

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended March 31, 2023
OR**

☐ **REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

STEM, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or Other Jurisdiction
of Incorporation)

001-39455

(Commission File Number)

85-1972187

(IRS Employer
Identification No.)

100 California St., 14th Fl., San Francisco, California 94111

(Address of principal executive offices, including zip code)

1-877-374-7836

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Trading Symbol(s)

Name of each exchange on which registered

Common Stock, par value \$0.0001

STEM

New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act

Large accelerated filer

☒ Accelerated filer

☐

Non-accelerated filer

☐ Smaller reporting company

☐

Emerging growth company

☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Class

Outstanding as of April 25, 2023

Common Stock, \$0.0001 par value per share

155,528,457

STEM, INC.
Quarterly Report on Form 10-Q
For the Period Ended March 31, 2023

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Part I - Financial Information

Item 1. Financial Statements (Unaudited)

STEM, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(in thousands, except share and per share amounts)

	March 31, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 117,883	\$ 87,903
Short-term investments	87,678	162,074
Accounts receivable, net of allowances of \$4,392 and \$3,879 as of March 31, 2023 and December 31, 2022, respectively	232,764	223,219
Inventory, net	43,231	8,374
Deferred costs with suppliers	22,594	43,159
Other current assets (includes \$66 and \$74 due from related parties as of March 31, 2023 and December 31, 2022, respectively)	6,975	8,026
Total current assets	511,125	532,755
Energy storage systems, net	87,750	90,757
Contract origination costs, net	11,662	11,697
Goodwill	547,168	546,649
Intangible assets, net	161,596	162,265
Operating lease right-of-use assets	14,553	12,431
Other noncurrent assets	60,316	65,339
Total assets	\$ 1,394,170	\$ 1,421,893
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 112,541	\$ 83,831
Accrued liabilities	59,104	85,258
Accrued payroll	7,025	12,466
Financing obligation, current portion	16,271	15,720
Deferred revenue, current portion	75,421	64,311
Other current liabilities (includes \$704 and \$687 due to related parties as of March 31, 2023 and December 31, 2022, respectively)	5,547	5,412
Total current liabilities	275,909	266,998
Deferred revenue, noncurrent	72,574	73,763
Asset retirement obligation	4,223	4,262
Notes payable, noncurrent	1,679	1,603
Convertible notes, noncurrent	448,397	447,909
Financing obligation, noncurrent	61,065	63,867
Lease liabilities, noncurrent	12,634	10,962
Other liabilities	444	362
Total liabilities	876,925	869,726
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Preferred stock, \$0.0001 par value; 1,000,000 shares authorized as of March 31, 2023 and December 31, 2022; zero shares issued and outstanding as of March 31, 2023 and December 31, 2022	—	—
Common stock, \$0.0001 par value; 500,000,000 shares authorized as of March 31, 2023 and December 31, 2022; 155,508,303 and 154,540,197 issued and outstanding as of March 31, 2023 and December 31, 2022, respectively	16	15
Additional paid-in capital	1,193,621	1,185,364
Accumulated other comprehensive loss	(2)	(1,672)
Accumulated deficit	(676,859)	(632,081)
Total Stem's stockholders' equity	516,776	551,626
Non-controlling interests	469	541
Total stockholders' equity	517,245	552,167
Total liabilities and stockholders' equity	\$ 1,394,170	\$ 1,421,893

The accompanying notes are an integral part of these condensed consolidated financial statements.

STEM, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(in thousands, except share and per share amounts)

	Three Months Ended March 31,	
	2023	2022
Revenue		
Services and other revenue	\$ 14,673	\$ 9,965
Hardware revenue	52,732	31,123
Total revenue	67,405	41,088
Cost of revenue		
Cost of services and other revenue	11,504	8,633
Cost of hardware revenue	54,907	28,811
Total cost of revenue	66,411	37,444
Gross margin	994	3,644
Operating expenses:		
Sales and marketing	12,406	9,142
Research and development	13,444	8,943
General and administrative	17,797	20,512
Total operating expenses	43,647	38,597
Loss from operations	(42,653)	(34,953)
Other expense, net:		
Interest expense, net	(1,777)	(3,218)
Other (expense) income, net	(439)	475
Total other expense, net	(2,216)	(2,743)
Loss before benefit from income taxes	(44,869)	(37,696)
Benefit from income taxes	91	15,213
Net loss	\$ (44,778)	\$ (22,483)
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.29)	\$ (0.15)
Weighted-average shares used in computing net loss per share to common stockholders, basic and diluted	154,966,163	150,491,041

The accompanying notes are an integral part of these condensed consolidated financial statements.

STEM, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(UNAUDITED)
(in thousands)

	Three Months Ended March 31,	
	2023	2022
Net loss	\$ (44,778)	\$ (22,483)
Other comprehensive income (loss):		
Unrealized gain (loss) on available-for-sale securities	1,543	(611)
Foreign currency translation adjustment	127	(28)
Total other comprehensive loss	1,670	(639)
Comprehensive loss	\$ (43,108)	\$ (23,122)

The accompanying notes are an integral part of these condensed consolidated financial statements.

STEM, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)
(in thousands, except share amounts)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Non-controlling Interests	Total Stockholders' Equity
	Shares	Amount					
Balance as of January 1, 2023	154,540,197	\$ 15	\$ 1,185,364	\$ (1,672)	\$ (632,081)	\$ 541	\$ 552,167
Stock option exercises, net of statutory tax withholdings	65,045	—	149	—	—	—	149
Issuance of common stock upon release of restricted stock units	903,061	1	—	—	—	—	1
Stock-based compensation	—	—	8,108	—	—	—	8,108
Unrealized gain on available-for-sale securities	—	—	—	1,543	—	—	1,543
Foreign currency translation adjustments	—	—	—	127	—	—	127
Redemption of non-controlling interests, net	—	—	—	—	—	(72)	(72)
Net loss	—	—	—	—	(44,778)	—	(44,778)
Balance as of March 31, 2023	155,508,303	\$ 16	\$ 1,193,621	\$ (2)	\$ (676,859)	\$ 469	\$ 517,245

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Non-controlling Interests	Total Stockholders' Equity
	Shares	Amount					
Balance as of January 1, 2022	144,671,624	\$ 14	\$ 1,176,845	\$ 20	\$ (509,052)	\$ —	\$ 667,827
Cumulative-effect adjustment upon adoption of ASU 2020-06 (Note 10)	—	—	(130,979)	—	1,598	—	(129,381)
Cumulative-effect adjustment upon adoption of ASU 2016-13	—	—	—	—	(573)	—	(573)
Common stock issued upon business combination (Note 6)	8,621,006	1	108,882	—	—	—	108,883
Stock option exercises, net of statutory tax withholdings	425,167	—	(426)	—	—	—	(426)
Stock-based compensation	—	—	6,787	—	—	—	6,787
Unrealized loss on available-for-sale securities	—	—	—	(611)	—	—	(611)
Foreign currency translation adjustments	—	—	—	(28)	—	—	(28)
Contributions from non-controlling interests	—	—	—	—	—	141	141
Net loss	—	—	—	—	(22,483)	—	(22,483)
Balance as of March 31, 2022	153,717,797	\$ 15	\$ 1,161,109	\$ (619)	\$ (530,510)	\$ 141	\$ 630,136

The accompanying notes are an integral part of these condensed consolidated financial statements.

STEM, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(in thousands)

	Three Months Ended March 31,	
	2023	2022
OPERATING ACTIVITIES		
Net loss	\$ (44,778)	\$ (22,483)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	11,107	8,725
Non-cash interest expense, including interest expenses associated with debt issuance costs	386	456
Stock-based compensation	7,202	6,265
Non-cash lease expense	661	546
Accretion of asset retirement obligations	61	60
Impairment loss of energy storage systems	851	171
Net (accretion of discount) amortization of premium on investments	(657)	293
Income tax benefit from release of valuation allowance	(335)	(15,100)
Provision for accounts receivable allowance	522	180
Net loss on investments	1,561	—
Other	(117)	(17)
Changes in operating assets and liabilities:		
Accounts receivable	(10,067)	(3,532)
Inventory	(34,857)	(46,564)
Deferred costs with suppliers	28,179	(9,157)
Other assets	251	(23,127)
Contract origination costs, net	(802)	(1,670)
Project assets	(1,402)	—
Accounts payable	28,831	67,955
Accrued expenses and other liabilities	(31,746)	(6,657)
Deferred revenue	9,921	17,705
Lease liabilities	(593)	(54)
Net cash used in operating activities	(35,821)	(26,005)
INVESTING ACTIVITIES		
Acquisitions, net of cash acquired	(1,847)	(532,839)
Purchase of available-for-sale investments	(49,152)	(41,437)
Proceeds from maturities of available-for-sale investments	50,270	36,271
Proceeds from sales of available-for-sale investments	73,917	—
Purchase of energy storage systems	(1,625)	(108)
Capital expenditures on internally-developed software	(3,570)	(3,537)
Purchase of property and equipment	(162)	(1,278)
Net cash provided by (used in) investing activities	67,831	(542,928)
FINANCING ACTIVITIES		
Proceeds from exercise of stock options and warrants	149	347
Payments for taxes related to net share settlement of stock options	—	(773)
Proceeds from financing obligations	—	311
Repayment of financing obligations	(2,133)	(4,178)
Proceeds from issuance of notes payable	—	6
Redemption of non-controlling interests, net	(72)	—
Repayment of notes payable	(100)	—
Net cash used in financing activities	(2,156)	(4,287)
Effect of exchange rate changes on cash and cash equivalents	126	(23)
Net increase (decrease) in cash and cash equivalents	29,980	(573,243)
Cash and cash equivalents, beginning of year	87,903	747,780
Cash and cash equivalents, end of period	\$ 117,883	\$ 174,537

The accompanying notes are an integral part of these condensed consolidated financial statements.

