Company Name: ChargePoint Holdings, Inc. (CHPT)
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<<James West, Analyst, Evercore ISI>>

Okay. Well, good afternoon, everyone. We're going to stay on the EV charging team for the last fireside chat of today, which will conclude the Day 1 of the conference to the summit. We're always excited to hear the perspective of a company, who can be thought of as the index for the electrification of mobility as it fuel – as it fuels all types of electric vehicles across all use cases with its Level 2 and DC fast charging products. Of course, we're talking about ChargePoint here and with us today is CEO and President, Pasquale Romano. ChargePoint enjoys an advantage of its scale, land and expand strategy, consistent focus on R&D and new software and hardware advancements. As an EV infrastructure designer and manufacturer, ChargePoint is agnostic storage equipment is installed. In other words, investors don't have to determine exactly how the mega theme of electrification mobility unfolds. Pasquale, thanks for joining us.

<<Pasquale Romano, President and Chief Executive Officer>>

All right. If you ever want a job in sales, well, you actually technically are in sales.

<<James West, Analyst, Evercore ISI>>

Yes, somewhat yes.

<<Pasquale Romano, President and Chief Executive Officer>>

It's good job.

<<James West, Analyst, Evercore ISI>>

Perfect. So you had a pretty long history. So it's ChargePoint, but you have been there for most of its life cycle. Could you talk about how the market has evolved given – and during your tenure so far and how you see the next evolution of the market?

<<Pasquale Romano, President and Chief Executive Officer>>

So this is an odd one of the four jobs I have ever had in my life, all in new markets. I have never had to not pivot a little, at least a little bit. So the thesis for the company at the beginning was unlike liquid fuel that's environmentally hazardous, dangerous to store, all that stuff, electricity is pervasive. So assuming that you can onboard electricity anywhere and that it's pervasively distributed then changes the fueling patterns, so pattern matching on how gasoline is accessed by consumers isn't a good way to think about how electricity will be accessed by consumers. So that's how we thought about it.

So we said it will be generally onboarded when the car is parked. Most of the fuel is going to come on and the only time that you are going to replicate what is a liquid fuel model of today is when you are driving on your battery range and you need to stop and reload, because you don't have enough charge to get to your ultimate destination. So if you look at it from that perspective, you say, well, where is the car parked most of the time to understand what verticals that you need and what products and services you have to design, you assume that it's going to be unattended that it's not going to be core to the business of most businesses that are going to be buying this stuff. So you look at it much more like public WiFi accessibility, right? And then you do gasoline, although, you do look at it from the traditional fueling perspective for the long-haul driving segment…

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

…with the twist that you need a lot more real estate associated with the parking, because the dwell time is longer when you are onboarding a fuel.

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

I will pause there. It hasn't changed much since the…

<<James West, Analyst, Evercore ISI>>

Since the original idea…

<<Pasquale Romano, President and Chief Executive Officer>>

…since that beginning. So that's why you see us in every vertical.

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

Right. Because to be relevant to drivers to the fuel – the – it's a very diffuse fueling model. So you have kind of got to be in every vertical and then you can't attach your revenue, you can't necessarily attach your revenue to electricity, because if a business wants to give power away as a marketing expense to attract customers or endure themselves to customers or make it an

employee benefit of a combination. If you attach your revenue solely to the sale of energy and the sale of energy is not what the business wants to do…

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

…then you have attached to something that puts you in conflict with your customer.

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

So it's that simple.

<<James West, Analyst, Evercore ISI>>

Is that ultimately how you think a lot of these especially retail will go and maybe office parks too?

<<Pasquale Romano, President and Chief Executive Officer>>

Yes, I mean...

<<James West, Analyst, Evercore ISI>>

…the employee parks and...

<<Pasquale Romano, President and Chief Executive Officer>>

Yes. I mean, not – I don't know if there any oil and gas people in here. I don't want to attend the oil and gas folks too much. I do that enough. But the challenge with driving on electricity for the energy industry at large, like, just think of it greater than the electricity industry, but overall energy is that you are dramatically reducing the cost. So you are putting electricity in a category where you can, in some cases, treat it like an amenity, a marketing expense, et cetera…

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

That's not possible with gasoline because of its cost but it is possible – and plus the dispensation restrictions on it, you can't do it at a retailer broadly, because he wants a tank in the ground, all that stuff. So when you think about it that way, it basically says, wait a minute, a big portion of this is not necessarily going to be driven by needing to make money on it directly.

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

It may have attribution value, but not direct. So it's taking a perfectly good energy industry and kind of watering it up in a ball and throwing it in a trash.

<<James West, Analyst, Evercore ISI>>

Right, right, right, makes sense. So we do talk about you guys being agnostic about where your equipment goes because you are just selling hardware. But are you truly agnostic? I mean, there's going to be some interplay between brand recognition too.

<<Pasquale Romano, President and Chief Executive Officer>>

Well, okay. So I don't quite understand – is that from the perspective of we care – like when I was little, my mom used to tell me that who I hung out with, I was going to be judged by other parents by whom I'm friends with. Just trying to put in perspective. I'm from New Jersey, by the way, so other people from the room must have had their moms say the same thing. But, yeah, so look, where you want to be careful is how you construct. And we're doing a lot of work on this, by the way, where you construct your business models to guarantee that the equipment and the service stays in good working order and it's cared for and the surroundings do matter a little bit there.

