



**Nikola Corporation**  
**Second Quarter 2022 Earnings Conference Call**  
**August 4<sup>th</sup>, 2022**

---

**Presenters**

**Henry Kwon, Director of Investor Relations**  
**Mark Russell, Chief Executive Officer**  
**Kim Brady, Chief Financial Officer**

**Q&A Participants**

**Jeff Kaufman – Vertical Research Partners**  
**Mike Shlisky – D.A. Davidson**  
**Greg Lewis - BTIG**  
**Bill Peterson - JP Morgan**

**Operator**

Good morning, and welcome to Nikola Corporation's Second Quarter 2022 Earnings Call. At this time, all participants are in a listen-only mode. We begin today's call with a short video presentation, followed by management's prepared remarks. A brief question-and-answer session will follow the formal prepared remarks. If anyone should require operator assistance during the conference, please press star, zero on your telephone keypad. As a reminder, this conference 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 Second Quarter 2022 Earnings Call. With me today are Mark Russell, Chief Executive Officer of Nikola, and Kim Brady, Chief Financial Officer. 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 discussions include references to non-GAAP measures. These measures are reconciled to the most comparable U.S. GAAP measures and can be found at the end of the Q2 earnings press release we issued today. Today's discussions also include forward-looking statements about our expectations.

Actual results may differ materially from those stated, and factors that could cause actual results to differ are also explained at the end of the Q2 earnings press release and on page 2 of our earnings presentation. Forward-looking statements speak only as of the date on which they are made. Readers are 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. Q2 was important for Nikola, our first quarter of generating revenue from the (inaudible). We couldn't have achieved this milestone without the extraordinary hard work and dedication of our outstanding team of people. We're proud of what we accomplished so far. We're so excited about continuing this drive to decarbonize heavy transport.

I'll start with things on the vehicle front. We produced a total of 50 Nikola Tre BEVs in Coolidge, Arizona during the quarter, and we delivered 48 of those to our dealers around the country. Two were delivered just after the quarter end, and they will be reported with Q3 shipments.

Our battery pack supply, Romeo, continued to experience manufacturing challenges during the quarter. We lost a total of two weeks of production at Coolidge due to delayed pack deliveries. On the customer front, we completed and we are continuing numerous successful pilot and demo programs, including several that have not been publicly announced. Notable among the public programs are TTSI, Biagi Brothers, Anheuser Busch, Univar, RoadOne, Ikea, Lenore Logistics Systems, and Covenant, with Scia (sp) starting this month and Walmart in September. Average up time for all trade BEVs in the field is an extraordinary 94 percent to date.

I'd like to highlight right now what it takes to actually get zero emission trucks into commercial service and hauling freight every day. I think this further validates Nikola's longstanding focus and strategy of providing a total solution, including service, support, and most importantly in this case, the charging and fueling infrastructure.

When you commit to using a zero emission truck, you're also committing to the infrastructure, that it needs to operate. Let's use our launch customer, TTSI, as an example. They've committed to 100-truck fleet of 30 Tre BEVs and 70 Tre FCEVs. They are up and running with the Tre BEV and a Tre FCEV prototype by using mobile electric charging and mobile hydrogen fueling equipment that Nikola has helped provide.

Nikola's mobile charging trailers and a temporary to permanent version that we call an eskid, as well as mobile hydrogen fueling systems we've helped develop, can get a customer started. But continuing to scale up to fleet-level infrastructure can require additional significant and permanent electric power for charging and permanent heavy-duty infrastructure for hydrogen fueling, all located so that they'll work with existing operations.

Here again, Nikola is helping to provide this critical and necessary infrastructure, as you saw in our announcement this morning of three commercial hydrogen dispensing stations in Southern California. Lead time for this infrastructure varies by location, but it can be significant. For example, in addition to normal permitting and local approvals, if charging infrastructure at a given location requires an upgrade to power capacity, utility switch gear, or substation infrastructure, the lead time can be up to a year or even longer.

Lead times for hydrogen-dispensing locations similarly vary by location, but generally they are more than a year. In some cases, this infrastructure lead time, along with any hesitancy or delay in committing to or commencing construction, could be a limiting factor in the growth of zero emission customer fleets.

We began building the first batch of six Nikola Tre FCEV beta prototypes during Q2, which we expect to complete in August. The second batch of six Tre FCEV betas will start later this month and should finish by the end of Q3. The third batch will begin in Q3 and be completed by Q4 of this year, according to plan.

