



Nikola Corporation
Nikola Corporation Q2 2021 Earnings Conference Call
August 3rd, 2021

Presenters

Britton Worthen - Chief Legal Officer & Secretary
Mark Russell - Chief Executive Officer
Kim Brady - Chief Financial Officer

Q&A Participants

Chris McNally, Evercore
Jeff Osborne, Cowen
Emmanuel Rosner, Deutsche Bank
Joseph Spak, RBC Capital Markets
Bill Peterson, JPMorgan
Jeff Kaufman, Vertical

Operator

Good morning and welcome to the Nikola Corporation's second quarter 2021 earnings conference 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 star zero 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 second 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 June 2021 quarter and our outlook for the September 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 the Investor Relations section of the company website, along with the presentation slides that accompany today's call. Today's presentation and Q&A includes certain forward-looking statements within the meaning of the Federal Securities laws. Forward-looking statements are predictions, projections, and other statements about future events 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 in 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 day 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. Welcome to our second quarter 2021 earnings call. Today we'll provide you with an update of what we accomplished during the second quarter, and I'll begin with an overview of the status of the validation progress of the Nikola Tre and some updates on our joint venture manufacturing facility in Ulm, Germany and our facility in Coolidge, Arizona, our announced investment in a 20% stake in Wabash Valley Resources, a clean hydrogen Project in Indiana, and lastly, I'll update you on the most recent development, which was an expansion of our sales and service network. After the business update, Kim will discuss the financial results, give you some color on our purchase agreement with Tumim Stone Capital, and of course, we'll do our best after that to answer your questions.

So, let's kick off with the Nikola Tre battery-electric vehicle update. Validation activities continue on the first batch of the five alpha trucks. We've also now completed all nine of the beta trucks from the second batch. Three of the trucks from that second batch have been commissioned and are undergoing validation at various proving grounds around the United States. The remaining six of that batch are in commissioning here in Arizona right now, and then will be at various proving grounds for validation testing by the end of this month. This second batch of beta trucks have incorporated the component improvements and systems improvements that came from testing the batch one alpha trucks to date. We've also started building gamma trucks in Coolidge and Ulm plants for manufacturing process validation, and we're working diligently to mature these vehicles as we prepare to deliver pre-series trucks to customers in the fourth quarter of this year.

One of our biggest challenges at the moment, no surprise to anyone, is the supply chain for the Nikola Tre. As you know, the entire automotive industry is facing a global parts and material shortage, and the situation has only gotten more acute over the last 90 days. Our supply chain

team is working diligently to overcome the constraints and to continue to grow our part maturity levels as we ramp up for pre-series builds and aim to deliver trucks in the fourth quarter. And, as we mentioned in our previous earnings call last quarter, we have supplier confirmation for enough battery cells to build up to 80 trucks in the fourth quarter, but we're experiencing delays and receiving numerous other parts at this point, particularly concerning our vehicle head units, crash sensors, touch screens, and other displays. And the common root cause for many of these is a worldwide shortage of integrated circuits and critical chipsets. And as suppliers continue to push back the receiving dates of critical semiconductor components, and as a result, our validation and testing timelines are subject to delay accordingly. As a result, we've got the manufacturing capability to build up to 80 trucks in Coolidge and Ulm in the fourth quarter, but we may not receive enough of those components by early December to deliver saleable trucks to regular customers.

What we'll still expect to do is substantially complete these vehicles and place them in our dealer's demo fleets, or with select launch customers or even use them for our own freight needs to accumulate miles on public roads in the fourth quarter, even if those units are not technically saleable due to these critical components not being available to us in time. Meanwhile, at this moment, Tre fuel cell electric vehicle alpha prototypes are being built in Coolidge, five units there, and in Ulm in Germany, two vehicles there. This will be followed by commissioning and validation of these trucks in the third and fourth quarters this year. We're targeting a road release under limited conditions to start pilot runs with Anheuser-Busch between Los Angeles and Phoenix by the end of the year. The start of production for the Tre fuel cell vehicle is still planned for the second half of 2023.

Looking forward from there, we're also still planning for the start of production for the ultra-long-range Nikola Two fuel cell vehicle in the second half of 2024. We're very pleased that we've completed this first phase of the greenfield Coolidge, Arizona facility, we're calling it .05, where we're currently building the seven trucks we referenced, the two battery electric prebuilds and the five fuel cell alphas. And as we ramp up this first Phase of the facility, we're concurrently building out the next Phase and that will typically expand the assembly area and will bring our manufacturing capacity to an expected 2,400 units a year by the end of 2021. And then we'll begin Phase II of the build out in January of 2022 and complete that Phase by the first quarter—end of the first quarter in 2023. And at that point, we expect our nameplate capacity to jump to 20,000 per year in Coolidge.

Things are moving with similar speed, at our sister joint venture facility in Ulm, Germany, which is on the IVECO industrial complex there. The facility and building modifications have been completed, and all 32 of our automatic guided vehicles have been incorporated into the assembly line area, and they've been installed there. The company equipment and tooling are currently undergoing calibration. And currently there are those two Nikola Tre battery electric vehicle gamma builds on the line being assembled, and we look forward to beginning pre-service production of the Nikola Tre battery electric vehicle in Ulm in the fourth quarter of this year.

