Nikola Corporation
First Quarter 2022 Earnings Conference Call
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Presenters

Henry Kwon, Director of Investor Relations
Mark Russell, CEO
Kim Brady, CFO

Q&A Participants

Chris McNally – Evercore ISI
Mike Shlisky – D. A. Davidson
Joseph Spak – RBC Capital Markets
Bill Peterson – J.P. Morgan
Jeff Osborne – Cowen and Company

Operator

Good morning. Welcome to Nikola Corporation's first Quarter 2022 Earnings Call. At this time, all participants are in listen only mode. We will 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 call is being recorded. It is my pleasure to introduce Nikola's Director of Investor Relations, Henry Kwon. Thank you, Henry. You may begin.

Henry Kwon

Thank you, operator, and good morning, everyone. Welcome to Nikola Corporation's First Quarter 2022 Earnings Call. With me today are Mark Russell, Chief Executive Officer of Nikola. Kim Brady, Chief Financial Officer and Michael Lohscheller, President of Nikola's Motor Division.

During today's call, we will share our views on the business environment and our financial results for Q1 2022 and our outlook for Q2 and the full year 2022.

The press release detailing our financial results was distributed shortly after 6 a.m. Pacific Time 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 includes certain forward-looking statements within the federal securities laws. Forward-looking statements are predictions, plans 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 first page of the presentation, the earnings press release, as well as the Risk Factors section of our annual report on Form 10-K and our quarterly report on Form 10-Q filed with the Securities and Exchange Commission in addition to the company's subsequent filings with the SEC. Forward-looking statements speak only as of the date they are made, and readers should be cautioned not to put undue reliance on forward looking statements.

We will now begin a brief video presentation followed by prepared remarks from Mark Russell and Kim Brady.

(Video Presentation)

Mark Russell

Thanks for joining us for our first quarter call. We're so grateful for the overwhelmingly positive customer feedback you just saw in that video. Everything we've done over the years has been focused on getting to the point of delighting our target customers like this. We're anxiously engaged every day in continuing to build on this kind of customer success.

A big thank you to everyone at Nikola and our partners for their exceptional and extraordinary efforts, especially in these last few months, to ensure that our production and delivery targets were met despite every obstacle, including a supply chain crisis that just won't quit. The war in Ukraine and COVID related shutdowns in China have put new and additional pressure and uncertainty on the global manufacturing landscape. I'm very grateful to be part of a team that has made steady and remarkable progress in achieving our milestones in spite of all of this.

All right. Let's review our progress on the vehicle side of the business since we talked to you last quarter. Slide four, the final ten Pre-Series Tre BEV's came off the assembly line and [inaudible] during the quarter, which completed our total Pre-Series fleet of 40 trucks. These continue to be utilized in customer pilot test programs, dealer demos and in our own continued R&D testing.

The Tre BEV Pilot Program at TTSIs Southern California Port Operations was successfully completed in April. These two trucks accumulated over 11,000 combined miles with TTSI to 93% total uptime. And using an average of only 25% of their state of charge to go 102 miles every day.

As we previously agreed with TTSI, they've begun issuing POs with the first ten submitted under the California HVIP incentive program. We also completed a pilot with Universal Solutions in April, resulting in POs for six trucks utilizing California HVIP. The pilots underway but not yet complete include Covenant Logistics, among others. We're now gaining significant traction with our launch customers, and from here we'll be looking at shorter demo and pilot programs.

Let's go to Slide five. Since Serial Tre BEV Production started on March 21st, we received 134 California HVIP purchase orders through April. And the total of all Nikola Tre BEV purchase orders and LOIs we've received to date is 510, which is just over our upside target for production for this year.

Turning to the Tre FCEV program on Slide six. At the end of April, we successfully completed the Tre FCEV Alpha Pilot program with Anheuser-Busch in California. These trucks logged over 12,000 miles and hauled 2 million pounds of freight in ABS operations.

We'll start FCEV Alpha Pilot testing with TTSI by the end of May. All the learnings from the Alpha Pilot testing will be incorporated into our beta truck builds with the first batch of six beta trucks set to commence production by the end of this quarter. By the end of Q4, we should have a total beta fleet of 19 Tre FCEVs. Beta validation testing is scheduled to continue through the first half of 2023, followed by serial production in the second half of the year. As of the end of April, we had 1010 Tre FCEV trucks under either contract or LOI.

