Call Participants

EXECUTIVES

Mansi Khetani
Interim Chief Financial Officer

Patrick Hamer
Vice President of Capital Markets & Investor Relations

Rick Wilmer
President, CEO & Director

ANALYSTS

Christopher Alan Pierce
Needham & Company, LLC, Research Division

Christopher J. Dendrinos
RBC Capital Markets, Research Division

Colin William Rusch
Oppenheimer & Co. Inc., Research Division

Craig Irwin
ROTH MKM Partners, LLC, Research Division

James Carlyle West
Evercore ISI Institutional Equities, Research Division

Mark Trevor Delaney
Goldman Sachs Group, Inc., Research Division

Matt J. Summerville
D.A. Davidson & Co., Research Division

Steven Bryant Fox
Fox Advisors LLC

William Chapman Peterson
JPMorgan Chase & Co, Research Division

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Presentation

Operator

Ladies and gentlemen, good afternoon. My name is Krista, and I'll be your conference operator for today's call. At this time, I would like to welcome everyone to the ChargePoint First Quarter Fiscal 2025 Earnings Conference Call and Webcast. [Operator Instructions]

I would now like to turn the call over to Patrick Hamer, ChargePoint's Vice President of Capital Markets and Investor Relations. Patrick, please go ahead.

Patrick Hamer
Vice President of Capital Markets & Investor Relations

Good afternoon, and thank you for joining us on today's conference call to discuss ChargePoint's First Quarter Fiscal 2025 Earnings Results. This call is being webcast and can be accessed on the Investors section of our website at investors.chargepoint.com.

With me on today's call are Rick Wilmer, our Chief Executive Officer; and Mansi Khetani, our Interim Chief Financial Officer. This afternoon, we issued our press release announcing results for the quarter ended April 30, 2024, which can also be found on our website.

We'd like to remind you that during the conference call, management will be making forward-looking statements, including our outlook for our second quarter of fiscal 2025. These forward-looking statements involve risks and uncertainties, many of which are beyond our control and could cause actual results to differ materially from our expectations. These forward-looking statements apply as of today, and we undertake no obligation to update these statements after the call. For a more detailed description of certain factors that could cause actual results to differ, please refer to our Form 10-K filed with the SEC on April 1, 2024, and our earnings release posted today on our website and filed with the SEC on Form 8-K.

Also, please note that we use certain non-GAAP financial measures on this call, which we reconcile to GAAP in our earnings release and for certain historical periods in the investor presentation posted on the Investors section of our website. And finally, we'll be posting the transcript of this call to our Investor Relations website under the Quarterly Results section.

And with that, I'll turn it over to Rick.

Rick Wilmer
President, CEO & Director

Good afternoon, everyone, and thank you for taking the time to learn more about ChargePoint's first quarter fiscal 2025 results. Today, we are going to recap the first quarter's financials, some recent highlights and discuss the state of the market. We will update you on our 4 areas of strategic focus, key accomplishments and new partnerships we have formed. Our interim CFO, Mansi Khetani will give Q2 guidance in her portion of the call.

I want to start by emphasizing that when we say we will do something, we fully intend to do it. My approach as CEO is to lead by example through clarity and accountability, provide regular updates and drive the organization to deliver on our commitments, not our intentions. That said, here are the top line financial results for the first quarter. In Q1, we delivered what we targeted in our last earnings call. ChargePoint's revenue for the first quarter was $107 million, which is above the midpoint of our guidance range. Non-GAAP gross margin was up to 24%, and I am pleased that our non-GAAP operating expenses came in at $66 million, which is down $8.4 million from last quarter and a proof point of the financial prudence I discussed in the last earnings call.

Our cash management is a priority. And for the second quarter in a row, we use significantly less cash than forecasted. Our non-GAAP adjusted EBITDA loss for the quarter was down to $36 million, which is ahead of plan. While these results were positive, they could have been better. There were 2 areas

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where we saw opportunity. First, we had 8 figures worth of deals postponed to later quarters, primarily because of construction and infrastructure delays. Second, our inventory was up 13%, as we stand behind our valuable manufacturing partners and continue to support our commitments. We chose to take the inventory and be a reliable partner over working down the inventory balance. Our inventory continues to gradually normalize, which we expect will take the rest of the year.

Regarding our goal of becoming adjusted EBITDA positive in Q4, as I said at the beginning of this call, we will drive the organization to deliver on this and our other goals. We have a clear plan to get there, and we exceeded our internal goal for Q1 EBITDA. Some key drivers are as follows: large deals that have been booked and will ship later this year. The deals will be announced by our customers at the time they find best for their respective businesses. There are multiple initiatives underway that will have a positive impact on COGS, OpEx and margin-rich top line contribution. These initiatives are specific and actionable and are embedded in our quarterly objectives.

