kaufman – Vertical Research Partners
Chris McNally - Evercore ISI
Joseph Spak - RBC Capital Markets
Michael Shlisky - Colliers Securities
Daniel Ives - Wedbush Securities

Operator

Good morning and welcome to Nikola Corporation's first quarter 2021 earnings call. At this time, 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. We will now begin the video presentation.

Video Presentation

Thank you. It is my pleasure to now introduce Nikola's Chief Legal Officer, Britton Worthen. Thank you, Britton, you may begin.

Britton Worthen

Thank you, and good morning, everyone. Welcome to Nikola Corporation's first quarter 2021 Earnings Call. With me today is Mark Russell, Chief Executive Officer of Nikola, and Kim Brady, Chief Financial Officer.

During today's call, we will share our views on the business environment and our financial results for the March 2021 quarter and our outlook for the June 2021 quarter and the full-year 2021. The press release detailing our financial results was distributed a little after 6 am Pacific Time earlier this morning. The release can be found on our Investor Relations section of the company's website along with presentation slides that accompany today's call.

Today's presentation and Q&A include certain forward-looking statements within the meaning of the federal securities laws. Forward-looking statements are predictions, projections, and other statements about future events that are based on current expectations, and assumptions and, as a result, are subject to risks and uncertainties. Many factors could cause actual future events to differ materially from the forward-looking statements in this communication. For more information about factors that may cause actual results to materially differ from forward-looking statements, please refer to the earnings press release we issued today as well as the Risk Factors section of our Annual Report on Form 10-K and our Quarterly Report Form 10-Q filed with the Securities and Exchange Commission, in addition to the company's subsequent filings with the SEC. Forward-looking statements speak only as of the date they are made. Readers should be cautioned not to put undue reliance on forward-looking statements. With that, I will now hand the call over to Mark.

Mark Russell

Thanks, Britton. We're going to provide you an update on what we achieved including updates on the Nikola Tre BEV testing and validation, progress on our manufacturing facilities in Ulm, Germany and Coolidge, Arizona, and provide an you update on the recent developments and announcements including our sales and service partnership with RIG360, our collaboration with OGE and IVECO in Germany for hydrogen infrastructure, our collaboration to install hydrogen stations at existing TravelCenters of America locations, and the announcement of our collaboration with Total Transportation Services.

After this business update, Kim will discuss our financial results for the quarter, and of course, we will do our best after that to answer your questions.

Nikola Tre BEV Prototype Commissioning Update

Let's kick things off with an update on the status of our Nikola Tre BEV, the battery electric vehicle, or BEV. We will begin with the first batch of five trucks which we've commissioned and are going through validation testing. That progress continued in the first quarter. The trucks are exceeding our expectations so far in the winter testing. We're working to complete commissioning and validation of the first batch.

- Number one is still in the proving grounds for powertrain validation
- Number two is in the process of road load data acquisition and n-poster correlation
- Number three remains in Arizona for software, HMI, and controls development
- Tre four remains in Arizona for commissioning and is in preparation for customer demos and other events which have happened this past week
- And number five remains in Germany for continued braking validation testing

The next batch is nine trucks on top of that first five, and as of today, we have assembled eight of those. Three of the trucks are at our headquarters here in Arizona, one truck has been sent to a facility in Indiana for crash testing. Four trucks are in various stages of transit to our headquarters here. We anticipate the ninth truck will be finished by May 10. And expect that the four trucks in transit and ninth truck to be completed by May 10 will all arrive to our HQ in Arizona by the end of the month of May.

Now on to our joint venture manufacturing facility at IVECO's industrial complex in Ulm, Germany. As of today, we have nearly completed the building modifications to the facility. The dismantling and building restructuring have been completed. The automatic guided vehicle system installation is nearly complete. And four of the 32 AGVs that we will be using there have been installed for validation on that track. And the hardware, and software is now complete. We anticipate the remaining 28 AGVs that we will have for production will be installed over the next few weeks, and tooling and equipment installation of the 14 separate workstations in that production line will be completed by the end of the month. Critical parts and components to build the trucks have already started arriving at the facility, and we have hired about 50 employees so far to prepare for vehicle trial production starting in June 2021. Just less than 2 months away.

In Coolidge, Arizona where we have our greenfield manufacturing facility. During the first quarter we made significant progress on the construction. The facility is really starting to take form now that the building has been substantially enclosed with the floor slab, the roofing, the walls are complete. Electrical and mechanical construction and installation is nearing completion and the manufacturing equipment is beginning to be installed. The road paving is ongoing, the utilities have been installed. As you can see from the photos in the deck, the construction progress we have made in Coolidge since we went vertical in December has been quite remarkable. We will continue to be as efficient as possible through our construction processes as we continue our expansion plans in Coolidge. We will begin vehicle trial production there in the first phase in July, and concurrently we will be building out the rest of the Phase 1 assembly expansion area. And, upon the completion of Phase 1 and concluding that assembly expansion area, the Coolidge plant capacity will be approximately 2,500 trucks per year. And then of course we will be going up from there in the future phases.

