



**Nikola Corporation**  
**Nikola Corporation Q3 2021 Earnings Conference Call**  
**November 4<sup>th</sup>, 2021**

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**Presenters**

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

**Q&A Participants**

**Jeff Kauffman - Vertical Research Partners**  
**Jeff Osborne - Cowen and Company**  
**Mike Shlisky - D.A. Davidson**  
**Joseph Spak - RBC Capital Markets**  
**Douglas Dutton - Evercore ISI**  
**Bill Peterson - J.P. Morgan**  
**Jacob Green - BTIG**  
**Edison Yu - Deutsche Bank**

**Operator**

Good morning and welcome to Nikola Corporation's third 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 presentation. 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 PLAYING)

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's Corporation's third 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 September 2021 quarter, and for outlook for the December 2021 quarter and full-year 2021.

The press release detailing our financial results was distributed a little after 6:00 a.m. Pacific time earlier this morning. The release can be found on the investor relations section of the company's website, along with presentation slides accompanying today's call.

Today's presentation and Q&A include certain forward-looking statements within the meanings 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 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, 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, and welcome to the call. Before getting into the details of the quarter, I want to start by addressing the \$125 million in reserve loss contingency related to the potential SEC settlement that we disclosed today. As you know, we've been engaged in discussions and cooperation with the SEC for some time regarding their investigation.

We believe now that we have a potential settlement with them on the horizon, which is why we have reserved this amount. It reflects our best estimate of the civil penalty at this time. We expect it will be paid in installments over a two-year period. We're looking forward to bringing this chapter to a close with this potential settlement and to focusing with renewed determination on building our future.

Additionally, we intend to seek reimbursement from Mr. Milton for costs and damages arising from the actions that are the subject of the government investigations. I understand that you'll

likely have questions about the potential settlement, but what I've just told you is all that we can say at this point.

All right, let's go through what we got done this quarter. Let's start with the huge strides in moving the Nikola Tre BEV into commercialization, and the path to delivering trucks to dealers and customers yet this year. Earlier in the quarter, we began building pre-series trucks in Europe and in the U.S., including 10 trucks in Ulm and 30 in Coolidge. These pre-series trucks will be continuing our durability testing and our focus on mileage accumulation, including a number of units that will be delivered to dealers and customers for testing and mileage accumulation on public roads, hauling customer loads. The Nikola Tre BEV has been on public roads now here in Arizona since October 15th.

We also continue to hit milestones for the development of the Tre fuel-cell electric vehicle or FCEV. We've built two alpha trucks in Ulm and five in Coolidge so far. These trucks are currently undergoing track testing at various locations in Europe and in the United States in preparation for our public road release, which is scheduled by the end of the year. The road release will follow a 10-week validation and testing period, after which we'll start road trials with several customers in California in January.

Even though we refer to these FCEVs as the alphas, they are actually quite mature for this phase, since many of the components carry over directly or with slight modifications, such as with the chassis and cab from the Tre BEV. One difference between the alphas and the series version will be fuel capacity, since the alphas have 62.5 kilos of 700 bar hydrogen onboard, and the series trucks should have at least 70 kilos between the three storage tanks in the backpack and the two in the saddle position. And they'll fuel the integrated 200 kilowatt net fuel-cell power module system, which we will be assembling in Coolidge in accordance with our license agreement with our longtime partner Bosch.

We're very much looking forward to getting real road miles on the fuel-cell power modules and with these trucks. Later next year, we'll move to beta phase testing and otherwise get prepared for the start of FCEV serial production in the second half of 2023. By then, we will have accumulated hundreds of thousands of miles and tens of thousands of hours of real-world customer data that will prove the durability and optimize the overall efficiency of this world-class heavy-duty fuel-cell powertrain.

Moving on to the latest on our Coolidge manufacturing facility. We've completed and are building trucks in what we call Phase 0.5 of the facility, and at the same time we're building out the assembly expansion area which will mark the end of Phase 1. That work should be done in the first quarter of next year and then we'll move directly to Phase 2, which should be completed in early 2023. And at that point, the facility will be capable of building up to 20,000 Nikola Tre BEVs and FCEVs on the same line, and also of assembling Bosch fuel-cell modules. And from there, it will be a matter of ramping up over time towards our total nameplate capacity of 50,000 units in Coolidge.

Next, we're very excited about the inauguration of our joint venture manufacturing facility in Ulm, Germany. The facility is complete and as I mentioned previously, we're currently building 10 Tre BEV pre-series trucks. The facility has a production capacity of up to 2,000 units per year on two shifts, and we have the option to expand the line up to 10,000 vehicles per year, as the Eurozone demand for our Nikola BEVs and FCEVs ramps up.

In addition over the last few months, we've made some important customer announcements, including a joint MOU between Nikola and IVECO, which we announced at the Ulm opening, with the Hamburg Port Authority to deliver up to 25 Nikola Tre BEVs through 2022. A collaboration with PGT Trucking that includes an LOI to lease 100 Nikola Tre FCEVs. The bundled leases include the Nikola Tre FCEV, hydrogen fuel, and service and maintenance in support of PGT.

