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ChargePoint Holdings, Inc. (CHPT)

Q3 2022 Earnings Call

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David L. Kelley
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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, good afternoon. My name is my Hannah, and I'll be your coordinator – conference operator for today's call. At this time, I would like to welcome everyone to the ChargePoint Third Quarter Fiscal 2022 Earnings Conference Call and Webcast. All participants' lines have been placed in the listen-only mode to prevent any background noise. After the speakers' remarks, there'll be a question-and-answer session.

I would 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-Capital Markets & Investor Relations, ChargePoint Holdings, Inc.

Good afternoon and thank you for joining us on today's conference call to discuss ChargePoint's third quarter of fiscal 2022. This call is being broadcast over the web and can be accessed on the Investors section of our website at investors.chargepoint.com. With me on today's call are Pasquale Romano, our Chief Executive Officer; and Rex Jackson, our Chief Financial Officer.

This afternoon, we issued our press release announcing results for the third quarter of fiscal 2022 ended October 31, 2021, 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 fiscal fourth quarter and full year 2022 outlook and our expected investment and growth initiatives. 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-Q filed with the SEC on September 10, 2021, 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 financial measures for the current quarter in our earnings release and for historical periods in the investor presentation posted on the Investors section of our website. And finally, we'll be posting the transcript of our call to our Investor Relations website under the Quarterly Results section.

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

Pasquale Romano

President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

Thank you, Pat, and thank you all for joining us today. I'll provide a business update, including details of our strong Q3 execution against plan before turning it over to Rex for financials. As I stated previously, our success is tied to the arrival of electric vehicles, and this quarter we saw continued momentum in EV sales in both the passenger and fleet categories. According to BloombergNEF, as many as 2.9 million electric vehicles are expected to be sold across North America and Europe this year, an increase of approximately 67% from 2020. And accordingly, we are seeing strong demand from auto dealers for charging infrastructure, an indicator that they are prepping for high volume EV sales.

Our strong financial performance throughout this year is the result of investments in a product and go-to-market strategy we have made over many years to be able to capture associated demand across commercial, fleet and residential verticals in both North America and Europe. Historically, our revenue has only been limited by a sufficient breadth of and quantity of vehicle options available to consumers and fleets. And this further reinforces that ChargePoint is the equivalent of an index for the electrification of mobility.

Our Q3 revenue of $65 million was at the high end of the guidance range we provided on September 1. This positions us to raise our expectations for the fourth quarter and full year, despite what continues to be a dynamic supply chain environment.

I'd like to call your attention to a number of indicators of the scale we are delivering. First, we added more commercial and fleet customers in Q3 than any other quarter in the company's history. It is clear that our customers are preparing for the future as evidenced by 89% year-on-year growth in our commercial business. We finished the quarter with approximately 163,000 networked ports under management inclusive of both acquisitions. Within that, the European port count was approximately 45,000 and globally the DC fast-charge port count was approximately 11,000.

We continue to work with the industry to enable drivers to roam across networks in North America and Europe. This quarter, we crossed through over 290,000 roaming ports accessible to drivers using their ChargePoint account in addition to the ports directly on our network.

Fleet billings in the quarter increased over 69% sequentially and over 198% year-on-year. I'll remind you, we acquired ViriCiti, a leading eBus and commercial vehicle management provider and we also announced the expansion of our partnership with WEX, a leading fleet payment solutions company. The partnership will provide fleet customers ready access to the largest EV charging network for on-route charging needs and enable depot and at-home charging along with easy employee reimbursement.

Demand for our residential solutions continues to be robust. Residential billings for the third quarter were up 62% year-on-year and 50% from the last quarter. In Europe, we saw revenues up over 190% year-over-year. As a reminder, we closed the acquisition of has·to·be, an e-mobility provider with a leading charging software platform in the European market at the end of Q3.

Our established and growing channel, which provides unique leverage and efficiency, is growing proportionally with the balance of our business as well. And overall, the scale of our network is generating positive environmental impact with over 3.3 billion electric miles driven to-date. By our estimates, drivers have avoided over 132 million gallons of gasoline and over 529,000 metric tons of greenhouse gas emissions.

Our mission requires world-class talent and I'm pleased that ChargePoint continues to be a destination for top professionals. We ended the quarter with more than 1,300 employees, including the ChargePointers that joined us through the two recent acquisitions.

And on the policy front, the passing of the Infrastructure Investment and Jobs Act includes up to $7.5 billion to accelerate the build-out of charging along highways and in our communities. This is evidence that US policy leaders are committed to an electric future. We are working with policymakers at the federal and state level to shape this. While other state and utility programs are in place now, this new stimulus will likely manifest significantly beginning in 2023.

Lastly, I would like to welcome former US Secretary of Transportation and Labor, Elaine Chao, to our Board of Directors. Her appointment brings depth from both public and private sectors and further strengthens the board composition, which already includes leaders from technology, automotive and investor communities.

Now, I'll turn this over to Rex to discuss financials before we move to Q&A. Rex, over to you.

Rex S. Jackson

Chief Financial Officer, ChargePoint Holdings, Inc.

Thanks, Pasquale, and good afternoon, everyone. First, my comments are non-GAAP, where we principally exclude stock-based compensation, amortization of intangible assets and the effects of the valuation of our stock warrants. This quarter, we also excluded professional service fees related to acquisitions. For a reconciliation of these non-GAAP results to GAAP, please see our earnings release.

Second, after a quick review of our results, I will provide revenue estimates for Q4 and the full year. Third, consistent with our prior calls and as you can see in our earnings release, we report revenue along three lines: networked charging systems, subscriptions, and other. Networked charging systems represents our hardware, all sold with our cloud services solutions. Subscriptions include those cloud services, our Assure warranties, our ChargePoint-as-a-Service offerings where we bundle our solutions into a recurring subscription and now software revenue from our ViriCiti and has·to·be acquisitions. Other consists of energy credits, professional services and certain non-material revenue streams.

Q3 revenue was $65 million, up 79% year-over-year, at the high end of our previously announced guidance range of $60 million to $65 million and up 16% sequentially. We are very pleased with this performance despite a number of supply chain challenges and demand in the quarter we could not meet has given us a good start on Q4.

Networked charging systems at $48 million was 73% of total revenue for the quarter, consistent with Q2 and grew 111% year-over-year and 16% sequentially. Subscription revenue at $13 million was 21% of total revenue and up 24% year-on-year and 11% sequentially. As I mentioned last quarter, the delta in growth rates between networked charging systems and subscription revenue is a function of two main factors: mix and time lag. In Q3, mix again favored DC networked charging systems and home which have a much lower ratio of subscription to networked hardware revenue.