And so the question is, if it's public facing, what is the evolution of the existing business engagement with those customers to make sure that it's absolutely bulletproof for drivers. And we've got good reliability on our network right now, but we'd like to make sure that it doesn't ever get into a state of decay. So how do we require that next level engagement from business customers that want to put it out there. So we're not agnostic to that.

What we're agnostic to is does in the long-term, one subvertical of our business outperform another? Because if you're in it enough, you become less sensitive to short-term dynamics or long-term dynamic shifts, like we couldn't have predicted COVID, who could have. That dramatically changed our workplace business. If we were only workplace focused, I wouldn't be sitting here, and I probably would have asked you if there was another company recovering that needed to, right. Okay? Because I would be dead, we'd be out of business, right. And so that's the level of agnostic that I usually refer to.

<<James West, Analyst, Evercore ISI>>

Okay. Got it.

<<Pasquale Romano, President and Chief Executive Officer>>

I do care who my friends are.

<<James West, Analyst, Evercore ISI>>

I know.

<<Pasquale Romano, President and Chief Executive Officer>>

But I'm still hanging out with you.

<<James West, Analyst, Evercore ISI>>

It's great. I appreciate that. So how do you think about scale and the importance of scale in your business? Because you're hitting scale. I mean, you're at scale now, and we're watching you accelerate too.

<<Pasquale Romano, President and Chief Executive Officer>>

Yeah. So scale is – there's no negatives to scale. The positives – the obvious positive that everyone goes – yeah, of course, I thought of that already was when you're manufacturing hardware as a component of what you do, we're always software attached, but there's a hardware delivery vehicle to the charging experience. It's sitting there and you could see it and touch it and use it. Those things always benefit from volume, from a cost structure perspective.

And so then it becomes, do you have access to when supply chains get tight like we have – I've been getting this question, we have capacity reservation agreements in place with silicon carbide, MOSFET manufacturers because we have to guarantee that we can either have assurance of supply. If you're a little – that's hard. If you don't have scale, no one's going to put one in place for $200,000 worth in the parts. No one's going to do that because it's not worth the legal fees to do the contract.

So that matters there. It matters in costs. You have to have multiple CMs in your mix globally positioned to access global supply chain. You have to be in both markets. It's one of many reasons we're in Europe. It's – if you're isolated to one geography and the market has other well-developed companies that can run unfettered in other markets. They can swim across whatever ocean to attack you where you are. And so the best defense there is get bigger faster.

And so then you look at the network effect on the software side. So if you're a company and you have – you're a multinational and you've got offices everywhere, fleet everywhere, what have you. You don't want to have to do a bunch of software integrations because you're betting on a

local hero that's only accessing one market because they're small so scale matters in the decision for larger companies to broadly bet on one partner. Ecosystem integrations go the same way.

So if you're going to – we're a fuel card provider integrated, doing a lot with lease goes in Europe, et cetera, without scale, you don't get that. And once you have that, then it feeds the – it feeds the halo effect for other verticals to make the decision to go with you. So I think it consolidates and it has to consolidate in the scale.

<<James West, Analyst, Evercore ISI>>

One of the other moats I think you have is your channel partners. I think it's a huge competitive strength and something you guys thought about very early on and others didn't, and they're going to struggle because they don't have the breadth. Could you talk through that strategy, how you developed that strategy and how it's working out for you?

<<Pasquale Romano, President and Chief Executive Officer>>

So I have had – in my almost 13 years of ChargePoint, I have had more arguments with our finance team about what's the channel in the early days? So what's this channel doing for except for taking margin?

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

Just so we thought of that, okay. So you have that argument because when you are small and you are not at scale and you are trying to develop a channel. You sit there and say, for the discount, I have to give these folks and I am still going to handhold them on the customer sales process they are going to develop other collateral. It's really not out. It's still somewhat of a push market or a hand sell market. It's not a pull market and this is – you seven years ago…

<<James West, Analyst, Evercore ISI>>

Yeah.

<<Pasquale Romano, President and Chief Executive Officer>>

Exactly like I just described. Why are you doing this? You might just keep the margin and not burn as much cash, wouldn't that be good? Well, when you do need it, it takes a long time to develop…

<<James West, Analyst, Evercore ISI>>

Develop.

<<Pasquale Romano, President and Chief Executive Officer>>

Because they have to develop the internal practices to manage their downstream EPCs, electrical contractors, all the people that buy from them and now we are seeing the advantage for not only, as it shifts to a pull market, business just starts to show up at the local office of a Rexel or Sonepar, border state or the usual electrical distribution types.

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

But they are proactively grooming the electrical contractors that visit with training programs, lunch and learns, all that sort of stuff. We are building tools, mobile apps, things like that for those folks, certification programs. So unless you build that muscle translating yourself into it is very challenging…

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

When the market is running and then the other problem that you suffer is our gross margin, which is now on a pretty steady improvement cadence since we are out of last year's or the previous couple of years…

<<James West, Analyst, Evercore ISI>>

Supply chain.