The first truck order announced through our dealer network with the agreement with Tri-Eagle Sales to lease 10 Nikola Tre BEVs from Ring Power Corporation, one of our dealers. We expect the Nikola dealer network to continue to play an integral role in delivering zero-emissions products to our customers. In addition to providing the trucks and parts and service, Ring Power in this case will also provide the charging infrastructure for Tri-Eagle.

We've made strong progress in the expansion of our sales and service network. We announced the additions of Alta Equipment Group and Quinn Company. Alta Equipment will provide coverage in the Northeast including New York, New Jersey, and Eastern Pennsylvania, and in select areas in the New England region. Quinn Company will provide sales and service coverage throughout Central and Southern California.

We'll continue to make announcements as we enter into agreements and expand our sales and service footprint, which is a mission-critical item for us as we begin to deliver vehicles to customers. Uptime and reliability are of the utmost importance to our customers, and we plan to provide them with a service network to meet their needs and keep their trucks on the road.

Next, let's update the recent announcements we made regarding our hydrogen refueling partnerships with Opal and TC Energy. We continue to build the infrastructure and ecosystem that will provide the hydrogen supply, logistics, and fueling stations that will support our FCEVs and others who would wish to utilize it. The hydrogen fueling value chain development will eventually have to be as large and complex as the current fossil fuel system is, and ultimately that will require the work and contributions of many companies.

Our strategy continues to be to bring together world-class partners who have the resources and expertise to help us rapidly scale the infrastructure we need to serve the growing demands represented by Nikola FCEVs. Just in these past two months, we put two major building blocks in place with the addition of TC Energy, who will help us develop large-scale hydrogen

production hubs, storage, and transmission by leveraging their assets and expertise and their desire to deploy capital into these scalable low-carbon infrastructure projects.

We also created a partnership with Opal to leverage their in-depth experience building low carbon fueling station infrastructure in customer facilities behind the fence. We anticipate adding other collaboration partners, including with major equipment suppliers, which we expect to announce in the near future.

As we've said, we believe hydrogen refueling solutions will come in three forms. One, on-site gaseous generation stations; two, centralized production hub and spoke dispensing locations; and three, hydrogen offtake agreements. Last quarter we announced our investment in WVR, our first major offtake agreement. The partnership with WVR allows us the option to offtake up to 50 tons of hydrogen per day in the Midwest, which is a critical trucking geography. With the TC Energy announcement, we have our first hydrogen production hub partnership. We'll continue to update you on the development of our hydrogen refueling ecosystem and additional partnerships as we go forward.

We also have some positive news on our supply chain in the form of a long-term supply agreement with LG Energy Solutions for battery cells. This supply agreement will provide additional battery cell supply for our trucks from 2022 through 2029.

Finally, to recap, in the quarter we continued to meet our commitments and hit important milestones on our way to bringing our zero-emissions products to the market. We're pleased with the results and we're confident and excited about our future.

Alright, over to Kim to review the numbers.

### **Kim Brady**

Thanks, Mark, and good morning, everyone. Before going over our Q3 results, I would like to provide some color on the second purchase agreement executed with Tumim Stone Capital in September, which allows us to issue up to \$300 million of Nikola common stock. We view the equity line as a valuable addition to our capital markets toolkit to leverage the liquidity in our shares, while also giving us considerable flexibility around issuance timing.

We have no obligation to utilize the enlarged facility, and we continue to monitor the broader capital markets, which we view as our principal source of financing for Nikola. To date, Nikola has issued three purchase notices to Tumim under the first purchase agreement, resulting in approximately \$72.9 million in net proceeds.

Moving on to our Q3 results. In the third quarter, net loss was \$267.6 million, and on a non-GAAP basis, adjusted EBITDA totaled negative \$85 million. Adjusted EBITDA excludes, among other items: one, \$125 million in reserve loss contingency related to the potential SEC

settlement; two, \$49 million in stock-based compensation. Three, \$9.8 million for regulatory and legal matters which include legal, advisory, and other professional service fees incurred in connection with a short seller article from September 2020. Four, \$2.2 million in depreciation and amortization; and five, \$4.8 million gain on the revaluation of the warrant and derivative liabilities.

Basic net loss per share for the third quarter was \$0.67, and diluted net loss per share was \$0.68. Basic and diluted non-GAAP net loss per share was \$0.22. Non-GAAP net loss per share excludes reserve loss contingency for the potential settlement to the SEC investigation. Stock-based compensation, regulatory and legal matters, and gain from the revaluation of private warrants and derivative liabilities.

The third quarter's research and development expenses were \$78.9 million, including \$6.4 million of stock-based compensation expense. R&D expenses consist mainly costs incurred in developing, building, testing, and validating Nikola Tre BEV and fuel-cell trucks. SG&A expenses were approximately \$192.9 million, including \$125 million in reserve loss contingency for the potential SEC settlement, \$42.6 million in stock-based compensation expense, and \$9.8 million in legal and regulatory costs.

While the contemplated payment of \$125 million is expected to be spread over two years, we accrued the entire \$125 million as an SG&A expense this quarter. As a result, on a GAAP basis we were unfavorable to the expense guidance for Q3. However, excluding the \$125 million loss contingency reserved for a potential settlement to the SEC investigation, we were within the GAAP expense guidance given for the quarter.