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for interest	\$	1,481	\$	1,869
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NON-CASH INVESTING AND FINANCING ACTIVITIES

Change in asset retirement costs and asset retirement obligation	\$	99	\$	27
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Purchases of energy storage systems in accounts payable	\$	88	\$	—
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Right-of-use asset obtained in exchange for lease liability	\$	2,782	\$	—
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Stock-based compensation capitalized to internal-use software	\$	906	\$	522
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The accompanying notes are an integral part of these condensed consolidated financial statements.

STEM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. BUSINESS

Description of the Business

Stem, Inc., together with its consolidated subsidiaries (“Stem,” the “Company,” “we,” “us,” or “our”), maintains one of the world’s largest digitally connected, intelligent renewable energy networks, providing customers (i) with an energy storage system, sourced from leading, global battery original equipment manufacturers (“OEMs”), that the Company delivers through its partners, including developers, distributors, and engineering, procurement and construction firms, (ii) edge hardware to aid in the collection of site data and the real-time operation and control of the site plus other optional equipment, (iii) ongoing software platform and professional services to operate integrated energy storage, and solar systems, through its Athena® artificial intelligence (“AI”) platform (“Athena”), and (iv) solar asset performance monitoring and control, through Athena’s PowerTrack application. In addition, in all the markets where the Company helps manage its customers’ clean energy assets, the Company has agreements to use the Athena platform to participate in such markets and to share the revenue from such market participation.

The Company delivers its battery hardware and software-enabled services through its Athena platform to its customers. The Company’s hardware and recurring software-enabled services mitigate customer energy costs through services such as time-of-use and demand charge management optimization and by aggregating the dispatch of energy through a network of virtual power plants. The resulting network created by the Company’s growing customer base increases grid resilience and reliability through the real-time processing of market-based demand signals, energy prices and other factors in connection with the deployment of renewable energy resources to such customers. Additionally, the Company’s energy storage solutions support renewable energy generation by alleviating grid intermittency issues, thereby reducing customer dependence on traditional, fossil fuel resources.

The Company’s Athena PowerTrack application provides a vertically integrated solution that incorporates on-site power monitoring equipment that aggregates and communicates data to enable remote control of solar generation assets. PowerTrack provides direct access to individual site performance to measure and benchmark expected energy production, maximizing asset value for our customers.

From time to time, the Company, through an indirect wholly-owned development subsidiary (“DevCo”) formed in January 2022, will enter into strategic joint ventures (each a “DevCo JV”) with qualified third parties for the development of select renewable energy projects (“DevCo Projects”). In this structure, DevCo forms a new DevCo JV entity as the majority owner, with the developer as the minority owner. The purpose of the DevCo JV is to develop and sell DevCo Projects and secure Company hardware and software services for those projects. In DevCo Projects, the Company makes development capital contributions to fund project development, and recovers those capital contributions plus a fee when the developer takes ownership of the project. The Company will in some cases also elect to make cash advances to hardware suppliers to accelerate project construction timelines given long lead times to secure hardware. This business model is intended to allow the Company to advance development capital to key partners in strategic markets and securing hardware upfront, in order to generate higher-margin software and services and other revenue via exclusive long-term services contracts under the DevCo Projects.

On February 1, 2022, the Company acquired all of the issued and outstanding capital stock of Also Energy Holdings, Inc. (“AlsoEnergy”), which has been consolidated since the date of acquisition. Through AlsoEnergy, the Company provides end-to-end turnkey solutions that monitor and manage renewable energy systems through its PowerTrack software. PowerTrack includes data acquisitions and monitoring, performance modeling, agency reporting, internal reports, work order tickets, and supervisory control and data acquisition (“SCADA”) controls. AlsoEnergy has deployed systems at various international locations, but its largest customer bases are in the United States, Germany and Canada. See Note 6 — *Business Combinations*.

The Company operated as Rollins Road Acquisition Company (f/k/a Stem, Inc.) (“Legacy Stem”) prior to the Merger with Star Peak Transition Corp. (“STPK”), an entity that was then listed on the New York Stock Exchange under the trade symbol “STPK,” and STPK Merger Sub Corp., a Delaware corporation and wholly-owned subsidiary of STPK (“Merger Sub”), providing for, among other things, and subject to the conditions therein, the combination of the Company and STPK pursuant to the merger of Merger Sub with and into the Company, with the Company continuing as the surviving entity (the “Merger”). Stem, Inc. was incorporated on March 16, 2009 in the State of Delaware and is headquartered in San Francisco, California.

STEM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Liquidity

As of March 31, 2023, the Company had cash and cash equivalents of \$117.9 million, short-term investments of \$87.7 million, an accumulated deficit of \$676.9 million and net working capital of \$235.2 million, with \$16.3 million of financing obligations coming due within the next 12 months. During the three months ended March 31, 2023, the Company incurred a net loss of \$44.8 million and had negative cash flows from operating activities of \$35.8 million. The Company believes that its cash position is sufficient to meet capital and liquidity requirements for at least the next 12 months after the date that the financial statements are available to be issued.

The Company's business prospects are subject to risks, expenses, and uncertainties frequently encountered by companies in the early stages of commercial operations. The attainment of profitable operations is dependent upon future events, including securing new customers and maintaining current ones, securing and maintaining adequate supplier relationships, building the Company's customer base, successfully executing its business and marketing strategy, obtaining adequate financing to complete the Company's development activities, and hiring and retaining appropriate personnel. Failure to generate sufficient revenues, achieve planned gross margins and operating profitability, control operating costs, or secure additional funding may require the Company to modify, delay or abandon some of its planned future expansion or development, to seek additional equity or debt financing, or to otherwise enact operating cost reductions available to management, which could have a material adverse effect on the Company's business, operating results and financial condition.

Supply Chain Constraints and Risk

The Company's industry continues to face shortages and shipping delays affecting the supply of inverters, enclosures, battery modules and associated component parts for inverters and battery energy storage systems available for purchase. These shortages and delays can be attributed in part to the evolving macroeconomic, geopolitical and business environment, including the effects of increased global inflationary pressures and interest rates, potential import tariffs, the ongoing effects of the COVID-19 pandemic and geopolitical pressures, including the Russia-Ukraine armed conflict, rising tensions between China and Taiwan and unknown effects of current and future trade regulations. If these shortages and delays persist through 2023, they could adversely affect the timing of when battery energy storage systems can be delivered and installed, and when (or if) the Company can begin to generate revenue from those systems. The Company cannot predict the full effects the macroeconomic, geopolitical and business environment will continue to have on our business, cash flows, liquidity, financial condition and results of operations. In addition, the COVID-19 pandemic caused, and any new outbreaks or resurgence of COVID-19 and its variants could again cause, a significant reduction in global economic activity, significantly weakening demand for our products and services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim reporting and with the instructions to Form 10-Q and Article 10 of Regulation S-X, assuming the Company will continue as a going concern. Accordingly, the condensed consolidated balance sheet at December 31, 2022 has been derived from the audited financial statements at that date, but certain notes or other information that are normally required by GAAP have been omitted if they substantially duplicate the disclosures contained in the Company's annual audited consolidated financial statements. In the opinion of Stem management, all normal and recurring adjustments considered necessary for a fair statement of the results for the interim period presented have been included in the accompanying unaudited condensed consolidated financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2022. Operating results for the three months ended March 31, 2023 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023 or for any other future interim period or year.

Principles of Consolidation

The unaudited condensed consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, and consolidated variable interest entities ("VIEs"). The Company presents non-controlling interests within the equity section of its condensed consolidated balance sheets, and the amount of consolidated net loss that is attributable to Stem and the non-controlling interest in its condensed consolidated statements of operations. All intercompany balances and transactions have been eliminated in consolidation.

STEM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Variable Interest Entities

The Company forms special purpose entities (“SPEs”), some of which are VIEs, with its investors in the ordinary course of business to facilitate the funding and monetization of its energy storage systems. A legal entity is considered a VIE if it has either a total equity investment that is insufficient to finance its operations without additional subordinated financial support or whose equity holders lack the characteristics of a controlling financial interest. The Company’s variable interests arise from contractual, ownership, or other monetary interests in the entity. The typical condition for a controlling financial interest ownership is holding a majority of the voting interests of an entity; however, a controlling financial interest may also exist in entities, such as VIEs, through arrangements that do not involve controlling voting interests.

The Company consolidates a VIE if it is deemed to be the primary beneficiary. The Company determines it is the primary beneficiary if it has the power to direct the activities that most significantly impact the VIEs’ economic performance and has the obligation to absorb losses or has the right to receive benefits of the VIE that could potentially be significant to the VIE. The Company evaluates its relationships with its VIEs on an ongoing basis to determine whether it is the primary beneficiary.