Specific changes from the alphas to betas include increased hydrogen storage capacity and improved efficiency of the fuel cell power module. These beta trucks will enable further engineering development and performance validation testing. We'll build the gamma variance next year in Q1, and for our own captive fleet and additional customer pilots. We still expect to begin North American serial production of the Tre FCEV in the second half of 2023.

Moving on to energy, the land for our Arizona hub is now under contract. We'll announce that location after the closing. And then along with our partner, TC Energy, we'll break ground on Arizona's first hydrogen production hub by the end of the quarter. Other hub locations we've announced so far, including another partner project with TC Energy, located in Crossfield, Alberta and our project and partnership with Wabash Valley Resources in Indiana.

On the station and dispensing front, this morning we announced the progress we made on the three station locations in Ontario, Colton, and Carson, California. We've begun the permitting

process and ordered the long lead time equipment for these stations, and we expect they will be complete in Q4 of 2023.

In addition to what we've publicly announced, there are numerous other production and dispensing projects in our development funnel, and we'll update you on those when it's appropriate.

We're on track to complete Phase 2 of our Coolidge, Arizona manufacturing facility by the end of Q1 2023, which will give us up to 20,000 units a year of (inaudible) capacity. The facility is capable of assembling both BEVs and SEVs on the same line. We'll also establish a line for assembly of our Bosch fuel cell power modules. Timing for our Phase 3 at Coolidge will be announced at a future date. And that expansion will allow us to ramp production up to 45,000 units a year or more.

In June, our expanded European joint venture with Iveco began building the first EU SPAC Tre BEVs. These are 4x2 variants that are targeted to the European market. The first three alpha builds are expected to be complete by Q3. We'll then build seven beta trucks starting in the third quarter for fourth quarter completion.

Preseries builds will take place during the second quarter of 2023, and we anticipate shipping the first production of EU Tre BEVs to customers in the second half of 2023. During the second quarter, the JV also began building EU SPAC Tre FCEV betas. The build of the first batch of the three trucks started in March and should be complete by the end of Q3. In July, we began building the second batch of 10 trucks, which should be complete by Q1 next year, and EU SPAC Tre FCEV production is expected to begin in the first half of 2024.

The joint venture with Iveco was originally a contract manufacturing entity only. However, Nikola and Iveco have now agreed to strategically expand the JV to include product development and vehicle engineering. This represents the maturing of our relationship with Iveco and the right next step for the JV to become more of an independent entity.

Over to Kim now to take you through the numbers.

### **Kim Brady**

Thanks, Mark, and good morning, everyone. There is a lot to cover today, so let's begin with the financial overview for the second quarter. In Q2, we reported revenues of \$18.1 million on deliveries of 48 Tre BEVs and 4 MCTs. As Mark mentioned, we produced 50 Tre BEVs during the quarter at the low end of our guidance, and 2 were delivered in the first week of July. The primary reason for our deliveries coming in at the low end of our guidance range was caused by two weeks of production losses in Q2 related to battery pack delivery details from Romeo.

Let's go through the numbers, and I will outline what drove them and what we expect in the second half. First, regarding gross margin, the Tre BEV trucks we produced and delivered in Q2

are the most expensive battery trucks we'll ever build. The objective was to do whatever it took to ensure the components were available at the assembly line to start the build of Tre BEV trucks.

Nonetheless, there are a few items that we could have better foreseen in Q2 that we ultimately did not. There were two contribution factors to our gross margin guidance coming in lower than expected, the first being shipping and freight cost. We recorded 13.7 million in inbound shipping, freight, and duty expenses for the quarter, representing approximately 29 percent of our cost of revenue.

Of this 13.7 million, 3.3 million represented duties and taxes, while 10.4 million came from freight expenses. Of the 10.4 million, roughly 80 percent of expenditures were expedited air freight. The impact on the cost of revenue was magnified because we purchased and received more components than we used in production due to the delays that we referenced earlier. Thus the impact of these two factors on our gross margin at our current revenue level was more pronounced than if we had already scaled.

We had not budgeted this level of impact in our guidance. And it is something we will be prepared for in future quarters. To reduce our freight cost burdens going forward, we have started shifting the shipment of most of our components' ocean freight. We are also accelerating our localization efforts of certain components from the EU to North America.

