ChargePoint

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Bill Peterson: Good morning and welcome to the first day of our Energy, Power & Renewables Conference. My name is Bill Peterson, US Clean Tech and Metals & Mining Analyst. Really pleased to have the team from ChargePoint here with us this morning. We have Michael Hughes, the Chief Revenue Officer. We have Patrick Hamer from Investor Relations.

Before going to Q&A -- I encourage anyone in the audience that has any questions to ask, too -- Michael's going to just give an introduction to the company. What does ChargePoint do? Where's their position in the value chain? Maybe just what are the key differentiators of ChargePoint as a company and your hardware and software offerings.

Michael Hughes: Perfect. Good morning, everybody. How you doing? That's a little too close. Michael Hughes. Nice to see everybody. Let me just talk a little bit about ChargePoint. ChargePoint's a Silicon Valley-based company, about 1,800 employees, doing business in two markets, Europe and North America.

Our notion or our ambition is to move all goods and people on electric, so electricity as fuel. That means we're participating in enabling passenger cars, all fleet vehicles, buses, all of that. Our unique value proposition is really that we do all of our own engineering, including hardware and software, so integrating the hardware with the software to enable a superior experience.

That means, if anybody drives electric, you probably have the ChargePoint app that allows you to find, use, and pay at charging stations, whether they're on your own [indecipherable] property, at a fueling convenience location, wherever it might be.

That model extends itself into the fleet world, where they need to operate in a depot, on the road, from home, all of the above, and have a single payment mechanism across all of those things. That's the ChargePoint business, enabling a journey for drivers that is simple, easy, and allows them to make the transition to electric.

Bill: Let's just ask the question that I've been getting now -- I don't know...

Michael: The only question. [laughs]

Bill: 10 times per day over the last couple weeks. A couple of weeks back, you had Ford announce they're going to move to the NAC standard, North American Charging standard, of Tesla. Then you had GM. That actually really created a lot more excitement, if you will. Yesterday is now Rivian.

Break it down. What does it mean for OEMs shifting to the NAC standard by, roughly, '25, as they're all talking about? Where does ChargePoint fit in this ecosystem? Just cutting right to it, what are the implications, if any, for ChargePoint's market share in this space?

Michael: Let me set the table a little bit, non-ChargePoint, and then come back to ChargePoint. It's been a multi-adapter world for a long time. There's been various connection types. We've tried to get a standardization around CCS. That's been going on for years.

Largely, in North America, with the exception of Tesla, it's been a CCS communication standard for a long time. That's been great. Every Tesla comes with an adapter. Then they charge. We charge more Teslas than anybody else in the world. They charge at offices. They go around town. They use ChargePoint chargers.

We've been doing this for a long time. Charging Teslas is part of what we do. Thank goodness for them because they put electric cars on the road which enable our business to grow. We love everything about that.

Over the course of the last few months, the OEMs have been interested in enabling fast charging for their customers because that allows the customer to feel comfortable buying that vehicle. Great, I can charge when I'm going on the road and my long trips and all those kinds of things. They were trying to figure out, "How do I do that?"

There's been a lot of bad press about the public charging network out there, largely domain of companies like EVgo and Electrify America that have fast-charging networks which they own. Then they try to service those drivers. Bad experiences, stations down, not operable, all kinds of other things.

GM and Ford, in my opinion, have basically said, "I have to find a way to give my drivers a great experience. I can either write a check and build fast-charging networks or contribute to the building of fast-charging networks, or I can team up with Tesla, which works, is reliable. They've built out the network."

They hit the easy button. I think that's logical in attract driver short-term. I'm not really sure the

long-term brand value of having my customer of a Ford vehicle go to a Tesla charging station and see all the other Teslas there and have that experience. I'll leave that up to them. That's effectively, I think, what's going on and how we got to where we are.

Then, as you said, it's been a waterfall ever since. Now everybody's on board. I think what we will see is it's pretty consistent with our business model overall. We've had CHAdeMO connectors and CCS connectors, two different connector types, on our fast-charging devices for a long time.