I will touch upon some of them in this call. As demonstrated in Q1, we will continue to reduce OpEx through operational rigor. We know you rely heavily on our past performance as an indicator of our future results, but I must remind you that we are a new leadership team with a new strategy and a serious commitment to operational excellence. As our Q1 results demonstrate, we are implementing positive changes that could not have been extrapolated based on our past results. Moving to the state of the market. It may feel like there is a lot to discuss this quarter, and there has been a lot of media coverage in the sector, but the story remains the same.

EVs are selling and people need the infrastructure to charge them. Various factors caused micro movements within this macro trend line, but the trend line continues upward. According to Bloomberg, non-Tesla EV sales were up 13% compared to the first quarter of last year. In fact, EV sales at 6 of the 10 best-selling OEMs increased 50% or more in Q1. As a reminder, while some OEMs are reducing projections for EV sales volumes R&D continues at major global OEMs, including Honda's recent announcement to spend $65 billion, electrifying their lineup over the next 10 years. Per a report from the International Energy Agency titled Global EV Outlook 2024, from 2022 to 2023, investment announcements in EV and battery manufacturing totaled almost $500 billion, of which 40% has been committed.

Finally, to give commentary about plug and hybrid scaling faster than pure EVs, we view this as beneficial for ChargePoint. A plug-in hybrid is a natural stepping stone towards full EV and plug-in hybrids require charging. Plug-in hybrid buyers are prospective home charger buyers and their adoption is putting utilization pressure on commercial and public chargers. We delivered nearly 4 million PHEV charging stations at Workplaces in 2023. If it has a plug it is supporting our business. The bulk of what customers and investors are reading summarizes the demand curve for electric vehicles, not demand for chargers. Against Q1's micro movements on the macro trend line utilization pressure on the ChargePoint network, which we believe is a key indicator of charger demand not vehicle demand has never been higher.

In Q1, we saw commercial utilization outpaced new charger installation by more than 20%. This has been building several quarters in a row, which indicates the need for incremental infrastructure to follow. To communicate this pressure in terms of vehicle adoption. In 2016, there were 7 electric cars for each public charging point. Today, there are more than 20 EVs per public charging points. A new trend we are keeping an eye on is quite intriguing. Growing site host sentiment that EV adoption has reached critical mass and they are putting in charging regardless of current or future EV sales pace.

In other words, we believe the correlation between passenger EV sales and charger demand is disconnecting. We will continue to monitor this with interest. What has moved from a trend to the norm is hardware and software disaggregation among our largest existing and prospective customers. It is becoming clear that the industry's leaders will supply world-class software to support an entire hardware plus software solution regardless of who supplies the hardware.

In North America and Europe, we see continued government support for infrastructure build-out. Starting with the U.S. national electric vehicle infrastructure program, results are going well for ChargePoint. As of today, and inclusive of the proposed awards in California announced earlier this week, ChargePoint's customers have been successful in winning more than 120 individual NEVI site awards totaling roughly $71 million in grant opportunities.

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As the enabler of EV charging for entities who deploy NEVI funding, we support NEVI grant applications but aren't necessarily named as the awardee by the state agency. To date, about 30 state DOTs have issued competitive NEVI RFPs and around 20 states have announced awards, but we continue to support our customers in pursuit of NEVI grants that haven't opened their programs yet as well as those that are on their second or third round of funding.

In the EU, AFIR, the government alternative fuel infrastructure regulation went into effect on April 13. While not an incentive program, AFIR sets targets for EV charging deployment and will encourage wider EV adoption. It will do so by setting standard requirements for charger hardware and solar functions across the entire European Union. Not only was ChargePoint prepared to ensure our chargers are AFIR compliant we helped establish some of the parameters directly with the European Union. Next, I would like to give you an update on our strategic priorities.

As a reminder, last quarter, I introduced our new corporate strategy to you, which is summarized by the 4 cornerstones of prioritizing our open modular software platform, revamping our approach to hardware development delivering world-class driver experience and operational excellence. For each cornerstone, I will now relay the demonstrable progress I promised last quarter. In terms of software, it has been a busy quarter. We announced the latest enhancements to our fleet software platform, which include home charging reimbursement for company car drivers, commonly referred to as take-home fleets, transit vehicle preconditioning, and a substantially enhanced UI that is currently in its pilot phase.