With respect to our assembly techs, the Nikola technicians that we have had in Ulm, Germany have been building prototype trucks since we started that process. They have been there for over three months now. By the end of this quarter, they will come back to Arizona and start

building trucks in Coolidge. We have also begun the assembly of our first Tre fuel cell electric Tre vehicle, Alpha's vehicle here in Coolidge. Coolidge will now become another base for us to assemble prototype and production trucks.

On April 8, just passed, Nikola and RIG360 announced an expansive sales and service dealer network spanning more than 65 service center locations. RIG360 service centers are ideally located in key metropolitan areas and major intersections of the interstate highway system throughout the southeast, the northeast, and the midwestern. This agreement provides a service and maintenance network for us and a reputable sales channel for our customers. Service and maintenance are a key point for our fleet customers, and they expect reliability and uptime from these vehicles so having top notch service and maintenance providers is key. Our agreement with RIG360 will provide our customers with the confidence that these vehicles are going to achieve the desired uptime.

On April 14, just past, in conjunction with IVECO and OGE, we announced our intent to deploy hydrogen infrastructure and fueling solutions throughout Germany. Nikola will install hydrogen fueling locations for OEM FCEVs, not just our own, these will be open to the public, at key locations supported by OGE's hydrogen delivery systems pipelines. The collaboration between Nikola, IVECO, and OGE is expected to enable cost-effective distribution of hydrogen from production to storage and to fueling and dispensing locations in Germany. This is an important first step for us in building out our hydrogen infrastructure footprint in Europe.

On April 22, just past, Nikola and TravelCenters of America agreed to collaborate on the installation of hydrogen fueling stations for heavy-duty trucks at two existing TA sites in California. The first two stations are expected to be commercially operational by the first quarter of 2023, and this agreement with TA sets the foundation for the buildout of hydrogen fueling infrastructure across the country here in the United States. We anticipate that we will be able to announce the exact station locations with TA sometime in late in the second quarter or early in the third quarter of this year.

This is another important step in building out our hydrogen ecosystem here in the United States. As you know, we already have an innovative electricity rate schedule in place with Arizona Public Service Company, which should allow us to produce hydrogen fuel at price parity with diesel or lower. Now our collaboration with TA gives us the station locations located along the highly traveled truck corridors to dispense fuel to Nikola customers.

On May 6 just a couple days ago, we announced our collaboration with Total Transportation Services Inc., which is one of Southern California's prominent port trucking companies, to expedite zero-emission transportation at the port of Los Angeles/Long Beach. The collaboration includes vehicle trials that they'll do with us and a Letter of Intent for them to order 100 Nikola Class 8 BEV and fuel cell electric vehicle semi-trucks. This is a great accomplishment for us. We now have a dual customer that is purchasing and will be using both battery electric vehicles and fuel cell electric vehicles. It is a testament to our product line up we have and the competitive

advantage of being able to cover short, regional, and long-haul with our different vehicle solutions. Our BEVs are ideal for port, drayage, and metro distribution operations, while our FCEVs address the needs of customers who have higher range requirements, or need to refuel faster than battery charging can give you.

Alright, I'll now pass it on to Kim, and he'll to go over the numbers.

Kim Brady

Thanks, Mark, and good morning, everyone. In the first quarter, net loss was $120.2 million, and on a non-GAAP basis, adjusted EBITDA totaled negative $53.4 million. Adjusted EBITDA excludes, among other items, (i) $50.3 million in stock-based compensation, (ii) $14.9 million on regulatory and legal matters and other professional service fees incurred in connection with the short seller article from September 2020, and (iii) $1.8 million in normal depreciation and amortization.

Research and development expenses for the first quarter were $55.2 million, including $10.3 million of stock-based compensation expense. R&D expenses consist primarily of costs incurred in the development, building, testing and validation of Nikola Tre Battery Electric and Fuel Cell trucks.

SG&A expenses were approximately $65.4 million, of which $39.9 million is stock-based compensation expense, and $14.9 million is legal and regulatory costs.

As of March 31, 2021, our total headcount exceeded 530 employees and is growing at a rapid pace as we continue to build our teams in engineering, manufacturing, and energy.

Turning to the balance sheet, we ended the first quarter with $763.8 million of cash and cash equivalents.

We have no debt outstanding as of March 31, aside from our Phoenix headquarters' lease obligation.

Our capital expenditures totaled $24.5 million year-to-date and are comprised of the construction of our Coolidge greenfield manufacturing facility and equipment, as well as investments in supplier tooling related to Tre BEV production.

We ended the quarter with approximately 394 million shares outstanding. Weighted average shares, both basic and diluted, for the first quarter were approximately 392.2 million and 392.5 million, respectively. Diluted weighted average shares includes the impact of the private warrants.

Basic and diluted GAAP Net Loss per share for the first quarter was $0.31. Basic and diluted Non-GAAP Net Loss per share was $0.14. Non-GAAP Net Loss per share EXCLUDES stock based-compensation, gain on revaluation of private warrant liability, and regulatory and legal matters.

Next, we want to provide an update on the warrant accounting developments that as you know, many companies have been working through in the past several weeks.

