Company Name: ChargePoint Holdings, Inc. (CHPT)
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<<Chris Pierce, Analyst, Needham & Company>>

My name is Chris Pierce. I'm with the Needham Research Teams. It's my pleasure to welcome ChargePoint, CFO, Rex Jackson. Rex, welcome.

<<Rex Jackson, Chief Financial Officer>>

Great. Nice to meet everyone.

<<Chris Pierce, Analyst, Needham & Company>>

Dramatic entrance, I like it, through the side door and all that.

<<Rex Jackson, Chief Financial Officer>>

Sorry about that.

<<Chris Pierce, Analyst, Needham & Company>>

Why don't we just give us 30 seconds on the company and then we'll get into some fireside Q&A, and we'll give the last 5 to 10 minutes for any investor questions.

<<Rex Jackson, Chief Financial Officer>>

Sure. So Rex Jackson, CFO of ChargePoint. We are driving the electrification of transportation or mobility across all verticals. We do residential. We do commercial and we do fleet. We are a technology solutions provider. So we don't make money on power. We don't own assets. We don't try to monetize drivers. What we're trying to do is get the network up and properly supported. So we are – if you look at the size of the company, we did 140, 145, 245 this year. If we can hit our guidance, we'll be roughly a double. So 480 would be midpoint of guidance, so fast growing. Doing a good job, I think, and sequentially improving our gross margins, doing a good job also in terms of managing our OpEx and trying to turn cash flow positive in 2024.

<<Chris Pierce, Analyst, Needham & Company>>

That's great.

<<Rex Jackson, Chief Financial Officer>>

So that's the company.

<<Chris Pierce, Analyst, Needham & Company>>

All right. So as investors think about EV adoption rates in the United States, we had 2022 fluctuations in 2023 high single digits. Is that something that you think about or your customers pay attention to? Or is that the wrong question? It's about the longer term, the next three to five years as EV adoption kind of takes hold?

<<Rex Jackson, Chief Financial Officer>>

So I'd say a couple of things. I think one thing I would readily say and we say this all the time, that we are completely dependent in a good way or in a bad way on the adoption of EVs or the arrival rates of EVs, and that's both in the passenger space, which drives residential and commercial and also in the fleet space, where they're trying to get trucks and buses and yard tractors and that sort of thing. So we're very dependent on how that rolls out because if you look at our numbers historically, what you'll see is we correlate really closely to that data. So if there's a way to build a model, we'll build it that way because that's the best external piece of information that we could see. So asking about that question is super important. But I do think we've reached an inflection certainly in terms of the thought process, both the passenger vehicle drivers, so individuals like us. And in terms of fleet operators, I think people have really turned the corner to go.

EV is going to happen. It's the right thing to have happened. The total cost of ownership, the joy of owning the vehicle, if you're a passenger vehicle owner, the cleanliness of it, I like mine because it's fast, it's quiet. All those things coming together are going to lead to an onset of a lot of additional vehicles. The auto OEMs seem to have turned the corner. I know – if you watch television, you'll see ads all the time about the latest electric vehicle offering from name brand that's important. Obviously, the governments have now gotten behind everything from incentives to internal combustion engine car sunset dates, et cetera. So how things happen and how quickly things come off the production line over the next two, three, four, five quarters, obviously, that will affect everything, but I think the momentum in terms of the thought process and the commitment of the various players in the ecosystem is uninterrupted.

<<Chris Pierce, Analyst, Needham & Company>>

Okay. How should investors think about the moat that you have in terms of being far and away the leader in installed chargers in the U.S. versus your customers out there? That current position you have now, what does that mean for the shift to DC? What does that mean for three to five years from now? I'm just kind of curious how you position that moat?

<<Rex Jackson, Chief Financial Officer>>

Sure. So I think obviously, we've – our best moat is intellectual property, right, and the fact that we have multi years of investment in our software infrastructure. And then, obviously, we had a couple of big hardware platform introductions this year, one on the AC side and then our Express Plus, which is a modular architecture, and you can sort of pick your power as you go up the DC fast charge ramp in terms of total output. So the stuff that we've been doing and now have released, It's – a, it's hard; b, design and reliability and serviceability and functionality are all super important. And I think we understand the software side of it and the importance of the network for everything from the driver experience to the functionality to payments, to remote monitoring, remote repair and that sort of thing. I mean we just – we understand that, I think, better than anyone else. And so – and then the other good thing is because we've been around for 12 to 15 years, we have the benefit of thinking this through and then having 12 years of investment in order to build these platforms. So when you say where are we relative to what we currently have and can sell into the market? We're just far and away, we think that in front of other competitors.