Let's go to Slide seven and update you on the energy business. We selected our first dispensing station location with our station partner, TravelCenters of America during the quarter. We intend to jointly build a hydrogen refueling infrastructure within the relatively large footprint of TA's existing station in Ontario, California, adjacent to Interstate 10.

Along with our partner TC Energy, we're very close to sharing the location of our first hydrogen production hub in Arizona, which we plan to break ground on this year. This hub is intended to supply hydrogen to our joint TA station in Ontario and many others in the region, utilizing the groundbreaking hydrogen production electric rate schedule put in place by APS here in Arizona.

TC Energy, also announced in April the evaluation of a hydrogen production hub in Crossfield, Alberta. This hub could produce an estimated 60 tons of hydrogen per day, and we'll be able to scale up to 150 tons per day in the future. Nikola is committed to being the hub's anchor customer. This is an excellent opportunity for TCE to continue investing in low carbon hydrogen solutions while providing Nikola with a significant hydrogen fuel source for our long haul FCEVs in the region.

Onto Slide eight. We completed the Phase one assembly expansion area in Coolidge during the quarter, which gives us a production capacity of 2500 units per year there. We started the phase two expansion in April, and we expect that to be complete in the first quarter of 2023. Phase two will provide us with a 20,000-unit annual capacity in Coolidge, and from there phase three will take us to our original announced nameplate capacity.

Next slide. In March, we announced an expansion of our partnership with Alta Equipment Group with an agreement for them to also cover the Arizona sales and service territory. Our sales and service network now covers 27 states and over 127 locations. We're looking forward to our expanded partnership with Alta and to the continued growth of our sales and service footprint through additional partnerships. We believe the strength and expertise of our extraordinary dealer network sets Nikola apart in customer conversations.

In March, we also entered into an agreement with ENGS Commercial Finance Company to help facilitate the sale of Nikola vehicles. ENGS will work directly with the Nikola Dealer Network to offer customers financing solutions for the purchase of Nikola vehicles, charging assets and infrastructure.

All right, over to Kim now to go over the numbers.

Kim Brady

Thanks, Mark, and good morning, everyone. Let's begin with our Q1 2022 results. In the first quarter, we reported revenues of $1.9 million from the sale of ten Nikola Mobile Charging Trailers. While we do not expect MCT sales to become a key growth driver for us in the coming years, the product generates approximately 20% gross profit margin, which we expect to be sustainable. Research and development expenses were $74.6 million, including $8.7 million of stock-based compensation expenses. R&D expenses consist of costs incurred in developing building testing and validating Nikola Tre BEV and fuel cell trucks.

SG&A expenses were approximately $77.2 million, including $44.8 million in stock-based compensation and $14.1 million in legal and regulatory costs, which we back out for non-GAAP reporting. The net loss was $152.9 million. Basic and diluted net loss per share for the quarter was $0.37. Basic and diluted non-GAAP net loss per share came to $0.21. On a non-GAAP basis, adjusted EBITDA totaled a - $79.2 million. Adjusted EBITDA excludes one -- $53.5 million in stock-based compensation to $14.1 million for legal matters related to expenses for Mr. Milton's attorney's fees under his indemnification agreement. And three, $3.1 million in depreciation and amortization.

Turning to the balance sheet, we ended the first quarter with $385 million of cash and cash equivalents, including restricted cash balances. In addition, we also have approximately $409 million of available liquidity through our two equity lines, with [inaudible] providing us with roughly $794 million of total liquidity as of March 31st.

Our capital expenditures totaled $33.5 million year to date and are comprised of the construction of our Coolidge Greenfield manufacturing facility and equipment purchases, renovations for office space expansion and hydrogen storage testing building in Phenix, hydrogen mobile fuels, supplier tooling and investments made into our European JV. A large part of what we had anticipated in our Q1 CapEx guidance came in significantly below due to the timing of spending. Our full year CapEx guidance remains unchanged.