From these two actions, we expect a meaningful decrease in per-unit inbound shipping and freight costs and a gradual easing of inbound freight cost pressure on our gross margin.

Next, let me provide some perspective on the quarterly inventory right now of \$7.5 million, representing a \$4.1 million sequential increase in second quarter. The net realizable value, or NRV, adjustment represented 96 percent of the write downs. As you may be aware, our inventory costs have risen in line with inflation and significantly more for battery cells. And Q2 was no exception.

On the U.S. GAAP, when our inventory value rises above a truck's expected selling price, or NRV, a reserve adjustment is required. This situation was compounded by holding more inventory than we would have held if no production delays occurred. If you notice, on the financial summary table in the deck, R&D expenses decreased by \$11.5 million from Q1 to Q2. This is because prior to our commercial deliveries in Q2, manufacturing expense items, typically part of the cost of revenue, were recognized as R&D expenses on the U.S. GAAP, including inbound shipping and freight inventory write downs and G&A expenses.

Q2 EBITDA sequentially fell by \$14 million to negative \$163.6 million. We think it makes better sense to look at our results at the EBITDA level because of the reclassification items in Q2 regarding cost. We believe it is a better quarter-over-quarter comparison to focus on cost before interest and taxes this quarter, given what they imply about our cash burn rate.

Equity and a net loss of affiliates decreased by \$1.5 million in the second quarter to \$1.3 million, driven by \$1.2 million equity and net loss of Nikola Iveco Europe. As we shared in our Q1 earnings call, our European joint venture with Iveco now engages in product development and vehicle engineering in addition to its contract manufacture role.

We recorded a \$173 million net loss for the quarter, and basic and diluted net loss per share came to \$0.41. Basic and diluted non-GAAP net loss per share came to \$0.25 (inaudible) assessment. On a non-GAAP basis, adjusted EBITDA came to a negative \$94.3 million. Adjusted EBITDA excludes, one, \$54.8 million in stock-based compensation, two, \$13.0 million for legal expenses to pay Mr. Milton's attorney's fees under his indemnification agreement, three, \$1.3 million for equity and net loss of affiliates, mainly from our Iveco JV in Europe, and, four, a net \$0.2 million loss for the reevaluation of financial instruments, including warrant (sp) liabilities and derivatives.

On the balance sheet, we ended the second quarter with \$529.2 million in cash and equivalents, including restricted cash, up from \$385.1 million at the end of Q1. The \$144.1 million increase came from, one, the \$200 million private placement of convertible notes we placed in June with Ontera Capital, and, two, \$50 million in proceeds from the issuance of a promissory note collateralized by Nikola-owned equipment and restricted cash.

In addition to the \$529 million in cash and equivalents, we still have \$312.5 million available liquidity through our two equity lines with Tumen Capital (sp). At the end of June, we have total liquidity of approximately \$841.8 million, up from \$794 million at the end of Q1. As of the end of June, we have sufficient capital to fund our business for the next 12 months of operations.

Given our target of keeping 12 months of liquidity on hand at the end of each quarter, we will continue to seek the right opportunities to replenish our liquidity on an ongoing basis, while trying to minimize dilution to our shareholders. We are carefully considering how we can potentially spend less without compromising our critical programs and reduce cash requirements for 2023.

We will provide you with detailed guidance for 2023 on our Q4 2022 earnings call. But for now, a good way to think about how we can achieve our goal is to consider it in the context of our ongoing CapEx requirements at the Coolidge plant. For example, with the completion of Phase 2 by the end of Q1 2023, our Coolidge plant will achieve a design capacity of 20,000 units. While we have not made our 2023 production plan public, the 20,000 units in annual capacity will be sufficient to allow us to achieve our 2023 and 2024 production targets.

In 2023, Coolidge manufacturing facility related CapEx for Phase 3 is approximately \$345 million, including a pane line (sp). Delaying this phase by expansion to 2024 allows us to reduce our 2023 cash needs and fundraising targets in 2022. We will continue to monitor market conditions and remain opportunistic about raising capital.

Moving onto our Q3 guidance, we expect to deliver 65 to 75 Nikola Tre BEVs for \$21.1 million to \$24.4 million in revenues in Q3. We anticipate our gross margin to be between negative 240 percent and negative 250 percent. As we explained in the Romeo merger call, we've agreed to provide Romeo with interim funding to ensure continued operations.