Beginning in January 2022, the Company formed DevCo JVs with the purpose of originating potential battery storage facility projects in the specific locations and conducting early-stage planning and development activities. The Company determined that the DevCo JVs are VIEs as they lack sufficient equity to finance their activities without additional financial support. The Company determined that it has both (1) the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance, and (2) the obligation to absorb losses or receive benefits from the VIE that could potentially be significant. Accordingly, the Company has determined that it is the primary beneficiary of the DevCo JVs, and as a result, the DevCo JVs’ operating results, assets and liabilities are consolidated by the Company, with third party minority owners’ share presented as noncontrolling interest. The Company applied the hypothetical liquidation at book value method in allocating recorded net income (loss) to each owner based on the change in the reporting period, of the amount of net assets of the entity to which each owner would be entitled to under the governing contracts in a liquidation scenario.

The following table summarizes the carrying values of the assets and liabilities of the DevCo JVs that are consolidated by the Company as of March 31, 2023 (in thousands):

	March 31, 2023	December 31, 2022
Assets		
Cash and cash equivalents	\$ 2,107	\$ 6,686
Other current assets	9	38
Other noncurrent assets	4,610	3,208
Total assets	6,726	9,932
Liabilities		
Accounts payable	275	356
Other current liabilities	236	97
Total liabilities	\$ 511	\$ 453

For the three months ended March 31, 2023 and 2022, the Company contributed approximately \$0.1 million and \$4.9 million in capital investments for hardware purchases, respectively. The net income from the DevCo JVs was immaterial during the three months ended March 31, 2023 and 2022.

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current year presentation. Such reclassifications have no impact on previously reported net (loss) income, stockholders’ equity, or cash flows. For the three months ended March 31, 2022, a \$9.2 million net cash outflow was reclassified from changes in other assets to changes in deferred costs with suppliers and \$6.2 million net cash outflow reclassified from change in accounts payable to other liabilities, and \$0.2 million net cash inflow was reclassified from changes in accounts receivable to provision for accounts receivable allowance in the condensed consolidated statements of cash flows. This change had no impact to net cash used in operating activities.

STEM, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Use of Estimates

The preparation of unaudited condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the unaudited condensed consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The Company bases its estimates on historical experience and on various other assumptions believed to be reasonable. Actual results could differ from those estimates and such differences could be material to the financial position and results of operations.

Significant estimates and assumptions reflected in these unaudited condensed consolidated financial statements include, but are not limited to, depreciable life of energy storage systems; the amortization of acquired intangibles; the amortization of financing obligations; deferred commissions and contract fulfillment costs; the valuation of energy storage systems, internally developed software, and asset retirement obligations; and the fair value of equity instruments, equity-based instruments, warrant liabilities, embedded derivatives and net assets acquired in a business combination.

Segment Information

Operating segments are defined as components of an entity for which discrete financial information is available that is regularly reviewed by the Chief Operating Decision Maker ("CODM") in deciding how to allocate resources to an individual segment and in assessing performance. The Company's Chief Executive Officer is the CODM. The CODM reviews financial information presented on a consolidated basis for purposes of making operating decisions, allocating resources, and evaluating financial performance. As such, management has determined that the Company operates as one operating segment that is focused exclusively on innovative technology services that transform the way energy is distributed and consumed. The operations acquired as part of the acquisition of AlsoEnergy have been included in the Company's operating segment. Net assets outside of the U.S. were less than 10% of total net assets as of March 31, 2023 and December 31, 2022.

Concentration of Credit Risk and Other Uncertainties

Financial instruments that potentially subject the Company to concentration of credit risk consist of cash and cash equivalents and accounts receivable. The Company's cash balances are primarily invested in money market funds or on deposit at high credit quality financial institutions in the U.S. The Company's cash and cash equivalents are held at financial institutions where account balances may at times exceed federally insured limits. Management believes the Company is not exposed to significant credit risk due to the financial strength of the depository institution in which the cash is held. The Company has no financial instruments with off-balance sheet risk of loss.

At times, the Company may be subject to a concentration of credit risk in relation to certain customers due to the purchase of large energy storage systems made by such customers. The Company routinely assesses the creditworthiness of its customers. The Company has not experienced material losses related to receivables from individual customers, or groups of customers during the three months ended March 31, 2023 and 2022. The Company does not require collateral. Due to these factors, no additional credit risk beyond amounts provided for credit losses is believed by management to be probable in the Company's accounts receivable.

Significant Customers

A significant customer represents 10% or more of the Company's total revenue or accounts receivable, net balance at each reporting date. For each significant customer, revenue as a percentage of total revenue and accounts receivable as a percentage of total accounts receivable are as follows:

	Accounts Receivable		Revenue	
	March 31,	December 31,	Three Months Ended March 31,	
	2023	2022	2023	2022
Customers:				
Customer A	51 %	54 %	*	38 %
Customer B	15 %	16 %	*	*
Customer C	18 %	11 %	61 %	*
Customer D	*	*	*	11 %

*Total less than 10% for the respective period.

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There are inherent risks whenever a large percentage of total revenue is concentrated in a limited number of customers. Should a significant customer: terminate or fail to renew its contracts with us, in whole or in part, for any reason, or experience significant financial or operating difficulties, it could have a material adverse effect on our financial condition and results of operations. In general, a customer that makes up a significant portion of revenues in one period, may not make up a significant portion in subsequent periods.

Fair Value of Financial Instruments

Assets and liabilities recorded at fair value in the unaudited condensed consolidated financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. The fair value of the Company's financial assets and liabilities reflects management's estimate of amounts that the Company would have received in connection with the sale of the assets or paid in connection with the transfer of the liabilities in an orderly transaction between market participants at the measurement date. In connection with measuring the fair value of its assets and liabilities, the Company seeks to maximize the use of observable inputs (market data obtained from independent sources) and to minimize the use of unobservable inputs (internal assumptions about how market participants would price assets and liabilities).

Hierarchical levels which are directly related to the amount of subjectivity associated with the inputs to the valuation of these assets or liabilities are as follows:

Level 1 — Unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date.

Level 2 — Inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.

Level 3 — Unobservable inputs for the asset or liability only used when there is little, if any, market activity for the asset or liability at the measurement date.

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to their fair value measurement. The Company's assessment of the significance of a specific input to the fair value measurement in its entirety requires management to make judgments and consider factors specific to the asset or liability.

Financial assets and liabilities held by the Company measured at fair value on a recurring basis as of March 31, 2023 and December 31, 2022 include cash and cash equivalents, short-term investments, and convertible notes.

3. REVENUE

Disaggregation of Revenue

The following table provides information on the disaggregation of revenue as recorded in the condensed consolidated statements of operations (in thousands):

	Three Months Ended March 31,	
	2023	2022
Hardware revenue	\$ 52,732	\$ 31,123
Services and other revenue	14,673	9,965
Total revenue	<u>\$ 67,405</u>	<u>\$ 41,088</u>

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The following table summarizes reportable revenue by geographic regions determined based on the location of the customers (in thousands):

	Three Months Ended March 31,	
	2023	2022
United States	\$ 65,330	\$ 39,458
Rest of the world	2,075	1,630
Total revenue	<u>\$ 67,405</u>	<u>\$ 41,088</u>

Remaining Performance Obligations

Remaining performance obligations represent contracted revenue that has not been recognized, which include contract liabilities (deferred revenue) and amounts that will be billed and recognized as revenue in future periods. As of March 31, 2023, the Company had \$541.1 million of remaining performance obligations, and the approximate percentages expected to be recognized as revenue in the future are as follows (in thousands, except percentages):

	Total Remaining Performance Obligations	Percent Expected to be Recognized as Revenue		
		Less Than One Year	Two to Five Years	Greater Than Five Years
Services and other revenue	\$ 327,149	14 %	48 %	38 %
Hardware revenue	213,993	100 %	— %	— %
Total revenue	<u>\$ 541,142</u>			

Contract Balances

Deferred revenue primarily includes cash received in advance of revenue recognition related to energy optimization services and incentives. The following table presents the changes in the deferred revenue balance during the three months ended March 31, 2023 and 2022 (in thousands):

	Three Months Ended March 31,	
	2023	2022
Beginning balance	\$ 138,074	\$ 37,443
Deferred revenue acquired upon business combination	—	49,626
Upfront payments received from customers	30,700	35,050
Upfront or annual incentive payments received	1,275	2,895
Revenue recognized related to amounts that were included in beginning balance of deferred revenue	(8,463)	(2,938)
Revenue recognized related to amounts that were included in acquired balance of deferred revenue	—	(3,338)
Revenue recognized related to deferred revenue generated during the period	(13,591)	(13,965)
Ending balance	<u>\$ 147,995</u>	<u>\$ 104,773</u>

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4. SHORT-TERM INVESTMENTS

The following tables summarize the estimated fair value of the Company's short-term investments and the gross unrealized holding losses and gains as of March 31, 2023 and December 31, 2022 (in thousands):

	As of March 31, 2023			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value
Corporate debt securities	\$ 13,467	\$ 1	\$ (35)	\$ 13,433
Commercial paper	16,845	—	—	16,845
U.S. government bonds	30,954	9	(111)	30,852
Certificate of deposits	4,694	—	—	4,694
Treasury bills	10,768	1	(6)	10,763
Agency bonds	11,089	3	(1)	11,091
Total short-term investments	<u>\$ 87,817</u>	<u>\$ 14</u>	<u>\$ (153)</u>	<u>\$ 87,678</u>

	As of December 31, 2022			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value
Corporate debt securities	\$ 17,056	\$ —	\$ (164)	\$ 16,892
Commercial paper	18,922	—	—	18,922
U.S. government bonds	106,774	—	(1,515)	105,259
Certificate of deposits	9,986	—	—	9,986
Treasury bills	9,518	3	(5)	9,516
Agency bonds	1,500	—	(1)	1,499
Total short-term investments	<u>\$ 163,756</u>	<u>\$ 3</u>	<u>\$ (1,685)</u>	<u>\$ 162,074</u>

The following table presents the contractual maturities of the Company's short-term investments as of March 31, 2023 (in thousands):

	As of March 31, 2023	
	Amortized cost	Estimated Fair Value
Due within one year	\$ 87,817	\$ 87,678
Total	<u>\$ 87,817</u>	<u>\$ 87,678</u>

The Company periodically reviews the individual securities that have unrealized losses on a regular basis to evaluate whether or not any security has experienced, or is expected to experience, credit losses resulting in the decline in fair value. The Company evaluates, among other factors, whether the Company intends to sell any of these marketable securities and whether it is more likely than not that the Company will be required to sell any of them before recovery of the amortized cost basis. During the three months ended March 31, 2023, the Company did not record an allowance for credit losses, as management believes any such losses would be immaterial based on the investment-grade credit rating for each of the short-term investments as of the end of each period.