Adding a Tesla connector is really the next step. We've been trying to do it for a long time. Tesla is now enabling that to occur. Nothing surprising to us. It's been in development. We've been planning to do this for a long time. Happy to support it. Have announced our support for NACS.

I think what we're seeing now is a bunch of NACS washing, meaning everybody's saying, "I'm in. I'm in the pool," with no technical plan, no engineering testing. The cables have to operate with the charging equipment. They have to operate with the vehicle. Nobody's done, in large part, much of that. They show a nice picture of, "Hey, here's my charging station with a NACS connector."

That's not enough. There's a ton of work to be done. We're taking it pretty seriously. We're not going to NACS wash our way to this. We'll come out with more news and tell you what we're doing.

From our business perspective, we can enable customers, regardless of the connector on their vehicle, to charge at any of our charging stations. We'll offer choice to them. It'll probably be an adapter world, meaning CCS vehicles will have an adapter to connect to NACS. NACS vehicles, i.e., only Teslas today, will then have an adapter, as they always have, to connect to CCS.

Has very little impact on our business. We do need to assure our customers that they're going to have a future-proof technology. We're having those discussions today. It's going fine. We feel like that's going to be the path going forward. It's going to be an adapter world for a while. Then it'll centralize.

The OEMs surprised us, in a way, because they kind of gave up, but I think it's going to be good for us. I think we'll end up with one standard over the long term.

Patrick Hamer: The comments that Michael made about the adapter world are important to understand. In North America, the majority of our charging sessions are Teslas because it's such a large portion of the market share, meaning that through an adapter, the Tesla speaks CCS to

our charger.

That's also important in thinking about where this is totally not an applicable discussion, which is Europe. Europe has CCS as an adopted standard. Tesla speaks CCS through the cables to the charger.

When you think about where this impacts the North American market, ChargePoint has a predominantly modular cable architecture of our existing portfolio. In the event that someone has one of our chargers and would like to retrofit it, they can purchase a retrofit from us. They don't have to.

In Level 2 stuff, there's adapters. Level 3 stuff, there are adapters as well. However, there are performance implications at super-high end, which are not impactful, this day and age, where vehicles can't take that power.

I think it's just important for investors to understand that Teslas already speak CCS. It's a language between them and the charger. This truly is just the end of the cable. That's something that we'll be able to serve the market with very quickly.

Bill: Just one thing, coming back to the question, the fear is that because their network is the largest in the US and their cost of capital is lower -- it's kind of a side business, not their core business -- they can add capacity bigger, faster, stronger than anybody else.

How does ChargePoint grow? How does ChargePoint maintain or even grow its market share in that scenario? Maybe you could even tie it onto the broader areas of where charging is done. That's really a critical aspect to that question.

Michael: Every day, I host customers at our headquarters. Every day, it's the same discussion. Five percent of charging happens in the way we think of fueling today. You go somewhere to fuel. You fuel in a few minutes. Then you go on to your destination. That's five percent of charging.

I've had an EV for six years. I've charged, fast charged, on the way somewhere six times. It just doesn't happen very often. Every day, I wake up. I'm fully charged at my home. I go to the office. I can charge there if I need to. If I go around town, I charge in the parking structure or at the shopping mall or wherever it might be.

It's important to understand that this fast-charging component, Tesla did for good reasons, to enable drivers to get from place to place and long-distance and feel comfortable. That's still a tiny

little bit of how the charge goes into the vehicle.

We fuel where we sit. We don't go to fuel. For us, the NEVI funding is going to enable a bunch of fast charging. We can talk about NEVI if you'd like. It will enable fast charging on highways. That will be ChargePoint. That will be Tesla. That will be a variety of other folks. Our belief is that enabling fast charging for drivers will enable more vehicles to hit the road.

We're not dependent upon the NEVI funding. The bulk of our business happens at workplaces and homes and around town and in-fleet. NEVI funding is interesting. We think it's going to be a game-changer for the environment of charging. We will participate, but we don't think that's the bulk of the business.

The bulk of the business is cars charge where they sit. They sit at home. They sit at the office. They sit, sometimes, around town, at a shopping mall or a stadium or wherever. That's where the bulk of the fuel enters the vehicle.