On June 22, we announced the purchase of a 20% interest in the Wabash Valley Resources clean hydrogen project, now being developed in West Terre Haute, Indiana. This facility was originally operated as an industrial scale of gasification plant and is now being converted to a world class hydrogen production facility with carbon capture and geologic sequestration. Wabash Valley Resources recently received significant government funding from the Department of Energy as part of its carbon storage program. The new plant will use biomass in addition to commodity petroleum coke to create clean and sustainable hydrogen, with the resulting carbon emissions expected to be permanently stored deep underground.

As we previously explained, building out our hydrogen fueling system will involve leveraging three value streams. The onsite electrolysis based hydrogen generating and dispensing stations, which we've talked about in previous quarters, also centralized hub production of hydrogen with spoke dispensing locations, which we've also talked about in previous quarters, and then hydrogen offtake agreements from other efficient and competitive projects. And WVR is an example of how an offtake agreement can provide hydrogen at or below the cost of diesel, especially in areas where favorable electricity rates may not be available for production by electrolysis. The WVR agreement will enable us to offtake up to 50 tonnes of hydrogen per day at a target cost of less than \$1 per kilogram, helping pave the way for us to provide clean and affordable hydrogen to our customers throughout the Midwest. The location there in Indiana is a critical geography among highly traveled truck corridors. It's within 250 miles of major cities, including Chicago, Illinois; Milwaukee, Wisconsin; Columbus, Ohio; St. Louis, Missouri, and even Nashville, Tennessee, as you can see there on the map.

On July 15, we announced an expansion of our sales and service network, adding an additional 51 locations, spanning Texas, Arizona, California, Colorado, New Mexico, Florida, Delaware, Virginia, and Maryland. In conjunction with the RIG360 announcement that we made previously in April, we now have our total number of sales and service locations at 116. As you can see from the map on slide 10, we're well on our way to our ultimate goal of customer coverage from coast to coast. We are working on additional locations, which we expect will fill out the remainder of this map, and sales and service support are critical for our customers. Uptime and reliability are of the utmost importance to their operations. Along with the announced station collaboration agreement with TravelCenters of America, the hydrogen offtake agreement with WVR, and the latest expansion of our sales and service network, constitute the building blocks of our bundled lease ecosystem. It's going to allow us to provide customers with the fuel to power their vehicles and the service and maintenance network that will be needed to keep their trucks on the road. I'll now pass it on to Kim, and he'll go over the numbers.

Kim Brady

Thanks, Mark, and good morning, everyone. Before going over our second quarter results, I would like to provide some color on our agreement with Tumim Stone Capital, LLC. The agreement with Tumim provides Nikola with up to \$300 million of additional liquidity. The purchase agreement gives us the right but not the obligation to issue shares of our common stock to Tumim at the market price minus a 3% discount at our sole discretion. This is a flexible liquidity

solution, allowing us to issue purchase notices to Tumim when Nikola's stock price is strong and minimizing dilution to our shareholders. Moving on to our Q2 results, in the second quarter, net loss was \$143.2 million. And on a non-GAAP basis, adjusted EBITDA totaled negative \$73.9 million. Adjusted EBITDA excludes, among other items, (1) \$52.7 million in stock-based compensation, (2), \$11 million on regulatory and legal matters, and other professional service fees incurred in connection with the Hindenburg short seller article from September 2020, (4) \$1.9 million in normal depreciation and amortization, and (5), \$2.5 million loss on revaluation of warrant liability.

The second quarter's research and development expenses were \$67.7 million, including \$10.2 million of stock-based compensation expense. R&D expenses consist mainly of costs incurred in developing, building, testing, and validating Nikola Tre battery-electric and fuel-cell trucks. SG&A expenses were approximately \$70.7 million, including \$42.4 million in stock-based compensation expense and \$11 million in legal and regulatory cost. As of June 30, 2021, our total headcount was 630 employees and is growing rapidly as we continue to build our teams in engineering, manufacturing, and energy.

Turning to the balance sheet. We ended the second quarter with \$632.7 million of cash and cash equivalents. We have no outstanding debt as of June 30 aside from our Phoenix headquarters lease obligation. Our capital expenditures totaled \$64.8 million year-to-date and are comprised of the construction of our Coolidge greenfield manufacturing facility and equipment and investments in supplier tooling related to Tre BEV production. We ended the quarter with approximately 397 million shares outstanding. Weighted average shares in both basic and diluted for the second quarter were about 394.6 million. Basic and diluted GAAP net loss per share for the second quarter was \$0.36. Basic and diluted non-GAAP net loss per share was \$0.20. Non-GAAP net loss per share excludes stock-based compensation, loss on re-evaluation of private warrant liability, and regulatory and legal matters. For the second quarter of 2021, we came in below our plan expense ranges as we continue to be laser focused on managing cash and disbursements. However, we are being aggressive in sourcing battery cells and semiconductor components, including paying deposits and higher prices to ensure our location and shorten the lead time, if possible.