On May two, we announced an agreement with an institutional investor to invest in Nikola by purchasing $200 Million of Senior Convertible Notes. We expect the notes to fund in early June. We view this investment as a validation of the recent accomplishments our company has made on the operational and strategic fronts, including the $200 million of convertible notes. Nikola would have had a total cash and liquidity position of approximately $1.0 billion as of March 31st, 2022.

The net proceeds from the sale of notes, along with our other liquidity sources, are expected to be used for business expansion related to scaling truck manufacturing and tooling set up, accelerating the development of our hydrogen infrastructure as well as for general corporate purposes. We ended the quarter with approximately 418.3 million shares outstanding. Weighted average basic and diluted shares for the first quarter were approximately 415.2 million.

Our head count as of March 31 was 1040 employees. We continue to grow as we hire new talent in engineering and product development, manufacturing, supply chain, IT and other corporate functions.

Moving on to our Q2 2022 guidance, we anticipate we will produce and deliver 50 to 60 Nikola Tre BEVs for revenues between $15 to $18 million. We anticipate gross margin to be negative but improve as fixed costs are spread over increased number of units as we scale production. We began shipping salable Tre BEV to our dealers on April 29 for delivery to customers and look forward to continuing deliveries of our zero emission trucks at scale.

Estimated R&D expenses for the second quarter is in the range of $72.5 to $77.5 million, which includes approximately $11 million of stock-based compensation. SG&A expense ranges are estimated between $72.5 to $77.5 million, including roughly $48 million of stock-based compensation. Actual SG&A expenses will likely be higher due to legal fees associated with Trevor Milton's defense. These fees are difficult to predict, so we do not forecast them and for non-GAAP guidance they are excluded.

CapEx for the second quarter is in the range of $85 to $90 million. At the end of Q2, we anticipate having approximately 433.5 million shares outstanding and the weighted average shares outstanding of 426.5 million. We made no revisions to our full year 2022 guidance concerning deliveries, revenue, gross margin or expenses. However, weighted average shares outstanding could fluctuate depending on the market conditions as we draw down on our equity line with [inaudible] or if we raise additional capital.

Additionally, going forward, we are expanding the activities of our European Joint Venture with Iveco to include EU product development activities. Previously, the JV acted solely as a contract manufacturer. Accordingly, the R&D expenses within the JV are expected to increase. 50% of that increase will flow through our earnings in the equity in net earnings or loss of affiliate line item. This will result in increased losses for the remainder of the year.

Next, I would like to provide some color on supply chain challenges emBEVded in our guidance. The ongoing war in Ukraine and the recent COVID outbreak in China were factors that we did not anticipate when we last discussed supply chain issues back in February. These zero COVID policy in China has led to additional bottlenecks and cost pressures in more recent months. While there is still uncertainty about the magnitude and duration of any other supply chain impact from this event, we continue to have full supplier commitment and are confident in our ability to achieve our full year target range without making revisions. Based on our current line of sight, we reconfirm the key electric components available to meet our delivery targets. Battery cells to build more than 500 Nikola. Tre BEVs, battery packs to build 300 to 500 Nikola Tre BEVs.

Our supply chain team is working closely with battery pack supplier to ensure no gaps in the battery module chip supply so as to not disrupt Nikola's build schedule. ECU and subcomponents to build more than 500 Nikola Tre BEVs displays to build more than 500 Nikola Tre BEVs, E Axles to build more than 500 Nikola Tre BEVs and Inverters to build more than 500 Nikola Tre BEVs.

We continue to strengthen our supply chain team by adding talent and growing headcount. During the first quarter, we strive to ensure we have the critical components necessary for Tre BEV Production and Tre fuel cell better bills. We are pleased to report that we shipped production Nikola Tre BEV trucks to dealers for revenue in April and successfully completed Tre Fuel Cell Electric Vehicle Alpha Pilot Testing with [inaudible].

On our Q4 earnings call, we established five milestones to hit in 2022 and we are well on our way to achieving this strategic and operational goals. One, deliver 300 to 500 production Tre BEV trucks. Two, successful fuel cell EV Alpha Testing with Anheuser-Busch and TTSI. Three, build, validate and test Tre Fuel Cell Data Trucks. Four, announced location, break ground and commenced construction of the first hydrogen production hub in Arizona, and five, announce two or more dispensing station partners in California.