The funding comes in two parts, one, up to \$20 million in a temporary price increase for each pack delivered through transaction close plus, two, \$15 million in a senior secured note. This temporary price increase for the packs will weigh down our [inaudible] for gross margin. We expect, however, to make notable improvements in inbound shipping and freight costs and benefit from the operating leverage effects of delivering more vehicles on labor costs. Without Romeo merging pack (sp), the gross margin would approximate negative 150 percent to negative 160 percent.

We anticipate a range of \$80 million to \$85 million in R&D expenses and \$80 million to \$85 million in SG&A, including roughly \$58 million in stock-based compensation. CapEx for Q3 should be \$85 million to \$90 million as we expect station CapEx (inaudible) spending to catch up.

Regarding fiscal 2022 guidance, we have not revised the existing 300 to 500 truck delivery. Still, given the battery-charging infrastructure challenges Mark mentioned, we are more likely to hit the lower end of that guidance range. The merger with Romeo will introduce new elements to our P&L in several ways, especially the short run, which I will discuss in some detail.

We plan to revise our full-year financial guidance post transaction close and share it with you in our Q3 earnings release. We are currently working on the merger pro forma, which will serve as the basis for our new full-year guidance. As many of you may anticipate, the merger with Romeo will cause our full-year guidance to change.

This is because, one, negative gross impact from the temporary pack price increase in Q3, to a lesser extent in Q4, negative gross margin impact from existing Romeo customer contract runoff, three, incremental R&D and SG&A expenses of Romeo post-merger, and, four, transaction costs and purchase accounting adjustments that may further impact our Q3 and Q4 OpEx. We will come back to you with our revised full-year guidance at our Q3 earnings call.

While second half will be challenging from a gross margin angle, we expect a 30 percent to 40 percent cost reduction benefit for the non-battery cell-related pack costs by the end of 2023. Key cost-cutting initiatives will involve switching from machine to casted pack enclosures and using the combined purchasing power of the emerged entity to optimize the supply chain.

We believe this is achievable because we have had 10 manufacturing engineers working onsite at Romeo since early 2022 to support Romeo's production. With a good accumulated understanding of Romeo's operations, we have identified several areas of operational improvements that will begin to be implemented immediately following the transaction closing. Longer term, we are targeting up to \$350 million in annual battery pack cost savings by 2026.

Regarding our supply chain, part shortage challenges still remain, although the visibility and availability of components have somewhat improved. But we are not out of the woods yet. We previously stated that one of our biggest constraints was a consistent supply of modules impact from Romeo. Our proposed merger with Romeo takes us a step closer to ensuring a dedicated and consistent supply.

Perhaps a more significant challenge that faces us and the industry is inflation and its impact on margins. We are subject to a commodity pricing increase from LG, which has increased our battery cell price by approximately 30 percent. The adjustment is calculated every six months based on the price movements of certain battery cell chemistry metals for the previous six months.

We are uncertain when the critical metal prices for battery cells will normalize and come back to the pre-Ukrainian war prices, and how much of that increase we can successfully pass onto our customers. This is something we are grappling with. And unfortunately, we have little control when it comes to battery cell prices.

This concludes our prepared remarks. We will use the remainder of the time to address your questions. But, before we open the line to analysts' questions, we would like to take this opportunity to answer some questions from our retail shareholders. Henry?

**Henry Kwon**

Thank you, Kim. The first question from our individual investors is, when can I see Nikola on the road? I have never seen any of your vehicles on the street. Why?

**Mark Russell**

It is exciting to see the trucks on the road. More and more are out there hauling freight and being sighted every day. There's pictures and videos that are increasingly showing up online. You have a better chance of seeing one if you're in one of our target launch geographies, such as California. Good luck with your trace spotting.

**Henry Kwon**

The next question from our investors is, considering the number of EV entering the market in those next several years, how is Nikola planning to differentiate itself to ensure long-term success? Tesla is the first to market. Rivian secured a contract with Amazon. And Ford has the capacity to run production quickly. And Nikola has--.

**Mark Russell**



--First, we should clarify that unlike these companies, we build only U.S. Class A and European heavy-duty commercial trucks. And we're addressing the short-, medium-, and long-haul commercial freight segments. So, that's an immediate difference between us and them. We're also one of the first truck OEMs in the market for Class A BEVs. We're likely to be the first OEM to commercialize Class A FCEVs.