Now, turning to our Q3 2021 guidance, estimated R&D is in the range of \$90-to-\$95 million, including \$10 million of stock based compensation expense. Estimated SG&A is in the range of \$65-to-70 million, which includes \$43 million of stock based compensation. Total estimated operating expenses will be in the range of \$155-to-\$165 million, which includes \$53 million of stock based compensation. Our anticipated capital expenditures for the third quarter are \$75-to-\$85 million.

Moving on to our fiscal year 2021 guidance. As Mark previously discussed, depending on the receiving date of C-sample vehicle semiconductor components and subsequent validation and testing, saleable vehicles may not be available until early 2022. However, we intend to build and place pre-series Tre BEVs at our dealers for demo and into the customers hand in Q4 2021 for

freight hauling on public roads, if possible. Because some of these vehicles may not be saleable, we may not be able to recognize revenue upon delivery of the vehicles. Accordingly, we are revising our delivery guidance from 50 to 100 vehicles to 25 to 50 vehicles and revenue guidance from \$15 to \$30 million to 0 million to \$7.5 million. The anticipated gross margin of approximately negative 190% will remain the same, but the gross profit could improve by approximately \$6 to \$10 million, mainly due to decrease in truck delivery guidance. Total expense guidance remains intact with no changes. R&D guidance remains at \$318-to-\$328 million, inclusive of \$40 million of stock based compensation. And the SG&A guidance range is \$252-to-\$262 million, inclusive of \$169 million of stock based compensation.

Our anticipated capital expenditures for the fiscal year 2021 remain unchanged in the range of \$210-to-\$230 million. Our capital investment plans include Phase I Coolidge manufacturing plant and associated manufacturing equipment, supplier tooling, hydrogen infrastructure, and fuel cell electric vehicle engineering equipment. Our anticipated ending cash balance range at the year-end, if no additional capital is raised and Nikola exercises the full \$300 million in Tumim purchase rights, is \$500-to-\$530 million. We are estimating total shares outstanding at the end of 2021 of about 418 million and weighted average shares for the full year ending December 31, 2021 of approximately 413.5 million. This includes, (1) estimated employee stock option exercises, (2) restricted stock unit distributions, and (3) estimated purchase notices issued to Tumim Stone Capital, LLC.

We expect that we will fulfill our hiring plan in the coming quarters. Our headcount as of July 31 is 705 FTEs. By the end of 2021, we should have approximately 1,000 employees comprised of roughly 180 manufacturing plant employees, and 820 corporate and engineering employees. We continue to move forward and execute our business plan despite challenging supply chain constraints. We look forward to achieving the following milestones in 2021: deliver pre-series Nikola Tre BEVs for use on public roads, hauling customer freight, announce additional fleet testing customers and dealers, break ground on our first commercial hydrogen station and/or centralized hydrogen production facility, and announce additional hydrogen infrastructure and ecosystem partners. This concludes our prepared remarks. We will now open the line for questions. Operator?

Operator

Thank you. At this time, we'll be conducting a question-and-answer session. If you'd like to ask a question, please press star one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star two if you'd like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment, please, while we pull for questions. Our first question comes from Chris McNally with Evercore. Please proceed with your question.

Chris McNally

Thanks so much, gentlemen. So, two questions. I guess the first is really on the elephant in the room and Trevor's lawsuits. So, I think, it's clear that the lawsuit is against the person and not the

company, which is obviously a positive development. But one of the questions we always get from investors is current management was obviously around Nikola next to Trevor when majority of these statements in question were made. So, I guess my first question is, how would you answer that line of questioning to investors? And maybe, what other questions, I guess, said otherwise, do you think that you've answered to the best of your knowledge, all the—the statements that came out of the Hindenburg report, which started all of this?

Mark Russell

Thanks, Chris. And obviously, that is an elephant in the room, and I appreciate you bringing it up first. As you mentioned, the approximately 100 pages of charges against Trevor are against Trevor personally. And if you read through those, you'll see that that they all involve statements made by Trevor personally and nothing the company said or filed, and nothing by anybody else at the company said or recorded was mentioned in the indictment. So, we're very focused on our objectives going forward. This is a potential distraction. There's lots of potential distractions out there and our job is to keep everybody focused on delivering on the milestones that we just overviewed for you.

Chris McNally

Okay. Great. And then maybe, on the second to business development, clearly one of the most important questions for investors, after the progress of actually building the BEVs is who's going to buy them and what's that level of demand. You talked about announcing additional launch customer by the end of the year. Could you give us an idea about what size order batches we would expect to see? Are we talking about hundreds of vehicles ordered for launch—to launch customers, 1,000—again, this is on orders as opposed to deliveries, just so we can have an understanding of how broad the order book may be by the end of the year.

Mark Russell

Good question. Thanks, Chris. The current announced customer for the BEV is TTSI. And the current announced customer for the fuel cell, which is behind that, of course, is Anheuser-Busch. Those were very carefully crafted relationships and agreements, contracts that we have in place in both cases. We're not going to take any reservations and nothing around—we're not taking any hand raises or anything like that for the Tre battery electric vehicle. We're only going to be doing contracts. And, of course, for a launch customer like TTSI, we're asking them to do development work with us and to share risk with us. For example, as we mentioned, we'll place vehicles with TTSI, even if they're not completely validated because of delays in receiving chip dependent components, because we need to start mileage accumulation in spite of this global part shortage. So, we're going to get trucks on the road. They're going to be hauling customer loads. And we're going to accumulate miles starting in the fourth quarter. But we have to be very careful who we partner with on that.

