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ChargePoint Holdings, Inc.

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Earnings Call

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Call Participants

EXECUTIVES

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CFO & Chief Accounting Officer

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ANALYSTS

Colin William Rusch

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Presentation

Operator

Ladies and gentlemen, good afternoon. My name is Kate, and I'll be your conference operator for today. At this time, I would like to welcome everyone to the ChargePoint First Quarter Fiscal 2026 Earnings Conference Call and Webcast. [Operator Instructions]

I would now like to turn the call over to John Paul Canton (sic) [John Paolo Canton], ChargePoint's Vice President, Communications. JP, please go ahead.

John Paolo Canton

Good afternoon, and thank you for joining us on today's conference call to discuss ChargePoint's first quarter fiscal 2026 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 Chief Financial Officer. This afternoon, we issued our press release announcing results for the quarter, which ended April 30, 2025, which may 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 the second quarter of fiscal 2026. 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 March 28, 2025, and our earnings release, which 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 reconciled 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 a transcript of this call to our Investor Relations website under the Quarterly Results section. Thank you.

I will now turn the call over to our CEO, Rick Wilmer.

Richard Wilmer

President, CEO & Director

Good afternoon, and welcome to ChargePoint's First Quarter Fiscal 2026 Earnings Call. Today, I will walk you through key results for the quarter, provide insights into recent market and policy developments and highlight the progress we've made on our 2 major priorities for the year, delivering innovation and driving growth. In addition, I'll cover 2 significant announcements that directly support these priorities and positively influence ChargePoint's path to achieving positive non-GAAP adjusted EBITDA in a quarter of this fiscal year.

Let's begin with our Q1 financial results. Revenue for the first quarter came in at \$98 million, right within our guidance range. Non-GAAP gross margin continues to increase quarter-over-quarter, reaching a new high of 31%. Notably, our gas subscription gross margin climbed to a record 60%, underscoring the strength of our SaaS-focused business model.

We built momentum across the business in Q1. Our DC fast charging program with General Motors has been a success with the pace of site openings accelerating and over 500 additional ports signed off by GM for deployment. We extended multiple agreements with Mercedes-Benz, reinforcing our long-term relationship. Our theft-resistant charging cable was met with strong market interest. It will go into production this summer for our own hardware models. be.ENERGISED, our software management solution for CPOs, is now actively managing over 700 charger models from over 85 different vendors of charging hardware. This is a testimonial to the scale of our third-party hardware integrations.

In total, ChargePoint now has over 352,000 ports under management, of which more than 35,000 are DC fast chargers, and more than 122,000 are located in Europe. With our roaming partnerships, we enable access to more than 1.25 million charging ports globally. Our business is proving to be resilient on the top line despite U.S. macroeconomic conditions and market uncertainty as well as the bottom line through the cost and operational actions we took last year.

Looking ahead regarding U.S. tariffs on our products, we expect only a minimal increase in the cost of goods sold. We also expect cost reductions to exceed the impact of the current tariffs. Therefore, we still expect margin improvement later in the year. The limited impact reflects the swift and effective execution of our mitigation plan.

We see positive momentum on 2 fronts: one, EV adoption; and two, utilization rates. EV adoption continues on a steady upward trajectory, a trend which has held for more than a year. Despite political turbulence dampening consumer and capital spending, North American EV sales were up 16% year-over-year for Q1 according to Rho Motion. In Europe, EV momentum rebounded strongly with the same data set reporting 22% EV sales growth year-over-year for Q1, a significant surge. The European Green Deal mandates all new cars sold there to be 0 emission by 2035, reinforcing the EU's trajectory of EV adoption.

All of this forms a strong leading indicator for the charging industry. The trends we observed last quarter remain intact. The market is actively planning and inquiring, but widespread purchasing is being impacted by economic uncertainty. Inevitably, with more EVs on the road, existing infrastructure is under mounting pressure.

A recent report by Paren data concluded that many U.S. cities are approaching maximum charger utilization during peak hours with 5 major markets past or approaching a staggering 40% utilization rate. This strain is a positive signal for our customers who monetize charging, but it is a growing concern for EV drivers facing long waits at occupied stations. We believe this will lead to the installation of more chargers, and ChargePoint will be ready to capitalize on that demand.

Despite the growth to come, the market has recently seen attrition and the voluntary exit of major players, even Chinese competitors coming under the scrutiny of the federal government. These developments, while natural for a new industry at our stage, create a meaningful opportunity for ChargePoint to gain market share. We are not waiting for the growth to come to us. We are actively pursuing it.