But in the long run, what's really going to differentiate Nikola is energy infrastructure. On Slide 3 of the deck, you can see that the total addressable market for just hydrogen is bigger than the entire market for trucks.

## **Henry Kwon**

Thank you, Mark. The next question coming from our individual investors addresses a similar topic. What plans do you have to excite investors about what your company is bringing to the table? Do you have a plan to become profitable? If so, when? I think Mark has already discussed Nikola's value proposition. So, let me share some thoughts about achieving profitability.

During our Analyst Day in March, we stated that we are looking to achieve a positive gross margin for our Tre BEVs by the end of 2023 and the end of 2024 for our fuel cell electric trucks. Under our basic roadmap, we would like to get to a positive EBITDA by the end of 2024. The primary assumption behind this roadmap has been that as we continue to scale, we should be able to spread our fixed costs over a greater volume and reduce our (inaudible) cost.

From our current vantage point, inflation remains a great unknown that makes our path to a positive gross margin a challenge, especially the cost of battery cell prices. While OEMs have sought to raise the fees in line with inflation, it remains unclear to what extent we may be able to pass through that increase, so operating leverage will be one of the biggest factors driving our future gross margin, but potential headwinds from the impact of prolonged inflation could extend our existing timeline.

The next question from our individual investors is, if Proposition 2 is passed, will you use the extra shares for capital immediately, diluting the stock, or on an as-needed basis? A great question because it allows us to discuss something here on a topic on which many investors had asked us for clarification during the voting process.

As you may know, Proposition 2 passed. But, we feel that this is still a very relevant question because many people were not aware of what our committed share count was for coming into the end of Q2. While our fully diluted number of shares stood at 495 million on June 30, if we included the committed shares of options, RSUs, and warrants as well as reversed share for our locking convertible notes, their share count came very close to 570 million shares.

This left us with a sufficient number of shares to acquire Romeo without having to come to market, so the increase in the authorized number of shares that was just approved will not be

used to fund our merger with Romeo. Having said that, the 200 million shares increase in the authorized number of shares will leave us with the flexibility to pursue future capital raising opportunities.

**Mark Russell**

Thank you, Kim. Operator, let's open the line now for analyst Q&A.

**Operator**

Thank you very much, sir. At this time, we will be conducting a question-and-answer session. If you would like to ask a question, please press star and one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star and two if you would like to remove your question from the question queue.

For participants using speaker equipment, it may be necessary for you to pick up your handset before pressing the star keys. Please note, if you could please limit your questions to one question and one follow-up question. Thank you. We will now pause to see if there are questions.

The first question comes from Jeff Kaufman from Vertical Research Partners. Please proceed with your question, Jeff.

**Jeff Kaufman**

So I want to take a look at that kind of two implications of the guidance here. To get to the range of 300 to 500 vehicles, and I know you said the low end, that's implying almost 200 vehicles in the fourth quarter. Does this sound right, based on the guidance you're giving? And should this be considered kind of a rolling ramp rate as we enter 2023?

**Kim Brady**

Jeff, this is Kim. Great question. As you know, we have been consistent that our delivery and production will be skewed towards the second half of the year. We talked about in Q2. we had some production hiccup due to delays in battery modules and pack delivery. In Q3, as you know, we are trying to get better control over the situation as we were going through the merger.

And so, when you think about, in terms of our guidance for 2022 and the second half and Q3 and then potentially Q4, I think the way you're thinking about that is reasonable. As we get into 2023, we anticipate actually picking that up significantly.

**Jeff Kaufman**

So, a fair implication, based on the low end of your 300 to 500 would be 200 give or take for fourth quarter.

**Kim Brady**

Well, I think if you do the math, and if you take low end of our guidance and then subtract Q2 and Q3, then I think that's reasonable in terms of how you are thinking about that.

**Jeff Kaufman**

And then just the question on gross margin, pretty clear the guidance you're giving on the \$20 million of assistance to Romeo through the gross margin, and I think your commentary was 240 percent or 250 percent in 3Q but without the \$20 million, they would be in the 150 percent to 160 percent range.

Again, as I'm coming down the ramp, and we get to the end, and you close Romeo, should we assume you're heading back toward that range? Or would some of these other factors such as continued supply chain cost continue to push that gross margin higher until we solve some of these issues sometime next year?