Beyond that, and we've said before, that everybody is interested in these trucks. Everybody needs these trucks. Pretty much every customer I've ever talked to is willing to take trucks for evaluation and would like one. But what we're focused on now is major customers who are willing

to make long-term commitments and sign broad-based relationship, partnerships with us. And so, if we announced further, it's going to be likely on that front before we start opening up the order book and publicly disclosing who's going to be taking small amounts for evaluation, because that list will be very long.

Remember that there's almost 4 million Class 8 trucks on the road in North America. There's more in Europe, and all of them must be replaced. And nobody's working on new diesel vehicles. So, the undertaking that we got here is huge. The need for a truck that is proven and can be produced in quantity is massive. So, I'm not saying trust us on the demand. But there are some macro effects going on here. Everybody needs zero emission trucks. Everybody wants them. What they want is one that's proven and they can get in volume and one that's reliable, that service can support it in the field. That's what we're building. We're building for the long-haul here. No pun intended. We're building so that we have an ecosystem that's sustainable, that customers can rely on and that we can partner with on over many years. That's our objective here.

So, you'll see further announcements. We're not rushing any of these things. We've got—right now, we've got plenty of people to take trucks in the near-term. We're not producing in volume at first. We're ramping up slowly. And what we need to do is get these pre-series actually assembly line produced trucks in customer hands and in our dealer hands. Our dealers will run them for their own purposes. Most of our dealers run their own fleets. And then they'll be doing demos for their customers, and they'll be representing us to most of the smaller customers in their respective geographies. And then, we'll do more deals—most likely do more deals like TTSI and Anheuser-Busch. As things come along right now, the trucks that we'll produce in the fourth quarter all have a home. And, as we go forward, we'll announce further deals on those going further out.

Kim Brady

Chris, we previously mentioned that by the end of this year that we will be in a position to disclose our backlog, order book, and we intend to do that. As Mark talked about, there are dozens of conversations that are going with major customers now, and we anticipate as we continue to announce launch customers, as well as other customers, that we should be in a position in Q4, where we can start sharing backlog and the order book with respect to our battery electric truck.

Mark Russell

We've had many customers with us on—in the test track and validation facilities. They're seeing the trucks. They're getting rides in the trucks. They're getting a chance to review everything with us. We have great customer conversations going on, and we'll bring those to you and let you know more about them in due course.

Chris McNally

Thanks. And sort of paraphrase, basically, by the end of the year, we'll find out about the larger backlog, but basically launch customers, which will be selective, you're looking for long term

arrangements where they'll be sharing development costs and the ecosystem. And just as the last on, real quick, we should expect those launch customers primarily focused on the US to start then maybe Europe is something for next year.

Mark Russell

That's all correct. That's well said.

Chris McNally

Okay. Thanks, guys.

Operator

Our next question comes from Jeff Osborne with Cowen. Please proceed with your question.

Jeff Osborne

Yeah. Good morning, guys. Just a couple of questions on my end. Kim, I was wondering if we can just go back to the cash burn? Can you talk about what the current burn rate is per quarter? And then the 500 to 530 that you talked about, is that assuming that all the Tumim capital is exercised by year-end?

Kim Brady

Yes. A great question. For the first three months, when we think about cash burn, we think about both from operating activities, as well as from CapEx, and for first three months—in Q2, we average approximately \$35 million for the first six months between operating activities and CapEx around \$31 million. As you know, we were highly favorable with respect to CapEx in the first half. And so, in the second half of the year, we anticipate our CapEx burn will increase. And then by the end of the year, what we have stated is that, in terms of all of our guidance with respect to OpEx, as well as CapEx, we have not changed, and they will remain the same. And the—so, we feel pretty confident about what we have forecasted. And then the ending cash assumes that if we were to exercise all of our foot rights with respect to Tumim capital, we'll end with approximately \$510 million to \$530 million of cash.

Jeff Osborne

Got it. And then, Mark, can you update us on where we are with FMVSS and Carb Certification? Is that something that you'll have before the fourth quarter so that you could start deliveries in a compliant fashion, or can you deliver prior to having those?

Mark Russell

We can certainly deliver prior to that. But—and we're working as fast as we can. And the timing of that, of course, depends partly on the on the regulators and the bureaucracy that we're working with there. So, I can't give you an exact date when everything will be in place. But we're working on all that very rapidly. As you know, California is the target launch, geography for us for both vehicles. Both the fuel cell and the battery vehicles will be launched in California or a combination of California and Arizona in case of a long range truck. So--.

Jeff Osborne

But just to follow-up on that--sorry to interrupt.

Mark Russell

Go ahead. Go ahead.

Jeff Osborne

Just to follow-up on that, in the event that you don't get carb certification by the fourth quarter, is there any risk to deliveries where people want the credit for that until you're certified that they won't elect to take delivery?

Mark Russell

No, I don't—we haven't heard anything in that vein. Everybody wants and we want the trucks on the road. We need mileage accumulation at this point. So, we wouldn't let that stop us.

