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ChargePoint Holdings, Inc.

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Earnings Call

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Presentation

Operator

Good afternoon, and thank you for standing by, and welcome to ChargePoint Third Quarter Fiscal Year 2026 Financial Results Conference Call. Please be advised today's call is being recorded, and a replay will be available on ChargePoint's Investor Relations website.

I'd now like to hand the conference over to John Paolo Canton, Vice President, Communications. Please go ahead.

John Paolo Canton

Vice President of Communications

Good afternoon, and thank you for joining us on today's conference call to discuss ChargePoint's Third 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 ended October 31, 2025, which can 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 fourth 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-Q filed with the SEC on September 8, 2025 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 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 thank you for joining us. Today, we will provide a comprehensive review of our quarterly performance, share our perspective on current market conditions, discuss the progress we have made towards our 3-year strategic plan and highlight how our ongoing innovation is shaping the future of e-mobility.

Financial performance this quarter exceeded expectations. Revenue surpassed the top end of our guidance, reaching \$106 million, which marks a return to growth. This is a trend we anticipate to continue, especially as we move into the second half of calendar 2026 with many of our new products ramping, our Eaton partnership accelerating and numerous opportunities in Europe that we can now access with our new products.

Our non-GAAP gross margin remained at a record high of 33%. We maintained strict cash discipline with cash utilization better than planned at \$14 million. As growth returns, we continue on our path towards positive adjusted EBITDA. Additionally, we successfully completed a debt exchange securing nearly \$110 million of deal discounts that benefits shareholders, reducing outstanding debt by \$172 million and extending maturity to 2030.

This transaction is a pivotal step in strengthening our financial foundation. By deleveraging at a significant discount, we are shifting enterprise value to shareholders and reinforcing our balance sheet. These strong results confirm the effectiveness of our strategy, and the rigor of our operating model. Our CFO, Mansi will provide further details on this transaction later in the call.

North America continues to see steady sales demand despite headlines to the contrary, as evidenced by key customer wins we will discuss shortly. In Europe, demand is not only robust but accelerating with significant opportunities emerging across key markets. As we move into calendar year 2026, especially the second half, Europe stands out as a potential growth engine fueled by favorable regulatory support, rapid EV adoption and substantial infrastructure investments. This creates an ideal environment for ChargePoint to lead with our innovative new offerings.

At the same time, the competitive landscape in both regions is consolidating, creating opportunities for ChargePoint to expand our market presence and reinforce our role as a reliable partner in EV charging. Supported by these favorable conditions, we are well positioned to pursue steady growth provide strong value to customers and continue advancing the industry.

In terms of customer highlights from the third quarter, we strengthened our partnership with the City of New York by extending our agreement to support its expanding EV infrastructure needs. This ongoing collaboration reinforces our shared commitment to sustainability and positions ChargePoint as a trusted partner in advancing clean transportation. We also launched an exciting program with BMW North America to transform select premium locations into destination charging stations for EV drivers nationwide. Recruitment of site host is now underway.

And finally, NEVI momentum is building again with more than 40 states announcing new plants. We continue to deliver NEVI funded projects, including a recent installation in Landhope, Pennsylvania, where ChargePoint supplied all charging hardware during Q3. ChargePoint now manages approximately 375,000 ports including more than 39,000 DC fast chargers and more than 127,000 ports located in Europe. Globally, ChargePoint drivers have access to approximately 1.35 million public and private charging ports.

We launched our 3-year strategic plan nearly 2 years ago, built on 4 key pillars: efficient and capital-light hardware innovation, software innovation, world-class driver experiences and operational excellence. We are delivering on these promises. Our operational excellence is evident throughout the company with continuous improvement in our gross margins, network reliability and customer satisfaction.

We have made significant strides in utilizing AI for internal productivity which we expect to further accelerate improvements in operational execution. AI is a feature piece of our new software offerings which we believe will provide tangible benefits to our customers.

The second year of our 3-year plan focuses on delivering innovation and driving growth. Our financial results demonstrate that growth has returned which we expect to accelerate because of new products and services contrived in the first year of our plan that are now beginning to enter the market. We believe our new offerings will drive market share gains and margin improvements.

Our innovation engine is performing strongly, further expanded and accelerated by our partnership with Eaton and close collaboration with vehicle OEMs. Our approach to innovation is anchored by our belief that electric vehicles, EV charging infrastructure and the power grid should not operate as independent silos where industry standards dictate sole means of interoperability.