**Kim Brady**

And, Jeff, we plan to do better than that. As you know, we talked about our inbound logistics costs, which is almost 30 percent of our gross cost of goods sold, which is very high. And as you know, that represented about 80 percent air freight. And we are looking to shift that, and we're doing shifting actively to ocean freight. We know that that's going to significantly decline as well as duties and taxes.

So, we are actively working on that. And we are looking to achieve something lower. But, we'll be transparent in terms of the, what the Romeo impact is, so that you have a good idea in terms of what kind of progress that we're making in terms of our execution.

**Jeff Kaufman**

All right. Well, congratulations on the shareholder vote and the news flow continues to be terrific. Thank you.

**Mark Russell**

Thanks, Jeff.

**Operator**

Thank you. The next question comes from Mike Schlisky from D.A. Davidson. Ladies and gentlemen, just another reminder. If you could please limit your questions to one question and one follow-up question. Mike, you may proceed with your question. Thank you.

**Mike Schlisky**

Yes. Thank you, and good morning. Average selling price in the quarter of your trucks were a little bit higher than the model. And you've shown some (inaudible) time in the slides today, so I've been curious. What we saw in last quarter's numbers as far as average selling price, is that a good run rate for the next couple quarters?

I know the later orders are a little bit higher with the average selling price for possibly next year. And I'm just curious. Maybe thirdly, your most recent (inaudible) on price, given the up time and the performance. Have you, can you share with us if you have a lot of confidence on even further price increases going forward, given what trucks have been able to deliver thus far?

**Mark Russell**

That's a great question, Mike. The market is figuring out what the pricing is going to be, of course. And as you point out, at this point we have the longest range truck that we know about out there. And it's performing extremely well. So, the feedback is generally super positive across the board.

That's why we're confident that we're going to have pricing that's going to be in the upper end of the range, once the market gets clear and settles on pricing. Of course, we've started at what is kind of the prevailing pricing for battery electric trucks at this point. There's not that many layers in the market and almost nobody at volume. So, the market is still in the early stages in figuring out what the pricing is. But, as you said, so far, our pricing is coming in higher than previously expected.

**Jeff Kaufman**

Great. And for my follow-up, I wanted to ask about the hydrogen stations, particularly the ones in Colton and the Long Beach. Are those going to be (inaudible)? I just want to confirm that. And can we, is, in trying to figure out some of the numbers behind it, is it appropriate to go back to those original SPAC documents and some of those original build-out models and things like that to kind of get a feel for those numbers? Or have things changed due to inflation or any changes in how you plan to address the market?

**Kim Brady**

Mike, let me address that in two parts. First of all, will the stations be wholly owned by Nikola? It's unlikely that we'll do a station, do stations that are 100 percent us. We generally do these

things in partnership. The one in Ontario will remain a Travel Centers of America location, and we'll be dispensing in a portion of that existing station.

The other two that you referenced, those will be ones that we build from scratch and will more likely to be the headline there. But, don't be surprised if we do things in collaboration with other companies at most of our station locations and definitely at our hubs, as we have been out so far. All three of our announced hub projects involve partnerships. The station projects are, will often involve partnerships. It's possible we would build 100 percent owned and standalone stations. That is possible. And I'm, actually, I'm sure we'll do some of those. But, generally, we like to do these things in partnership with other players.

In terms of the, what was the second part of the question? In terms of CapEx.

**Jeff Kaufman**

Just the model, yeah.

**Kim Brady**

Right. So, we want to make sure that you understand these are dispensing stations only these are not stations where we will generate hydrogen and dispense. So, when we think about CapEx for dispensing stations only, they typically run \$6 million to \$8 million. So, and as Mark alluded to, when it comes to TA, this is a joint venture. So, we'll both be funding CapEx for dispensing hydrogen only.

**Mark Russell**

Yeah. So don't, the SPAC level documents, those are more than two years old now. Those, our technology approach has changed slightly. Most of our production, if not all, will be in hum locations at this point. And what we have at the dispensing stations is dispensing equipment only. So, you're just going to have static storage and dispensing equipment. The other difference is we're more likely to not have onsite compression because we're leaning very strongly towards distribution of hydrogen in liquid form.

**Jeff Kaufman**

Well, thanks for that color. I appreciate it. I'll pass it along.

**Mark Russell**

Thanks.

**Operator**

Thank you. The next question comes from Greg Lewis from BTIG. Please proceed with your question, Greg.