Second, for most of our solutions, we begin revenue for subscriptions at a fixed time after the associated hardware shipments to accommodate installations, yielding a time lag of at least a quarter. Our deferred revenue from subscriptions, representing recurring revenue from existing customer commitments and payments, grew nicely, finishing the quarter at over $120 million. Other revenue at $4 million and 6% of total revenue increased 37% year-on-year and 30% sequentially, as driver activity and associated credits picked up during the quarter.

Turning to verticals, as you know, we look at verticals from a billings perspective, which approximates the revenue split. Billings by vertical for Q3, for commercial 69%, fleet 16%, residential 13% and other 2%, reflecting outperformance in both fleet and residential. We're very pleased to see strong growth. So, total billings up 96% year-on-year and 25% sequentially and in particular commercial up 89% year-on-year in a COVID impacted commuting environment.

From a geographic perspective, Q3 revenue from North America was 89% and Europe was 11%, representing a slight percentage gain in European contribution, driven by both organic growth and acquisition contributions. In the third quarter, our European business delivered $7 million in total revenue, almost tripling from last year's third quarter and up 41% sequentially.

Turning to gross margin, non-GAAP gross margin for Q3 was 27%, a 4-point improvement over Q2, reflecting continued improvements in our cost of goods sold and positive margin contribution from our European acquisitions. We estimate elevated logistical costs and supply chain constraints cost us approximately 2% of additional networked charging system margin.

Non-GAAP operating expenses for Q3 was $63 million, a year-over-year increase of 61% and a sequential increase of 18%. Included in the quarter was an additional $2 million in operating expenses attributable to our two acquisitions. As we have said, we continue to invest heavily on product development, customer acquisitions, operations, scaling and other areas to drive our leadership position in this rapidly evolving and growing market.

Stock-based compensation in Q3 were at a normalized level of $16 million, down from $28 million in Q2. Of the $28 million of stock-based compensation in the second quarter, approximately $14 million was attributable to services performed prior to the second quarter and included grants to employees who joined the company during the preceding 12 months, as well as incentive awards to key personnel in both cases delayed while the company executed its SPAC transaction. Q3 did not have any such adjustments.

With respect to contributions from our two European acquisitions, I mentioned in our September earnings call that we expect a Q4 revenue contribution of approximately $4 million and Q4 operating expenses of approximately $8 million to $10 million. This continues to be true. In Q3, the revenue contribution from the acquisitions was approximately $2 million comprised of subscription, hardware and other, reflecting the fact that we owned these assets for only a portion of Q3.

Looking at cash, we finished the quarter with approximately $366 million, down from $618 million at the end of Q2, reflecting cash spent on operations and $210 million paid for acquisitions in the quarter. After giving effect to the acquisition of has·to·be and ongoing employee issuances during the quarter, we have approximately 331 million shares outstanding.

Turning now to guidance, demand for our solutions in Q3 continued to outstrip our expectations and production ramp. COVID keeps the markets guessing and employers continually have to adjust return to work plans. But with the strong third quarter, healthy backlog to start the fourth quarter and continuing broad pipeline build across all verticals, we are moving our Q4 and full year guidance up. For fiscal Q4, we expect total revenue of $73 million to $78 million at midpoint an increase of 78% versus Q4 of last year and a sequential increase of over 16%. For the fiscal year, we're taking our revenue guidance up from $225 million to $235 million to $235 million to $240 million at the new midpoint representing a 62% increase year-on-year.

And with that, it concludes our prepared remarks and we'll turn it over to Q&A.

QUESTION AND ANSWER SECTION

Operator: Certainly. [Operator Instructions] The first question is from the line of Shreyas Patil with Wolfe Research. You may proceed.

Shreyas Patil
Analyst, Wolfe Research LLC

Q

Hey, thanks so much. Just the first one on – Pat, I think you had mentioned that you expect to see the federal stimulus to more meaningful manifest in 2023. Is there a way to maybe frame what kind of funding these additional dollars could support in terms of new chargers being added? And maybe also if you can remind us what you're seeing at the moment in terms of funding from utilities and certain states towards charging?

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

Thanks. Thanks, Shreyas. Good to hear your voice. And so, it's a complicated question. The Federal Infrastructure Bill is of much of the money, not all, but much of the money is going to flow through states and the states have to design their programs. That's why we're estimating that we won't see much of that in 2022. We may see some in the back half of the year, it's hard to predict.

And in terms of how much money is going to flow actually in that year versus subsequent years is – right now it's too hard to call. I'm not trying to be evasive. I guess, if you at – I'll give you an example of VE Appendix D program that was implemented in an analogous way, it was money that flowed from the federal government on the federal portion of the settlement anyway to all states, but California. California had its own settlement carve-out. It has taken multiple years for that to roll through. Some states are quick to define a program, some are slower. So, that's why it's challenging for us.

And then the color of the program in terms of exactly what the constraints are is going to influence the installation cost versus the equipment cost, et cetera, so really hard to call. The sum total of the money, like I said, we don't expect to be in next year. I also want to draw your attention to one other thing is that the budget reconciliation and other associated conversations about where the government is trying to generate stimulus in other areas for EV charging, that could have faster effects. But again, it's too hard to pin that down right now.

In terms of your question with respect to utility level funding effectively amounts, Rex, do you want to comment on that? I don't know if you have the current number?

Rex S. Jackson
Chief Financial Officer, ChargePoint Holdings, Inc.

A

I actually do not have a current number, my apologies

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

Yeah. So, just to remind everyone that the – that represents approved utility programs and then those programs roll out over multiple years, not all the funds are relevant to our revenue even in those programs. So, in previous quarters, we've reported it's similar or analogous to our backlog number associated with kind of the sum total of the approved utility programs that are running in the United States. It's not necessarily our backlog. But it's sort of the analogous in that domain from the industry's view and we don't have an update for you right now.

Rex S. Jackson
Chief Financial Officer, ChargePoint Holdings, Inc.

A

And so Pat, I [ph] want to make sure – we've got (00:18:27) a question in terms of what the programs are out there that's available, because that's how I heard the question as opposed to...

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

[indiscernible] (00:18:35) yeah. Yes.

Rex S. Jackson
Chief Financial Officer, ChargePoint Holdings, Inc.