And then there are a lot of things that people don't think about when they start to look at – well, hey, for example, do I want to go by a charging station? Do I want to put this in my parking lot? Do I want to put it in my parking structure? Do I want to put it in my house? Do I want to put it in my depot? They don't think about the whole service and support and reliability side of it. So it's one thing to sell something, it's another thing to have it work and be reliable and be visible and be manageable. And I just think reproducing all the pieces of that, building a channel, building a direct sales force, all of those things are hard to do. They're expensive and – but we're well along. And so now our biggest challenge as a company is scaling, whereas other people are still in the development release can I support a kind of moat.

<<Chris Pierce, Analyst, Needham & Company>>

Okay. What do you tell investors who worry about – who focus on 70% of the charging market right now being at-home charging? Is that too shortsighted? Or kind of how do you kind of push back against that?

<<Rex Jackson, Chief Financial Officer>>

So the first thing I would say is, you're right, right, because it is true. It's – and it may even be a little bit higher than that. So the way we look at the market is, first of all, you want to charge your car using the right infrastructure because home chargers are $700, fast chargers can be more than $30,000. So which solution you choose is based on the dwell time of the vehicle. So where are passenger vehicles? They sit at home or they sit at work, or they sit at a retail center or whatever. So you want to charge your car while you're doing something else. And so we think it's absolutely natural and absolutely right that people are going to charge at home. So you leave your house fully charged. You charge at work, you can top it off if you need to. And the only time you access the very high power, very expensive DC infrastructure is when you're on the road going beyond your battery range. So 90% of charges are going to be on some form of AC architecture and 10% are going to be on DC fast. But we do both. We just think in terms of providing the customer what the customer actually needs it, that's going to be breakdown.

<<Chris Pierce, Analyst, Needham & Company>>

Okay. And you talked about partnerships and the sales channels that you have. Can you talk about your competitive process as you kind of win charger installs out there? How you kind of retain or kind of new customer adds and customer retention?

<<Rex Jackson, Chief Financial Officer>>

Yes. So by vertical, we're a consume – we're a B2C company when it comes to selling our residential home charger stuff. So there just needs to look better, be better and be priced appropriately. From a commercial standpoint, which is both AC and DC and that's whether it's workplace or a hotel or whatever, and I'm speaking mostly about North America right now, there's not a lot of head-to-head competition that happens there. And I think it's because this burgeoning market, you don't have a lot of companies out there. We're the biggest, but we're not the only. And so there are some places where a deal will happen that we never see. I think head-to-head, we very, very rarely lose when it comes to commercial deals. And I think our customer growth, which is extraordinary, shows that.

And then on the fleet side, the fleet guys aren't stupid. So what they do is they had – they almost always run it through procurement, always do an RFP process. And so there's a good bit more kind of competition there. And I think the main reason for that is, a, procurement; and b, they're willing to be the integrator of the solution. So they'll look at saying, okay, well, I want to do an RFP to 10 people who might supply software and 10 people who might supply hardware, and I'll just pick and choose. And what they don't realize is that you don't want to be the integrator. If you want to get the right solution into your application, you're better off to do some with somebody – do it with someone like us who has a unified stack from software all the way down to hardware. We do really, really well in the fleet RFP space. But that's the one place that I think we do bump into some other players who only do one thing.

<<Chris Pierce, Analyst, Needham & Company>>

Okay. And are you seeing these fleet or commercial customers kind of not necessarily a pause, but kind of a little more thought press into things as the economy, the macro slows down as EV sales can not necessarily the pace of growth slows considering the pace we saw in the last couple of years, or would you push back against that...

<<Rex Jackson, Chief Financial Officer>>

Short answer, I'd say was no. Because what's been happening thus far is there's enormous amount of RFP activity and essentially what the major players are doing is they're getting ready. And the go signal for the players in the fleet space is vehicles, right? So not - totally not – totally disregarding what's going on in the economic environment, it would be silly, who would do that? So there's always that impact. But frankly, there are so few electric vehicles in the fleet space right now that – and the people who are motivated to get them out or still motivated irrespective of the economic environment and when they get them out, they will be purchased. I don't think that's going to slow down a lot. I really don't.