Most importantly, we made great progress opening our software up to third-party hardware in the U.S.A. We had a good head start on this, thanks to our existing work in Europe. ChargePoint's be.ENERGISED software, which we sell in Europe to manage entire charging networks that provide industry-leading experience in managing mixed hardware. Look for our first hardware OEM announcement in the coming weeks. In Q4 of fiscal 2024, we received FedRAMP certification of our software, which as mentioned in our last earnings call, enable us to sell to the U.S. federal government. I am pleased to say that this certification is paying off. We booked 7 figures of FedRAMP required revenue in our very first quarter, including a sizable deal with the U.S. Navy.

Our new approach to the design and manufacturing of hardware is also making a difference. Last quarter, we announced our partnership with AcBel Polytech, Inc. for future hardware. And in the first quarter, we began actively working on our first project together. As a reminder, this relationship will bring our products to market faster and at higher margins. We continue to develop this strategy. And today, I am delighted to announce a second hardware co-development partnership. We have signed an agreement with Wistron NeWeb commonly known as WNC to work on a set of future hardware projects, and we look forward to a great working relationship with them. To recap our latest hardware news, we showed our upcoming megawatt charging system at the recent ACT Fleet exposition. Designed for trucking, marine and aviation applications, this is the most powerful charger we will offer capable of 1.2 megawatts at launch and multi-megawatt charging in the medium-term future.

To give an idea of how incredibly powerful this system is, our launch spec system can power more than 1,000 residential homes through a single connector. This upcoming connector protocol eliminates a key barrier to the electrification of large-scale trucking, which in turn has the potential to reduce or eliminate the 400-plus million metric tons of greenhouse gases emitted by that segment.

As we have said before, what is good for our business is also good for the environment. Our strategic decision to focus on a world-class driver experience has delivered a wonderful solution for our newest partnership. We have established a relationship with Airbnb to increase the availability of EV charging at Airbnb listings across the U.S.A. To accomplish this, we created a novel solution for Airbnb hosts encompassing the ChargePoint Home Flex residential charger, installation, software and support services. For drivers, this will guarantee a charge where they are staying a critical need for EV drivers on a road trip and one not always accomplished at a hotel. Better yet, the world-class experience extends to the Airbnb hosts. We make their adoption of charging as an amenity near seamless.

Once they answer 3 simple questions on our website, they have a quote including installation costs and we can implement charging in as little as 2 weeks as a turnkey solution. We are now exploring compelling use

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cases for this offering outside of the vacation rental industry, which is important for me to call out as 1 of those actionable margin-rich initiatives currently underway.

Operational excellence is our fourth cornerstone and the area in which our results have surpassed our internal expectations. We had a good quarter and ahead of our plans for cash, gross margin, OpEx and adjusted EBITDA as a result. We remain disciplined, factoring OpEx and margin impact into every decision we make. This requires a lot of restraint that has enabled focus and delivered results. The proof points above outlined progress in deliverables under these 4 cornerstones of our strategy, which we will continue to do as the year progresses.

Moving on to our latest nonfinancial metrics of note, this is another area of the business which continually demonstrate scale. In the quarter, we reached 2 amazing milestones. Most significantly, ChargePoint now offers drivers access to more than 1 million places to charge worldwide across public, private and roaming ports.

For us, this is a celebratory milestone, and equally impressive was the fact that this statistic grew approximately 10% in a single quarter. The other milestone reached in Q1 is that we have now enabled more than 10 billion electric miles for our drivers, which is approximately 3.5 million cross-country trips from San Francisco to New York.

Our managed board count has grown to more than 306,000. Of note, the number of DC fast charger ports under management grew more than 14% in Q1 alone for a total of surpassing 27,000 fast chargers under management at the end of Q1. These statistics should leave you with this key takeaway. EV adoption is continuing at an incremental pace, and our network is scaling along with it. As our network grows, so do our subscription revenues. I'd like to thank you again for joining us today.

To summarize, Q1, the results were positive, and we will gain momentum as the year moves on. If you look at our news and announcements so far in Q2 you will see that momentum is clearly building. Before turning the call over to our CFO, Mansi for the financial review, I would like to once again remind you that when we say we will do something, we fully intend to do it. Hopefully, you agree that Q1 was an early proof point of this. Thank you for your time and ongoing support.

Mansi Khetani
Interim Chief Financial Officer

Thanks, Rick. As a reminder, please see our earnings release where we reconcile our non-GAAP results to GAAP. Our principal exclusions, our stock-based compensation, amortization of intangible assets and certain costs related to restructuring and litigation. We continue to report revenue along 3 lines: network charging systems; subscriptions; and others. Network charging system represents our connected hardware. Subscriptions include our cloud services connecting that hardware, our assure warranties and our charge point as a service offering where we bundle our full stack solutions into recurring subscriptions. Other consists of professional services and certain nonmaterial revenue streams.