Jeff Osborne

Perfect. That's all I had. Thank you.

Operator

Our next question comes from Emmanuel Rosner with Deutsche Bank. Please proceed with your question.

Emmanuel Rosner

Hi. Good morning, everybody. I have three quick questions, if I may. The first one, can you give a little more detail around some of the critical components that are missing that are difficult to source right now? What are the prospects for that supply to improve? And how can—is it possible to use these—you mentioned using these trucks for testing potentially. So, I guess just curious what sort of components we're talking about.

Mark Russell

The ones that we're worried most about are the ones that are dependent on chips. So, the electronic components, sensors, touchscreens, things like that, those are the ones that we're most worried about. In most cases, we have the components we need to operate the truck, just not all of—for example, some of the displays might not be there because we don't have the validated—fully validated production versions of those displays on time because all that's delayed around the world for everyone, as you—as we mentioned and as you've heard from other OEMs. So, we can—we believe that we'll be able to finish these trucks. They won't be completely finished in terms of every single part, but it looks like there's a good chance that they will be usable, just not saleable. We can't transfer titles. We can't put the official VIN number on them until they're saleable. But in that case, if they're drivable, then we're going to put them in places where we can get mileage accumulation other than on the track so that—we've built 14 vehicles today for testing and validation, but all of that mileage accumulation is on private

property, mostly test track facilities or here at our own facility. So, we need we public road mileage accumulation with customer load. So, that's why we're going to—we're going to go in place with our dealers who can put them in their own fleet, or use them as demos with their own drivers, our trained driver or dealer trained driver. And then, we have select customers, TTSI is one, who are willing to get loads on the road with our vehicles for mileage accumulation purposes, even if they don't get to take title, at least not immediately. Our goal would be to retrofit those trucks when the parts arrive, and then some of them will probably become saleable at that point, and we can transfer title at that point.

Kim Brady

Emmanuel, as we alluded earlier, we are doing everything we can to, including paying higher price, as well as trying to improve lead time. There are two key critical components that (inaudible 41:50 of audio) sample perspective likely will not arrive until late Q4 that would be vehicle head unit and display. So, what that means is that we will have to validate and test, and, depending on the arrival of those components, it may spillover to January in terms of final validation and testing before we can have saleable vehicles. And so, what we're trying to do is bring that forward as much as we can. At this point, we cannot confirm that, but we are working actively with chip suppliers to make sure that we can accomplish that.

Mark Russell

So, what we do in that case is we'll put a substitute screen in there. It won't be the screen that's intended for production. But we put a screen in there for engineering purposes, and then the truck is operable, just not saleable.

Emmanuel Rosner

Okay. That's great detail. Then secondly, focusing on another important component, the batteries. I think at the last update you had mentioned that around maybe June and July you have some of the conversations for around sourcing batteries and available supply for 2022. Can you give us any sense of how these discussions are progressing and to what extent you may or may not be constrained on the battery supply for next year?

Kim Brady

Sure. For Q4, I think we previously mentioned that we received confirmation for battery cell allocation up to 80 trucks. And so, we should not have problem in terms of having capacity buildup 80 trucks other than component supply issues. Going to 2022, as we talked about, we are relying on more than just one source in terms of our battery cells, and we have been in negotiation with battery suppliers. I can tell you that those negotiations are going well, and we have recently started having detailed discussions with respect to battery cell supplier where we could receive significant battery cells. And we are, obviously, still working through. And, as you know, the battery cell challenges will likely last 2022 and potentially 2023. And what we have committed at this time for next year is approximately 1,200 battery electric vehicles. Of course, at this time, while we have not revised any guidance, ultimately we will have a better idea by end of Q3 in terms of what we have been able to procure for 2022. I can tell you that we're well

underway at this time. And so, we have reasonable confidence that we should be in a reasonably good position. But once again, we will know much better by end of Q3 in terms of what we have been able to confirm and the long-term agreements that we have been able to sign.

Emmanuel Rosner

Okay. That's helpful. And then just very finally, Kim, can you just update us on how you're thinking about additional equity raise? What is sort of like the optimal or the immediate timing for this? I guess is the capital from Tumim, and then the slower sort of ramp up, is that sort of like enough to sort of like push this back a little bit later in the year? Or is the summer still the way to think about it?

Kim Brady

Sure. And this is something that we are constantly thinking about. As you know, Tumim Capital equity line of solidity that gives us the flexibility so that we do have a longer runway. Having said that, we have always been clear about our intention to raise additional capital and go back out to market for following offerings. And of course, there are many factors when we evaluate that. One, obviously being market conditioning with respect to equity market, as well as convertible debt market. That's something that we're evaluating. We also want to make sure that we try to optimize the timing as much as possible with respect to Nikola and the milestones. And right now, as you know, our stock price is somewhat weak, and so that's something that we'll definitely consider as we think about the timing. But as of now, our current thinking is still to go out to market in the second half of the year, whether that'd be towards the end of Q3, or potentially even early Q4. Right now, our intention has not changed going back out to market.

Emmanuel Rosner

Great. Thank you so much.

Operator

Our next question comes from Joseph Spak with RBC Capital Markets. Please proceed with your question.