Turning to the balance sheet, we ended the third quarter with \$587 million of cash and cash equivalents. In addition, we also have approximately \$527.1 million of available liquidity through our two equity lines with Tumim, providing us with roughly \$1.1 billion of total liquidity as of the quarter's end. Our capital expenditures totaled \$113.7 million year-to-date and are comprised of the construction of our Coolidge greenfield manufacturing facility, equipment purchases, and supply tooling related to Tre BEV production.

We also invested an additional \$25 million in WVR. We ended the quarter with approximately 404.3 million shares outstanding. Weighted average shares, both basic and diluted, for the third quarter were about 400.2 million.

Moving on to our Q4 2021 guidance. We remain committed to our goal of delivering up to 25 pre-series Tre BEV trucks to dealers for demos, and to customers for freight hauling on public roads. However, as we have previously mentioned, Nikola is not insulated from the ongoing global supply chain constraints impacting production ready semiconductor components and subsequent validation testing that could impact completing Tre BEV trucks in Q4.

These pre-series vehicles that we are building in Q4 may not have 100% of the production parts and may not be considered salable. In that case, we plan to capitalize these trucks on our balance sheet. Estimated R&D expense for the fourth quarter is in the range of \$100 to \$105 million, which includes approximately \$11.5 million of stock-based compensation. Estimated SG&A expense ranges from \$70 to \$75 million, which includes roughly \$44.5 million of stock-based compensation.

Now, to fiscal year 2021 guidance. Due to accruing the \$125 million reserve loss contingency in Q3 for the potential SEC settlement, we are adjusting our full-year total operating expense range to \$695 to \$715 million. The change in GAAP operating expense range is solely due to the accrued \$125 million loss contingency.

We have also reallocated some of the budgets from R&D to SG&A. Our updated R&D budget is now in the range of \$300 to \$310 million, including \$40 million of stock-based compensation. Our updated SG&A budget is now in the range of \$395 to \$405 million, including \$169 million of stock-based compensation and a \$125 million loss contingency reserved for potential SEC settlement.

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 1 Coolidge manufacturing plant and associated manufacturing equipment: supplier tooling, hydrogen infrastructure, and fuel-cell electric vehicle engineering equipment. At the year-end, if no additional capital is raised and we do not issue additional purchase notices to Tumim, our anticipated cash balance will be approximately \$340 to \$360 million. The total liquidity of the company is expected to be roughly \$867 to \$887 million, including cash on hand, plus the remaining \$520 million equity line of credit.

We estimate 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 399.1 million. This includes estimated employee stock option exercises, restricted stock unit distributions, and estimated purchase notices issued to Tumim Stone Capital.

Our headcount, inclusive of accepted offers as of October 31, is 851 employees. By the end of 2021, we anticipate having approximately 900 to 1,000 employees, comprised of 160 to 180 manufacturing and operations employees, and 742 to 820 corporate and engineering employees. We are growing rapidly as we continue to build our engineering, manufacturing, and energy teams.

As previously mentioned, being a pre-revenue company, the best way for investors to monitor Nikola's progress is to hold us accountable for achieving certain milestones. I want to recap the critical milestones we have achieved over the past nine months. Milestone one regarding hydrogen refueling infrastructure, we have made several partnership announcements across the hydrogen value chains, including hydrogen production, distribution, and dispensing. We

have secured an electricity rate schedule with APS in Arizona, which we anticipate will allow us to produce hydrogen fuel at or below highest parity with diesel.

On April 22, we announced our partnership with TravelCenters of America where we will leverage existing TA infrastructure, and plan to initially build hydrogen dispensing stations at existing TA locations in Southern California. On July 22, we announced a strategic investment in Wabash Valley Resources, allowing us the option to offtake up to 50 tons of clean hydrogen per day in the critical trucking geography.

On September 30, we announced our partnership with Opal to collaborate on the co-development and co-marketing of our hydrogen refueling stations behind the fence. And on October 7, we announced our collaboration with TC Energy to co-develop, construct, operate, and own large-scale hydrogen production hubs, and potentially leverage TC's existing pipeline, storage, and power assets, which could lower the cost and increase the speed of delivery of hydrogen produced at the hydrogen production hubs.

Milestone two is additional customer announcements. On May 6, we announced an LOI for 100 trucks with TTSI, which comprises 70 FCEVs and 30 BEVs. On September 15, we signed an MOU with the Hamburg Port Authority to deliver up to 25 Nikola Tre BEVs through 2022. On October 14, we announced an LOI with PGT Trucking for 100 Nikola Tre FCEVs. And on October 27, we announced an order of 10 Nikola Tre BEVs from Tri-Eagle through Ring Power.

Milestone three is capital raise. We have secured ample liquidity to fund our business for 2022, via our two equity purchase agreements entered into with Tumim.

Milestone four is a resolution to the SEC investigation. We have a potential settlement on the horizon, contingent on the SEC commissioner's approval. We believe the company is better positioned to succeed than ever, as we bring our zero-emission products to the market. We now have vehicles being tested on public roads, and look forward to delivering Tre BEVs to dealers and customers in the coming months. As you continue to monitor our progress in Q4, here are the milestones we believe investors should track.