Moving on to the results for the quarter. Revenue was $107 million, above the midpoint of our guidance range of $100 million to $110 million. This was 8% lower than the fourth quarter, reflecting the expected seasonal slowdown and 18% lower year-on-year due to lower hardware revenue. Network charging systems at $65 million accounted for 61% of first quarter revenue. This was down 12% sequentially due to the impact of seasonality and down 34% year-on-year in line with our expectations.

Subscription revenue at $33 million, was 31% of total revenue, essentially flat sequentially and up 27% year-on-year. Other revenue at $8 million, was 8% of total revenue, flat sequentially and up 54% year-on-year.

Turning to verticals. We report verticals from a billings perspective, which approximate the revenue split. First quarter billings percentages were commercial 63%, fleet 20%, residential 15% and other 3%, generally consistent with last quarter.

As Rick mentioned, we continue to see projects pushed out in both commercial and fleet verticals as customers await site readiness and vehicle delivery. Our home products continued to sell very well. And

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in the first quarter, a significant portion of our home units shipped were equipped with a NACS connector. From a geographic perspective, North America made up 81% of first quarter revenue, and Europe was at 19% in the U.S. we generated our first sale from the NEVI program. Turning to gross margin. Non-GAAP gross margin for the first quarter was 24%, up sequentially from 22% in Q4. Gross margin was down 1 percentage point year-on-year. The sequential improvement was largely due to improved subscription margins as well as a larger mix of subscription revenue with an overall revenue, which is typical in a seasonally low Q1 with lower hardware sales.

Non-GAAP operating expenses for Q1 were $66 million, a decrease of 22% from $85 million in Q1 last year. and a decrease of 11% from $75 million in Q4, reflecting the full quarter impact of the January restructuring and continued focus on cost management. Non-GAAP adjusted EBITDA loss for the first quarter was $36 million, a significant improvement as compared to a loss of $45 million in the fourth quarter and a loss of $49 million in the first quarter of last year. This improvement was achieved even with a lower revenue base due to gross margin improvement and reductions in operating expenses. Stock-based compensation in the first quarter was $22 million, down from $25 million in the fourth quarter and down $2 million year-on-year due to recent restructuring events.

Looking at cash and cash equivalents. We ended the quarter with $292 million, down from $358 million last quarter. In addition to cash usage to cover adjusted EBITDA loss, cash consumption included a semiannual interest payment on our convertible bond as well as severance charges associated with our January restructuring. I am pleased to relay that the $30 million of restricted cash as of April 30, 2024, is now unrestricted. This leaves only $400,000 restricted of our $292 million cash balance. As Rick mentioned, inventory balance increased in the quarter as we started to bring up our Southeast Asia-based partner.

However, our inventory is primarily made up of finished goods and products that we are actively selling. We expect to bring this down in the second half of the year as we sell through the finished goods on hand. Our deferred revenue continues to grow. This represents payments for future revenue commitments from existing customers and finished the quarter at $235 million, up from $231 million at the end of Q4. Our $150 million revolving credit facility remains undrawn, and we have no debt maturities until 2028. We did not issue any shares via the ATM during the quarter. At the end of the first quarter, we had approximately 425 million shares outstanding.

Turning to guidance. For the second quarter of fiscal 2025, we expect revenue to be between $108 million to $118 million, down 25% year-on-year at the midpoint. As mentioned in the last call, we expect a larger portion of full year revenue to be generated in the second half. This is due to the following: normal seasonality of transactional business, visibility into large orders booked across both commercial and fleet verticals for the second half as well as signs of overall charging demand recovery driven by factors Rick alluded to earlier. We continue to expect gradual improvement in gross margin as the year progresses as a result of continued cost down efforts for hardware products and improvement in subscription margins due to operating efficiency of the support organization, combined with the automation initiatives underway.

We expect non-GAAP operating expenses to remain relatively flat in the second quarter, but fall further in the second half of the year, as we continue to focus on operational efficiency and other cost avoidance measures. We are committed to being adjusted EBITDA positive in the fourth quarter of the year, and plan to achieve that through a combination of accelerated top line growth, gross margin improvement as well as operating expense reductions as we progress through the year. We are well capitalized to achieve this goal. In summary, we are pleased with the improvement in our overall financial performance, especially the improvement in adjusted EBITDA loss resulting from improved gross margin and reduced OpEx as well as overall cash management and we will continue to focus on these metrics as the year progresses. With that, I will turn the call back to the operator for questions.