5. FAIR VALUE MEASUREMENTS

Fair value accounting is applied for all financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. At March 31, 2023 and December 31, 2022, the carrying amount of accounts receivable, other current assets, accounts payable, and accrued and other current liabilities approximated their estimated fair value due to their relatively short maturities.

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Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table provides the financial instruments measured at fair value (in thousands):

	March 31, 2023			
	Level 1	Level 2	Level 3	Fair Value
Assets				
Cash equivalents:				
Money market fund	\$ 62,416	\$ —	\$ —	\$ 62,416
Commercial paper	—	6,961	—	6,961
Treasury bills	—	2,750	—	2,750
Agency bonds	—	5,027	—	5,027
Debt securities:				
Corporate debt securities	—	13,433	—	13,433
Commercial paper	—	16,845	—	16,845
U.S. government bonds	—	30,852	—	30,852
Certificate of deposits	—	4,694	—	4,694
Treasury bills	—	10,763	—	10,763
Agency bonds	—	11,091	—	11,091
Total financial assets	<u>\$ 62,416</u>	<u>\$ 102,416</u>	<u>\$ —</u>	<u>\$ 164,832</u>

	December 31, 2022			
	Level 1	Level 2	Level 3	Fair Value
Assets				
Cash equivalents:				
Money market fund	\$ 10,618	\$ —	\$ —	\$ 10,618
Commercial paper	—	2,988	—	2,988
Debt securities:				
Corporate debt securities	—	16,892	—	16,892
Commercial paper	—	18,922	—	18,922
U.S. government bonds	—	105,259	—	105,259
Certificate of deposits	—	9,986	—	9,986
Treasury bills	—	9,516	—	9,516
Other	—	1,499	—	1,499
Total financial assets	<u>\$ 10,618</u>	<u>\$ 165,062</u>	<u>\$ —</u>	<u>\$ 175,680</u>

The Company's money market funds are classified as Level 1 because they are valued using quoted market prices. The Company's short-term investments consist of available-for-sale securities and are classified as Level 2 because their value is based on valuations using significant inputs derived from or corroborated by observable market data.

Fair Value of Convertible Promissory Notes

The convertible notes are recorded at face value less unamortized debt issuance costs (see Note 10 — *Convertible Notes* for additional details) on the condensed consolidated balance sheets as of March 31, 2023. As of March 31, 2023 and December 31, 2022, the estimated fair value of the convertible notes was \$260.9 million and \$293.1 million, respectively, based on Level 2 quoted bid prices of the convertible notes in an over-the-counter market on the last trading date of the reporting period.

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6. BUSINESS COMBINATIONS

AlsoEnergy Acquisition

On February 1, 2022, Stem, Inc. acquired 100% of the outstanding shares of AlsoEnergy. AlsoEnergy provides end-to-end turnkey solutions that monitor and manage renewable energy systems. The total consideration to acquire AlsoEnergy was \$652.0 million, comprised of \$543.1 million in cash, net of a working capital adjustment for an escrow recovery, and \$108.9 million in the form of 8,621,006 shares of the Company's common stock. The Company incurred \$6.1 million of transaction costs related to the acquisition of AlsoEnergy, which were recorded in general and administrative expense in the three months ended March 31, 2022.

Unaudited Pro Forma Financial Information

The following unaudited pro forma financial information summarizes the combined results of operations for the Company and AlsoEnergy, as if the acquisition had occurred on January 1, 2022. The pro forma financial information is as follows (in thousands):

	(Unaudited) Three Months Ended March 31,	
	2023	2022
Total revenue	\$ 67,405	\$ 44,924
Net loss	\$ (44,778)	\$ (30,469)

The pro forma financial information for the periods presented above has been calculated after adjusting the results of AlsoEnergy to reflect the business combination accounting effects resulting from this acquisition, including the elimination of transaction costs incurred by the Company, amortization expense from acquired intangible assets, and settlement of stock option awards. The historical consolidated financial statements have been adjusted in the pro forma combined financial statements to give effect to pro forma events that are directly attributable to the business combination. The pro forma financial information is for informational purposes only, and is not indicative of either future results of operations, or results that may have been achieved had the acquisition been consummated as of the beginning of 2022.

7. GOODWILL AND INTANGIBLE ASSETS, NET

Goodwill

Goodwill consists of the following (in thousands):

	March 31, 2023	December 31, 2022
Goodwill	\$ 547,158	\$ 547,556
Recovery of escrow from AlsoEnergy acquisition	—	(915)
Effect of foreign currency translation	10	8
Total goodwill	\$ 547,168	\$ 546,649

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Intangible Assets, Net

Intangible assets, net, consists of the following (in thousands):

	March 31, 2023	December 31, 2022
Developed technology	\$ 32,000	\$ 30,600
Trade name	11,300	11,300
Customer relationships	106,800	106,800
Backlog	3,900	3,900
Internally developed software	53,949	49,472
Intangible assets	207,949	202,072
Less: Accumulated amortization	(46,356)	(39,809)
Add: Currency translation adjustment	3	2
Total intangible assets, net	<u>\$ 161,596</u>	<u>\$ 162,265</u>

Amortization expense for intangible assets was \$6.5 million and \$4.4 million for the three months ended March 31, 2023 and 2022, respectively.

8. ENERGY STORAGE SYSTEMS, NET

Energy Storage Systems, Net

Energy storage systems, net, consists of the following (in thousands):

	March 31, 2023	December 31, 2022
Energy storage systems placed into service	\$ 141,975	\$ 143,154
Less: accumulated depreciation	(60,586)	(58,782)
Energy storage systems not yet placed into service	6,361	6,385
Total energy storage systems, net	<u>\$ 87,750</u>	<u>\$ 90,757</u>

Depreciation expense for energy storage systems was approximately \$3.6 million and \$4.3 million for the three months ended March 31, 2023 and 2022, respectively. Depreciation expense is recognized in cost of services and other revenue.

9. NOTES PAYABLE

2021 Credit Agreement

In January 2021, a wholly owned Canadian subsidiary of the Company entered into a credit agreement to provide a total of \$2.7 million towards the financing of certain energy storage systems. The credit agreement is structured on a non-recourse basis and the system is operated by the Company. The credit agreement has a stated interest of 5.45% and a maturity date of June 2031. The Company received an advance under the credit agreement of \$1.8 million in January 2021. The repayment of advances received under this credit agreement is determined by the lender based on the proceeds generated by the Company through the operation of the underlying energy storage systems. As of March 31, 2023 and December 31, 2022, the outstanding balance was \$1.9 million and \$1.8 million, respectively. The Company was in compliance with all covenants contained in the 2021 Credit Agreement as of March 31, 2023.

The Company's outstanding debt consisted of the following as of March 31, 2023 and December 31, 2022 (in thousands):

	March 31, 2023	December 31, 2022
Outstanding principal	\$ 1,855	\$ 1,784
Unamortized discount	(176)	(181)
Carrying value of debt	<u>\$ 1,679</u>	<u>\$ 1,603</u>

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On April 6, 2023, the Company repaid the remaining outstanding balance of the 2021 Credit Agreement with a portion of the proceeds received from the issuance of the 4.25% Green Convertible Senior Notes due 2030 (the “2030 Convertible Notes”).

10. CONVERTIBLE NOTES

2028 Convertible Notes and Capped Call Options

2028 Convertible Notes

On November 22, 2021, the Company issued \$460.0 million aggregate principal amount of its 2028 Convertible Notes in a private placement offering to qualified institutional buyers (the “2021 Initial Purchasers”) pursuant to Rule 144A under the Securities Act of 1933, as amended.

The 2028 Convertible Notes are senior, unsecured obligations of the Company and bear interest at a rate of 0.5% per year, payable in cash semi-annually in arrears in June and December of each year, beginning in June 2022. The notes will mature on December 1, 2028, unless earlier repurchased, redeemed or converted in accordance with their terms prior to such date. Upon conversion, the Company may choose to pay or deliver, as the case may be, cash, shares of common stock or a combination of cash and shares of common stock. The Notes are redeemable for cash at the Company’s option at any time given certain conditions (as discussed below), at an initial conversion rate of 34.1965 shares of common stock per \$1,000 principal amount of 2028 Convertible Notes, which is equivalent to an initial conversion price of approximately \$29.24 (the “2028 Conversion Price”) per share of the Company’s common stock. The conversion rate is subject to customary adjustments for certain events as described in the Indenture.