<<Chris Pierce, Analyst, Needham & Company>>

And you talked about deals might happen, you might not see, you might – you tend to win deals. As the market leader, does that lead to rational pricing in the space then? Is that something where – or are the pricing conversations...

<<Rex Jackson, Chief Financial Officer>>

Did you say rational or irrational?

<<Chris Pierce, Analyst, Needham & Company>>

Rational.

<<Rex Jackson, Chief Financial Officer>>

Rational pricing in the space.

<<Chris Pierce, Analyst, Needham & Company>>

From competitors?

<<Rex Jackson, Chief Financial Officer>>

You know what it's funny because we don't go head-to-head very much.

<<Chris Pierce, Analyst, Needham & Company>>

That's…

<<Rex Jackson, Chief Financial Officer>>

Yes, I mean, we – our pricing has been fairly consistent over the years, and discounting is not great, meaning we don't do a lot of it. We do have the ability to support channel by providing appropriate compensation to partners and distributors. We were able to put in a price increase, actually two price increases last year, taking into account all factors like supply chain issues and inflation. So we've been – had very resilient pricing and improving ASPs. And so – and because we don't go head-to-head with a lot of people, I honestly don't know what they're going but that's what we're doing.

<<Chris Pierce, Analyst, Needham & Company>>

Okay. And just kind of how do you talk – people might be very enthusiastic about the future of DC charging. You guys as the leader in AC, is that an advantage, a disadvantage? What do you think DC is sort of – you talked about the right charger for the right person…

<<Rex Jackson, Chief Financial Officer>>

Exactly.

<<Chris Pierce, Analyst, Needham & Company>>

And AC is serving most people's need. So is DC sort of a shiny thing that is kind of getting too much hype? I'm just curious how you would think about that.

<<Rex Jackson, Chief Financial Officer>>

Well, it's – I like the way you asked that question. So I think what a lot of people don't think about is the difference in cost between the port of AC and a port of DC. So a port of AC from us, call it, somewhere around $3,000. Also, you have to spend $3,000 in terms of an electric – a contractor to actually put the stuff in the ground that you need and behind it. And then – so that call it six all in. If you buy a DC charger, you're north of $30,000, Again, you got to pay the same amount to put it in. So now you're looking at $60,000 to $75,000 of putting a DC. So what we tell customers is absolutely DC is wonderful, right? Feeds and speeds wonderful. But you want to put it in where you need it. And then you also have the other issue, which is when you pay for power, you pay based on the fastest you pulled at the entire month, and then all of your power is fundamentally at that rate. So it's expensive from every angle, right?

So what you do is you put in DC where you really need it, and that could be anywhere from corridor charging, so if I'm driving from LA to San Francisco or New York to Boston and I want to stop in between, pull off a freeway, boom, there is a DC. There's some behind-the-fence applications for meaning depot-type charging where you have big vehicles that come in and out and in and out and in and out like a UPS. And then you might have a valet service or something where you just go, hey, I got people coming in a parking lot. They're only going to be for 20 minutes, I can give them a jolt. So I think it's absolutely awesome where it's needed. And it's also the thing, I think, because it's point to point, it's going to fill in sooner, that's where the government is focused, for example. It's like you got to get DC in because we want to knit the – this is the U.S., we want to knit the country together from a DC perspective. But all of the infill and all of the around town stuff, almost all of that is going to be AC. And we do both. So we just – right solution in the right place, right time.

<<Chris Pierce, Analyst, Needham & Company>>

Can you touch on NEVI then because that will be – we're talking about every 50 miles DC kind of network of the company on a DC basis, how this ChargePoint play there? And is ChargePoint benefited? Or like since you don't want to sell power, you just want to get these charging stations up or how does – just kind of how does that all play together?

<<Rex Jackson, Chief Financial Officer>>

So I would expect definitely to be a benefit to the company. So there's an analog to NEVI. I don't know if people remember the whole dieselgate thing where Volkswagen got themselves in trouble and there was a settlement in dollars allocated to the states. There's a process by which those dollars get spent on charging infrastructure. And so NEVI is going to go very much the same path. It's going to look like that and the same departments of transportation in the states are going to get that money and administer it. That process has started. We've mapped the country from our perspective in terms of where we think the best sites are along all the routes in all 50 states. So we're ready to go, and we have relationships to start. Bang on because the process is you have you to win the money based on your ability to obviously have sites and build them out and provide the infrastructure.