In light of the recently issued SEC Staff Statement, we have re-evaluated our historical accounting for the private warrants assumed from VectoIQ in the SPAC merger and determined the private warrants should have been accounted for as a liability and marked to market at the end of each quarter in 2020. Previously we had accounted for those warrants as equity, similar to other SPAC and de-SPAC companies.

We have worked with our auditor and our Board to complete the restatement of our 2020 financial statements accordingly and filed an amended Form 10K yesterday.

This restatement resulted in additional non-current liabilities of $7.3 million and a non-cash gain of $13.4 million in the financial statements for the year ended December 31, 2020. The restatement did not impact our previously reported operating expenses or cash flows.

We consider the matter concluded. This change in the accounting treatment has no effect on Nikola's cash position, ongoing operations or future plans.

Now, turning to our Q2 and FY 2021 outlook and guidance.

For the first quarter of 2021, we came in well below our previously communicated expense ranges. We continue to be laser focused on managing cash and disbursements.

For the second quarter of 2021, estimated R&D is in the range of [$87.5 – $92.5 million], including $10 million of stock-based compensation expense. Estimated SG&A is in the range of [$62.5 - $67.5 million], which includes $43 million of stock-based compensation. Total estimated operating expenses will be in the range of $150 - $160 million, which includes approximately $53 million of stock-based compensation. Our anticipated capital expenditures for the second quarter are $60 - $65 million.

We have revised 2021 guidance for operating expenses solely due to an anticipated increase in stock compensation expense of approximately $30 million, of which $13 million is R&D and $17 million is SG&A. Previously, our full year 2021 guidance for R&D was in the range of $305 - $315 million. Because R&D stock compensation is expected to increase from $27 million to $40 million, our updated R&D guidance range is now $318 - $328 million.

Our previous full year 2021 guidance for SG&A was in the range of $235 - $245 million. Due to our anticipated increase of SG&A related stock compensation from $152 million to $169 million, our new SG&A guidance range is $252 – 262 million.

Our revised total estimated operating expenses will be in the range of [$570 million - $590 million]. On a non-GAAP basis total operating expenses remain unchanged in the range of $360 million - $380 million, excluding stock-based compensation.

Total shares outstanding at the end of 2021 will be about 400 million, and we expect the weighted average shares for the full year ending December 31, 2021, will be approximately 396 million.

We expect that we will fulfill our hiring plan in the coming quarters. By the end of 2021, we will have approximately 1,000 employees, comprised of roughly 180 manufacturing plant employees and 820 corporate and engineering employees.

Our anticipated capital expenditures for the fiscal year 2021 remain unchanged in the range of [$210 - $230] million. Our capital investment plans include Phase 1 Coolidge manufacturing plant and associated manufacturing equipment, supplier tooling, hydrogen infrastructure, , and FCEV engineering equipment.

As we continue to move forward and execute on our business plan, we look forward to achieving the following milestones in 2021:

- Start of vehicle trial production at the JV manufacturing facility in Ulm, Germany in June 2021;
- Start of vehicle trial production at the greenfield manufacturing facility in Coolidge, Arizona in July 2021;
- Break ground on our first commercial hydrogen station;
- Announce additional hydrogen infrastructure / ecosystem partners;
- Announce additional fleet testing customers; and
- Deliver the first Nikola Tre BEVs to customers during the fourth quarter of 2021.
- This concludes our prepared remarks. We will now open the line for questions. Operator?

Operator

Thank you. We will now be conducting the question and answer session. If you would like to ask a question, please press Star 1 on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press Star 2 if you would like to remove your question from the queue. For participants using speaker equipement, it may be necessary to pick up your handset before pressing the start keys.

One moment, please, while we poll for questions. Our first question is from Paul Coster of JP Morgan. Please proceed.

Paul Coster

Yes, thank you for taking my question. Mark, I've got a sort of bundle of questions to start with, which is, you're now starting to show the BEV vehicles to customers. What is the response? Do you think that you're going to get customer orders soon? Do you believe that you still are on track for that target of potentially as much as 600 sales by the fourth quarter? I know you can only fulfill 100 because of the supply constraints. But do all of those numbers still mesh? And finally on that bundle of questions, what's the latest on the supply constraints around the battery?

Mark Russell

Of course, yes. So the response so far to Tre BEV production prototypes has been very positive. We actually had fleets in here to our Phoenix headquarters and on our local Phoenix test track this week. We had 25 fleets represented in our customer days this week that came in and actually had a chance to ride in the trucks, look under the hood, metaphorically speaking and have some technical presentations. And then they of course, had a good tour of our facilities here. And an update on the Coolidge Greenfield and the Germany Brownfield.

So very positive reception. At this point we don't know about longer range truck that's coming to the market. Our Tre BEV is coming to the market with a 750 kilowatt battery. The closest we know of competitively right now is 550. So we're 200 kilowatts, more energy on board the truck that will translate into longer range. We'll continue to validate the actual range that we're going to advertise. But it should be the longest range truck out there.