The Company may redeem for cash all or any portion of the 2028 Convertible Notes, at the Company’s option, on or after December 5, 2025 if the last reported sale price of the Company’s common stock has been at least 130% of the 2028 Conversion Price then in effect for at least 20 trading days at a redemption price equal to 100% of the principal amount of the 2028 Convertible Notes to be redeemed, plus accrued and unpaid interest.

The Company’s net proceeds from this offering were approximately \$445.7 million, after deducting the 2021 Initial Purchasers’ discounts and debt issuance costs. To minimize the impact of potential dilution to the Company’s common stockholders upon conversion of the 2028 Convertible Notes, the Company entered into separate capped calls transactions (the “Capped Calls”) as described below.

Upon adoption of ASU 2020-06, the Company allocated all of the debt discount to long-term debt. The debt discount is amortized to interest expense using the effective interest method, computed to be 0.9%, over the life of the 2028 Convertible Notes or approximately its seven-year term. The outstanding 2028 Convertible Notes balances as of March 31, 2023 and December 31, 2022 are summarized in the following table (in thousands):

	March 31, 2023	December 31, 2022
Long Term Debt		
Outstanding principal	\$ 460,000	\$ 460,000
Unamortized initial purchaser’s debt discount and debt issuance cost	(11,603)	(12,091)
Net carrying amount	<u>\$ 448,397</u>	<u>\$ 447,909</u>

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The following table presents total interest expense recognized related to the 2028 Convertible Notes during the three months ended March 31, 2023 and 2022 (in thousands):

	Three Months Ended March 31,	
	2023	2022
Cash interest expense		
Contractual interest expense	\$ 575	\$ 575
Non-cash interest expense		
Amortization of debt discount and debt issuance cost	499	495
Total interest expense	<u>\$ 1,074</u>	<u>\$ 1,070</u>

Capped Call Options

On November 17, 2021, in connection with the pricing of the 2028 Convertible Notes, and on November 19, 2021, in connection with the exercise in full by the 2021 Initial Purchasers of their option to purchase additional Notes, the Company entered into Capped Calls with certain counterparties. The Company used \$66.7 million of the net proceeds to pay the cost of the Capped Calls.

The Capped Calls have an initial strike price of \$29.2428 per share, which corresponds to the initial conversion price of the 2028 Convertible Notes and is subject to anti-dilution adjustments. The Capped Calls have a cap price of \$49.6575 per share, subject to certain adjustments.

The Capped Calls are considered separate transactions entered into by and between the Company and the Capped Calls counterparties, and are not part of the terms of the 2028 Convertible Notes. The Company recorded a reduction to additional paid-in capital of \$66.7 million during the year ended December 31, 2021 related to the premium payments for the Capped Calls. These instruments meet the conditions outlined in ASC 815 to be classified in stockholders' equity and are not subsequently remeasured as long as the conditions for equity classification continue to be met.

11. WARRANTS

Legacy Stem Warrants

Prior to the Merger, the Company had issued warrants to purchase shares of Legacy Stem's preferred stock in conjunction with various debt financings. The Company has also issued warrants to purchase shares of Legacy Stem's common stock. Upon effectiveness of the Merger, the Company had 50,207,439 warrants outstanding, of which substantially all were converted into 2,759,970 shares of common stock of Stem. Upon conversion of the warrants, the existing warrant liabilities were remeasured to fair value resulting in a gain on remeasurement of \$100.9 million and a total warrant liability of \$60.6 million, which was then reclassified to additional paid-in-capital. At March 31, 2023, there were 2,533 Legacy Stem Warrants outstanding. These instruments are exercisable into the Company's common stock and are equity classified.

12. STOCK-BASED COMPENSATION

Equity Incentive Plans

Under both the Stem, Inc. 2009 Equity Incentive Plan (the "2009 Plan") and the Stem, Inc. 2021 Equity Incentive Plan (the "2021 Plan," and together with the 2009 Plan, the "Plans"), the Company may grant stock options, stock appreciation rights, restricted stock, restricted stock units ("RSUs"), performance stock units ("PSUs"), and other awards that are settled in shares of the Company's common stock. The Company does not intend to grant new awards under the 2009 Plan. All shares that remain available for future grants are under the 2021 Plan.

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Stock Options

The following table summarizes the stock option activity for the period ended March 31, 2023:

	Number of Options Outstanding	Weighted- Average Exercise Price Per Share	Weighted- Average Remaining Contractual Life (years)	Aggregate Intrinsic Value (in thousands)
Balances as of December 31, 2022	8,243,637	\$ 6.88	6.6	\$ 35,566
Options granted	1,291,349	10.25		
Options exercised	(65,045)	2.18		
Options forfeited and expired	(154,965)	13.78		
Balances as of March 31, 2023	9,314,976	\$ 7.26	6.7	\$ 16,713
Options vested and exercisable — March 31, 2023	5,955,593	\$ 4.19	5.5	\$ 16,500

As of March 31, 2023, the Company had approximately \$23.3 million of remaining unrecognized stock-based compensation expense for stock options, which is expected to be recognized over a weighted average period of 1.7 years.

Restricted Stock Units

The following table summarizes the RSU activity for the period ended March 31, 2023:

	Number of RSUs Outstanding ⁽¹⁾	Weighted-Average Grant Date Fair Value Per Share
Balances as of December 31, 2022	6,719,490	\$ 15.34
RSUs granted	1,741,980	9.33
RSUs vested	(903,061)	9.18
RSUs forfeited	(354,295)	14.26
Balances as of March 31, 2023	7,204,114	\$ 14.70

(1) Includes certain restricted stock units with service and market-based vesting criteria

As of March 31, 2023, the Company had approximately \$81.0 million of remaining unrecognized stock-based compensation expense for RSUs, which is expected to be recognized over a weighted average period of 2.2 years.

Stock-Based Compensation

The following table summarizes stock-based compensation expense recorded in each component of operating expenses in the Company's condensed consolidated statements of operations and comprehensive loss (in thousands):

	Three Months Ended March 31,	
	2023	2022
Sales and marketing	\$ 945	\$ 824
Research and development	1,718	1,307
General and administrative	4,539	4,134
Total stock-based compensation expense	\$ 7,202	\$ 6,265

Research and development expenses of \$0.9 million and \$0.5 million corresponding to internal-use software, were capitalized during the three months ended March 31, 2023 and 2022, respectively.

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13. NET LOSS PER SHARE

The following table sets forth the computation of basic and diluted net loss per share attributable to common stockholders (in thousands, except share and per share amounts):

	Three Months Ended March 31,	
	2023	2022
Numerator - Basic and Diluted:		
Net loss per share attributable to common stockholders, basic and diluted	\$ (44,778)	\$ (22,483)
Denominator:		
Weighted-average number of shares outstanding used to compute net loss per share attributable to common stockholders, basic	154,966,163	150,491,041
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.29)	\$ (0.15)

The following table shows total outstanding potentially dilutive shares excluded from the computation of diluted loss per share as their effect would have been anti-dilutive, as of March 31, 2023 and 2022:

	March 31, 2023	March 31, 2022
Outstanding 2028 Convertible Notes	15,730,390	15,730,390
Outstanding stock options	9,314,976	9,218,431
Outstanding warrants	2,533	23,673
Outstanding RSUs	7,204,114	5,967,768
Total	32,252,013	30,940,262

14. INCOME TAXES

The following table reflects the Company's (provision for) benefit from income taxes and the effective tax rates for the periods presented below (in thousands, except effective tax rate):

	Three Months Ended March 31,	
	2023	2022
Loss before (provision for) benefit from income taxes	\$ (44,869)	\$ (37,696)
(Provision for) benefit from income taxes	\$ 91	\$ 15,213
Effective tax rate	0.2 %	40.4 %

For the three months ended March 31, 2023, the Company recognized a benefit from income taxes of \$0.1 million, representing an effective tax rate of 0.2%, which was lower than the statutory federal tax rate due to a \$0.3 million tax benefit from an acquisition for a partial valuation allowance release on U.S. deferred tax assets due to the deferred tax liability established in purchase accounting on the acquired intangibles during the three months ended March 31, 2023. For the three months ended March 31, 2022, the Company recognized an income tax benefit of \$15.2 million, representing an effective tax rate of 40.4%, which was higher than the statutory federal tax rate due to a \$15.1 million tax benefit from the acquisition of AlsoEnergy for a partial valuation allowance release on U.S. Deferred tax assets due to the deferred tax liability established in purchase accounting on the acquired intangibles.

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15. COMMITMENTS AND CONTINGENCIES

Contingencies

The Company is party to various legal proceedings from time to time. A liability is accrued when a loss is both probable and can be reasonably estimated. Management believes that the probability of a material loss with respect to any currently pending legal proceeding is remote. However, litigation is inherently uncertain and it is not possible to predict the ultimate disposition of any of these proceedings. As of the date of this filing, the Company at present does not believe that there are any pending legal proceedings or other loss contingencies that will, either individually or in the aggregate, have a material adverse effect on the Company taken as a whole.

Commitments

On March 1, 2023, the Company recognized a \$2.8 million operating lease liability and a corresponding operating lease right-of-use (“ROU”) asset, which are included in the condensed consolidated balance sheets as of March 31, 2023. The operating lease liability and operating lease ROU asset correspond to 41,811 square feet of leased office in Gurugram, India. As of the commencement date of the lease, the remaining lease term was 58 months. The lease agreement contemplates options to extend the non-cancelable lease term, which have been determined not reasonably certain to be exercised. Base rent is approximately \$58,500 per month with escalating payments.