A

Yeah. We have a billings number for utilities for us. But in terms of total programs, it's in the hundreds of millions of dollars. But in terms of the exact figure [audio gap] (00:18:47) hundreds of millions is a fair total.

Shreyas Patil
Analyst, Wolfe Research LLC

Q

Okay. And then, Rex, just looking at OpEx – sorry, is there [indiscernible] (00:19:00). Sorry.

Rex S. Jackson
Chief Financial Officer, ChargePoint Holdings, Inc.

A

No, no. Go ahead.

Shreyas Patil
Analyst, Wolfe Research LLC

Q

Okay. Looking at OpEx, it's up modestly as a percent of revenue in Q3 versus Q2, but R&D was up more meaningfully. So, wondering if you can just talk about some of the main priorities that are driving R&D spending? And then just how should we think about the magnitude of OpEx leverage, especially as we think about maybe the next few quarters or even into next year?

Rex S. Jackson
Chief Financial Officer, ChargePoint Holdings, Inc.

A

Sure. So, first of all, the OpEx number is a broad-based number, because we're investing heavily in sales and marketing, obviously, we're a newly public company. So, we do need to deal with those things. But specific to R&D, our priorities are some major product releases that we have coming out this year. As you may have seen, we had a big fleet announcement several months ago and that's just a huge watershed event for the company. So, there's enormous amount of energy going into that.

We've got some very interesting things that we have in mind for Europe coming out shortly. There's a huge amount of energy that goes into what we see is one of our greatest differentiators, which is, of course, the software platform. So, there's a big, big push right now, and obviously, since we play in all verticals in both North America and Europe and we see that the time is now from an industry perspective, we're really putting our shoulder to it. So, that aggressive strategy, we think, will pay off and steady improvements in that ratio next year. I can't give you a number, obviously, it's a little early yet, but I think we should see some steady leverage next year that I think you guys would be happy about.

Shreyas Patil
Analyst, Wolfe Research LLC

Q

Okay. And then just last housekeeping from me, could you give us a sense of the non-GAAP gross margin between network and software and service. I just wanted to – just wanted to confirm that. Thanks.

Rex S. Jackson
Chief Financial Officer, ChargePoint Holdings, Inc.

A

That's tough because on the subscription side, as you probably know, we do put our driver and hub support into our subscription line, so that line tends to be the 50s. Other bounces around depending on what the components are. So, if you do the math, you can tell that the hardware – you can back into the hardware number by just looking at the overall math, once you know one you can solve for the other.

Operator: Thank you, Mr. Patil. The next question is from the line of Greg Wasikowski with Webber Research & Advisory. You may proceed.

Greg Wasikowski
Analyst, Webber Research & Advisory LLC

Q

Hey, good afternoon, guys. Nice to be on the call. Thanks for taking the questions.

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

Thank you.

Greg Wasikowski
Analyst, Webber Research & Advisory LLC

Q

Wanted to ask about your targets for market share in Europe and the pathway for reaching those. Specifically, the balance between an organic versus an inorganic approach given the relatively more fragmented market over there and just thinking through, what does that do to the cash flow profile and/or tapping your own equity currency. Yeah, just wondering how you're thinking about the path of least resistance and while you're evaluating opportunities in Europe. Thanks.

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

Great. That is a very good question. So, first of all, market share target is obviously as high as we can get them. That's everyone's market share target in an industry, we've done pretty well in North America and we've recently, over the last couple of years, made enormous progress in Europe and we're not putting a ceiling on that. We've done two acquisitions in very different industries, one is targeted at expanding – consolidating customers, as well as extending functionality in the fleet space, that was the ViriCiti one that you saw, and then has·to·be is in the kind of center of the commercial business in Europe. So, they serve very different verticals.

And with respect to inorganic versus organic growth, we'll be intelligent, that we obviously will evaluate opportunities as they present. But I don't think it's necessary to have an all inorganic strategy to gain market share, it's early innings in the EV market in general – or early enough and we have strength that's broad based with respect to our product portfolio and positioning where I'll remind you we are in every vertical that we can think of in both continents. So there's a tremendous amount of leverage there that we have. And what I've said, if there's an opportunity that presents itself like the has·to·be or ViriCiti, and it has team, it has tech and it has customers that are aligned with our business model, we'd certainly look at it [indiscernible] (00:24:09).

Greg Wasikowski
Analyst, Webber Research & Advisory LLC

Q

Perfect. Thanks. Very helpful. And then for my next one, more of a theoretical question around site owners' decisions between Level 2 and Level 3 charging especially at places with like shorter visit times, like grocery stores, malls, parks, et cetera. Early conversations we're having, I think there's some split opinions on what the preference may be for future EV drivers. You guys offer both solutions, obviously, but have more of a presence in L2. So, I'm just – I'm curious, what have your conversations been like with new site owners deciding which route to go with and if any existing Level 2 customers are looking to expand but with a DC solution.

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

There's a lot of misinformation on this and too many folks are pattern matching on gasoline. So, one point by way of fact, it's not an opinion. When you make the switch to electric drive, a depot is not your primary fuel anymore, meaning you don't wait till the little yellow lights on, go drive somewhere fill up and go home. That doesn't happen, especially if you have access to charging it at home or work or both or street-side parking. We've seen these driver patterns kind of dominate how people behave cases where people – certain percentages of the population don't conform, but they usually have outlier reasons for not conforming. So, it is not a speed gets faster, you put it in. In fact, it's actually matching the natural parking duration and how much energy is expected to be reloaded in that stay. So, if you're going to the grocery store near your house, you're not trying to fill your tank or your battery, you're not trying to do that. You're trying to avail yourself of some convenience miles you may pick up as an amenity by your grocery store.

Now, if you pulled off a highway and you're on your way to a weekend holiday and you happen to pick a grocery store to stop by, because it had a fast charger, you're doing that because you want to make a – essentially a refueling stop. So, they're very different use cases and they get conflated. The average shopper doesn't want to use a fast charger if they're in their local area. So, it's – and I'm not talking down one or the other, it's about matching it correctly. And if you don't match it correctly – let's say, you're at that grocery store, if you don't match it correctly, you've a very expensive utilization mistake of the total construction cost and equipment cost versus the number of parking spaces and customers you can serve. So, it's not an oops, it's a I got a real problem, because I really made a massive mistake. Because you're going to – if you plug in around town and you're just topping up, you are – a fast charger is such an expensive proposition for that use case and consume so much electrical capacity for that use case that you've made a mistake. But if you're well positioned to serve highway drivers as they're going out of their – beyond their battery range, having a mix on your grocery store site between L2 for your local customers and fast for your long distance customers makes a whole lot of sense.