The money will actually go to the owner – because we never own equipment, the money will go to the site host or the person who owns the piece of real estate, where their chargers live. And obviously, they will use that money to buy this stuff from us, so they will just be our customer. And I see that rolling out to our benefit maybe a little bit this year and then it's going to pick up steam next year, but it's a multiyear – it's probably a five-year program, I believe. So it's not something we count on it. I view it as an icing on our fundamental cake of the business that we're doing today. So it will be good for us, but it's not – we're not dependent on it.

<<Chris Pierce, Analyst, Needham & Company>>

Okay. And on the last earnings call, ChargePoint, you spoke about bookings north of $1 million. What kind of entities are driving these bookings? And is that 100 charges and above type orders? Like is it commercial real estate like a mall that have multiple properties and multiple states, like who's driving those size orders?

<<Rex Jackson, Chief Financial Officer>>

The way it depends – excuse me, it depends on the application, but it would be large returning commercial clients and principally that in fleet, but most of the fleet, I would expect. And I think we've said this in prior calls, when you think about our business today, it's about 12% to 15% residential, 60% to 70% commercial and the balance is fleet. There's a little bit of other. And we've said, I wouldn't be surprised if fleet is 40% of our business two or three years from now. And what that's going to do is because depots are big, that business is going to be very chunky, and you're going to get a lot of big deals like that. I mean $1 million in terms of the depot architecture necessary to drive a meaningfully sized depot is going to be way north of a million bucks.

<<Chris Pierce, Analyst, Needham & Company>>

Okay.

<<Rex Jackson, Chief Financial Officer>>

Yes.

<<Chris Pierce, Analyst, Needham & Company>>

And can you talk about the Mercedes-Benz announcement. Like why wouldn't an OEM for the need to build their own charging network, co-branded? And kind of how that RFP went considering – you said you don't sort of bump up against competitors when you go out with these deals kind of just the genesis of it through what it might look like when it's installed?

<<Rex Jackson, Chief Financial Officer>>

Sure. So first and foremost, what Mercedes wants to do is sell electric vehicles, right? And they're a premium brand, so they want you to have a premium charging experience. Excuse me. Unlike Tesla, not to bash Tesla, it's not a criticism. They don't feel the need to have a closed system. They're willing to have one that is an open system. So yes, if you're an EV driver driving Mercedes, and you're registered as a Mercedes driver, you could get preferential treatment like the ability to reserve it before you get there, preferential pricing, maybe depending on where the installation is, benefits or promotions from the site host. It could be a Starbucks, it could be anybody. And so they view this as a way to provide a premium driver experience to their drivers but not have a closed system. So that was their motivation. They're doing it in such a way that it's obviously going to be quarter charging. They're thinking 400-ish sites, I believe, is the number.

<<Chris Pierce, Analyst, Needham & Company>>

So DC?

<<Rex Jackson, Chief Financial Officer>>

Yes, it will be. It will all be all DC.

<<Chris Pierce, Analyst, Needham & Company>>

Okay.

<<Rex Jackson, Chief Financial Officer>>

Yes, because think of it as I think we call it like the 30-minute retail economy. Think of it as you're putting power where someone would otherwise be there for 30 minutes anyway. So they're not – it's not destination charging. You're not sitting there in your computer or watching your car charge. You go there to do something as you're doing a point-to-point trip, right? So it's very much quarter highway fast-charging kind of thing. I don't – they're not to their credit, and actually I feel this way about asset ownership generally in this space.

They're not trying to make money on the drivers by charging a lot of money for the power and the host who actually owns the real estate is going, well, I'd love to have Mercedes. Mercedes branded charger that looks great, sitting in my parking lot because that's good for me. And they're attracting people to my site to come in and buy coffee or sandwiches or whatever else they're going to do. So it's an ecosystem, kind of everybody wins kind of scenario from Mercedes.

<<Chris Pierce, Analyst, Needham & Company>>

Like a multifaceted way to drive, I mean, anxiety?

<<Rex Jackson, Chief Financial Officer>>

That's right.