Our new DC product line ChargePoint Express powered by Eaton is a bidirectional capable solution that we believe can be deployed with up to 30% lower capital expenditure, occupies a 30% smaller footprint and reduces ongoing operational costs by up to 30% compared to other solutions. Our new AC product line, integrated with Eaton's AbleEdge smart breaker and smart panel technology is the most cost-effective offering for enabling vehicle to home and vehicle to grid and eliminating expensive panel upgrades and accelerating deployment.

Our hardware innovation is complemented by significant software advancements. We have released a new generation of the ChargePoint platform, a flexible software solution that redefines EV charging management. Completely reengineered and optimized by AI, the platform empowers operators to optimize

charging infrastructure on any scale. Soon, we will release a major upgrade to our mobile app, also powered by AI and designed to deliver smarter, more personalized charging experiences.

Customer reaction to these innovations have been overwhelmingly positive. Our solutions do more than meet expectations they are redefining them. We believe the transition to EVs is inevitable and ChargePoint is uniquely positioned to lead. Our road map is clear: deliver innovation, drive growth, capture market share, and improve margins. We are building a business driven by innovation, operational efficiency and a relentless focus on customer needs.

Thank you to our employees, partners and shareholders for your continued support. We are excited about the journey ahead and look forward to sharing more milestones in the next quarter.

I will now turn the call over to our Chief Financial Officer, Mansi Khetani.

Mansi Khetani

CFO & Chief Accounting Officer

Thank you, 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, settlements and nonrecurring legal expenses.

I will first go through the results of the quarter and then talk a bit about our recently announced debt reduction. I'm happy to announce that revenue for the third quarter exceeded our expectations coming in at \$106 million, significantly above the high end of our guidance range of \$90 million to \$100 million up 7% sequentially and up 6% year-on-year. Network charging systems at \$56 million accounted for 53% of third quarter revenue up 12% sequentially and up 7% year-on-year, marking a return to growth. Subscription revenue at \$42 million was 40% of total revenue up 5% sequentially and up 15% year-on-year as our total installed base continues to grow. Other revenue at \$7 million was 7% of total revenue.

In terms of geographies, North America made up 85% of revenue and Europe was 15%, consistent with recent quarters. Non-GAAP gross margin remained at a record high of 33%, flat sequentially and up 7 percentage points year-on-year. Hardware gross margin was flat sequentially. Subscription margin continued its upward trajectory, achieving a new record of 63% on a GAAP basis and was even higher on a non-GAAP basis driven by economies of scale and ongoing efficiencies and support costs.

Non-GAAP operating expenses were \$57 million, representing a 2% reduction, both sequentially and year-on-year. We remain committed to prudent expense management, maintaining a disciplined approach that balances current constraints with selective investments intended to support long-term growth and margin expansion.

Non-GAAP adjusted EBITDA loss was \$19 million. This compares with the loss of \$22 million in the prior quarter and a loss of \$29 million in the third quarter of last year. Stock-based compensation was \$15 million, down from \$18 million last quarter and \$21 million in the third quarter of last year. Our inventory balance was stable relative to the prior quarter at \$212 million. We continue to manage existing commitments with our contract manufacturing partners and anticipate a gradual reduction in this balance over the coming periods. We ended the quarter with \$181 million in cash compared to \$195 million in the prior quarter reflecting cash usage of \$14 million. This compares to \$24 million of net cash usage in Q3 of last year.

While quarterly cash usage may vary, we have made meaningful progress in reducing cash burn, and we expect the continued sell-through of existing inventory will further support cash generation going forward.

Next, I would like to address our recently announced debt exchange transaction, which closed following the end of Q3. We believe this transaction strengthens ChargePoint's financial position and represents a meaningful step forward in delivering significant shareholder value. Last month, we completed a privately negotiated debt exchange with existing holders that will ultimately reduce our total debt by \$172 million, more than half of the previous balance. The consideration paid included a combination of new senior debt, cash and warrants and reflected a discount of 33%. We believe this deleveraging actions captured at a significant discount, shift enterprise value to shareholders and strengthen our balance sheet.

Key benefits of the exchange include: number one, reduction of total debt by \$172 million, more than 50%. Number two, elimination of the 125% change of control premium on the prior notes of approximately \$82 million; number three, reduction in annual interest expense by approximately \$10 million; and number four, extension of debt maturity from 2028 to 2030.