So what we do is we consult with customers to try to help them understand how to allocate the right strength for the likely use cases that are going to present in the parking lot, because the number of parking spaces you can electrify with the electrical capacity and the cost of one fast charger is pretty significant on the [audio gap] (00:28:21) if you're primarily serving local clientele. So, that – this is just some of the color and it's so much different than putting gas stations up, it just has no relationship to that legacy market at all.

Greg Wasikowski
Analyst, Webber Research & Advisory LLC

Q

Okay. Appreciate the color. Thanks, guys.

Operator: Thank you, Mr. Wasikowski. The next question is from the line of Colin Rusch with Oppenheimer. You may proceed.

Q

Hey. This is Brendan on for Colin. First one for me, would you be able to give us a bit of color on early progress on acquisition integration in Europe and maybe any insight on initial returns for your cross-selling opportunities there?

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

I mean, I'll give you generalities, because we're not commenting on typical specifics. But in both acquisitions – we're newer to the has·to·be one frankly than the ViriCiti one, because it's earlier innings, because that closed a couple months past when the ViriCiti one did. But on both, we're making good progress on integration. On the fleet side, we're already co-selling. And we have customers that – like I said, we've done some customer consolidation, we've had customers that have used ViriCiti for different functionality from [Technical Difficulty] (00:29:52) and had our charging solution and a ViriCiti vehicle solution. And where that's the case, we are already moving the ball down the field to integrate the two solutions. With that said, it'll take some time to get things integrated in an orderly way. We are in earlier innings with has·to·be, but we've already got some customer activity going on, where one plus one is already equaling three, where we can bring additional functionality either to their customer base or ours, vice versa. So, we're already making nice progress there.

Q

Awesome. And just, secondly, on the supply chain and pricing, are you seeing the need to redesign products or particular subsystems in order to help the resiliency of the supply chain and how active have you guys been in terms of passing additional cost to customers?

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

Yeah. So, I was chuckling as you said that. We're incredibly proud of what our engineering and supply chain teams have had to do. As you've seen, we turned in upside results now over several quarters. And if you can imagine how hard that is in a supply chain constrained environment, because, obviously, we're laying forecast into our supply chain even under normal circumstances with significant percentage of a year's worth of visibility because that's just what you need to do, especially as you're scaling. So to then come up with upside, when you get, obviously, surprised decommits which is happening everywhere in the industry, means that your organization is responding by rapid qualification of substitute components and rapid adjustment in software to enable that. So, it is definitely happening inside our organization. They are doing a tremendous job keeping things moving through our supply chain, and yes, it is having – it is a drag. We could have put those resources in different places.

Rex, I'll let you comment on the question of – on pass-through pricing.

Rex S. Jackson
Chief Financial Officer, ChargePoint Holdings, Inc.

A

Yeah, [ph] Brendan (00:32:15), very good question. So, without getting into specifics, we definitely have a program in place for passing through some level of our increased logistics fees, which I referenced in my gross margin comments. And there may be some price adjustments in the not too distant future to take account of what's going on in the supply chain. So, we definitely have some movements ahead. No, nothing major [indiscernible] (00:32:45).

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

Okay. Also, [ph] Colin (00:32:50), I will remind you two -- I will remind you of two things. Rex, first of all, I believe in your prepared remarks you commented that – correct me if I'm wrong, it was about a 2-point – the supply chain issues resulted in about a 2-point penalty on gross margin relative to what we could have turned in. Verify that.

Rex S. Jackson
Chief Financial Officer, ChargePoint Holdings, Inc.

A

[ph] Yeah (00:33:06).

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

Yeah. And so, [ph] Colin (00:33:10), we had that working against us, but we still turned in strong improvement in gross margin quarter-over-quarter and turned in results on the high side. So, you can imagine internally what that took to achieve.

Q

Okay. Thank you.

Operator: Thank you, Mr. Rusch. The next question is from the line of Gabe Daoud with Cowen. You may proceed.

Gabriel J. Daoud
Analyst, Cowen & Co. LLC

Q

Thanks, and good afternoon, everyone. Maybe just kind of back to the supply chain, can you give us a sense of how much visibility you have into fulfilling orders over the next several quarters and maybe just any thoughts around or commentary around inventory that's on hand currently?

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

I'll let Rex comment on inventory, but in terms of visibility, it's not so much visibility that's – visibility into supply chain that causes us – and many other companies say the same thing – grief in the quarter, it's unplanned decommit, which happens and we respond to that. Now, there's a bit of – there's not a bit, there's quite a bit of preplanning going on there where we're scrambling to multiple sources wherever possible on parts that we forecast is possibly being problematic. But our communication to supply chain, the firm orders that we're placing into supply chain for products, et cetera, are well out into next year, well out into next year.

Rex, do you want to comment further?

Rex S. Jackson
Chief Financial Officer, ChargePoint Holdings, Inc.
A

Yeah. From an inventory standpoint, as you know, Gabe, first of all – Gabe, thanks for joining.

Gabriel J. Daoud
Analyst, Cowen & Co. LLC
Q

Hey, Rex.

Rex S. Jackson
Chief Financial Officer, ChargePoint Holdings, Inc.
A

We extensively use CMs so not all inventory sits on our books. Our inventory actually – like I said this last quarter, keep wanting it to go up because of the supply chain challenges, but it actually slightly declined quarter-on-quarter here, but I'd just tell you, if we can build inventory going forward, we will. We just haven't done that yet.

Gabriel J. Daoud
Analyst, Cowen & Co. LLC
Q

Got it. Got it. [indiscernible] (00:35:39).

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.
A

Gabe, that's not weakness, that's just continued upside materializing.

Gabriel J. Daoud
Analyst, Cowen & Co. LLC
Q

Yeah.

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.
A

And that's a – in our opinion, it's a happy problem I wish we didn't have the supply chain constraints. But nonetheless, it's on the good side of the problem balance sheet.

Rex S. Jackson
Chief Financial Officer, ChargePoint Holdings, Inc.
A

Yeah. And, Gabe, one of the comment [indiscernible] (00:36:02)...

Gabriel J. Daoud
Analyst, Cowen & Co. LLC
Q

[indiscernible] (00:36:01)...