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Question and Answer

Operator

[Operator Instructions] First question comes from the line of James West with Evercore ISI.

James Carlyle West
Evercore ISI Institutional Equities, Research Division

Rick, maybe first question for me on the significant number of NEVI wins that you've had so far, which should turn into grants and then sales here. What's the expected time line for recognizing those sales? I know there's been some delays in kind of getting the NEVI program underway, which I recognize we kind of all expected at the beginning as its government program and had to go to the states. But how are you thinking about the rollout and the sales hitting your revenue?

Rick Wilmer
President, CEO & Director

We'll see some this year for sure, but we expect the bulk of it to be next year.

James Carlyle West
Evercore ISI Institutional Equities, Research Division

Okay. Okay. Got it. And then you announced the new -- or at least a new agreement, a joint development agreement with WNC in your prepared remarks. I know we had the AcBel Polytech announcement recently as well. Could you maybe unpack kind of the what you're doing there, what the strategy is, how you're realigning your hardware development?

Rick Wilmer
President, CEO & Director

We have a very robust hardware road map and a variety of new products that we're very excited to bring to market. And adding more hardware development bandwidth to the overall effort is clearly beneficial to what we're trying to accomplish. So we've added WNC as a second partner in addition to AcBel Polytech to increase that bandwidth and we have been each focused on certain areas of specialization that will allow us to bring some really exciting and compelling market -- products to market as we move into the future.

Operator

Your next question comes from the line of Colin Rusch with Oppenheimer.

Colin William Rusch
Oppenheimer & Co. Inc., Research Division

If you look at some of these utilization rates moving higher and the pressure that building around the overall network. Can you talk about what you're seeing as precursors to incremental or is there incremental capacity build out with your customers in particular geographies?

Rick Wilmer
President, CEO & Director

Yes. Colin, I think in addition to the increasing utilization pressure, as I mentioned in the prepared remarks, we're also seeing this dislocation, especially in commercial charging between the sale of EVs and the demand for chargers. I think in areas where there's a reasonable EV penetration you're seeing institutions that want people to come to their building, putting in chargers now because they know there's a critical mass of EV drivers out there that they need to attract to their business or their institution.

So you've got the utilization pressure going up. You've got this recognition that if I don't have EV chargers in my parking lot, some people I care about aren't going to come to my business combined is what's

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starting to show some demand in the commercial market for charters that may not directly correlate with EV sales.

Colin William Rusch
Oppenheimer & Co. Inc., Research Division

That's super helpful. And then thinking about inventory levels and what you've just added to the inventory, how should we be thinking about kind of overall run rate on what you're going to be carrying and what this incremental inventory build, what is constituted in there? Is it finished goods? How much is components? How flexible is that inventory? And how should we see that trend through the balance of the year?

Mansi Khetani
Interim Chief Financial Officer

Yes. Colin, so it's mostly finished goods in the inventory right now. There's a little bit of raw material as some material in transit, but majority is finished goods. And it is made up of products that we are actively selling all next-gen products. We review inventory very, very religiously every quarter, and it's all live inventory actively selling products in there right now.

Operator

Your next question comes from the line of Bill Peterson with JPMorgan.

William Chapman Peterson
JPMorgan Chase & Co, Research Division

Yes. I'm wondering if you've received any incremental inbounds or demand from customers interest in tapping your fast product charger [indiscernible]. So as the superchargers business turn to be -- obviously, a lot of big chunk of their teams let go. Do you see any like increased demand for let's say NEVI or commercial programs in particular?

Rick Wilmer
President, CEO & Director

Again, the Tesla changes, exactly what happened there. Some of it has been reported on extensively, but I'm not sure how accurate it all is. So some of it is speculation. But -- from our perspective, there's been some clear benefit as a result of those changes. We've had access to some good talent that has become available which is good for us. And we've also seen some changes in the market and demand in certain areas apparently as a result of the Tesla changes, and we're absolutely capitalizing on those when they come up.

William Chapman Peterson
JPMorgan Chase & Co, Research Division

Great. And obviously, you're expanding your hardware agreements across the board. I'm wondering if you're -- how would you characterize any sort of obsolescence risk of your existing inventory. I mean are you seeing any signs that customers who would prefer to wait for any newer hardware to your partners in Asia? Or I mean are you offering [exact] on prising? How are you planning to get rid of the high cost inventory in your existing sort of product lines ahead of the newer products?