It's also relatively short wheelbase compared to a lot of U.S. Class 8 trucks. It's got great visibility for the driver and outstanding visibility for the driver and with the short wheelbase as a great turning radius it’s very maneuverable. And of course for applications for Metropolitan deliveries, regional return to base kind of routes, that's going to be an ideal truck. And again, range is always an issue or almost always an issue for these customers. And so having a long-range truck, we think is going to be a really a great thing for customers in the market. So very positive reception.

Again, we are trying to finalize agreement for launch. And the model for our launch customers is Anheuser-Busch, that's been our launch customer for the fuel-cell vehicles for a long time, because they stepped up early and said we'd like to be a launch customer and partner with you in developing the vehicles. That's the kind of relationship we're looking for the Tre BEV. Anybody will -- I have yet to talk to any customer who doesn't want a truck to test and wouldn't be willing to buy one for testing and evaluation. What we're looking for at this point is launch customer. So those negotiations are ongoing. And we had a number of those target customers

in here this week. So we are cautiously optimistic that we'll be able to put that in place in the near future.

And second question, on the production delays, we've already explained to you the situation on battery-cells, we do believe -- and we have confirmation from our supply chain, that we are going to receive enough cells to complete enough trucks to stick with our current guidance of between 50 and 100 units that we'll be able to finish this calendar year.

Other parts are now of greater concern. We are looking of course for chips, touch screens; there are potential shortages of a number of different parts at this point. I think all of you who follow companies in the space know that the supply chain is under strain for a number of parts.

We're confident we're going to be able to build trucks. And we were sticking with our guidance of 50 to 100 because we don't know of any reason why we can't do that at this point. But there is the possibility that shortages will affect us. Because they're just across the industry and across the globe at this point. And we'll keep you updated on that we'll know more, of course, at the end of -- by the end of the next quarter; we'll keep you updated on that.

Paul Coster

Quick follow-up, the pace at which you're executing now is really breathtaking. And of course will it eventually become a nice problem to have, which is that you'll need more capital to build out the infrastructure. When do you think the need to, for new capital will arise? And can you just give us some sense of how you're prepping for that eventuality.

Kim Brady

Paul, thank you. As you know, we have been consistent in our communication about going to market sometime this year. In terms of preparation, we are well prepared, and we are in conversations with our underwriters. And we feel confident at the right time that we'll be able to execute additional capital raise.

Paul Coster

Very good. Thank you so much.

Operator

Thank you. Our next question is from Jeff Osborne of Cowen & Company. Please proceed.

Jeff Osborne

Yes, I was wondering if we can get back to the battery supply commentary, how are things shaping up for next year, just given a lot of folks are having to put deposits down for the year ahead? Do you have confidence and the ability to - go ahead?

Mark Russell

Jeff, that's a great question. Because the suppliers that we rely on, which are Korean-based, home base, they have other production facilities, but they're based in Korea. They are holding off on 2022 commitments until at least until June, and probably my guess is we won't be able to firm that up until July. So you'll probably have to wait another quarter before we get final commitments on allocation for 2022. And that's the situation; everybody's going to be on allocation, you're going to get what they're willing to give you. And we're doing our best to make sure that we get as much as we need to be able to build the trucks that we can build and that we know we can sell without constraint because of battery-cells. But we won't know for sure, for at least another, I'd say, 45 to 90 days, what the allocation is going to be for 2022.

Kim Brady

Jeff, having that said, we want you to recognize that we are having active discussions with the cell suppliers about 2022 as well as 2023 supplies. And as you stated, some of the cell suppliers are requesting that we make initial down payments for potential support in terms of dedicated lines. And so that's something that we are actively evaluating and having discussions and, in fact, we have a supplier that will be here next week.

Jeff Osborne

It's good to hear. The second area I want to pivot to was on the hydrogen side, can you just remind us or refresh us what the strategy is there in terms of the five stations? I think when you initially went public, you had placed an order with Nel for five electrolyzers, you've now, I guess, identified three sites, with the two from TA. You know, looking out more broadly in 2022 and 2023, do you still have this ambitious plan for a nationwide network over the next four, five, six years? Or are you going to do that more scaled back and much more regionally focused, say on the southwest?

Mark Russell

No, Jeff, we absolutely are committed to the plan that we outlined previously. And we'll start that network here in North America with stations in California and Arizona. Given the APS rate schedule that we have in the coverage area of that utility, which extends to the California border, along Interstate 10; that's going to allow us to produce hydrogen very cost effectively competitive with diesel.

And so in addition to stations where we might produce and dispense on site here in Arizona, because we have the right power structure, and in the western part of Arizona, accessible particularly to the corridors that lead into California, we're likely to do a hub facility, that would likely be a dispensing station, but we're going to be producing a lot more hydrogen than is required for that location. Because we're going to move that hydrogen into higher cost locations, in this case in Southern California, so where we don't get the electric rate to make your competitively priced hydrogen, we'll make it nearby, in this case, just over that border in Arizona, and then we'll move the hydrogen into those dispensing locations so that the two locations that we'll be making public with TA in the very near future, are very strategically located; particularly for our launch customer, Anheuser-Busch, which has a brewery in Van Nuys, California, to be able to fuel their loads in and out.