Joseph Spak

Thanks. Good morning, everyone. Maybe just sort of another point of clarification here. You previously talked about delivery of the Tre BEVs later this year. Now you're calling that pre-series, and I get that that's—it seems like that's because maybe there's some non-validated parts. But is that really what changed here? Or is that—was that always the case? And is this some new language that perhaps the lawyers sort of made you throw in there, or maybe you could just really talking about the change. And then the vehicles you're actually talking about delivering, are—those are fully, I guess, sort of the prior defined deliveries? Like I guess I just want understand the change in the language.

Mark Russell

That's exactly right. We're trying to distinguish between trucks that are saleable and VIN numbered, because they're completely validated. Every part is there, and we can sign off on them. And those that we'd be lacking one or more parts that are fully validated. So, that's exactly how to look at it. We are—this is the regular assembly line and the regular facilities. These are the trucks as designed for series production. But they're not—they may not be saleable. And so, we'll call them pre-series until we are officially saleable.

Joseph Spak

But the 25 to 50 are pre-series, or those are the old definition saleable trucks?

Mark Russell

They will be pre-series until we can make—we may be able to make—turn some or maybe potentially all of them into saleable trucks. But we won't know that until we get the parts, so.

Joseph Spak

Okay. So, just to be clear then on the change, before it was 50 to 100 saleable. Now it's 25 to 50 pre-series, although you're hopeful that some of those can turn into saleable?

Mark Russell

That's right. And we have the facilities. We have most of the components. But we're going to lack a few. At the very least will lack the head units and the touch screens.

Joseph Spak

And what's the adjustment process on—I mean, others I guess, these are still I guess, somewhat prototype. So, what's the process here? Do they give you feedback, and then you sort of can go back and refine? Or is this like they go into sort of customer testing, and then they decide if they want to place a larger order on it?

Mark Russell

No. It's pretty straightforward actually. They have to do their own testing of the component, which we have specified, and they have to prove to us that it meets all the requirements, including durability, shock, vibration, everything like that. So, the component has to meet its specifications from the supplier at the component level. And then we have to put it in the truck, and then has to be in the truck for the validation and testing of the truck that would include that component. So, what we'll get from them is their test—fully tested component, but it's late, and then we have to actually put it in the truck. That's why mileage accumulation is so important for us. We have to actually get in the truck, and we have to get enough hours. And then, certain conditions that has—that test—it usually can only be done on a test track, because it's such an extreme edge case or corner case of the use, that we can only replicate that on—reliably on a test track. So, that's the timing constraint here, is we were planning to have all this stuff by certain dates in the master Gantt chart, to be able to put those trucks off the assembly line and into customer hands, fully saleable with transfer of title. And we're going to be short because of—certainly because of these components we just mentioned.

There's possible other shortages, too. There's a ton of shortage to go—there's lots of shortage to go around right now. This is the worst I've seen it in my career over three decades now. The last time it was even close to this bad I think was back in 2009. And if past experience holds, it will turn faster than—acute than it became apparent. I think back in 2009, it was—the July shutdown is when it turned. I think when everybody came back from the shutdown, everybody suddenly started placing orders. And suddenly we went from being nobody wanted anything to everybody wanted everything now. That was the opposite situation where demand has collapsed and then it recovered very rapidly. In this case, I think you could see a turn rapidly. Nobody knows the future. But based on past experience, these things often turn quickly.

Joseph Spak

Okay. And then, Mark or Kim, I guess, you sort of both touched on this. It sounds like later this year, you'll sort of be better to update us for 2022. I think consensus is already well below what those initial deal presentation showed, which is fair. I guess what I want to better understand is, you really also haven't really talked much about those mid-decade targets. But I think you're willing to admit a ton has changed, both at the company and the industry. And, Mark, I appreciate that you said the long-term opportunity is still great. You still believe there's a lot of demand. But it seems reasonable to assume that, even if that is true, the path is different, or the slope is different. So, are you willing to update us on some of those mid-term targets? Or when can investors expect an update on that?

Kim Brady

Well, in terms of timing, we will definitely do that towards the end of this year. I wanted to talk about 2022. But as you know, it's still too early. While we're working hard to ensure that we have critical components—and—for next year, we are in active negotiation, and we will have much better idea about final allocations with respect to components. And what may slow us down is that, somehow we do not able to procure a complete allocation for what we need. But right now, we're making good progress. And because we're still in active negotiations, we're not prepared to share in terms of whether we have fully procured allocation for next year. But we will give you more updates in Q3, as well as Q4 earnings calls.

Mark Russell

And if you're talking about further out, '23, '24, and on to '25, if that's what you're talking about, no, we're not changing those. There's been no mandate change, no push out of dates anywhere in the world. The jurisdictions in Europe and North America and other places that have announced hard numbers that must be met and even outright bans of internal combustion engines in geographies, but none of those are being pushed back. So, what this does is, it just increase the pressure for people like us to ramp up faster once we can ramp up. So, we believe we still have a great chance to overcome these near-term short-term constraints and then ramp up to the numbers we were talking about. In fact, I think the pressure will be on us to push it higher and faster than we can—than we have, to be able to meet the deadlines that are looming.

Joseph Spak

Thank you very much.