The exchange utilized a portion of our existing cash made possible by the significant improvement in cash usage over the past year. Over the last 4 quarters, our net cash usage was less than \$39 million. This compares to a net cash usage of \$178 million over the 4 quarters prior to that. The progress we have achieved in managing cash usage provided the confidence to pursue this transaction which meaningfully reduced our debt burden at a substantial discount. We believe this represents a prudent decision for the company and our shareholders.

We view this transaction as a transformative step forward for ChargePoint, one that strengthens our financial position and reflects our continued focus on disciplined capital management and commitment to creating long-term value for our shareholders.

Finally, moving on to guidance. For the fourth quarter of fiscal 2026, we expect revenue to be \$100 million to \$110 million representing a 3% year-on-year growth at the midpoint. While we remain cautious in light of the broader macroeconomic environment, we are confident that revenue growth will continue as we execute on our strategic priorities.

In summary, this quarter, we delivered sequential and year-over-year revenue growth, achieved another record quarter for subscription gross margin and continue to make progress towards profitability. The operational improvements we have implemented over recent quarters position us well to capture future growth opportunities. In addition, the significant debt reduction announced strengthens our financial foundation and enhances our ability to execute on our long-term strategy.

We will now open the call for questions.

Question and Answer

Operator

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

Colin William Rusch

Oppenheimer & Co. Inc., Research Division

Congrats on the capital optimization here. I'm curious about the product evolution and the confidence that you're projecting around calendar year next year. Can you talk a little bit about any demand that you're seeing from virtual power plants, some of the geographies that are potentially in kind of tight supply situations from an electricity standpoint and products that you're seeing that are starting to emerge outside of NEVI that could actually help inflect demand in a meaningful way as you go through the calendar year next year?

Richard Wilmer

President, CEO & Director

Yes. Thanks, Colin. I think on 2 fronts, 2 things we've announced that both tie into the DPP play are, one, the new Flex product line that we announced since fully V2G and V2H enabled that is particularly cost-effective and powerful when paired with the Eaton smart breaker and smart panel technology. This is something we showed at the RE+ show earlier this year, and that will be -- that will start rolling out in 2026.

And then on the other end of the spectrum, on the DC fast charging product that we've announced our new Express line, there is a configuration of that product that can integrate directly with the DC grid and the amount of capital savings that is enjoyed by doing so due to the elimination of a lot of power conversion and being able to integrate directly with solar and battery, for example, along with improved electrical efficiency provides not only full bidirectional charging but very significant economic benefits in terms of CapEx and OpEx.

Colin William Rusch

Oppenheimer & Co. Inc., Research Division

And I guess if I can have a follow-up, I'm just curious about the potential for inventory reduction throughout the course of this year as you work through some of the remaining items that you have on the balance sheet and go through some of this product transition.

Mansi Khetani

CFO & Chief Accounting Officer

So we've made some strategic decisions to wind down certain commitments with some of our contract manufacturers. And as a part of that wind-down process sometimes involves having to take some remaining components, which add to inventory. But I think we will see a small decline in Q4, most likely in the inventory balance but we expect a more material decrease throughout next fiscal year as we sell through the existing inventory and manage our supply.

Operator

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

Mark Trevor Delaney

Goldman Sachs Group, Inc., Research Division

I also had one on inventory but more with respect to the gross margin potential. And I think in the past, the company had thought that as it works through some of the older inventory and shift these new products, there is an opportunity for that to expand margins. With what you're seeing in the business today and some momentum you've spoken about with these newer products, can you speak a bit more

around whether or not you still expect those new products to drive gross margins to the upside as they start to become a bigger contribution to the mix. And just anything you can share in terms of the timing as to when you may start seeing a bigger mix of those as you think about the inventory dynamic.

Mansi Khetani

CFO & Chief Accounting Officer

Yes. Mark, so I think improvements in hardware margin in the near term will be entirely driven by product mix due to the fact that we've got inventory already produced and ready to ship. We anticipate hardware margins to remain around the current levels until we start selling through that existing inventory. Now in the current hardware margin that you see today, we are seeing some benefit of Asia manufacturing but we expect to see a larger improvement from Asia manufacturing as we sell through our existing inventory. And as we start releasing new products, we'll expect margin improvement. But that should come in towards the latter half of next year. But overall, hardware margin always depends on the final mix.