**Greg Lewis**

Yeah, hi. Thank you. And good morning, and thank you for taking my question and just following up on Mike's question around hydrogen. I guess last week, it looks like there's been, it looks like there's finally going to be some progress in the production tax credit or, for hydrogen.

I guess what I'm wondering is, as you think about, not the station level but the hub level strategy, how should we think about that impacting or maybe potentially this, realizing there's still a long way to go for this tax benefit for hydrogen production. Is there any way to think about how this could potentially pull forward your decisions around those hydrogen hubs that seem to be part of the longer term story for the company?

**Mark Russell**

Yeah, great question, Greg. The PTC, the production tax credit, if it is included in legislation that passes, and as you said it looks more likely now that Manchen has got onboard, and our own Senator Sinema here in our headquarter state of Arizona has previously seemed supportive of that. So, we'll see if she still is. And assuming that goes to reconciliation and gets signed by the President, that's a \$3 nationwide incentive, depending on the amount of carbon intensity of the hydrogen that you're producing.

Of course, we're targeting very low carbon intensity hydrogen at our hubs. Whether they are electrolysis based, as will be the case in Arizona, or whether they are carbon capture base from petroleum sources like they are in Indiana, we think we're going to have very low carbon intensity, pretty green hydrogen for these sub locations. And we think we'll qualify for a good portion of that incentive, which will be, currently being tagged at up to \$3 per kilo, depending on the intensity.

When that hydrogen is dispensed in a state where there is an additional incentive, like California, where you have the LCFS credit, that's up to an additional \$3 per kilo for dispensing there. And, of course, that's our launch geography for both battery electric and hydrogen fuel cell trucks. So, we're looking forward to that. That would be a powerful incentive. We would have up to \$6 per kilo incentive for dispensing in California.

And as you've seen, we're targeting, cost of production for the hydrogen is less than half of that. So, even with distribution and station costs, that would be pretty much off the hook in terms of economics for hydrogen getting started here. And we're, of course we're ahead of the game here with strong progress on hubs and stations.

**Kim Brady**

Just one more comment. Obviously, we are still somewhat in an early stage. We don't know ultimately whether this is going to pass. We are cautiously optimistic. As Mark talked about potential economics, it's pretty compelling. We have not factored in any of those incentives in any of our projections and our forecasts. And as we get closer, and once the bill passes, we will communicate as to ultimately what the impact might be from our perspective.

**Greg Lewis**

Great. Super helpful. And then just I guess congratulations on the acquisition of Romeo Power as you look to get vertically integrated. That being said, your other battery supplier, Proterra. on their quarterly call, talked about delivering the prototype batteries to you. I guess what I'm wondering is, what is the process there where those prototypes become operational? And I guess bigger picture, as I think about those, could those actually be on vehicles later this year potentially, moving the needle from the low end of guidance maybe a little bit higher? Or like any way to kind of connect the dots there with those Proterra batteries now being a source of batteries for the Tre.

**Kim Brady**

Well, first of all, Greg, Proterra is a valuable supplier to us and will remain a valuable partner and supplier to us on batteries. And we are working very hard with them. And they're doing a great job as we go through the testing and validation process. That should be complete this year. So, we should have them available to us to add to production by the end of the year, if not the first quarter of next year. So next year, we'll definitely have Proterra batteries available to us based on current projections, without commenting on the impact that may or may not have in terms of our capacity to produce.

We're really excited about having that second source, particularly in Europe, where we don't have any Romeo production assets. And as Kim mentioned several times, we're getting real tired of moving stuff around the world. We want to localize production wherever we can. And batteries are heavy and expensive to move from the U.S. to Europe. So, we're looking forward to Proterra's help to get us localized production in Europe going forward.

**Greg Lewis**

Super helpful.. thank you very much.

**Operator**

Thank you. Ladies and gentlemen, just another reminder. If you'd like to ask a question, please press star, then one. If you would like to ask a questions please press star, then one. The net question comes form Bill Peterson from JP Morgan. Please proceed, Bill.

## **Bill Peterson**

Yeah, thanks for taking my questions. I want to try to also understand just the revenue guidance is standalone for Nikola and why it would be, differ, or maybe higher than the (inaudible) in relation to pricing. And I guess, my question is, all these (inaudible) seem to be dealers at first. But, what about the actual end customers? Are all these going to be through the dealers? And if so, I guess, how is the pricing mechanism set? I'm just confused on (inaudible) what you put in your prior guidance. I'm just trying to understand how to think about the pricing in the back half of the year.