So we feel better about this than ever, it's no longer theoretical that we have all the building blocks in place, including electricity, which is up to 90% of the total cost of the hydrogen over the life of the station. And we have that in place now. And then we'll be adding additional city pairs and geographic regions in various parts of the country. And following probably the same model, which will be a mix of producing and dispensing locations and then hub locations where we will move hydrogen to dispensing locations only. And that model will probably be what we follow across the United States.

Similarly in Europe, we will be doing something similar with a possible difference of what we just announced with OGE. So IVECO is also participating in that consortium with OGE, which is the largest pipeline operator in Germany. And they are going to be distributing very green hydrogen by the way; a lot of that hydrogen will be sourced from North Sea wind power. And they'll make that with the electrolyzer facilities, onshore in the northern Netherlands. And then it will be pipeline distributed throughout Northern Europe. And we'll start dispensing that from pipeline distribution with stations that we're going to build in Germany that should be the most cost effective and green hydrogen in the world when we start actually, it's very exciting way to start there in Europe that should be very cost effective and competitive.

Jeff Osborne

Got it. That's all I had, thank you.

Operator

Thank you. Our next question is from Jeff Kaufman of Vertical Research Partners. Please proceed.

Jeff Kaufman

Thank you very much. Good morning. Thank you for that video. I think it was great to see the trucks in motion at least until we can see them live. I was just curious you're measuring top

speed and efficiency upgrades. Do you have any measurements yet on what your realized, I guess, miles per gallon equivalent on the battery trucks are? And also in terms of range testing, have you - how are the maximum drivable ranges testing out so far?

Mark Russell

Well, Jeff, the range is as I mentioned earlier, one of the chief selling points of this vehicle it should be the longest range battery-electric vehicle that we know of, Class 8 heavy truck, in the world that we know that this point 750 kilowatts on board. We know it's going to translate into really good range. We've already had some range testing results, and they are - I'll just tell you they're very impressive. This is going to be a really long-range battery truck. And we have -- of course, there's a lot of work yet to be done before we can actually translate that into a representation of miles per gallon equivalent. But right now the results are very encouraging very positive so far.

Jeff Kaufman

Okay, thank you. And I think you answered this in your commentary in terms of what the trucks are doing to get commissioned. So there are no customers actually testing the trucks themselves yet, correct?

Mark Russell

That is correct. All of our testing is internal, although this past week, we allowed customers in the vehicles and of course, they were doing their own inspections. And we were, we'd get their physical hands on the vehicle, but they were at the test track facilities, we won't have customer fleet testing for a little bit, for a few more months.

Jeff Kaufman

All right, that's encouraging news on the participation of the customer days too, so thank you for that. That's all I have.

Operator
Thank you. Our next question is from Chris McNally with Evercore ISI. Please proceed.

Chris McNally

Thanks team. Two questions. The first is maybe a little bit more detail on the hydrogen station strategy. If we look at the TA announcement, you answered a little bit of the question with Jeff, I just wanted to dive in high level just over the next two years, how much of sort of your needs are covered by the two stations with TA plus the central hub? Is it 30%, 50% something much more, just to understand how many more of these separate agreements may be coming.

Mark Russell

So, Chris, our target is to supply 100% of the trucks that we deliver, 100% of our fuel with the stations that we provide, that's - it's a bundled lease. So the city pair we're targeting first is Phoenix and Los Angeles. And so we need fuel in Los Angeles, we need fuel here in Phoenix, we have 1,000 ton dispensing station at our headquarters here in Phoenix, which has been operating on a prototype test basis for some time now. But we'll be adding to that. So that we have retail, open to the public retail station here in the Phoenix metropolitan area, we'll have - we'll start out with the two stations in Los Angeles.

And then in between, on the border, we will - we're planning to build a hub facility as I've described. So that will allow us to provide fuel between Phoenix and Los Angeles, it will also provide fuel for out and back routes from Phoenix, and from Los Angeles, out and back up to half the range of the vehicle of course. And then the next thing - the next stage for this region will be to provide coverage in Central California somewhere in the Bay Area most likely, which is just about the right distance, about 400 miles from the Los Angeles, nearest Los Angeles station. And then of course, eventually infill stations for those for that area so that you can provide the coverage that you need. The idea is that we have enough fuel to fuel the trucks that we deliver in that geography. And we'll be doing that same thing delivering the trucks and the fuel synchronized as we move to other city pairs and other geographies around the country.

Kim Brady

Chris, as you recall, our 2023 forecast for hydrogen truck is approximate 2,000 units. And we assume that represents about ten stations in terms of an eight ton commercial station equivalent. As Mark indicated that in some locations, we will have stations where we generate hydrogen on-site. Other locations we may have a hub and transport to dispensing stations. And there may be areas where we may actually procure hydrogen via long term offtake agreements. And so I think that probably gives you some combination of how we're looking at ultimately delivering hydrogen at the pump level. But you shouldn't assume that it will be all ten, eight ton dispensing stations where we generate hydrogen outside.