<<Pasquale Romano, President and Chief Executive Officer>>

Supply chain problems, it's already contemplated the majority of our revenues suffering in channel margin.

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

So if you want to transition into channel, then you have to suffer the reduction…

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

…in margin and the recovery – margin recovery and that's hard to do while you are investing in the channel and they have already got us positioned in the channel, right, and all that sort of stuff. So this is going to turn into – we are already doing thousands and thousands of transactions a quarter. It's just going to be a mind-numbingly diffused market.

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

And I don't see how you attack it with a direct sales force, it's impossible.

<<James West, Analyst, Evercore ISI>>

Right. Right, and costly.

<<Pasquale Romano, President and Chief Executive Officer>>

Yeah.

<<James West, Analyst, Evercore ISI>>

I'd love to – I know we talked about it on our conference call the other day, but I'd love to give further detail on the Ford, GM announcements, the Tesla Supercharger networks, the technical changes you may have to make, but also if you have any views on the technical changes that the OEMs have to make to be able to you into those?

<<Pasquale Romano, President and Chief Executive Officer>>

You are the first person asked me that question.

<<James West, Analyst, Evercore ISI>>

I am sure.

<<Pasquale Romano, President and Chief Executive Officer>>

Yeah. I haven't gotten that all day.

<<James West, Analyst, Evercore ISI>>

I would mention not just you. We are asking these four questions up here.

<<Pasquale Romano, President and Chief Executive Officer>>

Yeah. So let's just talk about the technical changes. So – and the Tesla has always had the ability to charge on a CCS plug with an adapter that Tesla offer, I have one for my Tesla.

<<James West, Analyst, Evercore ISI>>

Yeah.

<<Pasquale Romano, President and Chief Executive Officer>>

And I don't use that after all the time with ChargePoint chargers. When you plug that adapter into a Tesla, it speaks CCS protocol.

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

So the software that it's talking to the charger between the car and the charger standard CCS. With every – so we have a – you visited us pretty big auto interoperability lab. We have long since eating the interoperability elephant to make sure that all the little affordables that every manufacturing does different that we have – our chargers are software capable of charging a Tesla, because they have to with the adapter.

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

Because it's most of the market. So our cables are modular on our systems, like, they are designed to be unbolted and re-bolted and the holsters are modular because they have to match the cable type.

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

So it's a non-issue.

<<James West, Analyst, Evercore ISI>>

Yeah.

<<Pasquale Romano, President and Chief Executive Officer>>

We have already had different nice cable options in R&D for a long time and so – and we made an announcement to the effect that they are coming out. So the way I look at this whole thing is, it's what I call an unfortunate revenue opportunity.

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

It's not like we gave people a connector guarantee. We will sell them the ability to upgrade the entire field population of DC chargers out there, because they are all upgradable easily in the field with a cable and a holster change. And the software is already sitting in them, because it looks just like it's charging a car like that's for an adapter. So there's no technical barrier whatsoever. The reason I call it an unfortunate revenue opportunity is I don't really care which connector people pick. It's a piece of plastic, pick one.

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

Just pick one. They haven't to make any sense at all.

<<James West, Analyst, Evercore ISI>>

So I mean I know you said one of the commissions at the federal government level on charging. Do you think the federal government needs to step in and create a standard?

<<Pasquale Romano, President and Chief Executive Officer>>

Well, they are…

<<James West, Analyst, Evercore ISI>>

To pick one.

<<Pasquale Romano, President and Chief Executive Officer>>

They have released a statement to the effect that you can't discount CCS because you have to be able to charge every car.

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

I think there were reserves on the commentary. So you can read between the lines that, hey, I don't think the – I think it's not too presumptuous to say that it's politically viewed as something that is not good for consumers only because it introduces a non-functionally enhancing, it didn't do anything for the functionality. Now additional either cost component to a charger having to maintain more than one cable interface, right, to vehicles, which carry some additional cost burden, right? We thought we were finally rid of CHAdeMO and now we have, yeah…

<<James West, Analyst, Evercore ISI>>

Perfect.

<<Pasquale Romano, President and Chief Executive Officer>>

Right. It's not prevalent in Europe, because the Europeans have done it deregulation. So there's an example. I don't know if the U.S. Government is looking that way. But then the question is, what is the real stick?

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

What is the real – they have to tie it to something?

<<James West, Analyst, Evercore ISI>>

Sure.

<<Pasquale Romano, President and Chief Executive Officer>>

They can tie it to credits. They can tie it. They have – they can tie it. I mean they have already tied it to now, because now they…

<<James West, Analyst, Evercore ISI>>

That's the VSC sensor**.**

<<Pasquale Romano, President and Chief Executive Officer>>

Right. All that sort of stuff. But if they want to drive, it – I don't particularly care which one.

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

I just want it to be one.

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

Right. Because I think that's good for consumers in the market.

<<James West, Analyst, Evercore ISI>>

Yeah. You also speak a lot about software and the importance of continual software development. You recently crossed $100 million annual revenue in software sales. So what's your view on this – how this differentiates you in the market, your software versus others, and how large do you think that software business can be over time?