One, deliver pre-series Nikola Tre BEVs for use on public roads hauling customer freight. Two, announce additional fleet testing customers and dealers. Three, purchase land for first centralized hydrogen hub production facility and/or commercial on-site gaseous hydrogen station. And four, announce additional hydrogen infrastructure ecosystem partners.

Before we conclude, we would like to provide some high-level preliminary color on the potential impact of the \$1.75 trillion reconciliation bill. The current draft includes language regarding H2 production tax credit. The ultimate question is whether the hydrogen production tax credit will remain in the reconciliation bill as drafted. If passed, we believe this will significantly impact our energy business as we start producing hydrogen at centralized hubs and on-site gaseous generation stations.

The proposed new tax credit anticipated to take effect in 2022 is for producing clean hydrogen at qualified clean hydrogen production facilities. Facilities will be eligible to receive the tax credit for 10 years, beginning on the date the facility is placed into service. The production tax credit calls for potentially up to \$3 per kilogram base rate for hydrogen production, multiplied by the applicable percentage. The applicable percentage is determined by the percentage reduction in lifecycle greenhouse gas emissions compared to SMR produced H2. The H2 production tax credits could be substantial for Nikola. It would lower our cost of hydrogen production, and we anticipate it could create significant shareholder value.

This concludes our prepared remarks. We will now open the line for questions. Operator.

### **Operator**

Thank you. At this time, we will be conducting a question-and-answer session. If you would like to ask a question, please press \* 1 on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press \* 2 if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the \* key. We also ask that you please limit yourselves to one question and one follow-up per person. One moment, please, while we poll for questions.

Our first question is from Jeff Kauffman of Vertical Research Partners. Please proceed with your question.

### **Jeff Kauffman**

Thank you very much. Good morning, everybody. You guys have been busy. Could you kind of tie together the dealership platform in terms of where it stands today? How many locations? And if we look at that geographic map relative to where your customers look to be, where do you still need to fill in at this point and where do you want this to be, say, in the next one to two years in terms of size and coverage?

### **Mark Russell**

Thanks, Jeff, great question. We're really pleased with the dealers we've signed up so far. And each of the geographies where we've established a dealership relationship, we think we are working with one of the premier folks in terms of their ability to support and service our customers in that area. And as you heard, we just signed up our first customer through a dealer. Ring Power signed up Tri-Eagle and will be providing Tri-Eagle with sales and service support, as well as a charging infrastructure in that case. So we've got a pretty good coverage at this point in most of the critical geographies. The gaps that we still have, we're working on actively.

So in the timeframe you're talking about, the two-year period, we expect we'll have coast-to-coast full geographic coverage of United States and into Canada. So, we're looking to have no geography uncovered by a dealer, and we're certainly inside of being able to do that and we're pretty confident that we'll be able to do that. And you'll hear a few further announcements on additional dealers that we'll add into what we've already got in place, which does cover a good chunk of the continental United States at this point.

**Jeff Kauffman**

Okay. And I know it's a little early, but if I ask the same question of the hydrogen production distribution, I guess if I look at the map with your partners today, you would say Midwest, Southwest. Where are the critical areas you'll need to add for where you want to be when the fuel-cell trucks start coming out commercially?

**Mark Russell**

Again, we also have to have coast-to-coast coverage for--with hydrogen fuel and infrastructure as well. And you are correct, the first infrastructure is going in the Southwest and the Midwest with the hub that we'll be working on with TC Energy here in the Southwest near the California border. And then the WVR project which will serve as a hub for us in the Midwest. And we'll add others into the other critical geographies. Again, we have to cover the whole space, but you'll see hubs along major transportation corridors across the continent. So Southeast, Northeast, Northwest, and all through the midsection.

**Kim Brady**

Jeff, we have always stated that we will be quite targeted, especially for the first three to four years with respect to hydrogen ecosystem, and we believe we are putting the puzzles together with respect to production, distribution, and dispensing. And as Mark talked about, an ideal location will be in Arizona/California border as our first hub, and we have already socialized this with TC Energy. But we will be very much focused on how we roll out and the sequence of rollout.

**Jeff Kauffman**

Okay, great. That's all I have. Thanks, guys.

**Mark Russell**

Thanks, Jeff.

**Operator**

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

**Jeff Osborne**

Good morning, guys. Two questions on my end. One, I was wondering if you could put into perspective the scope of the LG agreement? Is there anything you can share as it relates to gigawatt hours over time or on an annual basis, especially just given it starts next year? And then I notice you said it was for cells. What's the strategy on pack production? So that was question one.

And then question two is just really around the homologation process. Can you just walk through what's left? I know you said the 25 trucks might not be salable, but do you anticipate that the testing and validation phase will be complete in calendar '21, or is some of that going to slip into next year as well?