Rex S. Jackson
Chief Financial Officer, ChargePoint Holdings, Inc.
A

...because it's kind of odd to have a CFO say, hey, let's increase our inventory level. We have, obviously, a broad portfolio, but we have very minimal obsolescence risk. So, if you're trying to ramp the business and you got supply chain challenges that you're trying to meet, building inventories as fast as Pat says is a smart thing to do. So, that's what we're trying to do.

Gabriel J. Daoud
Analyst, Cowen & Co. LLC

Q

Got it.

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

[indiscernible] (00:36:26) Gabe, where the modularity of the platform is – in all the platforms that we ship is really coming into play, because we have a lot – we drive a very broad set of use cases on the hardware side of the product line with very few SKUs or very few internal parts that we have to make. It may show up as different orderable part numbers, but that's largely just configuration at the end. So, it really has helped quite a bit. Architecturally, the product line is not without its challenges in a supply chain constrained environment, but it's better than most.

Gabriel J. Daoud
Analyst, Cowen & Co. LLC

Q

Got it. Got it. Very helpful color. Thanks, guys. And then maybe just as a follow-up, we kind of hit on the fleet side just owing to the ViriCiti deal, but obviously kind of competition there particularly on the software side just given the energy management needs, is it more of a complex operation? And you saw the competition with another announcement today, BP making acquisitions, but could you maybe just give us a little bit of color on conversations, whether it's here in the US and Europe, and just generally how demand is stemming from the fleet channel and how you expect that to progress over the next couple quarters?

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

Well, Gabe, fleet's really the amount of interest is tremendous. I mean, it's coming at us from all sides, and again, in a good way. The comment though – I would say in our opinion, in our opinion, we think we have the most wholesome broad-based software solution in that space, especially with the addition of ViriCiti, because now we can move up the food chain on the vehicle side and remember we are also a full-service provider with respect to the ability to have design build consultancy and project management help with utility infrastructure on the sides with respect to consultation there with complete functionality across the board, and then we're seeing a tremendous amount of cross vertical leverage.

I mentioned on the previous earnings call that one example of that is we're seeing a lot of fleets that have a take-home component to parking operations and refueling operations – not refueling in the traditional sense, but with electricity, wanting to reimburse the contractor that is taking the vehicle home. This is especially prevalent in fleets that are trying to lighten their CapEx load or their real estate load. So because we're operating in those verticals naturally and especially in Europe that develop solutions for leasecos that are providing both company cars and leasing services to commercial fleets, we really got a broad set of functionality. So, we're a one stop shop for much of that stuff and we're still – and as Rex mentioned on the R&D side, we're piling a tremendous amount of R&D into that on a continuous basis. So, we're not stopping with the functionality that we have.

Gabriel J. Daoud
Analyst, Cowen & Co. LLC

Q

Great. Great. That's really helpful. Thanks, guys.

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

Thank you.

Operator: Thank you, Mr. Daoud. The next question is from the line of Ryan Greenwald with Bank of America. You may proceed.

Ryan Greenwald
Analyst, BofA Securities, Inc.

Q

Hey, good afternoon, everyone. Appreciate the time. So, maybe first just one more on the supply chain, you guys talked about this 200 bip impact from the elevated logistical cost. I think you guys quoted 300 bps last quarter. Could you just give a bit more color on the evolution of the bottlenecks quarter-over-quarter and anyway to help frame the amount of demand in the pipeline that you guys weren't able to meet?

Rex S. Jackson
Chief Financial Officer, ChargePoint Holdings, Inc.

A

Yeah. Ryan, so you definitely have the numbers correct. It was a 3-point swing last quarter, 2-point swing this quarter. The heaviest component of that is actually logistics so think expedite fees, putting it on a plane versus putting it on a boat, and so that's the biggest driver there. And I think that, obviously, we're going to continue to battle that a bit as you look forward.

I'm sorry, the second part of your question was--?

Ryan Greenwald
Analyst, BofA Securities, Inc.

Q

Anyway to help frame the amount of demand in the pipeline you guys weren't able to meet this quarter?

Rex S. Jackson
Chief Financial Officer, ChargePoint Holdings, Inc.

A

[indiscernible] (00:41:06). So I would tell you that there was a positive spillover from Q3 to Q4. It wasn't massive. I hesitate to give you a number. But I would just tell you, what's important is to understand that there was demand in the quarter that we didn't meet. It was a big enough number that warranted mentioning it. And it's set us up for a nice start here in Q4, but it wasn't a massive number, but it was a meaningful enough number that pushed us well above the high end of a range.

Ryan Greenwald
Analyst, BofA Securities, Inc.

Q

Got it. Appreciate that. And then in terms of the drivers of the revenue increase versus the plan that you guys laid out last quarter, sounds like momentum across the board. But anything you can say in particular in terms of the contribution versus the prior forecast?

Rex S. Jackson
Chief Financial Officer, ChargePoint Holdings, Inc.

A

Is that a question? Are you saying that our mix shift at all quarter-on-quarter?

Ryan Greenwald
Analyst, BofA Securities, Inc.

Q

No, just in terms of the actual drivers of the revenue increase from last quarter. What's kind of shaken out better than planned in the last quarter?

Rex S. Jackson
Chief Financial Officer, ChargePoint Holdings, Inc.

A

As we said earlier – as Pat said earlier, it is broad based across the three verticals. The mix has been pretty consistent with Q2. So, superb performance from home even though that's not a big revenue number, relatively speaking, because it's a fairly inexpensive product relative to our other products. We've seen really good performance from our CPE 250, which is our DC product and then we've seen workplace do okay relative to what we think it should be doing once we get out of COVID. But if you were to look at it on a mix perspective, it was actually quite consistent. As I said in my commentary, it got a small bump from our acquisitions in Europe. So, it isn't like – I wouldn't say, there's anything moving left or right, it's very consistent with Q2. It's just bigger.

Ryan Greenwald
Analyst, BofA Securities, Inc.

Q

I'll leave it there. Thanks, guys.

Rex S. Jackson
Chief Financial Officer, ChargePoint Holdings, Inc.

A

New customer acquisition was super strong in the quarter and then the distribution of what they buy, again, consistent. So, it's just really good growth across the board.

Ryan Greenwald
Analyst, BofA Securities, Inc.

Q

Got it. Thank you.

Operator: Thank you, Mr. Greenwald. The next question is from the line of James West with Evercore. You may proceed.