Bill: Totally makes sense. Let's take a step back and talk about your customer engagement, your go-to-market strategy. You guys have a pretty big distribution network, a lot of disties that you work with. How do you expand it into new customers? How do you expand existing customers? How important is the distribution channel in your go-to-market efforts?

Michael: Super-important. The bulk of customers today, be they workplace or fueling-convenience or fleet, will start a conversation with either their EPC, which is going to help them build and design depots, and/or an electrical contractor.

Those folks will access a distribution network, as you've noted, and say, "Hey, what should I do? What do you have in stock? How do I help these customers? How should I wire it?" All of that.

We've taken, in the last year, a concerted effort to enable the distribution network. Whenever those electrical contractors and EPCs go to shop, effectively try to figure out what to help their customer with, the answer that the distributor gives is ChargePoint. They've got it in stock. They're ready to go and ready to help that customer.

We don't expect them to drive the demand. We expect them to capture the demand and provide reach for us as a company. That's been great for us. That means all of our customers and non-customers have access to charging new equipment, the best design services, all of that, in a moment's notice, in their local area.

We think that's a differentiator for us long-term. If we can maintain that channel to be a growth partner for us, we think it's going to make a big difference in our business.

The bulk of them, domestically and, to some degree, in Europe, are choosing ChargePoint and focusing on leveraging our technology. They're not going to carry everything. That makes a difference for providing access to customers.

That being said, it's still on us. We still do focus on spending time with the most important customers. Each customer is an opportunity to land and then expand. You start with a couple of charging stations. More EVs show up. Then you need more charging stations. Then more EVs show up. Then you need a lot more charging stations.

When Google was an early customer, they bought a few charging stations. Then they bought 50. They thought they were done. They've got a lot more than 50 now. More EVs show up every day. They have to charge those cars. Employees expect it. That's part of the mantra.

That land-and-expand is really important for our customer base. Once there's charging, EVs show up. Then more and more show up over time.

Bill: Are there Tesla Superchargers in Google's parking lots, or are those your chargers?

Michael: Those are our chargers in those parking lots. Why would you have a Supercharger at work?

[crosstalk]

[laughter]

Michael: I know, exactly. Somehow we have to get that message across. It's a hard one.

Bill: Just going back to the near term, you've had some mixed near-term demand trends. There's still some discretionary spend where people are maybe, in this macro, not spending. We think that charging growth needs to somewhat correlate over time with EV arrivals.

What are the demand trends you're seeing across your big verticals, whether it be residential, commercial, and maybe, within that, things like work, work sites, and then, of course, fleet, which is something that people probably aren't really thinking about too much but critically important as all these light commercial vehicles are starting to show up?

Michael: Let me try to knock those off. Residential, commercial, and fleet. Residential, cars are showing up. Residential is really a product of EVs that hit the road. We're a derivative of that market. We see EVs hitting the road in a variety of different manufacturers.

The Koreans producing in volume. North American automakers beginning. The Europeans producing in volume, starting to ramp up. EV shipments in the first quarter and in the second quarter continue to rise. We feel good about our residential business, which is really a derivative of that.

Then the other part of residential that's a little bit harder, that we're going to enable more meaningfully, is the multifamily part, so condos, apartments, all of that. That requires a different kind of charging. It requires the condo association or the apartment owner to have a plan and build that out and decide if they're going to deed those spots, use community charging, all of that.

We have a holistic approach for all of those folks to enable that to be a part of their offering to their customers. It's really important, increasingly, as an amenity to multifamily dwellings. That's a big piece of business that's going to, a bit like the workplace business, land and expand.

On the commercial sector, I think what's interesting, the biggest chunk of the commercial sector for us has been workplace, for a long time. Of course, COVID doesn't really do great things for workplace. People haven't gone into the office up until recent times.

I think what we're going to see in workplace over the course of the remainder of the year is most folks -- we could do a poll in the room -- are coming back to a three-day-a-week-in-the-office kind of program, but those three days are pretty consistent.