Rick Wilmer
President, CEO & Director

So I didn't catch the entire question, clearly, Bill, but I'll do my best based on what I understood. So the level of inventory we have is something we will continue to work down as we move through the course of the year. We've got a lot of focus, as we've mentioned multiple times, not only in this call, but in prior calls, around operational excellence. And one area of focus really is around managing inventory, as Mansi mentioned. So we've got, again, I think, a very strong process in place now such that we don't drive excess inventory. What we're working through is inventory that we have on hand plus inventory we've committed to take from our valuable manufacturing partners. And we expect it to take the rest of the

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year to work through that and get down to what we would consider a normalized inventory in both on our balance sheet as well as with our manufacturing partners.

Operator

Your next question comes from the line of Matt Summerville with D.A. Davidson.

Matt J. Summerville
D.A. Davidson & Co., Research Division

To that last point, the fact that this inventory normalization you're looking at is going to take the better part of this fiscal year, I would imagine there's some sort of margin penalty associated with that. So as I think about next year under "a more normalized operational situation" in that regard, how much of an uplift should you get from not having to kind of deal with these issues? And similarly, I'd like to just maybe a little more color on how some of these new Asian manufacturing and development relationships are sort of bearing fruit for you guys and when maybe we really start to see more concrete gross profit improvement.

Rick Wilmer
President, CEO & Director

Yes. Your first question was very insightful, Matt. Thanks for that. And there's -- I don't know if I would call it a penalty on gross margin, but it's just definitely -- we're deferring optimal gross margin or optimal product cost. We're working through inventory on some product lines that was built at a higher cost basis than we would enjoy if we were building that inventory new today out of one of our Asian factories or even one of our existing factories because we continue to drive cost down on the materials that go into our products in addition to the overall cost of manufacturing them. So we expect, again, that inventory to be worked through by the end of the year. And at that point, we'll realize all the benefits of the cost-down efforts we've taken both on the materials that go into our products as well as the costs related to the manufacturing of those products. Specifically on our Asian manufacturing partners, both now AcBel Polytech as well as WNC are in production for us. And the benefit not only is the cost structure of Southeast Asia where they're both located in manufacturing for us. But almost more importantly is the localized supply chain we can now access in that part of the world. Southeast Asia has been building high technology products for almost 50 years now. And the local suppliers there are very capable of building high-quality, highly reliable parts at very cost-effective prices. If you look at some of our manufacturing, we've done up to now outside of Asia, many of the parts that go to those factories come from Asia. So not only do we have a richer way to access the Southeast Asian on supply chain capabilities, but we're also going to reduce lead time and minimize logistics costs because the parts are going to be much closer to the factories.

Matt J. Summerville
D.A. Davidson & Co., Research Division

And then just as a follow-up, I think you mentioned in your prepared remarks, you had $10 million or more in revenue that basically push to the right due to resource constraints, I'll call that. And I guess I'm wondering if that constrained issue is that something that is more acute in nature or more chronic. Is that something that's going to get worse before it gets better? If you can maybe just talk through that a little bit.

Rick Wilmer
President, CEO & Director

So it isn't resource constraints on behalf of ChargePoint, Matt, it's resource. I don't know if you'd characterize it as frequent source constraints, but it's construction delays and the delivery of other infrastructure equipment like transformers and switch gears to sites that are under construction. That's largely what we see causing deals to move out from quarter to quarter or delays with site readiness and site construction.

Operator

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Your next question comes from the line of Chris Pierce with Needham & Company.

Christopher Alan Pierce
Needham & Company, LLC, Research Division

What's the right way to think about subscription revenue being flat quarter-over-quarter after the step-up we saw in the fourth quarter?

Mansi Khetani
Interim Chief Financial Officer

Yes. The reason for that was in Q4, we had a small adjustment in Assure revenue, typical year-end adjustment, which did not reoccur in Q1. So if you normalize for that, you would have seen a gradual improvement in line with normal trends.

Christopher Alan Pierce
Needham & Company, LLC, Research Division

Okay. Perfect. And then just following up on the last question, the 8 figures of deals is the right assumption that they would have hit this quarter and you still hit the midpoint -- above the midpoint of your top line guidance? Or is that just a general comment and they've slipped and they weren't necessarily in this quarter?

Rick Wilmer
President, CEO & Director

If they had hit this quarter, we would have been above range.

Christopher Alan Pierce
Needham & Company, LLC, Research Division

Were they in the range? Were they getting the original guidance though? Or that's getting too deep in the weeds.

Mansi Khetani
Interim Chief Financial Officer

We basically see some kind of deal slippage every quarter, right? So we have a guidance methodology that takes into consideration all of that. So we kind of ensure that we hit the range. So we did build in some kind of padding for that.