**Kim Brady**

Great questions, Jeff, with respect to the cells from LG. We don't want to go into the details of the terms; as you know, these are confidential in some ways. However, what we have been able to lock in is that it's something that will give us substantial volume. We are making sure that we have enough cells and that we are not single threaded. So, of course, we're looking at more than just one cell supplier, as well as more than one pack suppliers. But we're trying to make sure that we have sufficient volume to address 2023 and 2024. As you know, the market is still very tight in 2023. We believe we will have better idea in 2022, as to perhaps if there will be more cells available for 2023.

What we can tell you, though, is that we had LG team come out from Korea for a signing ceremony at our Coolidge plant. We believe we are building a great relationship with them, and we have also requested additional cell allocation than what they have allocated to us for 2023. And so we are working very hard to ensure that we have sufficient battery cell volume locked in.

**Mark Russell**

And pack production

**Jeff Osborne**

And the homologation question?

**Kim Brady**

With respect to homologation, we are working hard. As you know, any time when there are any delays with respect to commissioning, validation testing gets delayed. We plan to accomplish a substantial portion of validation in 2021, but it is quite possible that some of that validation could spill into beginning of 2023. We talked about there are certain components such as displayed chipsets where we will not have the production sample that may not arrive until December. What that means is that some of the validation and testing will be in early January.

### **Mark Russell**

And Jeff, I think you--this is Mark. I think you also asked a question about pack production, which we have more control over than we do the cell supply chain, although we feel we're in a much better position now with two sources of supply between the two major suppliers of cells that we now have gotten agreements with. So we do have more control over pack production. The pack design is ours and the module design that we're using at this point is from Romeo. And we have more control over that part of the supply chain and feel a little bit more comfortable about that. If we can get the cells, we're pretty confident that over time we'll get the packs.

So turning to the homologation question, we are in the mode now of public road miles and hours for the Tre BEV, and that is a matter of miles and hours. And we are planning on having all of the test vehicles being put through their paces. Of course, we've been getting track hours pretty much the entire calendar year, but we are getting now public road miles, which is an essential part of the process. And it's a matter of getting to the required number of hours and miles, and that's a function of how many trucks we're able to complete which, as Kim says, is a function of how many parts we can get in the supply chain short condition. We're trying to get the bulk of this work done in this calendar year, but it will certainly spill into 2022. At this point, we still think we'll be able to make the start of production for regular series production at the end of the first quarter.

### **Jeff Osborne**

Excellent, that's all I had. Appreciate it.

### **Operator**

Our next question comes from Mike Shlisky of DA Davidson. Please proceed with your question.

### **Mike Shlisky**

Hey, guys, good morning. Just want to follow up on the last couple questions there. If your first 25 trucks produced this quarter are not saleable, do you have the ability--is there a point where you've made all the non-saleable trucks that you can make? You know, if you have to start making more non-saleable trucks in the first quarter, you know, is there a point where

everyone's got their demo unit, everyone's got what they need for marketing purposes, and you'll have to kind of stop and kind of wait until you're able to get a full truck available for on-road use?

**Kim Brady**

Let me address the first part. When we say they are not saleable, what we are suggesting is that they may not have all the final production components. They will be retrofitted to the extent that can be accomplished, and they can become saleable in Q1 2022.

**Mike Shlisky**

Okay. Alright, I guess I can follow-up offline on that one. I also wanted to ask, it's been a very tight market to get a Class A truck in general, whether it's ICE or battery-electric. I'm curious whether you've gotten any additional inquiries from any customers that, you know, you may have not heard from in the past who are just trying to find any truck that they can get? And can you kind of take us behind how you've been to capitalize on any new customer inquiries just trying to get themselves a truck or any type, and how to convince them that the Tre BEV is kind of going to be available in 2022, where other brands might not be available?

**Mark Russell**

Yeah, Mike, I think that is also related to your first question, which is would we make more than 25 trucks if we could? And the answer is absolutely yes. I have not talked to any customer in recent months who does not want to at least get a test of our trial vehicles. Everybody wants trucks. As you said, trucks are short generally. And especially anybody who's looking for zero-emission trucks, it's very tight.

To the extent that if somebody calls us now out of the blue who has never contacted us before, they are going to the back of the line unless they can come in with something that makes it otherwise of interest, in terms of volume or scope or assistance or partnership. So, we have a lot of conversations going on with a lot of customers around the world, and that's why it's so imperative that we work the supply chain issue, which we're doing pretty much 24/7 at this point to make sure we get all the parts we need, to build the trucks that we need to go through the homologation so that we can continue to get trucks into dealer and to launch customer hands.

We're getting some help in some respects in some geographies. For example, we have one customer in Europe so far who's come up with a local geographic exception to European homologation. The Port of Hamburg, they're going to take up to 25 trucks on the U.S. spec, which we can get them faster because we're getting the U.S. spec first. It's completed first. So that we can deliver those trucks to them more quickly, because they're getting a local geographic exception there in the Port of Hamburg.

So, we're going to go as fast as we can. We're going to do as many trucks as we can and get them out as fast as we can, because it's not just a temporary market shortage that we are trying to address. We're trying to get zero-emission trucks out there to change the world and make it more sustainable for commercial transportation, you know, forever.