James West
Analyst, Evercore Group LLC

Q

Hey. Good afternoon, guys.

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

Hi, James.

James West
Analyst, Evercore Group LLC

Q

Pasquale, you talked up fleet a considerable amount in your prepared remarks. Just on the commercial side, I mean, really massive year-over-year growth. There's a very impressive or – and you mentioned fleets coming at you from all directions, which is a good thing, of course. Or is something changing with fleet? Is there an uptick in just overall demand or a tipping point that we've hit or are you taking more share, what do you think the evolution is here for fleet?

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

I think – I mean, it's pretty basic. What I would love to do is say, hey, we're taking – I mean, I think we are gaining share, but [indiscernible] (00:44:19) there was a – relative to a couple years ago, no share to gain, because there were limited vehicles. And when there aren't vehicles shipping in volume for manufacturers and you're limited to pilot level program sizes, it just isn't that meaningful. And if you remember some of the comments I've made in previous earning calls, I've pointed out that the revenue in fleet is not proportional to the opportunity that we've seized, because as we develop pilots and cement our relationship with our fleet customers, obviously, based on earning that trust, as they expand, they will expand with us. And you have to do all of the work to get to a pilot or a lot of the work. You have to integrate with a whole lot of their business system, you have to have a lot of functionality and they still are sticklers for reliability, service, response time, all those things. So, the challenge is – it's an incredible – from an OpEx perspective relative to money returned in the period, it's certainly in the investment category, not the kind of run rate category, so to speak. So, that's what I think is most significant is we are still flag planting. And we are doing a ton of work and we – if you look at the size of our business, the OpEx that we're able to deploy because of the size of our business, it is in our opinion a huge differentiation on a go-forward basis, because we can afford, frankly, to do the work. We can afford that mode, because we have a commercial business that's healthy.

James West
Analyst, Evercore Group LLC

Q

Right. Okay. Got it. That makes a lot of sense. Yeah, thanks for that. [ph] You had another (00:46:13) comment on auto dealers as well and seeing strong demand for them as they prepare for the future here. So, they're obviously getting the signals from the OEMs and we all know [indiscernible] (00:46:23) models that are coming out and about to hit the next 12, 18 months. What are they telling you maybe the dealers or even the OEMs about when they may start to retire their ICE engines or their older models?

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

I think most – any information that I know that isn't public I couldn't say because we would be in violation of our NDAs with auto OEM partners. But if you just look at our public announcements – if you just look at public announcements in terms of flip over points where the majority of auto manufacturers' lines will be electric, you're looking in Europe that brand shooting for somewhere between – depending on the brand as early as 2025, I think that's a bit aggressive, but by 2030 or the early 2030s, you're seeing most commit to being substantively full electrified.

And I think the dealers now to be able to get what is a production limited and popular vehicle, they need to put in the electrical and they need to put in the charging infrastructure and the training and support for selling those types of vehicles before the OEMs [indiscernible] (00:47:46) give them the vehicle. So if you want to get the inventory, you got to make the investment with the dealer. And we're seeing the dealers respond to those OEM programs substantially and we think that especially it's geographically broad based, it is not in the usual hotspots for EV, it is geographically much more broad based, not perfectly broad based, but much more broad based, that is a very good indicator that auto OEMs are communicating to dealers that get ready, that stuff is coming.

James West
Analyst, Evercore Group LLC

Q

Right. Right. Okay. Got it. Thanks, Pat.

Operator: Thank you, Mr. West. The next question is from the line of Bill Peterson with JPMorgan. You may proceed.

Bill Peterson
Analyst, JPMorgan Securities LLC

Q

Yeah. Good afternoon, guys, and nice job on the quarterly execution here. I had a question. You answered a prior question about the mix from the second to the third quarter. I guess, based off your backlog and midway through the quarter, can you give us some directionality on how you see home and versus commercial versus fleet? And I guess embedded in that, is there any sort of seasonality we should think about within that context?

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

It's hard to say whether growth is going to eclipse seasonality or not and shift some of the usual trends around, it's just hard to say. Normally we've seen seasonality in the business relative more to construction cycles in Northern Hemisphere. We are only serving the Northern Hemisphere. So, it normally has a deep winter construction cycle slowdown in some areas, but you got so much growth going on now, it's hard to predict how much that's going to get offset.

And so in terms of mix, I'll caution you on something, revenue mix and unit volume mix are very different, because of the wild price point differences between the residential business inclusive of multifamily and then the commercial and then the fleet business. The fleet business actually is split right down in the middle, light commercial is mostly AC and some DC and where you get to the kind of mid-tier vehicles and the heavy vehicles and now you've got a substantively all DC business and then their dwell time determines how shared that DC power conversion infrastructure could be. So what that bodes for is a very challenging segment in fleet to reconcile unit volume even within the segment or a vertical, it's very difficult to match unit volume to revenue, especially in early innings where averages have not stabilized. Overall, I believe – Rex, correct me if I'm wrong, but I believe residential was 13% of our billings this past...

Rex S. Jackson
Chief Financial Officer, ChargePoint Holdings, Inc.

A

That's right. [indiscernible] (00:50:50) periods.

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

Yeah. So that gives you an order of magnitude – it's not revenue, it's billings, but you could determine what the correlation is there. That gives you an idea of order magnitude of that one segment and relative to the rest of our business. And I can tell you that the unit volume there to generate that percentage of business has to be quite high relative to, say, the unit volume in our commercial business.

Bill Peterson
Analyst, JPMorgan Securities LLC

Q

Okay. Yeah. Thanks for that color. [indiscernible] (00:51:25) question on the infrastructure and I think you also spoke to it as well. We've actually seen here in the last few weeks the California Energy Commission as well as the California Air Resources Board announce some pretty significant dollars over the next few years, $1.4 billion total plan, $1.1 billion in new money, of which a big chunk of that is for charging infrastructure. Can you give us a feel for – if you're already seeing some activity and how you should expect these types of announcements, which are fairly near term, frankly, relative to the Infrastructure Bill on your business?

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

So, I mean, we've got a lot of experience with the CEC. We've done corridor build programs with the CEC for years. CEC moves relatively quickly, as you said, relative to other programs, because it's not like the Federal Infrastructure Bill, the bulk of the money has to flow to states and then states have designed programs. So, you got this inherent two-tier cascade where the CEC doesn't have that two tier cascade, it's a very large state, it already has a very large EV population and it's been operating with significant EV programs for a lot of years. So, the – how should we say, the relief pitchers are warmed up in the bullpen in California.