Christopher Alan Pierce
Needham & Company, LLC, Research Division

Okay. Perfect. And then just one follow-up on one other question, one last question. So the right way to think about it is AcBel and Wistron aren't building next-generation products right now. They're helping you build existing product at lower cost, and that's why the inventory that you have is the inventory that you able to sell through this year in theory, without taking any sort of charges against it. That's the right way to think about it?

Rick Wilmer
President, CEO & Director

Yes. Generally speaking, they're building current generation products as we speak. There are also -- we're also codeveloping next-gen products with them. And in some cases, there's prototype builds underway now for those next-gen products with both partners.

Operator

Your next question comes from the line of Mark Delaney with Goldman Sachs.

Mark Trevor Delaney

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Goldman Sachs Group, Inc., Research Division

You mentioned you have some bigger programs you expect to ship for in the second half of this year. Can you give us a sense of how much revenue you expect these larger programs to amount to in terms of the pickup in revenue?

Mansi Khetani
Interim Chief Financial Officer

Generally, as we have mentioned in my prepared remarks, this year, we're going to see a much more normal seasonality like we've seen in the prior normal years with a majority of our revenue coming in, in the second half. And even as we kind of start emerging from this macro and used slowdown in the first half, we believe that the second half will be even seasonally stronger than past years. We have factored in. We're confident of the seasonality coming in because of these large deals that we're seeing in our pipeline all the verticals that we have, right? And on the fleet side, we're seeing large FedRAMP deals pushed out from the first half into the second half. eBus continues to be strong. USPS deals are in there.

On the commercial, we're seeing some NEVI funded deals coming into the second half and workplace is picking up on the residential side, our residential product is doing well. We just announced the Airbnb deal. That will give us some push. So all of this is kind of in the pipeline for the second half. In addition, we have new products like the pantograph that we've announced, that's launching in the second half, so we're seeing a good amount of pipeline built up for that as well.

Mark Trevor Delaney
Goldman Sachs Group, Inc., Research Division

Very helpful color. And then another question was on OpEx came down to $66 million on a non-GAAP basis this quarter. I think you said it could fall further, I believe on a dollar basis in the second half of the year. So I was hoping to better understand where OpEx dollars could go to on an absolute basis in 2H?

Mansi Khetani
Interim Chief Financial Officer

Yes, we're not specifically guiding to OpEx in the second half, but I do expect that OpEx will come down. So from the Q1 levels of $66 million, I think Q2 will kind of stay flattish as we have some mandatory ranges in some regions, et cetera. So that will kind of wash out the cost avoidance initiatives that we will have. But then in the second half, we have specific plans in mind, one being reduction in NRE costs, nonrecurring engineering costs as we transition more and more engineering over to our Asia partners. And in addition to that, we have a lot of different ways planned. Generally, what we saw in Q1 was we're seeing fiscal discipline across the entire company, and this is showing amazing results. So we overachieved our plan in Q1. And so we're really confident that we'll achieve what we have planned for the second half.

Operator

Your next question comes from the line of Steven Fox with Fox Advisors, LLC.

Steven Bryant Fox
Fox Advisors LLC

Rick, I was wondering if you can go back over the rationale behind the deals being postponed. I think the question we're trying to get at is whether this is something that we should think of as an ongoing situation even as your sales grow because of where we are in sort of a supply chain or worker availability infrastructure or whether you think it eases or gets worse. Any color on how you approach sort of the construction backdrop relative to your backlog? And then I have a follow-up.

Rick Wilmer
President, CEO & Director

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Yes. Good question, Steven. I think as Mansi alluded to, we've got a buffer in place. Where we account for this every quarter, and we're not planning for it to go down. We are not aware of any reasons that would allow construction to accelerate or other infrastructure gear that these sites rely on to come down dramatically on -- with their lead times.

So we're holding our assumptions regarding deals that roll over from 1 quarter to the next fairly constant as we move through the year.

Steven Bryant Fox
Fox Advisors LLC

That's helpful commentary. And then just on the beat in the quarter. I mean outside of the inventories that was already asked about, it seems like you consistently outperformed across the metrics. I don't know what you -- is there some overarching theme you would attribute that to? And when you given all the changes you made organizationally, et cetera? Or is it just little singles and doubles here there?

Rick Wilmer
President, CEO & Director

Easy to summarize it up under this big headline kind of operational excellence, which is very easy to say, but it's a lot of work to do that. And we've got 9 different areas that we focus on specifically. And essentially, what -- another way to talk about this is we have the right people talking about those 9 different topics at the right frequency, making sure that we're making all the right decisions and managing our resources extremely efficiently. And again, we're really impressed with the results that our team produced in the first quarter. And we know there's more opportunity left to be had. As Mansi alluded to, we expect to see that show up in the OpEx number as we move through into the second half of the year.