This brings me to the most exciting announcement of the year so far, our new partnership with Eaton, one of the world's largest intelligent power management companies. The cornerstone of this partnership is innovation, which will drive growth. Our goal is to make electrified transportation simple and economically a no-brainer.

Charging deployment is increasingly complex with a significant portion of them requiring grid upgrades. So we are integrating charging and electrical equipment into a single solution, which addresses a major gap in the market. Together, ChargePoint and Eaton will deliver EV charging, electrical infrastructure, energy management and engineering services as the market's only end-to-end EV charging and power management solutions. These fully integrated solutions will get our customers up and running faster, simultaneously lowering their costs and are available for order now.

The next phase of partnership will offer co-developed future technologies to further drive down costs, improve efficiency and advance bidirectional power flow technology to fully optimize V2X capabilities. This will enable customers to use EVs as another distributed energy resource that they can integrate into their energy infrastructure to help power operations. The first innovations from this effort are set to be announced in September.

So what does this do for ChargePoint's business? In addition to a compelling and highly differentiated offering, we now have access to Eaton's formidable go-to-market engine, which does nearly \$25 billion in annual sales across more than 160 countries. We anticipate that the relationship will drive incremental revenue growth for ChargePoint. This partnership cements ChargePoint as the enabler of the entire EV ecosystem from the grid to the dashboard of the vehicle and everything in between.

Our second major announcement of the quarter once again aligned with our goal of delivering innovation was the announcement of our new AC hardware architecture. This is the first product line developed utilizing our lower-cost co-development structure, and it will enter the market at a highly competitive price point while still increasing our margins. This new architecture underpins a range of upcoming models that will roll out over the next year, serving home, commercial and fleet use cases. These products will represent a major portion of our hardware volume.

By bringing a generational leap in our technology to market at an affordable price point, we anticipate greater volume in the U.S., where we have the #1 AC market share, and considerable market penetration in Europe, where we have not had a product in this category to date. The first charger, part of our European take-home fleet solution, is expected to begin production in July.

Growth and innovation remain the year 2 priorities of our strategic plan, and we are making progress on both. We entered year 2 ahead of schedule, positioning us to realize the benefits of our streamlined cost structure and revitalized product portfolio in year 3. Our partnership with Eaton unlocks immediate growth opportunities by combining our EV charging leadership with their complementary solutions and their commercial scale. Our new AC hardware architecture is the first of several high-impact innovations planned for this year, designed to expand market share, drive volume and improve margins. Combined with our operational excellence, we are laying the groundwork for meaningful financial upside as the year moves on.

I will now turn the call over to our CFO, Mansi Khetani, to cover our financials in more detail.

Mansi Khetani

CFO & Chief Accounting Officer

Thanks, Rick. As a reminder, please see our earnings press release, where we reconcile our non-GAAP results to GAAP. Our principal exclusions are stock-based compensation, amortization of intangible assets and certain costs related to restructuring and acquisitions.

Revenue for the first quarter was \$98 million, within our guidance range. Network charging systems at \$52 million accounted for 53% of first quarter revenue. This was almost flat sequentially despite Q1 typically experiencing a seasonal depth and was down 20% year-on-year.

Subscription revenue at \$38 million was 39% of total revenue, essentially flat sequentially, mostly due to fewer days in Q1, which impacts prorated revenue recognition and up 14% year-on-year due to the recurring revenue generated from a higher installed base.

Other revenue at \$8 million was 8% of total revenue, down 31% sequentially and down 8% year-on-year. Other includes various revenue items, which tend to be lumpy and were significantly lower this quarter, primarily as a result of lower onetime project revenue, which is recognized based on completion rate.

Turning to verticals, which we report from a billings perspective. First quarter billings percentages were: commercial, 71%; fleet, 13%; residential, 12%; and other, 3%. From a geographic perspective, North America made up 85% of revenue and Europe was 15%. Europe was lower than normal due largely to weakness in Germany. This was partially made up in North America, which was slightly higher compared to last quarter, even though the first quarter is typically seasonally lower and despite significant macroeconomic headwinds.

Non-GAAP gross margin was 31%, improving by 1 percentage point sequentially and up 7 percentage points year-on-year. This is attributable to higher margins in both hardware and subscription as well as subscription revenue growing as a percentage of total revenue. Hardware gross margin increased sequentially despite the impact of incremental tariffs and freight incurred in Q1. Subscription margins reached a record high of 60% on a GAAP basis and were even higher on a non-GAAP basis due to economies of scale and continued optimization of support costs.