**Kim Brady**

And Mike, just a bit more insight in terms of demand side. When we think about sales funnel, we talk about LOI signed, which we already discussed. But there are funnel discussions with a number of parties, as well as ongoing discussions, and there's always timing in terms of if an LOI signed when we announce, as well as final discussions that goes into LOI and then eventually announcements. So, stay tuned.

**Mike Shlisky**

Okay, I'll leave it there. Thank you so much.

**Operator**

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

**Joseph Spak**

Thanks, good morning, everyone. I had some questions on some of the capacity language in the release today. So, the 2,400 on two shifts, that's unchanged. I just wanted to confirm, that's a run rate capacity by year-end, not what your actual sort of full-year capacity will be. But then also you're talking about 20,000 by Phase 2, by early '23. I think before, that was 15K for Phase 2, but it was also a little bit earlier by year-end '23, and then you had a Phase 3 which was 35 by the year end of 2023. So it seems like there's some moving pieces going on with the capacity expansion, and I just was wondering if you could help us understand what's going on.

**Mark Russell**

Absolutely. So the important thing to remember is the number depends on where you're drawing the line. The ramp-up in total for the Coolidge facility is up to a nameplate of 50,000 in the very end. So how much we have at any given time is where you draw the line on--where you score the line on that curve. And that would account for any differences that you would see, because we've maintained the longer-term ramp-up pretty consistently for the last--at least the last year, I believe.

So we are ramping up as fast as we can, practically speaking, from this first what we call Phase 0.5, which is done, and that's where we are building the pre-series Tre BEVs, and we're building the alphas of the FCEV. So that phase is done. When that phase finished, we occupied that space and started operating there. At the same time behind the wall on the new side, we're building the rest of that of what we call Phase 1, and we'll be in that in the first quarter.

Then we start Phase 2. Again, a continuous project basically. So we start Phase 2, and eventually we'll end up with the complete facility in all phases and it will be--the nameplate capacity will be 50,000 units a year in Coolidge.

**Kim Brady**

We want to make it very clear, we have no issues with respect to production capacity. So when we think about 2022, and when we state 2,400 trucks in terms of production ramp, we will have plenty of capacity to meet any of our commitments. What we are struggling, and as we talked about, is the component shortage. And we're trying to make sure that we have our supply chain addressed such that we can ship as many trucks as possible right now. That's the key issue.

**Mark Russell**

And that's true, Joe, in both hemispheres. The facilities are ready to go and on schedule, and the limit is going to be by supply chain. Ulm is--Ulm, Germany is ready to go. We had the opening ceremony back in September, and they are doing what they can with what parts they can get. And then Coolidge in the first phase is operational, and they're doing everything they can with as many parts as we can get them.

**Joseph Spak**

Okay, maybe that's a good segue to my second question which is, you know, you haven't touched the '22 or really the outer-year target since April of 2020. And as we all know, a lot has changed since then. And now that we are approaching '22, and I'm sure you're planning for '22, I was wondering if you could give us some guardrails to sort of how to think about that. Because like how realistic is that goal of 1,200 trucks, given everything you just mentioned?

**Kim Brady**

And we will share more detail in the next earnings call. And at that point, I think we'll be able to give you much better visibility with respect to 2020 volume and our production ramp.

**Mark Russell**

And the situation is very fluid and we're in the same situation as pretty much every OEM out there. You know, this affects everybody. You know, your guess is as good as ours in terms of when things will begin to abate. But we'll give you much more specificity in terms of what we've got, going next quarter.

**Joseph Spak**

Thank you.

**Operator**

Our next question is from Douglas Dutton of Evercore ISI. Please proceed with your question.

**Douglas Dutton**

Hi. Good morning, Mark and Kim. Just to sort of follow up on Joseph's question there, you know, one of the factors I guess externally and internally outside of the supply chain that you are looking at that could allow for sort of a faster or slower production than the stated rates that we just talked about. I mean, is it really purely the supply chain, or are there other internal factors? I'm just looking for some color on that. Thank you.

**Kim Brady**

Look, we've done a great job in terms of making sure that our capacity is available and our production lines are ready, and we have labor in place. And so we feel confident about production capacity for 2022, as well as 2023. And right now, the element that we can't control and we're trying to influence as much as possible, and we're working with various cell suppliers as well as pack suppliers to ensure that we have supply locked in with respect to battery packs, as well as integrated circuits. Those are two key critical components where we have to--where we are working with our suppliers to ensure that we can lock in that supply.

So that when we give you our guidance for 2022, that we'll be in a much better position to have some certainty about how we think about our production ramp. But the ability to produce trucks up to 2,400 units for next year, we have that capacity available and we believe our manufacturing team is prepared to accelerate, to the extent that the demand is greater than what we have stated previously in our guidance.

**Douglas Dutton**

Okay, great stuff. Thank you very much.

**Operator**

Our next question is from Bill Peterson of JPMorgan. Please proceed with your question.