<<Pasquale Romano, President and Chief Executive Officer>>

Well, so there's two very distinct questions in that sentence. In terms of how it differentiates us, it's the primary differentiator. Aside from the fact that we are an end-to-end solution company, I think, that's a big differentiator as well, but the software component is a big subcomponent of that being end-to-end. It enables – it's one platform for any vertical and we are seeing an increasing number of customers using us for mixed use.

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

So I will give you an example.

<<James West, Analyst, Evercore ISI>>

Okay.

<<Pasquale Romano, President and Chief Executive Officer>>

You will see a traditional workplace company that's using us for workplace, decide that they want their sales force that they give a company car to, to now have our – use our home reimbursement systems with our home chargers, right? And so now it's the take-home fleet software is being used over in what is otherwise a workplace customer. You are seeing retailers double-duty fast charge infrastructure for box truck and delivery van charging depending on the hours of operation of the site.

So late night they may charge fleet vehicles and during normal business hours, they may allow consumers to use all or part of the charging infrastructure. So we are seeing a lot of mixed use. We are seeing an increasingly – increasing percentage. And then the other thing is the ecosystem that we are tied into. So one of my favorite analogies, as you ever see a cat when it attaches itself to a screen door, we don't have screen doors in California, but I had screen doors when I was growing up in New Jersey. No one in California knows what is screen doors.

<<James West, Analyst, Evercore ISI>>

That's strange.

<<Pasquale Romano, President and Chief Executive Officer>>

It's very strange because we are not bugs, right? Because we have ton of water, so – until recently. So cat gets it, like, clause into the screen or you can't like fry the cat off the screen door, right? And so getting yourself hooked into fuel card providers and in-dash navigation systems and iOS mapping and Android mapping and all the other things you plug yourself into, that makes you kind of unextractable. And then you get into a retailer's loyalty program via API integration and you get into a commercial real estate operation that's mixed use and how they manage to delegate administrative rights for chargers for Class A office space renter that has 10 parking spaces that they are running as part of their 10,000-square-foot office or whatever.

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

You get all of those software tentacles jacked into the ecosystem and you can't get the ChargePoint cat off the markets growth, you just can't. And the analogy I use for people, it goes click right away is Salesforce.com may not be the best CRM system tomorrow. But if I went to my IT team at our size and we are not huge. If I said, hey, we're going to extract Salesforce because our CFO negotiated a better deal with this.

<<James West, Analyst, Evercore ISI>>

No chance.

<<Pasquale Romano, President and Chief Executive Officer>>

No. Because my support people would be like, no, wait a minute here, that's like tied into my support system, then we got my inventory control system and it's tied into my ERP system for accounting and is part of our internal, I mean, we got all the internal controls defined around? Are you kidding me? That's what I am trying to get to. Is that are you kidding me, right? That's the real moat.

<<James West, Analyst, Evercore ISI>>

Right. So do you think that the natural or the charging companies, whether it's a hardware and software supplier like yourself or whether it's EVgo. Do they need to be just charging companies or it's – would you consider the umbrella of something else, maybe a larger industrial or if the oil industry continues to kind of move in this direction?

<<Pasquale Romano, President and Chief Executive Officer>>

Well, I think it's pretty different for like – Cathy was just up here from EVgo. And if – are you out there, Cathy?

<<James West, Analyst, Evercore ISI>>

She left.

<<Pasquale Romano, President and Chief Executive Officer>>

She left. Of course, she left. I would have stayed for her, if I didn't have an investor meeting, Jesus.

<<James West, Analyst, Evercore ISI>>

She had a meeting.

<<Pasquale Romano, President and Chief Executive Officer>>

So Cathy is a potential customer and I will eventually convince her of that, right, because I sell tech, but I don't own assets, right? And so it's a very different equation when you asked that question, right, of that tends more towards looking like an infrastructure fund.

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

Because it's a return on…

<<James West, Analyst, Evercore ISI>>

It's infrastructure.

<<Pasquale Romano, President and Chief Executive Officer>>

It's return on assets, right, business. So what should that be part of? Well, that's a whole set of things it can be part of because of that umbrella class of companies. Our umbrella class of companies, right, tech companies, do I look at it as adjacencies? This is a long-term thing, right? So imagine when we are at scale, profitable, access to capital returns, all that sort of stuff. Then the question becomes what adjacency do you see you either organically or inorganically get into that you're – that leverages the customer relationships you have?

Because if I say, hey, I want to get into food services, there's not a lot of relative leverage with what we are doing. But if we wanted to get into something else in the payment chain, telematic chain that are associated with fleet software that's unattached to the stuff that we do for charger scheduling and things like that. Those are the possibilities. So, yeah, ChargePoint in the long-term could become more than a charging company.

<<James West, Analyst, Evercore ISI>>

Sure. Okay.

<<Pasquale Romano, President and Chief Executive Officer>>

Right. But it's all about what's adjacent to you.

<<James West, Analyst, Evercore ISI>>

Right. Right. Okay. Could you talk a little bit about the U.S. market and the European market and what the differences are in those two markets maybe the...