16. SUBSEQUENT EVENTS

On April 3, 2023, the Company issued \$240.0 million aggregate principal amount of the 2030 Convertible Notes in a private placement offering to qualified institutional buyers (the “2023 Initial Purchasers”) pursuant to an exemption from registration provided by Rule 144A under the Securities Act of 1933, as amended. The 2030 Convertible Notes are senior, unsecured obligations of the Company and bear interest at a rate of 4.25% per year, payable in cash semi-annually in arrears in April and October of each year, beginning in October 1, 2023. The notes will mature on April 1, 2030, unless earlier repurchased, redeemed or converted in accordance with their terms prior to such date. The Company’s net proceeds from this offering were \$232.2 million, after deducting the 2023 Initial Purchasers’ discounts and debt issuance costs. The Company used \$99.8 million of the net proceeds to purchase and surrender for cancellation \$163.0 million aggregate principal amount of the 2028 Convertible Notes in privately negotiated transactions effected through one of the 2021 Initial Purchasers or its affiliates. The Company intends to use the remainder of the net proceeds for general corporate purposes. On March 29, 2023, in connection with the pricing of the 2030 Convertible Notes, and on March 31, 2023, in connection with the pricing of the 2030 Convertible Notes, and with the exercise in full by the 2023 Initial Purchasers of their option to purchase additional Notes, the Company entered into separate capped calls transactions (the “2030 Capped Calls”) with certain counterparties to minimize the impact of potential dilution to the Company’s common stockholders upon conversion of the 2030 Convertible Notes. The Company used \$27.8 million of the net proceeds to pay the cost of the 2030 Capped Calls. The 2030 Capped Calls became effective on April 3, 2023 with the issuance of the 2030 Convertible Notes.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Special Note Regarding Forward-Looking Statements

This first quarter 2023 Form 10-Q, as well as other statements we make, contains "forward-looking statements" within the meaning of the federal securities laws, which include any statements that are not historical facts. Such statements often contain words such as "expect," "may," "can," "believe," "predict," "plan," "potential," "projected," "projections," "forecast," "estimate," "intend," "anticipate," "ambition," "goal," "target," "think," "should," "could," "would," "will," "hope," "see," "likely," and other similar words.

Forward-looking statements address matters that are, to varying degrees, uncertain, such as statements about financial and performance targets and other forecasts or expectations regarding, or dependent on, our business outlook; the expected benefits of the combined Stem/AlsoEnergy company; our ability to secure sufficient and timely inventory from suppliers; our ability to meet contracted customer demand; our ability to manage supply chain issues and manufacturing or delivery delays; our joint ventures, partnerships and other alliances; forecasts or expectations regarding energy transition and global climate change; reduction of greenhouse gas ("GHG") emissions; the integration and optimization of energy resources; our business strategies and those of our customers; our ability to retain or upgrade current customers, further penetrate existing markets or expand into new markets; our ability to manage our supply chains and distribution channels and the effects of natural disasters and other events beyond our control; our response to the COVID-19 pandemic and our preparedness for other widespread health emergencies; (and government and business responses thereto); the ongoing conflict in Ukraine; the expected benefits of the Inflation Reduction Act of 2022 on our business; and future results of operations, including Adjusted EBITDA.

Such forward-looking statements are subject to risks, uncertainties, and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements, including but not limited to our inability to secure sufficient and timely inventory from our suppliers, and provide us with contracted quantities of equipment; our inability to meet contracted customer demand; supply chain interruptions and manufacturing or delivery delays; disruptions in sales, production, service or other business activities; general economic, geopolitical and business conditions in key regions of the world, including inflationary pressures, general economic slowdown or a recession, increasing interest rates, changes in monetary policy, and instability in financial institutions; the ongoing effects of the COVID-19 pandemic on our workforce, operations, financial results and cash flows; the ongoing conflict in Ukraine; the results of operations and financial condition of our customers and suppliers; pricing pressure; inflation; weather and seasonal factors; our inability to continue to grow and manage our growth effectively; our inability to attract and retain qualified employees and key personnel; our inability to comply with, and the effect on their businesses of, evolving legal standards and regulations, particularly concerning data protection and consumer privacy and evolving labor standards; risks relating to the development and performance of our energy storage systems and software-enabled services; our inability to retain or upgrade current customers, further penetrate existing markets or expand into new markets; the risk that our business, financial condition and results of operations may be adversely affected by other political, economic, business and competitive factors; and other risks and uncertainties discussed in Part I, Item 1A, "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 and in our other filings with the SEC. If one or more of these or other risks or uncertainties materialize (or the consequences of any such development changes), or should our underlying assumptions prove incorrect, actual outcomes may vary materially from those reflected in our forward-looking statements. Forward-looking and other statements in this report regarding our environmental, social, and other sustainability plans and goals are not an indication that these statements are necessarily material to investors or required to be disclosed in our filings with the SEC. In addition, historical, current, and forward-looking environmental, social, and sustainability-related statements may be based on standards for measuring progress that are still developing, internal controls and processes that continue to evolve, and assumptions that are subject to change in the future. Forward-looking statements in this report are made as of the date of this report, and we do not assume any obligation to update any forward-looking statements after the date of this report, except as required by law.

You should read the following management's discussion and analysis of our financial condition and results of operations together with our unaudited condensed consolidated financial statements and related notes included under Part I, Item 1 of this Quarterly Report on Form 10-Q. This discussion and analysis should also be read together with our audited consolidated financial statements and related notes, as well as the section entitled "Stem's Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022. You should carefully read the sections entitled "Special Note Regarding Forward-Looking Statements" contained herein and the section entitled "Risk Factors" contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, to gain an understanding of the important factors that could cause actual results to differ materially from our forward-looking statements. Throughout this section, unless otherwise noted "we," "us," "our" and the "Company" refer to Stem and its consolidated subsidiaries.

Overview

Our mission is to maximize the economic, environmental, and resiliency value of energy assets through our leading AI platform. In order to fulfill our mission, we provide our customers, which include commercial and industrial (“C&I”) enterprises as well as independent power producers, renewable project developers, utilities and grid operators, with (i) an energy storage system, sourced from leading, global battery original equipment manufacturers (“OEMs”), that we deliver through our partners, including developers, distributors, and engineering, procurement and construction firms, (ii) edge hardware to aid in the collection of site data and the real-time operation and control of the site plus other optional equipment, (iii) ongoing software platform and professional services to operate integrated energy storage, and solar systems, through our Athena® artificial intelligence (“AI”) platform (“Athena”), and (iv) solar asset performance monitoring and control, through Athena’s PowerTrack application. In addition, in all the markets where we help manage our customers’ clean energy assets, we have agreements to use the Athena platform to participate in such markets and to share the revenue from such market participation.

We operate in two key areas within the energy storage landscape: Behind-the-Meter (“BTM”) and Front-of-the-Meter (“FTM”). An energy system’s position in relation to a customer’s electric meter determines whether it is designated a BTM or FTM system. BTM systems provide power that can be used on-site without interacting with the electric grid and passing through an electric meter. Our software reduces C&I customer energy bills, increases their energy yield, and helps our customers facilitate the achievement of their corporate environmental, social, and corporate governance (“ESG”) objectives.

FTM, grid-connected systems provide power to off-site locations and must pass through an electric meter prior to reaching an end-user. Through Athena, our FTM storage systems decrease risk for project developers, asset owners, independent power producers and investors by adapting to dynamic energy market conditions in connection with the deployment of electricity and improving the value of energy storage over the course of their FTM system’s lifetime. Through PowerTrack, our software maximizes FTM energy output and minimizes asset downtime.

Through our February 2022 acquisition of AlsoEnergy, we combined our storage optimization capabilities with solar asset performance monitoring and control software.

Since our inception in 2009, we have engaged in developing and marketing software-enabled services, raising capital, and recruiting personnel. We have incurred net operating losses and negative cash flows from operations each year since our inception. We have financed our operations primarily through proceeds received from the merger with Star Peak Transition Corp., the issuance of convertible preferred stock, convertible senior notes, debt financing, and cash flows from customers.

Our total revenue grew from \$41.1 million for the three months ended March 31, 2022 to \$67.4 million for the three months ended March 31, 2023. For the three months ended March 31, 2023 and 2022, we incurred net losses of \$44.8 million and \$22.5 million, respectively. As of March 31, 2023, we had an accumulated deficit of \$676.9 million.

We expect that our sales and marketing, research and development, regulatory and other expenses will continue to increase as we expand our marketing efforts to increase sales of our solutions, expand existing relationships with our customers, and obtain regulatory clearances or approvals for future product enhancements. In addition, we expect our general and administrative costs and expenses to increase due to the additional costs associated with scaling our business operations as well as being a public company, including legal, accounting, insurance, exchange listing and SEC compliance, investor relations and other costs and expenses.

Acquisition of AlsoEnergy

On February 1, 2022, we acquired 100% of the issued and outstanding capital stock of AlsoEnergy. The transaction combines our storage optimization capabilities with AlsoEnergy’s solar asset performance monitoring and control software. Through AlsoEnergy, we provide end-to-end turnkey solutions that monitor and manage renewable energy systems through AlsoEnergy’s PowerTrack software. PowerTrack includes data acquisitions and monitoring, performance modelling, agency reporting, internal reports, work order tickets, and supervisory control and data acquisition (“SCADA”) controls. AlsoEnergy has deployed systems at various international locations, but its primary customer base is in the United States, Germany and Canada. The total consideration for the AlsoEnergy acquisition was \$652.0 million, comprised of \$543.1 million paid in cash, net of a working capital adjustment for an escrow recovery, and \$108.9 million in the form of 8,621,006 shares of our common stock. We incurred \$6.1 million of transaction costs related to the acquisition of AlsoEnergy, which were recorded in general and administrative expense during the three months ended March 31, 2022. See Note 6 — *Business Combinations*, of the Notes to the unaudited condensed consolidated financial statements in this report, for additional details regarding this transaction.