**Bill Peterson**

Yeah, good morning and thanks for taking the questions. You've spoken a lot on this call about hydrogen infrastructure projects, but I'm also wondering about electrical charging infrastructure, and this assumes, of course, you get some relief on the supplier constraints you have for your vehicles. You know, we've seen some announcements, for example, Port of Los Angeles for some high-powered chargers. But in the U.S., it's our impression that some of the infrastructure is harder to come by and maybe harder to permit, harder to install, compared to lower power passenger vehicles. So, in other words, it could take longer to install. So again, you mentioned earlier that Ring is building charging for Tri-Eagle. But I guess the first question is, what is Nikola doing with other potential customers and partners in Europe and the U.S. to ensure charging capability for your electric truck?

And I guess what is your role with working with both utilities? And I guess in the case of Ring, they'll build and operate. They'll build on and operate. But is that the right way to think about the model? I'm just trying to understand how Nikola will enable the BEV ecosystem, or at least making sure that ecosystem doesn't become a limiter if you're able to start shipping trucks in volume.

**Mark Russell**

Bill, that's a great question because on the BEV side, we are increasingly finding ourselves talking about a solution like we have for hydrogen for several years now. The only difference I would highlight between hydrogen infrastructure and charging infrastructure is that the charging infrastructure for commercial vehicles is pretty much exclusively behind the fence. These kind of vehicles, you won't see these kind of vehicles at public stations, typically. These customers all want to have charging in their terminal or on their property, what we call "behind the fence," and that's a big difference.

And as you said, it is not a simple prospect in every case to have the kind of charging capacity that you need for commercial vehicles. Our vehicles will be capable of taking charges up to 350 kilowatts for fast charging purposes, and that's--you know, if you've got 10 of those, that's a lot of power. And so you usually are talking about the power supply to the facility, and if that needs upgrading, that takes time. There are things that can be done to get started. We have a temporary solution that we have been using for testing purposes in a lot of places. Most of the test tracks we use don't have the charging we need, so we have to put in temporary charging now, which we're able to do.

That's one of the neat things about our dealer network so far. Most of these dealers at this point, I'd say the majority of our dealers at this point are also specialists in providing temporary

power. Most of them are also dealers for Caterpillar, and they are really good at providing temporary power solutions and even long-term temporary power solutions. So that's what Ring Power was able to do for Tri-Eagle, and I can tell you there's a lot of other discussions going on just like that where we are going to work really hard to make sure that we can provide the solution in terms of the vehicle and the charging. And in the case of these dealers, they're offering the whole bundle just like we are on the hydrogen side. You get the truck, you get the service and the support, the maintenance, and you get the charging or the energy that you need to get the truck to move.

So that's a great question, and I think you're going to see us do more on this front and you're going to hear more from us about this going on in the future, as well as some of the implications for the utilities and the grid operators for two-way power. I'll just give you a teaser on that front. Two-way power is going to be a big deal for commercial power for commercial vehicles going forward. I'll make that prediction right here.

### **Bill Peterson**

That makes a lot of sense. Thanks for that answer and update. I do want to come back to the hydrogen ecosystem, and recognize a lot of these were announced earlier this year. For example, the five electrolyzers which I think we're targeting for 2022. The TravelCenters, I think you were going to update on locations. This was mentioned during your first-quarter earnings call. In light of obviously the supply constraints and maybe some of the alpha fuel cell vehicles maybe not on the road as fast as you had thought, I can see these pushing.

But I guess the question is, what are Nikola's specific commitments in terms of capital deployments as we think about hydrogen enablement for 2022? And I'm envisioning you're assuming a lot of these are going to be in the Southwest for California, given the substance regime, but any color you can provide on that would be helpful.

### **Mark Russell**

All right, let me see if I've got all the parts of that down here, Bill. So let's start with TA, which will be dispensing locations at existing TA facilities. We do have the first two of those facilities identified. Hang on one second. Just checking to make sure we haven't announced that yet, which we have not announced. The two--first two facilities have been identified. I will tell you they are in the Southwest, and you can guess which state they're in actually, probably, because that's where we're going to be starting.

So those locations are identified; we're going forward. Those are fairly straightforward because they are dispensing only, so we just have to have storage and dispensing on location. And TA is such a great partner for us because their facilities in general are so large. In general, TA facilities tend to be bigger than the average truck stop, and that gives us plenty of room to put the infrastructure in that we need to be able to fuel trucks.

Now, of course, that means if they're dispensing only, we have to get the hydrogen there which is why we're working on the Southwest hub, which will be in the state of Arizona. That's something we have announced because we have an agreement with APS and the Corporation Commission here in Arizona for a 21-year rate for making hydrogen out of water using electricity and electrolysis, which also relates to the electrolyzer capacity that we put on order.

We have \$30 million of electrolyzers on order and in process with Nel, which you referenced. Those will be available for hub service to make large amounts of clean hydrogen from electricity at this hub. We may have other methods of making hydrogen at this hub that would be redundant and add to the capacity. And as you asked, our commitment to our customers is that the hydrogen will be there in time for the truck to make its first run. So the hydrogen has to lead the trucks slightly, and you'll see that. We'll put in hydrogen capacity before the trucks need it.

In some cases where you've got a temporary need, we have a mobile solution as well. Just like we have mobile charging for battery trucks, we have mobile hydrogen fueling for hydrogen trucks, and we can put that in temporarily. But you'll see the infrastructure going into place for the target geographies in advance of the trucks, starting with that Arizona Southwest hub for hydrogen production, and starting with those two first TA stations in our initial geography.