Mark Russell

Although we do have as was, I think somebody asked earlier about the longer lead time item which is the electrolyzers themselves. We do have a $30 million electrolyzer order in process with Nel, so there'll be producing and delivering the electrolyzers for up to the first five stations if there are eight tons of pieces. We may - as we may adjust the sizing depending on the needs of the local, the exact location of course.

Chris McNally

And Mark and Kim, I very much appreciated the math and that the 215 rule is super helpful as well. I guess what I'm thinking about high level is how much actually is the TA agreement where you sort of have this ability to expand, right? This could be a foundation agreement, sort of the two stations work out. And their maybe your partners or other cities and geographies, versus maybe having a couple of partners. So a couple of agreements that look like TA that way maybe for different geographies or different economics, different revenue models, I guess that was a little bit more the focus of my question, as opposed to the actual math on the stations.

Mark Russell

Understand, Chris. And that's absolutely true, we're very pleased to be partnering up with TA. They have a very good coverage of stations in the places where we're going to need to be. They also have - tend to have larger locations, they have - they never did, they never have skimped on the land for their stations. So they're, the actual amount of land that they have in each location is a little bit higher than some of their competitors, they're larger than their competitors, which is very helpful for us.

We don't need a lot of land for dispensing. Usually, a truck stop will have enough space for us to put the dispensing equipment in there, if we're only dispensing. And these first two stations, by the way, will be dispensing only we'll be moving the hydrogen in there. They're in high cost locations for electricity in California than in the Los Angeles space and so we'll be moving the hydrogen. And so those will be relatively simple, and relatively inexpensive stations compared to ones where we are producing and dispensing on-site.

So we'll be looking at other potential partnerships as well, we're already doing that have been in discussions for some time with a lot of potential partners on the hydrogen infrastructure side. You'll see us do other things on that front, as we go forward.

Chris McNally

Great, super appreciate the detail. And then the second is on order progression. Nice to see the orders from total in California. I just was curious if we could maybe get an update on whether we could also see a launch customer for the BEV, particularly in Europe, does that make -- still much sense to think about a major launch customer for Europe, or could it be an accumulation of several smaller orders; but specifically for Europe.

Mark Russell

So Chris, at this point, we do like having a launch customer, we've been very fortunate to have Anheuser-Busch, as a partner for the launch of the fuel-cell vehicle now for several years, where they've helped us to develop the vehicles, they helped us in testing, we're going to have a couple of prototypes in their fleet. We'll tell you more about that, coming up here in the next couple quarters. And that's just a really excellent way to bring a new vehicle to market.

And so we're looking for that kind of launch customer with the Tre BEV. TTSI, which we just announced a couple of days ago, is going to be one of our launches. And that's going to be a great place for us to test the Tre BEV applicability in a port and drayage application; they agreed to take up to 30 of the Tre BEV's there. The agreement is that we do the testing and they'll take up to 30 of the 100 will be Tre BEVs.

And then 70 will be Tre fuel-cells, which of course in the drayage operation have the advantage of additional range and runtime and quicker refueling. But there's a lot of applications for drayage that we think the battery-electric vehicle will be just fine. And they do too. So that's a good place to launch.

We're still - we're in discussions with other potential launch customers on other applications for the Tre BEV, which of course are focused on metropolitan deliveries, regional deliveries, where you can stay within the range constraints of the Tre BEV. And again, we're going to have a longest range of any battery-electric heavy truck that we know of at this point. So we feel really good about that.

As I mentioned, we have 25 fleets represented here this week to come in and kick the tires, metaphorically speaking, and had a great week with them. Those discussions are continuing. We, of course, can always place test vehicles ones and twos, with customers, everybody -- the only question people have is when can I get my test, when can I try one? But we're focused at this point of our development on launch customers. Because we know we can sell that we can put the ones and twos into the market without much problem. But we'd rather at this point have one or two, maybe three launch customers. And so we're working on that if we can do it.

Operator

Thank you. Our next question is from Edison Yu of Deutsche Bank. Please proceed.

Edison Yu

Hey, it's Edison on for Emmanuel. First topic I want to cover is the total transportation of order 400 trucks or Letter of Intent? Could you maybe drill down more into the mix of that, for BEV versus FCEV. Are these based on - is the order based on specific range performance commitments? And then also what kind of pricing would you expect? And also what's sort of the operational plans to kind of convert this to firm orders?

Mark Russell

Sure, Edison, the split, the anticipated split, is going to be 70/30; 30 battery trucks, 70 fuel-cell trucks. And the four operations that TTSI is running in Los Angeles and Long Beach requires them to get two full shifts every 24 hours, at least. So they turn these trucks very quickly.

Typically, they have a one quick turn between the two shifts, and then a longer turn, where you can actually have the truck offline a little bit longer.

So the first -- between the first and second shift, they call that hot seat, because the driver, the next driver gets in while the seat is still warm, it's that quick, and you've got to be able to fuel really quickly. That's the reason that's skewed to the fuel-cell trucks, because that quick change that doesn't allow for a battery charge; you have to be able to fill in the same timeframe that you can fill a diesel truck, which we can do with a fuel-cell truck, we can - that refueling can be accomplished in 10 to 15 minutes, which is about the same time as a diesel. And so that is really suitable. And that's why they skewed the order 70 to a fuel-cell and 30 battery.