And so, we – it's hard to call how much of that is going to flow, again, to us. It's always hard to call subsidy programs. So, I'm not going to venture a guess. And remember, all of the subsidy programs that are announced recently have not been contemplated in any of our previous commentary on go forward. It hasn't – it was not in any of our models, because we don't put something into a model until we can count on it. And we understand the policy has a life of its own and so we don't count on stuff until we could actually count on the stuff. So, in none of what you're seeing Rex talked about he's contemplating any of that.

Bill Peterson
Analyst, JPMorgan Securities LLC

Q

Okay. Thanks again for the color.

Operator: Thank you, Mr. Peterson. The next question is from the line of Tyler Bailey with Needham & Company. You may proceed.

Tyler Bailey
Analyst, Needham & Company

Q

Hey, guys. This is Tyler in for Vikram here. Just one last quick one for you related to the supply chain and the mix for the last question, but I guess due to some of the supply chain issues you're seeing, is there any potential for a shift in mix to prioritize some of your higher margin segments?

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

We tend not to. We don't financially engineer our margin. And the reason is, our customer today is a customer for a very long time because of the re-buy nature of this. So, shaping is dangerous. We try to take all the business we can service, and obviously, inventory levels and lead times may impact our ability to win a deal in the future, who knows, but so far so good and not having an impact [ph] on things (00:54:41). But remember, a customer's initial buy is usually a fraction of their ongoing buys and you have a lot of time over the life of that customer to mature and evolve the product they need to buy today. So if they buy a product today that's under, say, supply chain pressure, well, you want that customer anyway, because most of the products they're going to buy is going to be well past when all of this clears.

Tyler Bailey
Analyst, Needham & Company Q

Okay. That's helpful. I appreciate it.

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc. A

Yeah, that...

Tyler Bailey
Analyst, Needham & Company Q

And then, one last quick one – oh, sorry.

Rex S. Jackson
Chief Financial Officer, ChargePoint Holdings, Inc. A

I don't think there's a lot of big – just that we could [indiscernible] (00:55:23) that we could or would want to engineer backwards and forwards, and the fact that our mix has been fairly consistent Q2, Q3 and it will probably be pretty consistent in Q4 just means we – and we have demand [ph] is (00:55:37) more than what we can meet, we are meeting demand as best we can. So, just leave it there.

Tyler Bailey
Analyst, Needham & Company Q

Well, that's helpful. And sorry, one last quick one, in terms of – you mentioned the spillover, just curious, is most of that residential, some of that spillover into Q4, or is it just a mix across the board?

Rex S. Jackson
Chief Financial Officer, ChargePoint Holdings, Inc. A

Certainly some of it was residential and that it's fundamentally across the board. And by the way, I got the inventory coming backwards, we're effectively flat. But we're – anyway, the difference is so slight, it doesn't really matter. But we are chasing a very, very strong demand level across our business and we're meeting it as well as we can. So, we don't have big open holes anywhere, but we would expect that to continue at some level, but thus far we're managing it, and our team has done a great job.

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc. A

If the question is from the vantage point of, is there one product that's suffering undue levels of supply chain and the rest are clear to build, no, if that's where your question's coming from. That's not the case.

Tyler Bailey
Analyst, Needham & Company Q

Sure. That's helpful. Thank you. Appreciate it. Yeah, thanks for taking the questions and congrats on the quarter, guys.

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

Thank you.

Operator: Thank you, Mr. Bailey. The next question is from the line of Stephen Gengaro with Stifel. You may proceed.

Stephen Gengaro
Analyst, Stifel, Nicolaus & Co., Inc.

Q

Thanks. Good afternoon, gentlemen. Two [ph] things for (00:57:18) me. First, when you look at your opportunity in Europe, any sense how we should think about sort of relative growth rates in Europe over the next couple of years versus the US market?

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

Relative growth rates of the market itself or for our growth rate?

Stephen Gengaro
Analyst, Stifel, Nicolaus & Co., Inc.

Q

So, your growth rates in – your growth rates relative to the market for sure, but also you think the European business grows at about the same rate as your US operations, or do you think it's materially different based on sort of maturity of the market and product lines?

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

I don't think it's – the product lines aren't substantively different between the two markets. There are some differences in some areas, but they're not substantively in the long-term different. We've got some startup conditions in our business in Europe that we have to work ourselves out of, but that's process. So, I actually think fundamentally the early – in the next few years, just because of the regulatory and the policy environment in Europe, you're likely to see higher percentages of electrification of new car sales than you will in the United States and now that will normalize out over time I think well before we hit significant percent penetration of EVs into the installed base.

I'll remind you of an interesting stat that almost no one – everyone says "a-ha" when I say this but no one realizes it upfront. If 100% of EV – of cars sold tomorrow were electric, it takes you over 20 years to replace the install base of cars that are in North America and Europe. That's how big this market is. And so, the next couple of years where there's [indiscernible] (00:59:18) a lot of the market positions are made, but the volume – while the – the volume continues to go up for a very, very long time to serve that installed base. So, we see the two markets as relatively similar, relatively – on a margin maybe differences, but relatively similar by the time you get to significant penetration into the installed base of vehicles out there.

In terms of our business, we should acquire market share faster in Europe than we're acquiring market share in the US, because the market share is already so high in the US. And so by definition, we should be acquiring market share in Europe. I will also point out something else. There is a higher percentage of ports under management in Europe by necessity because we are acquiring customers that already have some hardware on the ground that do not have our hardware on the other side of the software – of our software. It's a much higher percentage in the US. It's not 100%, but it's much higher in the US, and therefore, the average – when you look at the ports under management and you try to equate that to revenue, it's a little bit lower in the early days in Europe, because not 100% of the customers are on our hardware or not an equivalent percentage are on our hardware in Europe. It makes a little harder [ph] in your chairs (01:00:45) to do the analysis.

Stephen Gengaro
Analyst, Stifel, Nicolaus & Co., Inc.

Q

I understand and I feel as though – I appreciate that comment. And then just the other quick one from me and I – you mentioned on the call sort of the one quarter lag on subscriptions just based on the time from installation. So, that's been pretty steady, right? I mean, that's a pretty steady number that we should think about as kind of a guidepost going forward.

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

Rex?

Rex S. Jackson
Chief Financial Officer, ChargePoint Holdings, Inc.