Operator

Our next question comes in a line of Bill Peterson with JPMorgan. Please proceed with your question.

Bill Peterson

Yeah. Hi. Good morning, and thanks for taking my questions. Sorry to come back to the supply constraints, and I realized there's some uncertainty and maybe even sound like a little bit of a whack-a-mole, but do you think this is kind of the peak of the constraints and it starts to get better from here? Or maybe in the discussions that you're having with your suppliers, what are they telling you when these constraints will moderate at this stage?

Mark Russell

I'll let Kim, talk about specific suppliers. He's managing that personally right now with the supply chain team for expediting and everything else and doing a great job. But as I said before, this is the worst I have seen it in my career. So, in that sense, I think it's really hard to have a—
informed—have an informed opinion, because it's just unprecedented how widespread it is, and how acute it is for many parts. And it's—right now, it appears to be spreading a little bit. We're having people that we didn't expect say, hey, just in case—we may be a little bit delayed on other parts. Nobody's made those official yet that I'm aware of, but other people that—and these are pretty run of the mill parts. They have nothing to do with all the components that we have innovated in the vehicle. These are more run of the mill parts having to do with chassis and frames and things like that, closures and things like that.

But in my experience, just when it seems like it's going to get so bad that you can't stand it is often when it turns. So, I—and I also know that everybody around the world is scrambling as fast as they can. And the reason that you also know that it's going to get better is because you're starting to see people push price. So, we're seeing—as Kim mentioned before, we're using price to try to get supply. Everybody else in the world is doing the same thing. And so, if the law of supply and demand still holds true on this planet, then it's going to be addressed sooner rather than later because everybody's scrambling as fast as they can to get to make more of what they do make, because that's how they're going to make money. So, I expect it to turn. I'm not sure when. My estimation is that it will not be long-term. I think you're going to see improvements pretty rapidly. And that depends often on the lead time for capacity additions for certain things. And the new parts especially, needs additional capacity. But for the old line parts, the people that just shut down for COVID and got caught with demand coming back, those people will catch up pretty quick. The people who have to actually add factory capacity like us, actually, those ramp ups can't happen overnight. They have to happen in an orderly fashion, and that might take a little bit longer. So, that's why we're focused on the things that might require additional capacity like battery cells and chipsets so.

Kim Brady

And as you know, this is complex, and it's not clear in terms of visibility, although we are getting better indications. Two categories of materials storage that Mark talked about, the battery cells and semiconductor components. When it comes to battery cells, as you know, there are six, seven major battery cell manufacturers. I think they're all surprised by demand, and they're all scrambling. We know that in the next three years out, likely they are starting to add capacity. So, we suspect by 2024 timeframe things will look much better, but supply-side 2022 and 2023. And what we're trying to make sure is that we have battery cells available for 2022 and 2023 as we think about demand, and that's where a lot of active discussions are going. When it comes to chipsets, right now, we have been able to issue POs for all of our needs for 2022 and 2023, while there are some references by a large semiconductor component manufacturers that perhaps this challenge could last until 2022. However, there are some indication that things might improve by end of 2021. We are reasonably hopeful at this point, based on POs that we have already placed for 2022, key critical semiconductor components will be confirmed and that we'll be able to receive our allocation that we need. But once again, biggest challenge, really, is addressing 2022 and beginning of 2023.

Bill Peterson

Okay. Thanks for the color on that. You guys have announced a lot of the sales and service agreements, and, looking at the map, it looks like you have a good chunk of the US covered. I guess how much further do we have to go here? I think you say like 116—expect to have 116 sales and service locations. I guess how fast and how large do you expect this network to grow in the US? And I guess, can you give us an update on your partnerships or expected partnerships in Europe and how to think about that? And then I guess just, finally, related to sales and service, in terms of the economics—how are these channels incentivized? I guess how are the economic shared between Nikola and your partners on this? I guess any color you can provide on sales and service channel would be helpful.

Mark Russell

Absolutely. So, starting first with your question about coverage, yes, we are getting good coverage in critical geographies. There are some critical geographies uncovered, as you can see on the map. That's where our focus is in the short-term. We'll probably—you'll see us also probably try to increase the coverage in critical areas that are only marginally covered at this point. So, our focus is getting the uncovered parts of that US map filled in. And I think you'll see us successfully do that in an orderly fashion over the next few quarters and maybe the next year or two. But that is critical for us to have. We intend to go to market through our dealers. These are extremely capable dealers who have, in most cases, been in place in their geographies for a long, long time, several generations in many cases. So, they have great infrastructure. They have great relationships with customers. They are currently servicing those customers. And their customers are really happy about the fact that they're going to be helped with this transition by they're known and trusted local dealer. So, our dealership relationships are very similar to other dealer relationships that you would see from—between an OEM and a dealer. And they get some

incentive for selling a truck, and then they get paid for servicing and supporting that truck. And that's how they earn their money, and they're really good at it.