<<Pasquale Romano, President and Chief Executive Officer>>

Better food and wine?

<<James West, Analyst, Evercore ISI>>

Well, yes, of course, but for the charging business.

<<Pasquale Romano, President and Chief Executive Officer>>

For the charging business there's one main difference. The main difference is they have a phenomena that we don't have here currently or any more, I should say. 20% of vehicles or so make it to the consumer via your compensation through your company.

<<James West, Analyst, Evercore ISI>>

Yeah, particularly in Germany and...

<<Pasquale Romano, President and Chief Executive Officer>>

Yeah. Yeah. So the access – they have a concentrated access to both home and workplace charging that you don't have in North America. It's super diffuse in North America. It's your door knocking to get it done in North America or you are doing it digitally and having a very broad diffuse sales problems. There is not nearly the case, because we have now – what we have done there is we have developed relationships with the big leasing companies that serve employers in Europe. So ALD Automotive, which bought LeasePlan. So combined, I believe they are number one in Europe. Arval is a customer that was announced, right? We have others that I am not sure if they have ever been announced or not. But we have a large percentage of the total vehicles, but we have access to that TAM.

So as they continue to convert their vehicle leasing programs to their customers to electric, we provide the software and the hardware for the home reimbursement programs for the workplace charging and we will get into increasingly kind of more things with them. They also do in some cases fleet leasing to business fleets that are using the vehicles for their business, right?

<<James West, Analyst, Evercore ISI>>

Right. Right.

<<Pasquale Romano, President and Chief Executive Officer>>

An employee benefit. So that's a big difference. The other big difference is that when we entered Europe, there was no ChargePoint in Europe. There was a bunch of local players that are much smaller on the technology side. I don't think we could have broken in if there was one of us there, because for the same scale discussion that we have.

<<James West, Analyst, Evercore ISI>>

Right. Right. Right.

<<Pasquale Romano, President and Chief Executive Officer>>

So we got rather favorite saying micros, I'd rather be lucky than good and we got lucky.

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

That one of those hadn't happened and it's usually because access to capital when you are a developing company there on your private is hard.

<<James West, Analyst, Evercore ISI>>

It's hard. Right.

<<Pasquale Romano, President and Chief Executive Officer>>

So they tend to become local heroes. They live in a vertical – a small vertical within the country, usually at their headquartered and most of the employees come from. And then their number one goal in life is to stop burning cash before they can't raise anymore.

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

And so that naturally pulls in the horns of the what you can accomplish, because your access to capital is so limited, you have to take the constellation price right out of the gate. And because you get this litany of local heroes, but you have all of these multinational companies that want one fleet platform or one workplace platform where there, you see what I am…

<<James West, Analyst, Evercore ISI>>

No. No. That's okay.

<<Pasquale Romano, President and Chief Executive Officer>>

Right. So the local hero doesn't have much.

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

To go on in the long-term.

<<James West, Analyst, Evercore ISI>>

Yeah. Pasquale, could you just expand upon that, and again, it doesn't have to be Europe versus North America, but basically, your commercial vehicle, your light commercial vehicle strategy. How is that business different…

<<Pasquale Romano, President and Chief Executive Officer>>

Light commercial fleet.

<<James West, Analyst, Evercore ISI>>

Yeah. In terms of...

<<Pasquale Romano, President and Chief Executive Officer>>

Light commercial fleet.

<<James West, Analyst, Evercore ISI>>

Light fleet.

<<Pasquale Romano, President and Chief Executive Officer>>

Yeah. Because when – just for reference for the folks in the audience, when we reference commercial, we mean businesses that want to provide charging to employees or customers as consumers.

<<James West, Analyst, Evercore ISI>>

Yeah.

<<Pasquale Romano, President and Chief Executive Officer>>

Right. The fleet business is…

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

Often referred to as commercial. So in the light commercial super diffuse. So channel there is really important. If you – dealerships and up fitters are going to be incredibly important, especially if you look at work fleets, they will buy white generic pickup trucks from a Ford, GM…

<<James West, Analyst, Evercore ISI>>

Yeah.

<<Pasquale Romano, President and Chief Executive Officer>>

Dodge, whatever and then they will up fit them to have all of the racking and power off-take for the particulars of a roofing contractor or an electrical contractor or what have you. So it's about continuously grooming that channel business. We are a good channel, right. So that's the headline is, we are good at channel and so it's about taking all those practices. One-stop shopping is important, because an electrical contracting firm can handle, oddly, the installation of the electrification of their fleet. They are the only one, a roofing contractor.

<<James West, Analyst, Evercore ISI>>

Yeah.

<<Pasquale Romano, President and Chief Executive Officer>>

A roofing contractor doesn't know what to do.

<<James West, Analyst, Evercore ISI>>

And is the channel in that regard, the up fitter and they are deciding...

<<Pasquale Romano, President and Chief Executive Officer>>

That's one – so like everything it's all of the above, because up fitters will be one, because imagine you are a regional plumbing contractor, so you got a reasonable business. You will have an up fitter or a set of up fitters that you use. And when you want to electrify transportation, your main business is plumbing, you are going to just – you are going to say, can you just solve this for me?