<<Chris Pierce, Analyst, Needham & Company>>

Okay. Okay. You touched on differences between Europe and the United States a little bit. Can you kind of go a little deeper, I think Europe infrastructure versus how you went over there over here. I think you have maybe 30-year charges there, but less than 20% of revenues. Like what drives that delta if I had that math right?

<<Rex Jackson, Chief Financial Officer>>

You are right. So Europe hangs out. It's been as low as 7% to 9% a couple of three years ago and then first quarter this year was about 20% and it's been in the mid to high-teens in Q2 and Q3 as well. So when you factor that percentage against how fast we've grown this year, you go, wow, Europe is really waking up for charge point. The challenge that we have in Europe is really – it's actually two or threefold. So the challenges are, one, we got there late, right? So we only entered – we started in the United States 15 years ago.

In Europe, we only got there in 2018, I think we're there in earnest, and we might have hired our first person in 2017. So getting their light means, there are a lot of other people who were very busy sort of building their companies and doing their thing from an EV infrastructure standpoint. So we don't – it's hard to enter a new market like this late successfully. So we've really put an enormous amount of energy behind being successful in Europe. That's a problem that's unique to us.

Secondly is, everybody knows it's balkanized. It's multiple countries. And so the language challenges, people who want to buy local, they've got a favorite local provider, they think about things differently. It's a challenge for us to go, okay, well, how do we map whether this a fairly monolithic charge point in North America to something that's what you need to be in order to be successful in Europe. I think we made great strides at that. And so if you have a pan-European customer and you can be the pan-European service provider who supports that customer, I think you have a major advantage. But there are a lot of smaller players that we're going to have to sort of jump over and outrun to be successful there.

And then they have, and this is also something that's not unique to us. To provide product to Europe, there are a lot of local requirements that you have to satisfy. To be in Germany, it doesn't bother a German supplier because that's all they do. But when you want to be in Germany and you want to be in France and you want to be in the UK, and they have different requirements in each place to have a platform that can actually nimbly do that is really hard, but we released our AC platform for that this – it was 2023 now, mid last year and then our Express Plus super high power modular architecture is also available for moving across Europe. So we've solved – we've very much solved that problem.

I feel really good about what's going in Europe. The only other thing I would mention is, there – because of how that industry started there without us, I don't think the buyers in Europe understand yet the full value of what we do relative to somebody who says, yes, I'll stick that in your parking lot, and then they leave, right. To have a partner who's got the right software, the right support, the right reliability and the other things that we bring to the table, they should be willing to pay for that, but pricing in Europe is challenged.

<<Chris Pierce, Analyst, Needham & Company>>

Okay. Okay. And then bringing it back to the United States, specifically California. I think one of the California Universities, the State Universities, did that study about chargers out in the field and some of them necessarily weren't working every time so I pulled up to them. I'm not calling out at ChargePoint charges. They picked on a lot of people in the industry. So what do you kind of tell investors kind of when they kind of preference that study?

<<Rex Jackson, Chief Financial Officer>>

So I'm not going to spend any time digging into how accurate, I think that study was or how diligent it was just because that's not productive. I will say that what that study is dead right on is that that's probably the number one issue for the EV charging industry, which is, if it doesn't work, I mean – it doesn't do you any good that the driver pulls up, and it doesn't work. So we have an enormous amount of energy behind making sure that we have the most reliable infrastructure in the industry.

The challenges there are – the two big challenges that the hardest to do with our communications, right? Because we don't own the cellular infrastructure. We just have a location and it's got to talk or go through WiFi. And then two is a human interface where if someone breaks a cable retractor, for example, the things lying on the ground being driven over, there's no software way for us to see that other than to go, well, we haven't had a charge on there for a week, we used to have a lot of charges on there.

We can see that – so that's how we know we have a problem. So the company that's got the scale – first of all, the thought occurs to them and they had the scale, the reliability coming – when the stuff comes out of the box. And the other thing is necessary to make sure the infrastructure is always up, plus the software in our service and support org, and our partners everywhere who hit the ground running and a number of hours to go fix something. The team that has that is going to win, and I'm not aware of somebody else who actually has that.

<<Chris Pierce, Analyst, Needham & Company>>

Can you talk about purchase price variance a little bit and margins through the course of this year?