We're taking the exact same approach in Europe. We'll go to market through our dealers. We have an advantage in Europe because we have an existing dealer network that we're able to utilize in the form of the IVECO dealers. We're able to use IVECO dealers where we choose, and IVECO has some outstanding dealers in many geographies throughout Europe. And so, we've got a built-in-place relationship there with our joint venture partner over there and their existing dealer network. So, if we showed you the map of the IVECO dealer network, you'd see they have pretty good coverage in the major markets in Europe. And very importantly, in Europe, those dealers are already used to servicing and supporting alternative fuel vehicles, because IVECO is the leader in natural gas powered vehicles in Europe. So, IVECO led in the natural gas transition, which made it cleaner and lower emissions already, and now they're going to be the leader with us in making it zero. So, those dealers are already cutting-edge in helping the market transition towards a cleaner, sustainable fleet. And they're ready to take the next step.

Most of them have service facilities that are ready to service fuel cell and battery vehicles. There's some modifications that have to be made by a dealer who's been only servicing diesel engines. They have to put some sensors in and some venting and maybe do a little bit of electrical retrofitting to be able to service a hydrogen vehicle safely. And a lot of that work's already been done by the dealer network in Europe that we'll be using through IVECO. And here in North America, the dealers that we're signing up have agreed to make the necessary modifications in time for them to be able to service the vehicles when they're delivered. So, we really feel good about all of that. And you'll see us—you'll see more dealer announcements as we fill in the gaps on the map.

Bill Peterson

Thanks.

Operator

Our next question comes from the line of Jeff Kaufman with Vertical. Please proceed with your question.

Jeff Kaufman

Thank you very much. I just want to, Kim, go back to the question. I realize you're not looking at your long-term guidance right now, and I guess my interpretation of the guidance on the trucks waiting for touchscreens is, we're going to get those sales in 2022. Is there any reason to think everything gets pushed back in '22 with the chip shortage and the delays, or is your feeling that, hopefully, we're going to get caught up at some point in 2022 and no reason at this point to alter that forecast?

Kim Brady

We're not altering the forecast at this point. But as you know, as we continue to negotiate and try to lock in all of our supply, we'll have a much better idea in Q3, and we will be able to share that in our earnings call, I believe, in Q3, as well as Q4. And once again, we are trying to make sure that we have adequate supply with respect to battery cells and—as well as key critical semiconductor components. While we appear to have some confidence about 2022 semiconductor components, once again, things are changing and very fluid. And one of the reasons why we're waiting is to make sure that we have the best information possible. And because suppliers have been shifting dates, at this point, that we're not confident as to ultimately what we'll receive, and once we have greater assurance and confidence that supply will be completely locked in, I think at that point, then, we'll be able to give you a better idea about 2022 expectations, as well as better understanding about our demand.

Jeff Kaufman

Understood. But the hope is at least right now that, at some point in '22, you're caught up and these situations by the second half of next year are resolved. Question for Mark. If I take out the challenges on the supply chain right now, because that's something everybody is dealing with, and I look at the things that the company is more or less able to control, where you sit today, are you where you want to be or where you thought you'd be? To the extent you're not—and I know there was a fair amount of projects that were delayed for damage control a year ago. Where do you think the biggest areas are to catch up in the next six to nine months?

Mark Russell

Great question. First of all, we outlined the current milestones and objectives that we're working toward last fall. And I think we're where we intended to be generally. We're currently delayed because of the supply chain constraints. And as you've accurately summarized, we have no choice but to catch up once the constraints are past us, because people have to have the trucks. So, the good news is, is everything that we do have under our control, the completion of the facilities in Germany and in Arizona, the validation and testing of the trucks, the progress on the building blocks of the fueling, service, and support and charging infrastructure, all of that's moving at the pace that that we need it to move on the master Gantt chart of workflow. So, I feel good about where we are in execution for the things that we can control. That is a great way to describe it. And the things that are currently not in our control that are slowing us down, this global supply chain constraint, that will not continue. At some point, we don't—nobody knows when. But when that's when that's done, then we have no choice but try to catch up and make up for lost ground, because that's what the world and the market and the customers need.

Jeff Kaufman

Alright. Thank you. Kim, last question. In the detail of your earnings release sheet identified about \$25 million year-to-date that's been spent related to legal expenses of Hindenburg and others such items. Do we recapture some of that at some point through insurance or other items? Are these payments above and beyond that? And how much more do you anticipate we'll need to sequester capital for this over the next say 6 to 12 months?

Kim Brady

Great question. We do anticipate capturing approximately \$10 million in Q3 from our D&O insurance. And then, after that, there may be additional possibility of \$2.5 million in terms of what we'll spend in the next five months or so. It's always tricky in terms of anticipating what the legal costs are. And so, we don't try to project that because we have been consistently wrong when it comes to what that cost might be. But this is something that Britton is managing tightly. And we are hopeful that, in the next five months, that our legal costs will continue to go down.

Jeff Kaufman

And then some of this will be recaptured through D&O.

Kim Brady

Yes.

Jeff Kaufman

That's all I have, guys. Thank you and congratulations.

Mark Russell

Thank you.

Operator

We have reached the end of the question-and-answer session. At this time, I'd like to turn the call back over to Mark Russell for closing comments.

Mark Russell

Very grateful for your participation today and thankful for your support. And we look forward to talking to you again in another 90 days. Thanks.

Operator

This concludes today's conference. You may disconnect your lines at this time, and we thank you for your participation.