## **Kim Brady**

Bill, great question. As you know, the pricing is the same ultimately when we sell to dealers, and dealer sell to end customers. We are carefully coordinated and joined at the hip. And so, we are jointly marketing and working with customers. We understand, especially at this early stage, we are going to be heavily involved in facilitating sales with customers, even though we are going through it with dealers.

While we are having pricing discussions, we are talking to customers, ultimately even when it comes to, what can we pass through with respect to increasing battery cells, it's very fluid, as you now. And if there are large orders, we may need to potentially consider some discount. But, those are fluid discussions. And ultimately, we'll have a better idea at this point, when you think about our guidance for Q3, we try to be a little bit conservative, and we have now gained \$325,000 for an average sale price. But, once again, we are looking to do better than that.

## **Mark Russell**

We're really pleased to have our dealer partners in place. I think the wisdom of that is being shown currently as they help us manage the complexity of getting charging and then fueling infrastructure in place at customer locations or near customer locations where it's needed.

Our dealers are a very experienced and substantial operations in the geographies where they service. They have existing usually off-road and heavy-duty equipment that they service and support. And so, they, and they also, generally a number of them are experts in distributed power and local power. So, that's, they are just perfect for what we're trying to accomplish here and have been great partners. And as you mentioned, it's, this quarter, we've been filling the dealer pipeline, getting inventory, making sure they have inventory to sell, that they have plenty of vehicles to demonstrate for pilot programs.

## **Bill Peterson**

Thanks for that color. My second one is related to cash. It sounds like you no longer expect to need to raise capital in the second half. So, I sort of understand cash burn. You have a big jump in receivables, inventory, so working capital Trends seem to be (inaudible). You're going to



have worse gross margin Trends here in the second half. You didn't reiterate CapEx, but maybe that's sort of a second question. Is CapEx going to be in the \$300 million range. Just trying to understand how we should think about the cash burn over the next several quarters into next year.

**Kim Brady**

And, Bill, we've been pretty consistent in terms of how we think about cash. And we are always looking to have enough cash for the next 12 months of operations. What we have said was the end of June, we have sufficient cash for the following 23 months of operations. Having said that, as you know, our current cash burn rate, based on financial statements is running around \$55 million per month. And so, it really depends on how much cash and liquidity we want to end up at the end of this year.

Having said that, once again, it's important for us to make sure that we have adequate cash for 2023. And so, what we have stated is that we are going to be opportunistic in term of when we raise cash. But, you should be assured that at any given time, end of each quarter, we're managing our liquidity in a way that we have ample cash and liquidity for the following 12 months of operations.

When it comes to CapEx, and we talked about, especially when it comes to hydrogen ecosystem and structure, we are going to be asset light and capital efficient. So, as we announce hydrogen hubs, we will be looking for partners, and we've also stated that is already our partner when it comes to Arizona hub. And so, when we articulate and talk about how we plan to move forward, then you'll have a much better idea. But, our CapEx requirements for those hubs will be very, very low.

**Greg Lewis**

I'm sorry, 300 for the full year? Or should it be considered lower than that?

**Kim Brady**

What do you mean by--pardon me. Bill?

**Bill Peterson**

In the last quarter, and I guess you were guidance, but in the last quarter, you had put \$300 million as kind of the midpoint for CapEx. And I'm just wondering how to think about that. I realize you don't have that for the full year. Maybe you relate it to Romeo. But, just standalone Nikola, how to think about CapEx.

**Kim Brady**

Sure. As you know, for the first six months, we were pretty efficient in terms of CapEx. Most of the CapEx were related to our Phase 2 expansion and equipment and investment (inaudible). And so it came out to approximately \$80 million or so year-to-date. I think we talked about for Q3 around \$90 million would be a good estimate. And so, you should work with what we have originally guided for the full year in terms of CapEx.

**Bill Peterson**

Thanks.

**Operator**

Thank you. Ladies and gentlemen, just one final reminder. If you'd like to ask a question, please star, then one. If you'd like to ask a question, please press star, then one. We will pause to see if there are any further questions before we conclude. Ladies and gentlemen, we have reached the end of the question-and-answer session. And I would like to turn the call back to management for closing remarks. Thank you.

**Mark Russell**

Thanks, everybody, for dialing in, and we'll talk to you next quarter. Thanks.