This concludes our prepared remarks. We will use the remainder of the time to address your questions.

Operator, please open the line.

Operator

Thank you. If you would 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 would like to remove your line from the queue. And for a participant using speaker equipment, it may be necessary to pick up your handset before pressing the star keys.

Our first question is from Chris McNally with Evercore ISI. Please proceed.

Chris McNally

Thanks so much, team. Okay. So I wanted to talk about the progression of the -- the unit deliveries over the course of the year. Appreciate the -- the Q2 numbers. I wanted to see if you could confirm at -- at the Analyst Day, you kind of gave broad comments about producing one truck per day now, getting to two trucks per day by the end of -- of Q2 and that progressing all the way to at the end of the year, hopefully something like five trucks per day. That gives a general sense of how we can pace out Q2 to Q4. Do those numbers still hold? And also, if you could just put a little bit of -- of meat behind, what is the key things that you have to do internally to ramp from that, you know, one to two trucks towards five over the -- over the next eight months?

Kim Brady

Chris, thanks for the question. If you recall, when you were actually on site visiting our facility in Coolidge, what we have stated was that when it comes to transition from Q2 to Q3 and Q4, it's really not about manufacturing ramp. It's really about supply chain issues. And we have also stated previously in our earnings call that deliveries are skewed towards second half of the year. So what we have suggested is that approximately 20% of the delivery for this year, based on 500 units, are going to be delivered in Q2. And Q3 and Q4 will represent about 80%.

And that's really due to the timing of our battery packs as well as certain chip supply that will be available in the second half of the year. So as we have conformation and easing up our supply chain with respect to chips, then we can actually build more trucks. And it has nothing to do with our ability to actually scale at our manufacturing plant.

Chris McNally

Can -- is the best way then to paraphrase that, of all the components that you just descriBEV, the only one that really had that variability between the 300 and the 500 appears, you know, to be the packs, I guess, chips on a secondary. And if you could just remind us, you know, which of the chips are -- are in the variability. And that really is -- that's an external issue for the Q3 into Q4 ramp. Because it's obviously a big range, but it -- most of that will fall in terms of just timing too, if you can get the packs because you'll have the sales by year end, is that a good paraphrase?

Kim Brady

Yes. And I think what we have stated was that two main risks are delivery of the modules and packs. And so we need to make sure that we're working closely with our supplier when it comes to manufacturing efficiency and yield. And then the second, when it comes to BMS chips, there are a couple boards and there are a couple of hundred components, but there are few chips, microprocessors that are critical and important. And we're trying to make sure that we have supply of those such that there's no disruption in our build.

Chris McNally

Perfect. And then just one housekeeping., You know, given -- I think you mentioned again in Phoenix, $650 million is the new sort of financing number that you would expect to bridge to the end of '23. 200 to the convert. You know, I just wanted to make sure that's reiterated that essentially it implies 450, you know, after this -- at this convertible.

Kim Brady

I think that's reasonable. What we have stated is that we are always looking to ensure that we have adequate liquidity for the following 12 months of operation. And we have also stated that by the end of this year that we are targeting to have anywhere from $900 million of cash and liquidity on hand to $1 billion, so I think that's reasonable.

Chris McNally

Perfect. Thanks so much.

Operator

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

Mike Shlisky

Yes. Hello. Good morning. I wanted to follow up on some of your comments about Europe. Did I hear this correctly? Are you developing a truck with Iveco that will be Iveco badged for Europe? Or will it be Nikola badged? And are the expenses related to that new to the previous guides you had last quarter?

Mark Russell

Thanks, Mike. We -- this is Mark. The output of the joint venture in Europe will be all batch Nikola. Everything that we produce there will be -- from the joint venture, we'll carry the Nikola brand name. And then the joint venture remains a 50/50 proposition. And in terms of the specific numbers, I'll defer to Kim. Go ahead.

Kim Brady

And Mike, what we're doing is that we're expanding our JV relationship, which will include development of European version of trucks. What that means is that we are actually giving greater responsibility to the JV. And so what that means is that going forward, both Iveco and Nikola will be making additional investments for R&D. Most of this R&D is related to personnel as well as outside the engineering services. So it will impact in terms of loss from before it relates to our equity from our affiliates and the -- we will be able to give you a better guidance.