Everybody's in the office Tuesday. Everybody's in the office Wednesday. Everybody's in the office Thursday. Or Monday/Tuesday/Thursday, whatever it is. Effectively, as they return to office, we're seeing mandates. You're badging in. You're badging out. That's required. That mandate is becoming clear, whether we like it or not.

As a result, you're going to get the same compression you had when it was everybody in the office. You're just going to get it on three days a week. In effect, I think, in the second half of the year, we're going to see workplace return.

It's never gone away. It's been an important piece of business, will continue to be. The compression on those charging stations, which leads to them buying more stations, will occur in

the second half of the year.

Then I'll just say this about fleet. Fleet's really exciting. Fleet is everything from FedEx, UPS, Amazon, to rental car fleets, to transit buses, to the plumber and the electrician that drive around the neighborhood and all that kind of stuff, Uber, Lyft, and everything.

Fleet's been a really rich and interesting business that will grow bigger and bigger over time. It has been 100-percent vehicle-limited, for the most part. There aren't trucks. There aren't step vans. There aren't heavy-duty vehicles that enable fleets to fully electrify today.

As you think about the multi-vehicle fleet, where they've got all of those things, they're beginning to electrify. They've got some light-duty vehicles. They've got some step vans. They're starting to ship this year. They will electrify their depots as quickly as they can.

That will really foster long-term business for us. It'll start with a couple of vehicles, start with a handful of vehicles, and then be hundreds or thousands of vehicles. Long-term, that's really exciting for us. It's going to be massive.

What's happening today is rental cars are really taking off. It's a race for electrical capacity at the airports, and then a race to provide a great experience for a driver. If anybody rented electric before, it's pretty crappy. You don't have a great experience. They don't guide you very well.

We're working with the rental car providers who have fleets of a half-million vehicles, to enable charging at the airports, enable charging through the app that you can find charging and do all that. That's moving pretty quickly.

Then the one sector that actually has vehicles in volume is transit buses. We're electrifying tons of transit buses through all the local municipalities that service their residents with transport. That's the one sector that has vehicles.

Half the vehicle shipping today, in the bus world, are electric. It's not like that in any other sector. It's a lot of diesel still shipping, a lot of gas still shipping in the other sectors.

Patrick: Fleet's really exciting in this current market today because it's not a discretionary purchase. If you have an availability to get the vehicles, it's a meaningful change to the cost structure of your business. People can't defer that decision. It's uniform. If the vehicles are available, people are just waving them in. They need the infrastructure.

It's highly dependent on the software that we can string it together with, because of the multitasking and the demand and the utilization and the variation within the fleets of different types of vehicles with different routes, etc. It's a really exciting space for us.

Bill: Again, sorry to belabor the point. Of all those applications you said, I think I've seen Tesla destination chargers maybe at a hotel, but they're not in these applications. Just to make it clear.

Michael: The thing about renting a rental car, you're going to go stay in a hotel, most likely. You're going to travel here and about. You need to have charging along the route, but you mostly are going to charge where you sit, again, back at the hotel.

The Tesla charger today that they could provide to a hotel only charges a Tesla. Why would they do that? They can service all vehicles by putting in something, ChargePoint or other, that enables a CCS connector, which is the common standard, which allows all those vehicles to charge.

I think that journey of those rental car drivers has been pretty bad so far. We're going to try to make it better, through their apps, through the experience, and then through providing charging for them. It's a funny little race at each of the airports. The airport authority has command. The rental car company is trying to get their stuff built. It's a difficult set of decisions to make for them.

Bill: I want to move on to the pricing, margins, costs, all the work you guys have been doing on that side, but I want to just make sure the audience, if anyone has any questions we can take before that.

Audience Member: I just want to see your point on bidirectional charging, like if you have any plans for the residential and then also how you're going to try to compete with all those incumbents which are coming with solar. They're already doing their own chargers. Basically, they're doing their own energy solution, total solution, for the house. So if you have any plans on that.

Michael: Bidirectional and solar partners, is that the question?

Audience Member: Bidirectional, one question. Second would be, how are you competing with those incumbents which are already in that space, in the residential space?

Michael: Bidirectional charging, let me just talk about that for a second. All of our equipment is capable of bidirectional charging, so V2G or V2X. Certainly happy to support and enable that as required. We'll see applications for that in a variety of different use cases.