<<James West, Analyst, Evercore ISI>>

Yeah.

<<Pasquale Romano, President and Chief Executive Officer>>

Just tell me how this works and like I will buy the electric one, a piece, I get the lower cost and no maintenance and the fuel charges are better and power off-take, by the way, is a big deal for them. So they got you don't have to leave the vehicle running when you want to basically plenty of electrical outlets for tools and supplies and things like that, so all good. Just don't let me do this myself.

<<James West, Analyst, Evercore ISI>>

Yeah.

<<Pasquale Romano, President and Chief Executive Officer>>

Don't make me think about it. I am busy, right, handle it. That's what we commit.

<<James West, Analyst, Evercore ISI>>

Because the charging destination actually could be the individual operator brings it home, right.

<<Pasquale Romano, President and Chief Executive Officer>>

And we deal with the take on fleet.

<<James West, Analyst, Evercore ISI>>

Yeah.

<<Pasquale Romano, President and Chief Executive Officer>>

That's more often than not, but…

<<James West, Analyst, Evercore ISI>>

Yeah.

<<Pasquale Romano, President and Chief Executive Officer>>

That's more often than not. You will see the work truck in the driveway if you drive from your neighborhood and you actually pay attention to it. And then you have got the behind fences at the site if they have a little roll-up garage door at a commercial site they want some charging there. So they might go to the up fitter. They may go to one of our specialty channel partners. They may go to an electrical distribution firm like our standard channel. They all have to be enabled to be able to get to light commercial, because light commercial is very long tail. It's most of the fleet vehicles in the U.S. and its super long tail.

<<James West, Analyst, Evercore ISI>>

Okay. So maybe let's talk a little bit about some of the partnerships you have. I mean, you recently announced one with Stem. You had the one with the U.S. Postal Service. You have Mercedes-Benz as well.

<<Pasquale Romano, President and Chief Executive Officer>>

Right.

<<James West, Analyst, Evercore ISI>>

How are those helping you kind of – one kind of involved your strategy, maybe with the Stem to be a conversation about that and the other is to accelerate the growth of the charger network.

<<Pasquale Romano, President and Chief Executive Officer>>

So some of the partners that you talked about there, our partner/customers, right.

<<James West, Analyst, Evercore ISI>>

Right. Sure.

<<Pasquale Romano, President and Chief Executive Officer>>

Right. And some of them are truly like we want to go to market and we need a component in the solution that's a significant complexity, but we don't want to make that.

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

Right. So let's take the Stem partnership.

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

That's perfect. There – especially with the current incentives now, there are situations where storage cancels.

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

So you have got a company that wakes up every day thinking…

<<James West, Analyst, Evercore ISI>>

All about storage…

<<Pasquale Romano, President and Chief Executive Officer>>

…they got all that. I got plenty of fish to fry on the charging side.

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

And we have forgotten more about charging the Nano and vice versa.

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

So readymade partnership, because when we are going after a customer site, if you have a well in a pre-integrated solution, it's just – it's the easy button.

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

It's the easy button and that in certain scenarios where storage cancels, it moves the needle, especially if you can't get the utility drop sizes that you need.

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

You can use it in that setting as well. So it's a good example of a partnership, right? If you look at the fuel card, their customer and partners as well, because if we are WEX and it's for us UTI and BTA in the U.S. The – if you look at those, they are providing liquid fuel cards for years to fleets that or businesses that want to give a card to their employees and say, look, whenever you fill up at a gas pump, use this card and they have all pre-negotiated rates and the auto reimbursement and the accounting and all that's tying into expense reporting and all that great

stuff taxing, VAT rules, all that stuff. And so we are powering the electricity domain equivalent…

<<James West, Analyst, Evercore ISI>>

For that, yeah.

<<Pasquale Romano, President and Chief Executive Officer>>

…for that.

<<James West, Analyst, Evercore ISI>>

Yeah.

<<Pasquale Romano, President and Chief Executive Officer>>

And so they look like a channel partner…

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

…to some degree, because in a weird way, right, because that's pulling through a ton of charging licenses…

<<James West, Analyst, Evercore ISI>>

Right. Right.

<<Pasquale Romano, President and Chief Executive Officer>>

…and hardware and stuff, because that's not what they want to make.

<<James West, Analyst, Evercore ISI>>

Right. Right.

<<Pasquale Romano, President and Chief Executive Officer>>

So, again, and that speaks to the – that's one of the little clause of the cat on the screen door, right?

<<James West, Analyst, Evercore ISI>>

Right. Right.

<<Pasquale Romano, President and Chief Executive Officer>>

And now do all that software engineering work and it's not going to cancel for – until you hit volume, so imagine how much work you have got to do to plug into a business system like that and not have it return until the volume shows up always later because we are still in early innings here with the electrification and transportation, so liquid fuel world generally.

<<James West, Analyst, Evercore ISI>>

Right. Right.

<<Pasquale Romano, President and Chief Executive Officer>>

So that's the hard part.

<<James West, Analyst, Evercore ISI>>

So the NEVI program, there has been a lot of back and forth, and the money is not flowing yet.