Right now we are going through an exercise where we are working through the details, what that incremental costs and investment would be in the JV. And in Q2, the impact will be minimal. But going forward, Q3 and Q4, the impact will be larger. And we'll be able to share with you what that guidance would be.

Mike Shlisky
Okay. Great. If I could switch to the Alberta location you guys have -- you and your partners have identified for the -- for a new hub. Can you maybe share is it really far from any of the fleets you're talking with as far as distance and dispensing stations? And because it might be located on the property of TC, could some of the hydrogen coming out of that facility flow in a pipeline or will that be trucked into the various dispensing stations in that area?

Mark Russell

A great question, Mike. The location is strategic in that it's close enough to Canada 1. Canada Highway 1 is the transcontinental route that goes all the way across Canada from Pacific to Atlantic. And that's the major route in Canada. And then, of course, we can move hydrogen throughout the region because this should be a very cost-effective operation for producing hydrogen and potentially capturing carbon.

And yes, one of the reasons for the strong logic of a partnership with TC Energy is they do control substantial pipeline assets across North America. There's also pipeline assets near where we were going to be locating things here in Arizona eventually. And eventually the pipelines that now carry natural gas are very likely to be destined to carry hydrogen at some point in the future. And I would defer you to -- refer you to TC Energy Investor Relations for some of that planning.

Most of the industrial uses of natural gas today can't be replaced by direct electricity. Something substituting natural gas will have to be -- you know, it needs to be developed. And pretty much everybody is agreeing that's going to be hydrogen.

So being close to a pipeline is important in the long run. In the short run, we will be the anchor customer. We'll be -- we have the demand. You might have seen some of the press materials that came out of a recent conference in Calgary that we participated in, actually had a fuel cell truck up there. We have a lot of customer demand up there, so that will be an early launch geography for us, particularly since we are looking confident, feeling confident about the fuel from this new Cross Fields facility.

Mike Shlisky

Okay. Maybe one last quick one for me. I don't want to get too granular here, but I appreciate your guidance this quarter on the SCEV testing, you know, that you're still planning to, you know, get through the ones we have with AB and TTSI. That's great. Last quarter you had mentioned in that same part of your discussion that it was AB, TTSI and others. You dropped the and others part this quarter. Is there any change to the other test you're running besides those two potential customers?

Mark Russell

No, there will be others, as we mentioned earlier in this presentation. Covenant is also in a current test, in a pilot and there will be others. As we gain more confidence. -- as I said in my prepared remarks, as we gain more confidence with customers, which we are doing daily at this point, you know, the length of the testing and pilot programs and demos will -- reduce. We don't have to do the long -- the really long ones like we're doing now.

Mike Shlisky

Okay. Great. Mark, Kim, thanks so much.

Mark Russell

Thank you.

Operator

As a reminder, it is star, one on your telephone keypad if you would like to ask a question. Our next question is from Joseph Spak with RBC Capital Markets. Please proceed.

Joseph Spak

Thanks so much, everyone. A couple of questions and clarifications. Just going back to the liquidity, Kim. I -- know you should have ran through the math, and you needed -- a little bit more over -- 400, which -- is, I guess, equal to the amount you have left on the E-Lock. So that -- if you need it, I guess you -- can get it. Core -- is that your sort of current understanding? I mean, you might look for additional sources, but that that's sort of available to as you view right now.

Kim Brady

Correct. And Joe, I think we made it clear as part of our spending plan for 2022, we anticipate fully drawing down on our existing E-Lock 1 and 2. And we have approximately $400 million remaining on our E-Lock 1 and 2.

Joseph Spak

Okay. So I guess just building upon that and I know, you know, I sort of have to take it, especially in this environment sort of day by day. But if I look at your guidance and, you know, look at sort of the expected cash burn, it looks like and this is without working capital, I guess, which could add a little bit more, but looks like it comes to about $180 million a quarter, I think, which that would suggest -- and if it's higher, that sort of what five or 6/4. If you have 1 billion of liquidity?