### **Kim Brady**

And Bill, we'll share a lot more detail beginning of next year when we host on the Analyst Day. But here is something that we want you to think about. For example, assuming 40 kilograms per day for fuel, for Tre fuel-cell. And for Nikola Two, 65 kilograms of fuel per day by 2025, we need approximately 900 tons of hydrogen per day. And assuming an on-site generation stations, eight ton per day, they would represent approximately 110 stations. But that could also be addressed by, let's say, six major hydrogen hubs at 150 tons per day.

And the hub and the TC partnership that we've talked about, we have right to own equity up to 50%, but not the obligation. So, it is quite possible in many of those locations, TC Energy may potentially own substantial equity ownership, yet we control the molecules, in terms of offtake agreements.

And so what we are suggesting is that we are going to be very creative. We are going to be capital efficient, and we will be able to give you better insights in terms of how we're thinking about ultimately capital allocation. But we are very excited about what we have structured, and we have a pretty good insight in terms of how we may want to think about for the next three or four years.

### **Bill Peterson**

Thanks for the color, and best wishes to manage these acute supply constraints.

**Mark Russell**

Thanks, Bill.

**Operator**

Our next question is from Jacob Green of BTIG. Please proceed with your question.

**Jacob Green**

Hey, guys, quick one for me. You have this 2,000 truck capacity in Ulm, and I guess first, have you received any orders in Europe or built out any of the dealer network out there? Or can you talk more broadly on your go-forward strategy overseas, or should we more expect the Ulm volumes to supplement Coolidge in, say, the near to mid-term?

**Mark Russell**

That's a great question. So let me start first with European customers. Our launch customer for Europe will be the Port of Hamburg. They're going to take 25 trucks that are U.S. spec, because they can use them in the very expansive port there in Hamburg. And that allows them to use a U.S. spec truck. So that kicks us off there in the Port of Hamburg. We are talking to a number of other customers in Europe.

Our dealer network in Europe, we have the advantage of the existing IVECO dealer network in Europe, which has good coverage. We have the ability to use any of those dealers to support our customers and, of course, IVECO's customers. IVECO is also going to be selling Tre BEVs as well. Both of those will be Nikola branded, but IVECO will be selling their portion of the output of the owned factory, which is 50%.

So that partnership with IVECO is so valuable to us on a number of fronts, but especially on the front that we're talking about now with dealer service and support, because they have great dealers in place. These are dealers who are used to fueling alternative fuel heavy equipment. IVECO is a market leader for natural gas, fueled heavy trucks in Europe, and all of their dealers have the ability to service gaseous fueled heavy trucks. Of course, ours will be hydrogen fueled, but with--so there is that slight difference. But generally, they have a lot of experience in dealing with alternative fuel vehicles already, and that dealership network is already in place for us there. So what we're building in the U.S. is already in place in Europe.

**Operator**

Our next question is from Edison Yu of Deutsche Bank. Please proceed with your question.

**Edison Yu**

Hey, thanks for squeezing me in. First question, I know you can't reveal too much about the agreement with LG, but directionally are you finding that the costs are coming in higher, just given kind of everything that's going around the industry? So that's the first question. And then second question, any updated thoughts on I guess capital raise? I know you obviously have Tumim; they're very supportive. But I guess beyond that, can you maybe just go over the needs and how the thought process goes about that? Thanks.

**Kim Brady**

Edison, both great questions. When we went public last year, you know, we assumed that ultimately, battery cell price would decline in 2023 and 2024. At this point, we know with certainty that price will not be declining for 2023. We have a pretty good idea based on what we have signed. When it comes to anything beyond 2023, we do believe there are significant capacities worldwide that will be online by cell suppliers. And we do believe that would be possible in 2024.

However, when it comes to--you know, to opting overall bottom cost, that's something that we're working on. And as you know, battery represents approximately 50% of your BOM cost for battery electric trucks. So we are looking at for the remaining components, if we can drop that quicker than we have anticipated. And so this is a lot of work that we are engaged in, and we'll have a much better idea at the next quarter in terms of giving you some perspective, in terms of how we think about the BOM cost as well as gross profit margin.

Going to your second question, we believe right now we have ample liquidity at the end of Q3. We have \$550 million about of cash, and we have a ELOC availability of \$530 million. And so we have approximately \$1.1 billion in terms of liquidity. By the year-end, we will have approximately \$850 million in terms of available liquidity. We have always indicated that our preference would be that at all times, we have sufficient cash for the following 12 months.

And so, of course, sometime next year we are going to address in terms of additional capital and the potential follow-on offering, but we want to be flexible and be attuned to market conditions and ultimately when we go, and we have a fair amount of flexibility based on our term liquidity.

**Edison Yu**

Great, thank you very much.

**Operator**

We have reached the end of the question-and-answer session. I will now turn the call back over to Mark Russell for closing remarks.

**Mark Russell**

Thanks, everybody, for joining in on our call, and we'll be looking forward to talking to you again in a quarter. Thanks.