<<Pasquale Romano, President and Chief Executive Officer>>

For the record, we called that one…

<<James West, Analyst, Evercore ISI>>

You call that one.

<<Pasquale Romano, President and Chief Executive Officer>>

…to go time with us.

<<James West, Analyst, Evercore ISI>>

Do you – I mean do you think we are at the point now we are starting to make some real progress or we are going to keep being delayed?

<<Pasquale Romano, President and Chief Executive Officer>>

It's not – so from our advantage point, it's not delayed.

<<James West, Analyst, Evercore ISI>>

Well, fair enough. Okay.

<<Pasquale Romano, President and Chief Executive Officer>>

So from our advantage point, it's running about, so to – we just – I think it got announced and I forget what date it was, because it's like – it's mind boggling. It's still happening. We just got another VW Appendix D Award. Dieselgate, remember from way back when. That's still happening now and so the – when I used to get the question when the Infrastructure Bill was even on the table before it was even ratified. I would get the question from investors. So like are – is this going to show up this year in your numbers, this is like back in 2022 – no, 2021 and I was like, are you kidding me? I said, this is best case, the 2024 phenomenon and they couldn't get their head around that. But based on our experience, it looked just like Appendix D to had to get federal guidelines – first, you have to get the Bill passed and you need to get federal guidelines. The federal guidelines go to the states. The states have to develop their programs. Put it – a lot of them issued an RFIs, say, what the hell should we do.

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

Right. They finally get the RFPs out. Then you have to have a response period that's appropriate. We have to go chase all the partners because we don't get the money.

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

It's customers of ours that we coordinate with the money, because we are not the asset owner.

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

And so it's running about on schedule and you will probably see it start to show up as a trickle sometime in the beginning of 2024.

<<James West, Analyst, Evercore ISI>>

Okay.

<<Pasquale Romano, President and Chief Executive Officer>>

And you got four states that are live right now with good responses and more coming, and this by the way, what my policy team points out to me is they are like, just remind everyone, this is round one.

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

Yeah. This is round one. There's five rounds. This is round one.

<<James West, Analyst, Evercore ISI>>

Fair enough. How are you thinking about your product roadmap from here? I mean, I know when I toured your facility, it's – you have really simplified everything. You made it all modular. Are you looking at higher voltages? Are you looking at other?

<<Pasquale Romano, President and Chief Executive Officer>>

We are already at 100 volts to 1,000 volts on…

<<James West, Analyst, Evercore ISI>>

Okay.

<<Pasquale Romano, President and Chief Executive Officer>>

…our fast charger architecture. So there's nothing.

<<James West, Analyst, Evercore ISI>>

Okay. You don't do anything there?

<<Pasquale Romano, President and Chief Executive Officer>>

Yeah. I mean, we were looking at – we're looking at where the standards are going. So I will give you some – I will give you some statistics...

<<James West, Analyst, Evercore ISI>>

Okay.

<<Pasquale Romano, President and Chief Executive Officer>>

...that we have generally talked about on that and this is like the recorded anyway.

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

So the – I guess its equal access for everybody. But you have got, in terms of dispensers to cars, if you look at power levels; it's typically limited by the AmpRidge that is legal over the connector standard.

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

Okay. There is – there are revisions in the works of the connector standards to be able to go to both higher voltage – slightly higher voltage, we can already run at a 1,000.

<<James West, Analyst, Evercore ISI>>

Okay.

<<Pasquale Romano, President and Chief Executive Officer>>

And higher AmpRidge, back were compatible, of course, with the current standards, assuming, another surprise doesn't happen we get a third connector...

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

...which would be hell. But, so our liquid-cooled cable systems that were part of the announcement on the Mercedes-Benz program, those liquid-cooled cable dispensers have the capacity in one dispenser to do two 500-kilowatt ports, 500-amps or a single 1,000-amp, except that there's no connector that will handle a megawatt, right?

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

So when there's a megawatt standard, that's a relatively small incremental refinement to the internal system...

<<James West, Analyst, Evercore ISI>>

Okay.

<<Pasquale Romano, President and Chief Executive Officer>>

...because we've already got the electronics in the internal system readied for megawatt charging for dispensation. Dispensation, by the way is far bigger issue.

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

It's not power conversion. You can volt five cabinets – five 200-kilowatt cabinets together get a megawatt.

<<James West, Analyst, Evercore ISI>>

Yeah.

<<Pasquale Romano, President and Chief Executive Officer>>

It's not hard.

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

It's can you get it to the vehicle.

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

Right? So we have had analysis before thought to basically set up for that. So that's – that will happen and it will happen gated more by standards and connector fights between OEM than it will by us.

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

We will be ready early there. We do have – if you look at our trends, we have upgraded every platform that we have to be a world platform, meaning it will handle world grid requirements, single phase, three phase all the different little portals that you get all over the world, it's on the hardware side, now our software stuff coming. So if you look at the products and services that – the products that don't have a world platform, you can kind of guess...

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

...where that's going in a very short time frame, okay. And then if you look at some – on the power conversion side, we are looking at some pretty novel next-generation architectures that I think will really kind of be very groundbreaking, but that's coming and that's we are not announcing the timeframe for that stuff yet. On the software side, we bought two companies...