Operator

Your next question comes from the line of Chris Dendrinos with RBC Capital Markets.

Christopher J. Dendrinos
RBC Capital Markets, Research Division

I guess maybe to kick off here, you highlighted some decent growth in the DC fast charger demand. I'm kind of curious, are you seeing any kind of pivot in what customers are demanding? Is there any changes in, I guess, Level 2 versus that DC fast charger product?

Rick Wilmer
President, CEO & Director

No, I don't think we're seeing any demand changes between the AC and DC. I think what we're seeing is new products like the pantograph that Mansi mentioned now in our portfolio, creating demand that wasn't there for us before on DC for the eBus applications.

Christopher J. Dendrinos
RBC Capital Markets, Research Division

Got it. Okay. And then I hate to beat this one to death a little bit here. But just kind of going back to the revenue cadence and some of the delays. And I guess, I think you mentioned delays in product availability for, I guess, EV availability for customers and then site prep being ready on time. I guess what kind of gives you confidence that it's going to be there later this year in 2H? Do you have any, I guess, kind of firm visibility to, I guess, these sites being ready? Or are the vehicles being delivered?

Rick Wilmer
President, CEO & Director

So again, on the commercial side, we're starting to see this dislocation between vehicle delivery and the desire for our commercial customers to continue to expand or put chargers in their parking lot. And we don't see any reason for that trend to discontinue. Another way to put it is, if you go to a local business in an area where there's reasonable EV penetration, and not another EV was ever sold in that area. They

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would still make sure they had enough chargers in their parking lot to attract the audience of people in that area, they care about that they want to come to that building. So I think that's good news for us.

On the other hand, I think you're seeing some really exciting product offerings either announced or coming this year on the passenger vehicle side. I've seen some really cool vehicles in our parking a lot recently that have just come on to the market. So I'm optimistic about that. On the fleet vehicle side, I personally don't have any statistics on forecasted delivery for fleet vehicles. But anecdotally, for any of us that were at the ACT Expo in Las Vegas a couple of weeks ago, just the sheer breadth of selection and vehicles that are in production and available for fleets was very impressive. So is based on that anecdotal observation, having personally been an in act, I think it looks like that the fleet vehicles are coming.

Operator

Your next question comes from the line of Craig Irwin with ROTH MKM.

Craig Irwin
ROTH MKM Partners, LLC, Research Division

So Rick, several times on this call, you've expressed confidence in the rebound in revenue, the rebound in outlook for the second half. And I commend focus on achieving positive EBITDA before the end of the year. But when you look at your guidance for the July quarter, the second fiscal quarter $108 million to $118 million. At the midpoint, you're down 25% year-over-year, which is a deterioration from 18% contraction in the January quarter -- or sorry, the April quarter.

Can you maybe reconcile for us this modest deterioration as far as what you're giving us for an outlook versus what you expect to come together in the back end of the year. Is there a small piece that's maybe moving around on some of this political uncertainty or some of the customers recalibrating with Tesla exiting the market? Any color would be helpful.

Mansi Khetani
Interim Chief Financial Officer

I can take that, Craig. So in terms of guidance for Q2, we've been prudent in our guidance because the macro overhang still exists. In Q2, while we're seeing signs of the environment improving in our pipeline build, the RFP volume, and RFP success rate internally within the business. This gives us confidence for the second half. But in Q2, we're still seeing some of the overhang until we're doing that, I think, by being prudent in the guidance.

Craig Irwin
ROTH MKM Partners, LLC, Research Division

Okay. Excellent. And then my follow-up question is regarding fleet specifically. So can you maybe give us color on whether or not utility work and site preparation is important and essential for you to recognize revenue. If we see some of these very large fleet customers move forward with expanding installations towards the end of the year, a number of them have used charge points in the past, will this potentially be a gating factor for you?

Rick Wilmer
President, CEO & Director

I don't often consider it a gating factor. It is a factor that dictates the timing of deployment and therefore, revenue. There's no question that fleet customers that are undergoing significant construction try and time the delivery of the charging gear with the completion of the site construction work. So we are -- our revenue and our shipping is dictated by that to a certain extent. So that's the way it is in this industry, and we work with that and we make our -- we build our forecast on that factual information.

Craig Irwin
ROTH MKM Partners, LLC, Research Division

Well, congratulations on the progress with the cost reductions.

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Operator
That concludes our question-and-answer session. And with that, that does conclude today's conference call. Thank you for your participation, and you may now disconnect.

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