Based on currently available information, we expect the financial impact of tariffs on our COGS to remain minimal and expect gross margins to continue around the current range and to further improve later in the year. Non-GAAP operating expenses were \$57 million, up 9% sequentially and down 15% year-on-year. As

mentioned previously, this quarter's OpEx included the impact of annual raises and investments in certain key areas of the business. We will continue to manage OpEx closely.

Non-GAAP adjusted EBITDA loss was \$23 million. This compares with a loss of \$17 million in the prior quarter and a loss of \$36 million in the first quarter of last year. Stock-based compensation was \$18 million, up from \$15 million in the prior quarter and down from \$22 million year-on-year.

Our inventory balance increased by \$3 million to \$212 million due to the impact of foreign exchange rates on inventory held by our international subsidiaries. However, we saw a decrease in inventory units across most products as we continue to sell through. We anticipate that inventory balance will reduce gradually throughout the year, helping to free up cash.

Speaking of cash, we ended the quarter with \$196 million in cash on hand. Q1 tends to be the quarter with highest cash usage due to the timing of some large annual payments. We will continue to rigorously manage cash, and we have access to \$150 million revolving credit facility, which remains undrawn. We have no debt maturities until 2028, and we have existing capacity on our ATM.

Turning to guidance. For the second quarter of fiscal 2026, we expect revenue to be \$90 million to \$100 million. We are guiding with caution due to the continued changes in the macro environment, including tariff uncertainty as well as our near-term focus on operationalizing our partnership with Eaton. While there is always a possibility of headwinds from deterioration in macro conditions, we expect revenue upside later in the year from the introduction of our new AC hardware that Rick outlined, better performance in Europe and growth from our new partnership with Eaton. We continue to focus on revenue growth, gross margin expansion and cost management to achieve our stated goal of being adjusted EBITDA positive in a quarter during fiscal 2026.

We will now open the call for questions.

Question and Answer

Operator

[Operator Instructions] Our first question comes from the line of Colin Rusch with Oppenheimer.

Colin William Rusch

Oppenheimer & Co. Inc., Research Division

With this Eaton partnership and what you're seeing in terms of the market and the new AC product, can you talk a little bit about the pipeline of activity and how we should be thinking about a return to growth here on the top line for the new systems?

Richard Wilmer

President, CEO & Director

Yes. Thanks, Colin. I think there's a variety of forces at play, some positive, some causing caution, obviously, the macroeconomic conditions, tariffs and general uncertainty. We're seeing some customers get conservative with spending in cash. There's obviously uncertainty around policies supporting electrification and transportation, particularly in the U.S., which I think are also headwinds. On the other hand, very excited about our partnership with Eaton. We fully expect that to drive incremental growth, and there's a lot of work to do this quarter, in particular, to operationalize this relationship. And we fully expect to hit our stride and have this, again, fully operationalized as we enter our fiscal Q3. So a variety of factors at play.

Colin William Rusch

Oppenheimer & Co. Inc., Research Division

Okay. And then in terms of international expansion ex Europe, it's Eaton able to help you guys get into some incremental geographies where you haven't been operating to date? And how should we think about the potential for the opportunity in Central South America, other parts of North America, where you're not maybe fully loaded? It seems like you've got pretty good coverage in the U.S. and Canada, but maybe you're missing something. And then potentially places like Australia and others where you could see some incremental sales.

Richard Wilmer

President, CEO & Director

Yes. Eaton definitely has the capabilities to do that. At this point in time, we're focused on North America and Europe. We believe with the combined product portfolio, what we have to offer in Europe and North America, we've got plenty of TAM to address in those 2 geographies. But again, the possibility definitely exists to penetrate new geographies as we move forward in the partnership.

Colin William Rusch

Oppenheimer & Co. Inc., Research Division

And then just a final one on the cadence of the inventory reduction, Mansi. Should we be thinking about that as kind of low single-digit millions, mid-single-digit millions of inventory consumption on a quarterly basis? I just want to get a better sense of how to get that number on a trajectory basis and what's the right target for you guys in terms of kind of the right inventory that you want to be carrying on an ongoing basis.

Mansi Khetani

CFO & Chief Accounting Officer

Yes. So obviously, there are a lot of factors. That inventory balance will depend on -- it depends on the mix of sell-through, the mix of production, et cetera. So what we can say right now is that we expect gradual reduction probably in the second quarter with a more meaningful reduction coming in the second half as we see revenue growth.

Operator

[Operator Instructions] That's all the question for today. Ladies and gentlemen, that concludes today's call. Thank you all for joining. You may now disconnect.

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