V2G is a little more complex. Building the markets for that and determining the rates and how that works is going to be a little while. Utilities have a hand in that and will shape and form that. That will take a little while to be meaningful.

V2X, meaning charging something else, I think, is possible, charging a home, charging other things, leveraging a battery and leveraging solar. We'll see more and more of that. All the technology is capable of supporting it. We have partnerships with solar companies and battery companies in order to enable a holistic approach to those markets, both home and in the office and in corporate.

Again, I think it's the buzzword that everybody asks about, V2G, but it doesn't get implemented at scale for a number of years. Happy to support, doing all kinds of work to enable it, just don't see the application, in mass, for a few years.

Then solar partners, we've got a handful of solar partners that we work with today. They enable ChargePoint via their own websites, via their own applications, and then integrate that into the battery that they generally provide with that.

Then the contractors are in common. The folks that go install solar, we're leveraging those networks to install charging and, in fact, ChargePoint chargers. There's some incumbents out there, some of them, that are going to choose their own.

What they need is a smart charger that enables those things to communicate together. That's one of the things that we offer and is important for those solar providers. More to do there, but we certainly are participating in that residential space.

Audience Member: Hi. A question on residential. I never quite understood the benefit to the customer, given that you buy a new EV. It comes with a charger. You plug it into your house. It has an app. It has a timer. What does ChargePoint offer the customer in residential that the manufacturers don't?

Michael: Most of the vehicles today have 250 to 400 miles range. The charger that comes in the vehicle will give you about two or three miles an hour. You could go on a long journey that day. You plug in when you get home. You'll get 40, 50 miles overnight. You didn't get back to full.

Audience Member: No, that's not really true. They're all 240, 50-amp.

Michael: That ships with the vehicle?

Audience Member: Yeah. The ones I've seen.

Michael: Give me an example, will you?

Audience Member: Tesla, Porsche, VW, Audi.

Michael: They're not shipping with the vehicle. You're not talking about the charger that's in the trunk.

Audience Member: Yeah.

Michael: It has to be installed at your home.

Audience Member: [indecipherable] .

Audience Member: It's a Level 2 charger.

Michael: I'm sorry. I misunderstood. I thought you were talking about the trickle charger that sits in the trunk. You're talking about a home charger that gets installed in addition to the vehicle being bought, yeah?

Audience Member: The charging system comes with the car. You plug it into a 240 outlet at your house.

Michael: I thought you were talking about the trickle charge. You know what I'm talking about?

Audience Member: Yeah, the Level 1.

Michael: Those Level 2 chargers, we're shipping with Hyundais, with Mercedes-Benz, with a variety of other vehicles that will have a home charger. The speed is the reason to have a Level 2 charger at home, for sure. If they're shipping with a Level 2 charger, we're certainly going to advocate for that.

Having one tied to the vehicle makes sense. What we're going to do differently is enable integration with the utility rates and all the utility programs so that you can attach to your own individual utility program.

My particular program says, "At 11:00 PM at night, the rate goes down. I should charge then." I plug in my vehicle at 5:00, if I ever got home at 5:00. I plug in my vehicle at 5:00. At 11 o'clock, it starts charging because that's how it's set up to match the profile for me to the utility rate.

Then I have other capabilities. I can tell Alexa, "OK, Alexa. Start charging now because I need to go somewhere later." The integration of that charger with the other services in the home that I'm going to leverage is a piece of the puzzle.

It's, from our home charging business, the highest-rated charger out there. People tend to love it. It has all the software capabilities and is not tied to the vehicle necessarily. It is tied to the network and the rest of my life. There's reasons to do the charger from the manufacturer of the vehicle. A lot of them are using our charger because it has that advanced set of capabilities.

Patrick: It varies greatly by geography. In many geographies, we are that home charger that's coming with the vehicle, or we're that preferred charging solution. The utility component's important.

The utilities have to verify that there's a utility-grade meter embedded in the home charger so that if they were to test it, to avail yourselves of those discounted rates, they could actually remove it, open it up, and check what the meter says.