<<Rex Jackson, Chief Financial Officer>>

Sure. So as everybody knows, you hear about supply chain every day. Short answer is, we've been running four percentage points to five percentage points of lost margin because, in order to provide assurance of supply, which is we've been very clear is our first priority because winning a customer means you're going to grow with that customer. So winning the customers is really vital. So we said, let's just make sure we maintain supply. So filling those gaps when some – a supplier says, sorry, I had a problem.

I don't have any more of this. I sold out or whatever, and you have to buy stuff in the spot market and then put it on an airplane, that drives your costs up. So we've gone from a readily available just-in-time economy to – we blew up the world's – we blew up the entire thing and are sort of starting over from a supply chain standpoint. Has hit us four percentage points to five percentage points per – in gross margin each quarter this year. And then the whole logistical side of it, where you're using planes, not boats, that's been pretty steady at a couple of points.

<<Chris Pierce, Analyst, Needham & Company>>

Okay. We've got about 10 minutes left. I don't think the audience has a question, fire away.

Q&A

<A – Rex Jackson>: Yes sir.

<Q>: Have you seen any opportunities on the M&A side?

<A – Rex Jackson>: For us, no. I would never say never, but we did two deals a year before last in Europe, which was we thought the right thing to do. And we've been very pleased with how it's turned out. But as we look at the landscape today and the fact that our portfolio now is fundamentally complete. There's nothing – there's – well, there's nothing we need to do. We've grown nicely in terms of people. So don't need technology, don't need people.

So the only thing we might be interested in doing is picking up customers, but paying up for that is a hard thing to justify. But I do expect there to be a lot of M&A activity in the space. It just won't be us because there's capital constraints and stuff and people in the space are going to struggle a bit, and I think putting themselves together is going to happen.

<Q – Chris Pierce>: What are some short-term KPIs for your business that you look at on a daily or monthly basis or are there some industry KPIs that you look at to kind of give you confidence in the longer-term model?

<A – Rex Jackson>: You threw in the model thing was because I was going to start with the hottest topic in the company right now is customer experience. And it's everything from how you quote it, how you price it, how you ship it, how you activate it and then how you support it? And so we want to be as perfect at the end to end as we could be, and we do better that. When you go to the model, obviously, we've been in a situation this year where, of course, I look at bookings, billings, backlog and revenue. That's behaved pretty well this year.

So it's not like we have to grind away on that just yet. It remains to be seen what's going to happen in Q4, no idea. But we obviously look at that. I'd say we spend an enormous amount of time on anything affecting gross margin because that's – it's the first thing most investors ask us about what's your trajectory there? We like your business model, but we got to see that you can be profitable, how do you get there, and what's that life path look like?

And then we spend a lot of time trying to be – trying to grow up when it comes to OpEx. And so that's monitored daily almost from the FP&A group. We have approval processes to be smart about that and make sure that we're putting our dollars where they need to be. I know those sound very fundamental, but those are the big ones. And then the things that flow out of those are the things you would expect in trying to run a successful company.

<Q – Chris Pierce>: What investors do you ask you what the trajectory of gross margins, you said they do ask, what can – how do you answer that question?

<A – Rex Jackson>: So we were, let's say, the last three quarters, 17%, 19%, 20% and each quarter, we have flagged the fact that there's six points to nine points of stuff, which is not a highly sophisticated financial term, but supply chain, logistics and then we've had been a couple of charges as we've made these big product transitions I mentioned earlier. So what we've said, we were guiding with a range in gross margin more recently. But this quarter, what we did is we said, look, we expect it to sequentially improve.

And the only reason I didn't want to put a number on it is because the range is really wide and the reason it's wide is because it depends on what we can both book a new and build and ship and how we chip away at what was a fairly sizable backlog. So the mix component could really bang things around. But I just expect it to get continually better and then I try to give people that thing I started with, which is, we've got several points that just lying on the ground, right? If we can get through the supply chain issues – logistics, I think, has eased a bit, but if we get through the PPV issues, work better with our CMs. There's just a lot of things we can do, I think, to bring that number up in an intelligent and sequential way. Yes, sir.

<Q>: Yeah, it's a long questions. So I'll try to brief.

<A – Rex Jackson>: I can give you a longer answer, I wouldn't do that.