But battery works just fine for range, you don't need the long range that you get from a fuel-cell truck in a drayage operation typically. You need runtime, but not so much range, they're usually not exceeding. They will certainly not exceed the range normally, for a lot of their use cases of the Tre BEV; it's going to be the longest range truck out there at 750 kilowatts on board. So that's not a problem. The challenge is the recharge time. Right now our fastest recharge units that we're using are 350 kilowatts. And to go from the lowest recommended state of charge for recharging to 80%, which is the ideal recharge target for battery life takes about 99 minutes at this point for us in our testing. So that's a little bit longer than any for a hot seats shift change, but they can recharge on the longer turn after the second shift.

So this is stuff we're working on with TTSI; great partner for us. They're really committed to greening out their fleet. And we really excited to be working with them to figure out how to solve the challenge for drayage operations. Which, as you know, in Southern California is one of their biggest problems for carbon and other emissions in Southern California, because they - it's one of the busiest ports in the world there.

Kim Brady

Edison, with -- in regards to your question in terms of timing of converting this into a firm order, we do have commitment to deliver test vehicles sometime next year for hydrogen fuel-cell trucks as well as battery-electric trucks. And we are working also with TTSI and helping them in terms of procuring government subsidies on these trucks in terms of pricing is more favorable than what we have delved into our model.

Edison Yu

Understood, that's really helpful and insightful. Just one last question. Just trying to get a sense after the customer days, you're still aiming for 4Q deliveries, when could we maybe expect to know who those initial 50 to 100 truck customers will be or who they will be - will there be some sort of announcement communicated about the profile or who exactly those are?

Mark Russell

Sure. So obviously, TTSI is one, they will be in launch, there'll be getting early units. We'll be working with them for sure. And we've as I mentioned before, we'd like to add to that another one or two, launch customers who we would be able to partner with them in a similar vein, and we're working on that right now. We've made some really good progress on that front this week. And we hope to be able to announce those soon.

Edison Yu

Great, thank you.

Operator

Thank you. Our next question is from Joseph Spak of RBC Capital. Please proceed.

Joseph Spak

Thank you very much. I know you've highlighted Anheuser-Busch as a key partner and customer and you talked about even using them for this Phase 2 for this TA announcement. Can you just talk a little bit more about how that relationship has progressed over maybe the past couple of months? And I think you're required to get them some hydrogen prototypes by the end of the year. Is that still the case? And is that on target?

Mark Russell

Joseph, so they -- we've shared a goal with them to be on the cutting edge of this, from the beginning, that was their corporate objective includes some very strong targets for them to hit by 2025 for actual operations and emissions reductions. And that's for them as part of InBevs worldwide commitments.

So very strong corporate commitment, laudable corporate commitment, that kind of partner that we're looking for who is really committed. And as you know, we were able to do a demo run hauling beer from the flagship brewery in St. Louis, using a fuel-cell prototype. We did that last -- over a year ago, right? Just over a year ago. And we do share a goal to have regular deliveries being made on a pilot basis by the end of 2021 with Anheuser-Busch, and so we're working on that very diligently. The two prototype vehicles that we're targeting for that purpose are actually underway in the shop. And we're on track for that at this point.

Joseph Spak

Okay. I thought maybe I misheard. But I was wondering if you could clarify, I thought you said in the prepared remarks today Coolidge capacity was 2,500. I thought that was supposed to be

about 5k in phase one. Did something change? Are you talking about different points along the goal here?

Kim Brady

So, Joe, as you know, we are building out the Coolidge facility in phases. And by the end of Phase 1, we do believe that capacity will be approximately 2,500 to 3,000. And then when we start Phase 2, beginning of 2022, and that will be accomplished by beginning -- end of 2022. And that capacity will likely increase to something around 15,000 units.

And then when we actually start Phase 3 of our facility in beginning of 2023, and then complete that by end of 2023, the capacity will be about 35,000 units running two shifts. And so I think what you may be referring to is something that we shared last year, and we have decided in terms of phase one to phase two, to delay some of the capacity, we will have plenty of capacity in terms of what we have committed to the market, as you know, the next year volume commitment for battery-electric truck is 1,200 units.

Joseph Spak

Okay, last one for me. I know during or about a month ago or so there was a report that the head of Nikola fuel-cell development left and, look, I realize employees come and go all the time. But I don't think investors have a great sense for maybe advantage of the team. So can you just provide an update on leadership there and that team?

Mark Russell

Absolutely, that transition was not unexpected, that employee has staying in the space by the way, joined and helped start a fueling and dispensing company, I understand he has. That's what he loves to do. We have more resources, leadership people capacity in that space than we've ever had, at this point. That team is so much bigger and more capable than it was previously.

That particular employee did great work while they were here, but we are absolutely not missing a beat and going forward with a really strong team on that front. The people who, customers, other people that we're working with, that works with that team, are inevitably very impressed with what we've been able to do there. We've got some of the best people from around the world on the team.