There's very few home chargers that are engineered into those utility systems. I'm JCP&L out in New Jersey. We're one of the two verified chargers for their structure.

There's a lot of future in this space for the company. That same kind of product suite's usable in not only single-family residences, but the multifamily stuff that Michael referenced, a lot of take-home fleet applications where people need to be reimbursed for the power that they pay for, that's put on their fleet vehicle at home. Right now, it's 11 percent of billings.

Bill: Thanks. This is right in your wheelhouse. Last year, you were able to raise prices in an inflationary environment, particularly in North America. Europe feels a bit more competitive. A big fear or, let's say, bear thesis, is that this hardware just gets commoditized.

How do you think about pricing trends? Are there more pricing increases on the come? How should investors think about pricing of these products long-term?

Michael: COVID and the supply chain crisis and all the excitement that that generated, prices

had to go up in order for things to continue. That's largely behind us. Supply chain is, at least in our case, is, as a challenge, largely behind us. We've got assurance of supply, manufacturing dialed up, all of those things.

We're going to be in a position to maintain decreased costs over time, of the manufacture of our goods. There's a ton of work going on in order to enable that. Great stuff happening on that side, which allows us to have a little more pricing flexibility.

My belief is the market will not commoditize. I think people will use technology in an integrated way. Workplace is integrated with their employee enrollment system. You get access to charging. Then they set up different pricing plans for employees and visitors and other things.

Once it's integrated, it's hard to think about that being something that you would choose something else for or look at another offering.

A fleet operator integrates it with his utility programs, his fleet scheduling programs, his power management, the telematics from the vehicle when it comes back to the depot, recognizing its state of charge and then setting the charging profile based upon its requirements for its route the next day, maximizing dwell time and the charge required.

There's all kinds of integrations that occur, that make it really sticky and not commoditized. While I think the hardware will come down in cost, I think the commoditization won't occur. To be honest, I think GM and Ford decided that software needs to be integrated with hardware in order to deliver the quality of service required.

All the ballyhoo about the bad public charging experiences out there is tied to somebody put a piece of hardware out there that they can't manage, see, control, or understand. If it's got a thermal event about to occur, if a cable's broken, if anything's wrong with that device and it's in a far-flung location, they don't know it until a driver shows up and goes, "I can't charge here."

Our belief is software integrated with the hardware where you can actually proactively monitor, manage, and then deliver services against that before you have a problem is the requirement. I think we're uniquely positioned to do that. I think people will pay for that.

Bill: Maybe just the last question. Try to wrap it up really fast. Your path to profitability, trying to exit next year, obviously, there's top-line components. There's gross margin expansion expectations. There's operating leverage. If you could summarize that and walk us through that path in the next, call it, whatever, 12 to 18 months, how does that look?

Patrick: Importantly, with our last quarter, we thought the market needed a little bit more guidance on the path to profitability, which we've been consistent in reiterating that we would be cash flow-positive in the fourth quarter of calendar '24.

We introduced an adjusted EBITDA metric to try and bring the top line, the margin, and the operating expense lines together to help people triangulate to that point.

Essentially, with the adjusted EBITDA guidance we provided just now, we expect the adjusted EBITDA loss in the fourth quarter of this year to be cut by two-thirds versus what we just turned in, which was an adjusted EBITDA loss of $49 million.

You get that point in the trajectory. Then you snap it to where we expect to be cash flow- and adjusted EBITDA-positive in the fourth quarter of next year. With that trajectory, you have a rapidly decreasing cash burn rate.

We've got a balance of $314 million at the end of last quarter. We have an ATM program in place that we've been using in a disciplined manner. Nobody loves their stock price, but the prudent thing to do is dollar-cost average over time, if you need to bolster the decreasing rate of cash burn. We get there.

We have a lot of confidence in the different levers within those components that we can control. The most important lever is the top line. It's hard to deny that the market's coming at us really fast with all these vehicles showing up.

Bill: Unfortunately, we're out of time. We could go on here for hours, I think, talking about this. Thanks a lot, Michael and Pat. We look forward to watching the progress.

Michael: Thanks for joining us.

Patrick: Thanks.