<Q>: You have been in the EV industry because of the higher lithium prices. Are we going to see when you come to your industry you are going to wait for a couple of years before expanding your network to see how that is going to play out. Is that not an issue for your industry? I'm clearly looking at the demand right now for EV. Higher lithium prices are negatively impacting, there is no question?

<A – Rex Jackson>: Sure.

<Q>: So I mean when it comes to your industry, is that going to play out differently? Or are you going to expand your network, not just you but the whole industry [indiscernible] irrespective of how the demand is going to play out then enter three to five years in the EV industry?

<A – Rex Jackson>: So I think that – I'll try to keep my answer short, actually. The – if you – I think the auto industry, because of general economic conditions, inflation and all that other good stuff, not just battery prices, everybody would surmise you were going to sell less cars, right? However, EVs within that number, if you draw two graphs – two lines you go, well, auto is like this, but EV is like that, right? So the percentage of whatever you sell represented by EVs and the actual raw number of EVs being sold per year is going to go up. We genuinely believe that in a meaningful way, notwithstanding prices on batteries.

There's incentives from the government that will help to do some offset there. But I think we have a long way to go before people will go, what, I don't really want to get a Ford Lightning. I'm just not that excited about it. There's a lot of people. I want to buy one, right? So like – we just think there's an enormous amount of momentum there to provide for a very, very strong EV auto industry, even despite some of the pricing issues as a result of which, and for some of the other tailwind factors I mentioned earlier, we just see the preparation of this country in Europe and Canada to build out an EV infrastructure is going to continue innovate.

I don't see people going in one as a serious and by the way, the automakers who were putting billions to work to become EV ready and get out EVs, they don't have a choice but to keep going, right? What are they going to do, right? They just have no choice. So I think never say nothing in terms of the external impacts, but I think that the underlying structural momentum is pretty strong.

<Q>: But do you look at the industry in a certain way that if you assign the ChargePoint for this many cars, if you look at the demand or how many cars are going to…

<A – Rex Jackson>: That is precisely how we build our financial model, what you just said. And what we do is we go for every – and this is – remember, I mentioned a correlation earlier, that correlation of us to vehicles. If you look at – if there's 100 vehicles that are hitting the street, you're going to need 15 public chargers essentially. That number has been a little – historically a little higher in Europe because they've been doing a lot more, let's get ready. So there have been more chargers and again, public chargers. Our – just to factor that – to give you a sense, our market share for AC, for example, in the U.S. is north of 70%. So we go, okay, well, there's 15 needed, and we're going to get 70% of those [indiscernible] and that becomes our model.

So on residential, there's a one-to-one correlation, and like one car, you need one charger and almost everybody buys one. So it's a rounding error of those who don't. So we factor that based on vehicle arrivals and what we think our share is. And then on fleet, our current estimate is fleets are going to be, until further notice, roughly one to one as well. So a fleet vehicle will need a dedicated charger. And again, that's not always true, but it's going to be a rounding error for the time being until it's not. So that's how we build our financial model, and we think that holds regardless of who you are as a question of what portion of that demand you get, but that's how you figure out demand.

<Q>: So can you discuss what would be the capacity utilization for the next two to three years given what the demand is going to be?

<A – Rex Jackson>: On the installed capacity of charging infrastructure, that's going to be all over the map, right? Residential, very high, right? You go home, you charge. Commercial, it probably pretty high, right, because people drive – when people are going back to work, I know at ChargePoint, and we're not, obviously, the best case for this, but ours are almost always occupied during the day, right? At night, no, of course, because people aren't at work. Very, very high.

I think the utilization on corridor charging, which is the DC fast where you pull off a freeway and you charge is going to continue to be quite low, right? That's 10% or 15%, maybe 20% because that's just the nature of that beast, right? It's – people aren't sitting there all day. And then fleet is going to be based on the nature of the fleet operator. If you're – if you're a U.S. postal service, you're going to have a one-to-one correlation. They're going to show up at night, charge and leave the next day. Somebody like a UPS, who cycle stuff a lot, you're going to have super high utilization.

<<Chris Pierce, Analyst, Needham & Company>>

Okay. Why don't we leave it there? Let everyone get to the next chat.

<<Rex Jackson, Chief Financial Officer>>

Yes. Great. Thanks, everybody. Appreciate it.

<<Chris Pierce, Analyst, Needham & Company>>

Thank you, everybody.