Key Factors, Trends and Uncertainties Affecting our Business

We believe that our performance and future success depend on several factors that present significant opportunities for us but also pose risks and challenges, including but not limited to:

Decline in Lithium-Ion Battery Costs

Our revenue growth is directly tied to the continued adoption of energy storage systems by our customers. The cost of lithium-ion energy storage hardware has generally declined over the last decade, notwithstanding increases in recent months. The market for energy storage is rapidly evolving, and while we believe costs will continue to decline over time, there is no guarantee. If costs do not continue to decline, or do not decline as quickly as we anticipate, this could adversely affect our ability to increase our revenue and grow our business. The United States Inflation Reduction Act of 2022 (the “IRA”) was signed into law in August 2022 and includes incentives and tax credits aimed at reducing the effects of climate change, such as a tax credit for stand-alone battery storage projects. The implementation of the IRA is expected to further reduce the cost of battery storage systems for certain customers; however, there are numerous restrictions and requirements associated with qualifying for the tax credits and other incentives available under the IRA, and the Company continues to assess how the IRA may affect its business.

Increase in Deployment of Renewables

Deployment of intermittent resources has accelerated over the last decade, and today, wind and solar have become a low cost fuel source. We expect the cost of generating renewable energy to continue to decline and deployments of energy storage systems to increase. As renewable energy sources of energy production are expected to represent a larger proportion of energy generation, grid instability rises due to their intermittency, which can be addressed by energy storage solutions. The IRA is expected to further increase the deployment of renewable energy assets. We are continuing to evaluate the IRA and its requirements, as well as the application to our business and our customers.

Competition

We are a market leader in terms of capacity of energy storage under management. We intend to strengthen our competitive position over time by leveraging the network effect of Athena’s AI infrastructure. Existing competitors may expand their product offerings and sales strategies, and new competitors may enter the market. Furthermore, our competitors include other types of software providers and some hardware manufacturers that offer software solutions. If our market share declines due to increased competition, our revenue and ability to generate profits in the future may be adversely affected.

Government Regulation and Compliance

Although we are not regulated as a utility, the market for our product and services is heavily influenced by federal, state, and local government statutes and regulations concerning electricity. These statutes and regulations, like the IRA, affect electricity pricing, net metering, incentives, taxation, competition with utilities, and the interconnection of customer-owned electricity generation. In the United States and internationally, governments continuously modify these statutes and regulations and acting through state utility or public service commissions, regularly change and adopt different rates for commercial customers. These changes can positively or negatively affect our ability to deliver cost savings to customers.

Supply Chain Constraints and Risk; COVID-19

We rely on a very small number of suppliers of energy storage systems and other equipment. If any of our suppliers were unable or unwilling to provide us with contracted quantities in a timely manner at prices, quality levels and volumes acceptable to us, we will have very limited alternatives for supply, and we may not be able find suitable replacements for our customers, if at all. Such an event could materially adversely affect our business, prospects, financial condition and results of operations.

The COVID-19 pandemic has resulted and may continue to result in widespread adverse effects on the global and U.S. economies. Ongoing government and business responses to COVID-19, along with COVID-19 variants and the resurgence of related disruptions, could have a continued material adverse effect on economic and market conditions and amplify effects of a global and U.S. economic slowdown.

In addition, the global supply chain and our industry have experienced significant disruptions in recent periods. We have seen supply chain challenges and logistics constraints increase, including shortages of inverters, enclosures, battery modules and associated component parts for inverters and battery energy storage systems available for purchase. In certain cases, this has caused delays in critical equipment and inventory, longer lead times, and has resulted in cost volatility. These shortages and delays can be attributed in part to macroeconomic conditions, such as labor shortages, rising inflation, rising interest rates, and a recessionary environment and geographical instability, including the ongoing conflict between Russia and Ukraine and rising tensions between China and Taiwan, among other factors, as well as the COVID-19 pandemic and resulting government action.

If these shortages and delays persist through 2023, they could adversely affect the timing of when battery energy storage systems can be delivered and installed, and when (or if) we can begin to generate revenue from those systems. In addition, we have experienced and are experiencing varying levels of volatility in costs of equipment and labor resulting in part from disruptions caused by general global economic conditions, including inflationary pressures and the COVID-19 pandemic.

As the COVID-19 pandemic reaches endemic stages, the future impact of the COVID-19 pandemic on our business, cash flows, liquidity, financial condition and results of operations remains highly dependent on future developments. Given the dynamic nature of these circumstances on our ongoing business, results of operations and overall financial performance, the future impact of COVID-19 and other macroeconomic factors, including the conflict in Ukraine, cannot be reasonably estimated at this time. In the event we are unable to mitigate the impact of delays or price volatility in energy storage systems, raw materials, and freight, it could materially adversely affect our business, prospects, financial condition and results of operations.

Customer Concentration

We depend on a small number of significant customers for our sales, and a small number of customers have historically accounted for a material portion of our revenue. While we are committed to diversifying our customer base, we may continue to derive a significant portion of our revenue from a small number of customers. Loss of a significant customer, or a significant reduction in pricing or order volume from a significant customer, could materially reduce our revenue in a given quarter and have a material adverse effect on our operating results.

DevCo Joint Ventures

The Company, through an indirect wholly-owned development subsidiary, has entered into strategic joint ventures with qualified third parties to develop select energy storage generation projects (“DevCo Projects”), as more fully described above under Note 1 — Business, of the Notes to the unaudited condensed consolidated financial statements in this report. These projects require significant upfront investment by us and involve a high degree of risk. These projects require significant upfront investment by us and involve a high degree of risk. If a DevCo Project fails to reach completion or is significantly delayed, we could lose all or a portion of our development capital investment. See “*We Face Risks Related to our DevCo Business Model*” in Part I, Item 1A. “Risk Factors” of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 for additional information about certain risks related to these DevCo Projects.

Non-GAAP Financial Measures

In addition to financial results determined in accordance with U.S. generally accepted accounting principles (“GAAP”), we use Adjusted EBITDA and non-GAAP gross margin, which are non-GAAP financial measures, for financial and operational decision making and as a means to evaluate our operating performance and prospects, develop internal budgets and financial goals, and to facilitate period-to-period comparisons. Our management believes that these non-GAAP financial measures provide meaningful supplemental information regarding our performance and liquidity by excluding certain expenses and expenditures that may not be indicative of our operating performance, such as stock-based compensation and other non-cash charges, as well as discrete cash charges that are infrequent in nature. We believe that both management and investors benefit from referring to these non-GAAP financial measures in assessing our performance and when planning, forecasting, and analyzing future periods. These non-GAAP financial measures also facilitate management’s internal comparisons to our historical performance and liquidity as well as comparisons to our competitors’ operating results. We believe these non-GAAP financial measures are useful to investors because they both (1) allow for greater transparency with respect to key metrics used by management in their financial and operational decision making and (2) are used by our institutional investors and the analyst community to help them analyze the health of our business. Adjusted EBITDA and non-GAAP gross margin should be considered in addition to, not as a substitute for, or superior to, other measures of financial performance prepared in accordance with GAAP.

Non-GAAP Gross Margin

We define non-GAAP gross margin as gross margin excluding amortization of capitalized software, impairments related to decommissioning of end-of-life systems, and including revenue constraint.

The Company generally records the full purchase order value as revenue at the time of hardware delivery; however, for certain non-cancelable purchase orders entered into during the first quarter of 2023, the final settlement amount payable to the Company is variable and indexed to the price per ton of lithium carbonate in the first quarter of 2024 such that the Company may increase or decrease the final prices in such purchase orders based on the price per ton of lithium carbonate at final settlement. Lithium carbonate is a key raw material used in the production of hardware systems that the Company ultimately sells to customers. The total dollar amount of such purchase orders for the indexed contracts is approximately \$52 million. However, as a result of the pricing structure in such purchase orders, the Company recorded revenue in the quarter of approximately \$42 million in accordance with GAAP, net of a \$10 million revenue constraint, using a third party forecast of the

lithium carbonate trading value in the first quarter of 2024. Because the Company has not before used indexed pricing in its customer contracts or purchase orders and has not previously constrained revenue related to forecasted inputs of its hardware systems, the Company believes that including the \$10 million revenue constraint from the first quarter of 2023 into non-GAAP margin enhances the comparability to the Company's non-GAAP margin in prior periods. Because the purchase orders are variable and depend on the specified price per ton of lithium carbonate at the time of final measurement in the first quarter of 2024, the Company may, pursuant to such purchase orders, ultimately adjust final revenue downward to \$34 million, subject to market conditions upon settlement. The Company has recorded the full cost of hardware revenue for these indexed contracts in the first quarter of 2023.