<<James West, Analyst, Evercore ISI>>

Yeah.

<<Pasquale Romano, President and Chief Executive Officer>>

...not that long ago and we are well on our way of a new version of our software cloud infrastructure that is a super set and a full combination of everything that was good about all three of those systems and there was good stuff on all three of those systems.

<<James West, Analyst, Evercore ISI>>

Right.

<<Pasquale Romano, President and Chief Executive Officer>>

But good in a non-overlapping way, like, really, well that's a pretty good idea.

<<James West, Analyst, Evercore ISI>>

Okay.

<<Pasquale Romano, President and Chief Executive Officer>>

And they will be, like, well, gee, this is a pretty good idea on the legacy ChargePoint side and vice versa. So we are creating a best-of-breed, fully micro serviced. We are very heavily invested in cybersecurity. It's next level security, incredible API flexibility for our cat-on-screen door partners.

<<James West, Analyst, Evercore ISI>>

Right, right.

<<Pasquale Romano, President and Chief Executive Officer>>

So lots of great stuff coming on the software side. It will be much more fluid too in terms of third-party app developers being able to develop literally applications on our cloud in a really flexible way. So you can all kinds of other companies writing applications for ChargePoint over time. That's sort of the vision that we have for software there. We are doing a lot on the – we are doing a lot on mobile, a lot on in-dash integrations. Roaming continues to see, we are up to 500,000 roaming of course it's quite a bit. So more of that, that's where we are spending the money. And then the boring stuff is where we are spending a lot of money, but we don't ever talk about it, which is customer on-boarding automation, support automation, all the internal business systems to handle the scale, right?

<<James West, Analyst, Evercore ISI>>

Right. Right.

<<Pasquale Romano, President and Chief Executive Officer>>

All stuff.

<<James West, Analyst, Evercore ISI>>

Anyone in the audience have questions for Pat? Everybody out today?

<<Pasquale Romano, President and Chief Executive Officer>>

I think it's the end of the day.

<<James West, Analyst, Evercore ISI>>

Yeah. Well, I will ask one more. So what should we be looking for over the next 12 months to 24 months in terms of the financial guidepost?

<<Pasquale Romano, President and Chief Executive Officer>>

Well, I mean, I think, we talked about that on the earnings call, more of out of necessity because I – look, it's a new industry, it's hard for people to get their arms around how investors should build their own models on top of the models that you guys provide for your research customers. So it's – we put a number out there for Q4 on the adjusted EBITDA, cutting it by two-thirds. We felt that we really needed to provide a dot to be able to snap the line to profitability because I just – there were too many variables. The spread – the pattern spread on that, I think, was too wide, it wasn't doing the market any service.

So we basically put that out there saying, okay, if you put that out there, and you see we've been managing OpEx over five quarters pretty judiciously, and that's going to continue, although we did comment that it's not going to – it's not like it's going to be not increased. It's just the operating leverage is quite healthy. If you can kind of generally put the operating expense in a band and you can put the adjusted EBITDA in a band, and you certainly can put – you can see the margin improvement. So you can kind of put that in the band, you can certainly put the revenue in a band.

And so there you go. We are a revenue times margin less OpEx as adjusted EBITDA kind of company. So it's not too hard to – there's no – you don't need a spreadsheet to model the company at that level.

<<James West, Analyst, Evercore ISI>>

And Pat, do you see the supply chain getting easier? I mean, obviously, it's still immature. Also in its infancy, do you see it getting better than it's been over the last 12 to 18 months?

<<Pasquale Romano, President and Chief Executive Officer>>

Well, it's gotten a lot better. And would it – are we investing in stepped up supply relationships? Yeah, absolutely. I mean I mentioned the capacity reservations agreements that we have in place on key things that we don't see unwinding as fast from a demand – from a supply perspective. By the way, one of the biggest worries I don't know if I mentioned it was the super heating of solar due to all the incentives, that consumes the same power MOSFET infrastructure that we need.

So if you don't have reservation agreements, you've got to carve out your lane because the solar guys, that's a much more mature market, much better, right? You don't want to get crowded out by solar and not be able to ship a charger. And it only affects our fast chargers. But – but it's so important. So we have – with that aside, having to manage that in a very unique way, the balance of the supply chain has gotten tremendously better.

And could – in my career, I've seen spot issues happen like you get a political instability somewhere where there's a source of supply of raw material. And no one probably is old enough to remember the fire in the tantalum capacitor factories in the Far East, they were kind of the big

lion’s share. You couldn’t get tantalum capacitors. Like so that stuff can happen. And you can wake up one morning and be in an emergency mode. Barring that, it’s a lot.

<<James West, Analyst, Evercore ISI>>

Yeah. Finals?

<<Pasquale Romano, President and Chief Executive Officer>>

We have 33 seconds.

<<James West, Analyst, Evercore ISI>>

I give them time. Pat, thanks so much.

<<Pasquale Romano, President and Chief Executive Officer>>

Thank you, James. Yes. Thank you.

<<James West, Analyst, Evercore ISI>>

Yeah. Thank you, sir.