And -- I think it's reasonable to assume that the burn probably goes higher before it goes lower as you sort of continue to -- ramp. So how do -- like, you know -- as you clearly want to ramp supply chain, it might constrain your pace, but how do we think about the needs here, you know, beyond sort of the balance of this year? That's what sort of really gets you, you know, towards the -- early stages of production. But when you really need to, you know, go at a much or want to go at a much higher level into next year.

Kim Brady

Joe, we have not provided any guidance for 2023 yet, but we have clearly stated that we will have adequate liquidity, we believe, for 2022 operations by end of 2022 based on capital raise that we are contemplating. And we have stated when you look out for 2023, we believe that there will still be some supply chain issues with respect to battery cell availability as well as PACs.

What we have stated previously is that we have enough cells to build approximately 2300 trucks for next year. So that cell volume has been secured. We have some idea in terms of what our CapEx are going to be as well as operating expenses. While we have not shared that at this point, we feel confident that approximately having $1 billion of liquidity will be able to address 2023. Any capital that we raise in 2023 is really planning for 2024.

Joseph Spak

Okay. Thank you for that. And then -- just the -- clarification on the -- shares, which I don't think that that guidance changed, but that does -- I'm just reading the footnote. It says, you know, it considers, you know, future purchase notices issued to -- Tumim. So that does contemplate a further draw down of the E-Lock. And then also what about the -- convert and how are you going to be accounting for that? Or is that sort of a if converted or -- how should we -- how are you going to handle that?

Kim Brady

So, with respect to drawdown for Tumim, we have already anticipated that. As we have suggested, there can always be somewhat -- of fluctuation depending on the stock price at that point where we drawdown. But we make some general assumptions about what the stock price may be during the period. When it comes to convert, when it happens. And obviously, we will just share numbers.

Joe Spak

Okay. Thank you.

Operator

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

Bill Peterson

Yeah. Hi. Thanks for taking the questions. I have some questions on the -- BEV program and some of it's, you know, kind of more near-term, but just want to get some understanding. So I think last quarter, you mentioned 98% uptime. You mentioned 93% for -- TTSI. Just can you provide some context around that. I guess how important is it just -- for one hand? And then again, I think in the Investor Day, you mentioned that SAIA was going to be starting in April, but you didn't mention that one here. So I just want to understand, is the Hamburg still on schedule for June? You talked about seven plus, you know, I guess, in two -- the second quarter. Just trying to understand what, you know, the near-term outlook looks like for the -- BEV program. And then what kind of, you know, applications? Is [inaudible] still interested? Just things like that nature.

Mark Russell

Bill, thank you. Great question. The BEV uptime is critical. Any Class 8 uptime is critical as you know. These are -- you know, these are the machines that the -- our customers base their business on. You know, if they don't operate, they don't make money. And we are very pleased with the results of the pilots we've run so far with TTSI and others. We have a lot going on on this front that we haven't -- publicly disclosed. We're working with lots of customers. Our dealers are working with lots of customers. All the dealers have trucks at this point and are running demos and -- working with customers. So the -- demand is pretty seismic. If you can get somebody a zero-emission truck that is reliable and capable like ours is, then everybody wants one. And then it becomes a discussion about the terms at this point.

So we're very pleased with how we're doing so far. As you saw in the video, the feedback we're getting so far is just tremendous. These trucks are proving very reliable and very capable and the drivers love them. So in the case of TTSI, they've tested more trucks than anybody I know of more than 20 different zero emission trucks, reduced emission trucks, alternative fuel trucks that they have tested, they say. And as you saw the feedback in the video, -- the leaders of TTSI that -- were interviewed on the video.

So that's the lay of the land there. And you'll -- be hearing a lot more about more customers as we as we ramp up production. And there's a lot going on -- this front right now.

Bill Peterson

But it does sound like some -- demos either were pushed or pulled or whatever. But it -- just you guys -- it feels like, at least based off what you said six weeks ago, some things have shifted.

Mark Russell

No, we haven't -- we haven't stopped any demos. We haven't pulled any demos. Nothing has, you know, we haven't no. Everything's going forward.

Bill Peterson

Okay.

Kim Brady

So Bill, we'll be able to share, you know, additional information. But I would say that we have actually expanded our demo and pilot testing.