Operator

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

Christopher Alan Pierce

Needham & Company, LLC, Research Division

Can you hear me?

Richard Wilmer

President, CEO & Director

Yes, Chris, go ahead.

Christopher Alan Pierce

Needham & Company, LLC, Research Division

Okay. Perfect. You've spoken kind of constantly to the second half of calendar next year and projects in Europe. Can you just remind us like lead times, are these projects that you're sort of already negotiating and feel confident that you've won? Or is this just confidence in the new product suite that you're rolling out?

Richard Wilmer

President, CEO & Director

It's probably more the former. I was in Europe recently personally meeting with many customers talking about these new products. And as I mentioned in the prepared remarks, the response was overwhelmingly positive. There's a lot of people excited about our new DC architecture that I referenced a moment ago and the questions. And I'm quite confident that we'll win a number of fairly significant deals in Europe as we bring that product to market in the second half of next year.

Christopher Alan Pierce

Needham & Company, LLC, Research Division

Okay. And then just lastly, are these consumer-like passenger car products? Or are these -- are you starting to see fleet wins? Or are there not enough fleet vehicles out there? I just kind of want to get a sense of where you're seeing the momentum.

Richard Wilmer

President, CEO & Director

It's a combination of both. The new DC architecture is really well suited for passenger vehicle DC fast charge, but it also is really an ideal architecture for megawatt charging for large trucks. And we've talked to our customers in both of those areas, specifically in Europe.

Operator

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

William Chapman Peterson

JPMorgan Chase & Co, Research Division

I guess sort of housekeeping relative to your expectations on the last quarter call, you came in nicely ahead of expectations. Can you provide some color of what came in better than expected? And then anything notable within the network hardware in terms of mix?

And then just adding the second question on here to get back in the queue. Within your expectations for the second half of next year, your growth expectations, would this, in your view, be enough to push you to profitability?

Mansi Khetani

CFO & Chief Accounting Officer

Yes. So in terms of the first part of the question, Bill, the significant beat was mostly due to a boost in residential billings due to the expiration of the federal EV credits that we saw. We saw a huge boost in sales of our home product. The commercial did well also compared to the prior quarter but the significant beat was mostly due to this boost in the residential billings.

In terms of growth in the second half in EBITDA, we're not guiding to a time frame, but EBITDA as Rick mentioned before, will come with growth in revenue which we are significantly focused on. And as we've mentioned before, with the new products and the increased demand in Europe and the Eaton partnership we think the second half should be pretty strong.

Operator

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

Christopher J. Dendrinis

RBC Capital Markets, Research Division

Yes. I wanted to follow up a bit more on the Eaton partnership and hopefully, just asking you to provide a bit more information about where you're at with that relationship? How that partnership is going? And I guess just any broadly, any extra information you can provide?

Richard Wilmer

President, CEO & Director

Yes, I would characterize that as exceeding expectations. The amount of innovation we've been able to unlock compared to what I expected when we began the relationship has increased again to exceed expectations. I gave a couple of examples earlier on our home -- via home solution that is really differentiated from the market as a result of our partnership and innovation and collaboration with Eaton and likewise on the DC fast charge, the DC only version of that on a DC grid built by Eaton is a very differentiated product.

So expectations exceeded. Operationally, we're working very well with Eaton, shipping a lot of co-branded product this past quarter that we just closed and expect that to continue to grow.

Operator

[Operator Instructions] Your next question comes from the line of Craig Irwin with ROTH Capital Partners.

Craig Irwin

ROTH Capital Partners, LLC, Research Division

So Rick, the part of your prepared comments that was a big surprise is the NEVI funding. The fact that this is driving installations today. Can you maybe talk about the runway here as far as the financing? And whether or not you're seeing some of the financing from the states come through in a more material way now that some of the uncertainty out of DC is behind us?

Richard Wilmer

President, CEO & Director

Yes. With respect to NEVI, we are seeing projects move forward. As we mentioned in the prepared remarks, 40 states now are active in NEVI and awarding contracts, and we're active in many of those.

Craig Irwin

ROTH Capital Partners, LLC, Research Division

And are you seeing similar levels of support similar levels of financial support and sort of subsidy for new stations? Or are these basically flat, improving? How would you characterize any change there?

Richard Wilmer

President, CEO & Director

Kind of returned to where it was before it was passed. I think it's a good way to characterize it.

Operator

And with no further questions in queue, that will conclude today's conference call. You may now disconnect.

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