A

Yeah. Yeah, that's definitely true. So, there's a one quarter lag and then the other factor when you look at hardware – sorry, networked solutions versus our subscription revenue is, you get a very different outcome on a percentage basis depending on what you sell, right? So, if you're selling a home unit that has lower percentage software content than a commercial unit on a percentage basis and then in our DC line, the equipment itself is sufficiently expensive, that again, relative to that number software is a smaller percentage. So mix can really bang the percentages for subscriptions around.

Stephen Gengaro
Analyst, Stifel, Nicolaus & Co., Inc.

Q

Okay. Great. I appreciate the color. Gentlemen, thank you.

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

Yeah. [ph] No worries (01:02:04).

Operator: Thank you, Mr. Gengaro. The next question is from the line of David Kelley with Jefferies. You may proceed.

David L. Kelley
Analyst, Jefferies LLC

Q

Good afternoon, guys. Thanks for taking my questions. Maybe if you could talk a bit about the visibility to workplace ramp and your customers' propensity for re-buys at the moment. Just curious how that is trending recently given COVID continues to factor into corporate planning here into 2022?

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

I'd actually really enjoy your insights into when we'll be returning to work for home, kidding. Rex, if you want to – one, the jest there is around – it's a difficult predictive environment for us in terms of return to work. So, what we're doing – what I'll point out is that the growth rate in the overall industry, the just the sheer volume of cars that have entered the market, while workplaces certainly not on a total – on a proportional basis hasn't returned to its previous levels, because there's not as much utilization pressure at work, there are so many more cars where we're still seeing relatively, relatively decent numbers there. And because there are sections of the country where there are different types of workplaces that have different criticality with their jobs and different policies internally with respect to how they want to take on the more administrative – the larger administrative burden of having people in the office more often, so you're seeing those hotspots everywhere. So, it's not zero. It's not zero. When it gets to the new normal, whatever that is, well, your guess is as good as mine.

Rex, do you want to comment on the other [indiscernible] (01:03:58) question?

Rex S. Jackson
Chief Financial Officer, ChargePoint Holdings, Inc.

A

Yeah. So, the only thing I would add is, if you look at our Q4 guide, the assumption that's built into that is that workplace doesn't come back in Q4 in a big way, because if you're looking at all those things that are going on out there, we even got updates today, it's really hard to think that people are going to be back to the office by the end of January. So, what we are – so my mix go to that as well. So, we think our current mix is going to continue as before, hence the numbers that which we think are – look great as far as guidance are concerned. We're really looking forward to workplace coming back in full force next year. We're not forecasting that that's going to happen yet. But that would be very, very good impact on our business. We hope that happens. But we are staying the course now in terms of how we look at the near-term future.

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

Philosophically whenever there's doubt, we take a conservative stance in how we think about it, because that's safe. And as Rex said, we'll build as much inventory as humanly possible, because right now it's not possible to over build, it's just not, especially with our limited scrap risk and obsolescence risk. So, we'll build as much inventory as possible should things come out on the positive side either via early onset of stimulus money, early retreat of COVID, what have you, if we get surprise to the upside, awesome. But we're not going to engineer our company around expectations given variables we don't control on the rosy side of that equation.

David L. Kelley
Analyst, Jefferies LLC

Q

Okay. Got it. And for the record, my guess of return to work is not very good. So, I won't get it. But maybe as a quick follow-up, just on the utilization point and maybe this is a bit of an oversimplification, but kind of viewing it as a pull model as it relates to workplace demand. Are you seeing any shift to more of a push model in the sense that a lot of companies are certainly focused on ESG metrics, sustainability, where maybe there's some offsetting impact where the demand is going up regardless of kind of what the utilization is at the moment?

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

So, what that would – I'm sure there's some of that, frankly, because all companies are turning their attention to making sure that they have the right posture with respect to supporting [indiscernible] (01:06:37) transportation, which supports the climate goals we all have. So, there's certainly an element of that. What I'll point out, which I think is significant is that, early buys from a company just moving into electric vehicle charging tend to be small. It's the re-buys based on their run rate experience that tend to be large. So, customers trying to plant an ESG flag, I doubt are moving the needle significantly in our workplace business. But I bet you, it's in there, I just can't quantify it.

Rex, do you have any better commentary?

Rex S. Jackson
Chief Financial Officer, ChargePoint Holdings, Inc.

A

I don't. I think – I think there's a – it's hard to call it a build ahead, because we're so close to the waves [indiscernible] (01:07:32) now. So, I think people recognizing this as an undeniable trend and they should get ready for it. So, I would call it preparation as opposed to early. It's just a smart time to move.

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

Yeah. And what's also happening, I'll point this out as is, there is actually construction happening during COVID, because it's an opportune time to do construction and remodeling of office space, because it's unoccupied or lightly occupied. So, for that, we're not seeing any slowdown at all. In fact, we're seeing that being relatively strong on the construction side.

David L. Kelley
Analyst, Jefferies LLC

Q

Okay. Got it. That's helpful color. Thanks, guys.

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

Thank you.

Operator: Thank you, Mr. Kelley. That concludes the question-and-answer session. I will now turn the call back over to Pasquale Romano for closing remarks.

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

So, first of all, I want to thank everyone for their questions and I want to welcome all the new folks that have asked questions that haven't – hadn't participated in our earnings calls interactively before, they're the family, really great to have you all, wonderful questions today. And I want to just sum up again, as I said in last quarter's remarks, I really want to thank the ChargePoint team. I think you've heard a lot of commentary around how much work it's been for this team to manage to the upside in what has been a dynamic environment with respect to supply chain, and frankly, the market materializing to the upside, which has been a wonderful thing for our employees. We also have our – well on our way now of integrating two stellar teams from two acquisitions into the family of ChargePointers. So, I want to thank the ChargePoint team. I know a lot of them listening to these calls. So thanks guys for doing all the good work that you do and we're very, very, very excited about what the future holds for all of us collectively as an industry and company and our investors. We think it's just a tremendously bright picture there.

We are really buoyed by the broad base – the broad-based support that we've seen in the market for all verticals, here all verticals and then you've got the car showing up and we've always said that we're sort of analogous to an index to the electrification and mobility because as cars come, we've been so attached to cars, light-duty trucks, et cetera, heavy-duty vehicles. So, as they continue to materialize, we see that really fueling some great growth ahead. So, thank you all again. We look forward to hosting you in a quarter. Thank you and have a wonderful holiday.

Operator: That concludes today's conference call. Thank you for your participation. You may now disconnect your lines.