Joseph Spak

Thanks for -- thanks for that insight. Thank you.

Operator

Thank you. Our next question is from Michael Shlisky of Collier Securities. Please proceed.

Michael Shlisky

Hey, good morning, I wanted to ask first about the TravelCenters arrangement. I was kind of wondering if you could tell us a little bit about what's in it for TravelCenters? Are you going to be paying them rent to use part of their real estate? Are they are going to take a cut of the - to sell the hydrogen, just give us sense as to what they might be getting out of the deal from what you can tell?

Kim Brady

Great question. Right now as you know, we are still working on some of those details. But at this foundation, it is anticipated when it comes to dispensing economics, that we will share 50/50 in terms of revenue and profit. Just recognize this our dispensing station, which means that we will provide hydrogen from hub, and we will transport it. So significant portion of the margin we expected to capture at the production facility on our side.

Mark Russell

So it's a true partnership, there'll be a transfer price from Nikola to the station for hydrogen, and then the margin over that will be split between us. And that'll also be the approach we take on the infrastructure capital requirement.

Michael Shlisky

Okay, got it. And then I want to ask, secondly, about RIG360, I guess first, how have they communicated to you about their availability with technicians, trained technicians to service electric vehicles? And knowing that it takes roughly 12 months to train somebody new at the Lincoln, or UTI type of schools out there? And maybe secondly can give us a sense are you looking at partnerships with other dealership networks elsewhere in the country at this time?

Mark Russell

Yes, great question, Mike. So that's one of the great benefits of the RIG360 agreement. And to answer your - the last part first, we are absolutely looking at adding to that. We intend to have continental coverage of dealerships here in North America; we'll be doing the same in Europe, by the way. And so we're looking for sales and services support through our dealers. Coast to coast and North to Southern and Europe, coast to coast in North America.

So what the dealers are providing and the commitment that they're making is to provide both sales and service support. So they're adding salespeople, and then they're training service

technicians doing - on both fronts where the service technician training is cooperative with us. We have our existing service and support group here at corporate and they have their own techs and there'll be the dealer techs will be training alongside us.

So the dealers have made a commitment and well, future dealers will be making a commitment to hire and train techs and we'll cooperate with them in that training and help provide it and then they will be also adding sales representation. They also are going to be flooring vehicles so they'll have vehicles for display, for demo, and, in some cases, for immediate delivery from inventory. So they actually fulfill part of the purpose of a launch customer for us and that they are going to be helping us get the vehicles sold, distributed, serviced and supported and launch here.

Operator

Thank you. Our next question is from Daniel Ives with Wedbush Securities. Please proceed.

Daniel Ives

Yes, thanks. Just one question so when you talk about Q4, whether it's 50 to 100. And in just some of the orders, especially going into 2022. At this point is the only constraint supply from a chip perspective, rather than on the demand side? Could you just be clear about that in terms of just hitting those goals? Is it really just pure supply constraints? Thanks.

Mark Russell

Daniel, that's a great question. And my answer is yes. It's going to be constrained. We could certainly do more if we had all of the parts that we're going to need and we are already constrained by cells, as we mentioned. We do have commitment now to get enough cells from the supplier to get in that 50 to 100 range, but not more.

We are looking at the other possible constraints, chips being a prominent one, of course. And we're trying our best to make sure that one of those things doesn't drop us below that number. If we could get all of the parts to do more, we would definitely look at doing more. But you've got to remember that the demand for these vehicles has not gone down at any time, the combination of carrots and sticks out there gets more and more compelling. We call it carrots and sticks because there are incentives, the carrot side where people are increasing the incentives. And by the way, there was just an increase in the incentive on carbon capture for blue hydrogen, just in the last couple of weeks I understand.

And but other people are looking to follow California in terms of their incentive scheme, a number of states have announced that recently that they want to follow the California model, which will increase the carrot here; more incentives to move.

On the other side, you've got the sticks. You've got people who are passing sale bans, and then even operation bans within specific jurisdictions. And that's worldwide. And we don't see anybody backing off on those. We haven't seen anybody back off. And yet we see people, the number of jurisdictions that are doing that being added to pretty much every month at this point.

So the demand is not going to go down as demand is not going to be the problem for this industry, which is one of the reasons why we're, we welcome and encourage our first well competition, it's going to take the best efforts of all of us to meet this demand. We're going to have to in the next period of years; we have to figure out how to completely replace the internal combustion fleet. And right now it's not a matter of that would be nice. In many cases, it's a matter of regulatory requirement or a law. So between the incentives and the requirements and the mandates, the demand is not going to go down. I don't see how it goes down from here.

Daniel Ives

Great, thanks.

Operator

Thank you. There are no further questions at this time. I would like to turn the floor back to Mark Russell for closing remarks.

Mark Russell

We appreciate everybody being here to this morning and being interested in Nikola following us. We're grateful for your support. And we'll talk to you next quarter. Thanks.

Kim Brady

Thank you.

Operator

This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation. Have a great day.