Mark Russell

Dramatically. As I said, our -- you know, our dealers have their own programs going right now in addition to our -- direct fleet work.

Bill Peterson

Okay. Just, I guess on the cost, it's good to see the reiteration really for the full year, including -- even the margin guide. Considering, for example, we have an inflationary [inaudible] that I assume the reiteration is largely because maybe some of the take or pay agreements you've had and, you know, some of the inventory you've collected thus far.

But I guess how should we think about the gross margin trajectory as we look into next year? I know you wouldn't want to provide full guidance, but given that you see battery price materials, minerals increasing. How should we think about the impacts broadly from this sort of inflationary and supply constraint environment as we look in the next year?

Kim Brady

And Bill, it's a challenge, as you know. And the -- it's somewhat premature in terms of exactly where we will be for next year. But what we have guided is that when it comes to Nikola Tre BEV for 2023, by end of 2023, we plan to be in a positive gross profit margin territory. We are working hard, and we have line of sight as well as visibility. We have targets by components and categories and we know where we can pull the lever.

As we talked about, a couple of the biggest challenging areas are with respect to battery cells and the pricing and raw materials related to that as well as certain chip components. And we'll have to see in the second half of the year how those shake out. And whether there will be softening of demand with respect to cells. And what kind of pricing pressure that we may see when it comes to raw materials. And then what we'll see when it comes to chip supply. But we have stated, and we haven't backed away at this point with respect to where we want to be by end of 2023.

Bill Peterson

Okay. Thanks for the color.

Operator

Our next question is from Jeff Osborne with Cowen and Company. Please proceed.

Jeff Osborne

Hey, good morning, guys. I had a couple of questions on the HVIP process. I think that the two orders you announced were both under ten, which I guess is part of the small fleet, small fleet provision. Is there any risk to the guidance that folks that might want more than ten trucks and the ability to get funding for larger orders?

Mark Russell

Jeff, hey, great question. The -- as we said, the total of the HBF covered purchase orders we've gotten so far, 134 that -- you know, that's obviously a big number for the program. And we're working on others depending on how the program goes. Again, this is completely under the control of state officials in California, but we have a lot of customers who are interested in taking advantage of it. We're working with them directly and we have a great team on this, by the way. And that's the reason why of the 500 trucks we're targeting to deliver this year, up to 500 trucks and, you know, we've got 134 so far that are covered by HBF. That's pretty good, I think.

Jeff Osborne

No. Absolutely. But are any of the orders for individual fleet over ten trucks?

Mark Russell

I don't know the answer to that. We'll check and see if we can get you the answer to that before we hang up here. Hang on.

Jeff Osborne

No worries. And then, is there -- as we think about pricing, are you pricing at one level in California and perhaps a different level everywhere else? Just given California is anywhere between call it a third to 20% of the -- guidance?

Kim Brady

Jeff, we're definitely looking at that. And we should anticipate that there will be pricing for different geography. And the -- you know, we have guided in our guidance 300,000, we can tell you that our actual pricing that we're realizing is higher than that.

Jeff Osborne

Yeah, and the last one I had is just on the 93% downtime. Could you share like what the number one and two reasons for the downtime was? 93 is obviously still a great number, but I'm just curious like what the -- leading factors for downtime were and what you're doing to address those.

Mark Russell

We have a period of the downtime causes and it's a number of factors. I don't have the distribution in front of me, but everybody is super pleased with the uptime. It's the same customer that was highlighted in the video.

Kim Brady

Hey, Jeff, we want to make sure --.

Jeff Osborne

-- Go ahead.

Kim Brady

We want to set some expectation even for diesel trucks if you're achieving uptime anywhere from 90% to 95%. It's actually pretty good. So while we are trying to improve our performance, we want to make sure that we set the right expectations that we are hitting the target that our customers are looking for.

Jeff Osborne

Thanks a bunch, Kim. That's all I had. Appreciate it.

Mark Russell

Thanks, Jeff.

Operator

We have reached the end of our question and answer session. I would like to turn the conference back over to management for closing comments.

Mark Russell

Thanks for participating in our call and we'll talk to you next quarter.

Operator

Thank you. This does conclude today's conference. You may disconnect your lines at this time and thank you for your participation.