The following table provides a reconciliation of gross margin (GAAP) to non-GAAP gross margin (\$ in millions, except for percentages):

	Three Months Ended March 31,	
	2023	2022
Revenue	\$ 67.4	\$ 41.1
Cost of revenue	(66.4)	(37.4)
GAAP gross margin	1.0	3.7
GAAP gross margin (%)	1 %	9 %
Non-GAAP Gross Margin		
GAAP Revenue	\$ 67.4	\$ 41.1
Add: Revenue constraint ⁽¹⁾	10.2	—
Subtotal	77.6	41.1
Less: Cost of revenue	(66.4)	(37.4)
Add: Amortization of capitalized software & developed technology	3.0	2.0
Add: Impairments	0.9	0.8
Non-GAAP gross margin	\$ 15.1	\$ 6.5
Non-GAAP gross margin (%)	19 %	16 %

(1) Refer to the discussion of revenue constraint in the definition of non-GAAP margin definition provided above.

Adjusted EBITDA

We calculate Adjusted EBITDA as net loss attributable to Stem before depreciation and amortization, including amortization of internally developed software, net interest expense, further adjusted to exclude stock-based compensation and other income and expense items, including the revenue constraint, transaction and acquisition related charges, litigation settlement and income tax provision or benefit. The expenses and other items that we exclude in our calculation of Adjusted EBITDA may differ from the expenses and other items, if any, that other companies may exclude when calculating Adjusted EBITDA.

The following table provides a reconciliation of Adjusted EBITDA to net loss:

	Three Months Ended March 31,	
	2023	2022
	(in thousands)	
Net loss	\$ (44,778)	\$ (22,483)
Adjusted to exclude the following:		
Depreciation and amortization	11,958	8,896
Interest expense, net	1,777	3,218
Stock-based compensation	7,202	6,265
Revenue constraint ⁽¹⁾	10,200	—
Transaction costs in connection with business combination	—	6,068
Litigation settlement	—	400
Benefit from income taxes	(91)	(15,213)
Adjusted EBITDA	\$ (13,732)	\$ (12,849)

(1) Refer to the discussion of revenue constraint in the definition of non-GAAP margin definition provided above.

Financial Results and Key Metrics

The following table presents our financial results and our key metrics (in millions unless otherwise noted):

	Three Months Ended March 31,	
	2023	2022
Key Financial Metrics		
Revenue	\$ 67.4	\$ 41.1
GAAP gross margin	\$ 1.0	\$ 3.7
GAAP gross margin (%)	1 %	9 %
Non-GAAP gross margin	\$ 15.1	\$ 6.5
Non-GAAP gross margin (%)	19 %	16 %
Net loss attributable to Stem	\$ (44.8)	\$ (22.5)
Adjusted EBITDA	\$ (13.7)	\$ (12.8)
Key Operating Metrics		
Bookings (1)	\$ 363.5	\$ 150.8
Contracted backlog* (2)	\$ 1,242.6	\$ 565.1
Contracted storage AUM (in GWh)* (3)	3.5	2.1
Solar monitoring AUM (in GW)* (4)	25.6	32.4
CARR* (5)	\$ 71.5	\$ 51.5

* at period end

(1) As described below.

(2) Total value of bookings in dollars, as reflected on a specific date. Backlog increases as new contracts are executed (bookings) and decreases as integrated storage systems are delivered and recognized as revenue.

(3) Total GWh of systems in operation or under contract. Contracted storage AUM as of March 31, 2022 has been adjusted from 1.8 GWh, as previously disclosed, to 2.1 GWh. Revised AUM reflects adjustments to total GWh of energy storage systems to previously executed customer contracts as a result of revisions to the system configuration or changes in hardware specifications due to updates from the original equipment manufacturer.

(4) Total GW of systems in operation or under contract.

(5) Contracted Annual Recurring Revenue (CARR): Annual run rate for all executed software services contracts including contracts signed in the period for systems that are not yet commissioned or operating.

Bookings

Due to the long-term nature of our contracts, bookings are a key metric that allows us to understand and evaluate the growth of our Company and our estimated future revenue related to customer contracts for our energy optimization services and transfer of energy storage systems. Bookings represents the accumulated value at a point in time of contracts that have been executed under both our host customer and partnership sales models.

For host customer sales, bookings represent the expected consideration from energy optimization services contracts, including estimated incentive payments that are earned by the host customer from utility companies in relation to the services provided by us and assigned by the host customer to us. For host customer sales, there are no differences between bookings and remaining performance obligations at any point in time.

For partnership sales, bookings are the sum of the expected consideration to be received from the transfer of hardware and energy optimization services (excluding any potential revenues from market participation). For partnership sales, even though we have secured an executed contract with estimated timing of project delivery and installation from the customer, we do not consider it a contract in accordance with FASB ASU 2014-09 Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), or a remaining performance obligation, until the customer has placed a binding purchase order. A signed customer contract is considered a booking as this indicates the customer has agreed to place a purchase order in the foreseeable future, which typically occurs within three (3) months of contract execution. However, executed customer contracts, without binding purchase orders, are cancellable without penalty by either party.

For partnership sales, once a purchase order has been executed, the booking is considered to be a contract in accordance with ASC 606, and therefore, gives rise to a remaining performance obligation as we have an obligation to transfer hardware

and energy optimization services in our partnership agreements. We also have the contractual right to receive consideration for our performance obligations.

The accounting policy and timing of revenue recognition for host customer contracts and partnership arrangements that qualify as contracts with customers under ASC 606, are described within Note 2 — *Summary of Significant Accounting Policies*, in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

The following discussion and analysis of our results of operations and our liquidity and capital resources includes the results of operations for AlsoEnergy for the period from February 1, 2022. For additional information, including pro forma results of operations for the three months ended March 31, 2022 calculated as if AlsoEnergy had been acquired as of January 1, 2022, see Note 6 — *Business Combinations*, of the Notes to the unaudited condensed consolidated financial statements in this report.

Components of Our Results of Operations

Revenue

We generate services and other revenue and hardware revenue. Services and other revenue is mainly generated through arrangements with host customers to provide energy optimization services using our proprietary software platform coupled with a dedicated energy storage system owned and controlled by us throughout the term of the contract. Fees charged to customers for energy optimization services generally consist of recurring fixed monthly payments throughout the term of the contract and in some arrangements, an installation and/or upfront fee component. We may also receive incentives from utility companies in relation to the sale of our services. Services and other revenue also includes the sale of project assets.

We generate hardware revenue through partnership arrangements consisting of promises to sell an energy storage system to solar plus storage project developers. Performance obligations are satisfied when the energy storage system along with all ancillary hardware components are delivered. The milestone payments received before the delivery of hardware are treated as deferred revenue. We separately generate services revenue through partnership arrangements by providing energy optimization services after the developer completes the installation of the project.

Cost of Revenue

Cost of services and other revenue includes depreciation of the cost of energy storage systems we own under long-term customer contracts, which includes capitalized fulfillment costs, such as installation services, permitting and other related costs. Cost of services and other revenue also includes the costs for the development and constructions of project assets. Cost of revenue may also include any impairment of inventory and energy storage systems, along with system maintenance costs associated with the ongoing services provided to customers. Costs of revenue are recognized as energy optimization and other supporting services are provided to our customers throughout the term of the contract.

Cost of hardware revenue generally includes the cost of the hardware purchased from a manufacturer, shipping, delivery, and other costs required to fulfill our obligation to deliver the energy storage system to the customer location. Cost of hardware revenue may also include any impairment of energy storage systems held in our inventory for sale to our customer. Cost of hardware revenue related to the sale of energy storage systems is recognized when the delivery of the product is completed.

Gross Margin

Our gross margin fluctuates significantly from quarter to quarter. Gross margin, calculated as revenue less costs of revenue, has been, and will continue to be, affected by various factors, including fluctuations in the amount and mix of revenue and the amount and timing of investments to expand our customer base. Over the long term, we hope to increase both our gross margin in absolute dollars and as a percentage of revenue through enhanced operational efficiency and economies of scale.

Operating Expenses

Sales and Marketing

Sales and marketing expense consists of payroll and other related personnel costs, including salaries, stock-based compensation, employee benefits, and travel for our sales and marketing personnel. In addition, sales and marketing expense includes trade show costs, amortization of intangibles and other expenses. We expect our selling and marketing expense to increase in future periods to support the overall growth in our business.

Research and Development

Research and development expense consists primarily of payroll and other related personnel costs for engineers and third parties engaged in the design and development of products, third-party software and technologies, including salaries, bonus and stock-based compensation expense, project material costs, services and depreciation. We expect research and development expense to increase in future periods to support our growth, including continuing to invest in optimization, accuracy and reliability of our platform and other technology improvements to support and drive efficiency in our operations. These expenses may vary from period to period as a percentage of revenue, depending primarily upon when we choose to make more significant investments.

General and Administrative Expense

General and administrative expense consists of payroll and other related personnel costs, including salaries, stock-based compensation, employee benefits and expenses for executive management, legal, finance and other costs. In addition, general and administrative expense includes fees for professional services and occupancy costs. We expect our general and administrative expense to increase in future periods as we scale up headcount with the growth of our business, and as a result of operating as a public company, including compliance with the rules and regulations of the SEC, legal, audit, additional insurance expenses, investor relations activities, and other administrative and professional services.

Other Expense, Net

Interest Expense

Interest expense consists primarily of interest on our outstanding borrowings under our outstanding notes payable, convertible promissory notes, convertible senior notes, and financing obligations and accretion on our asset retirement obligations.

Other (Expenses) Income, Net

Other (expenses) income, net consists primarily of income from equity investments and foreign exchange gains or losses.

Results of Operations for the Three Months Ended March 31, 2023 and 2022

	Three Months Ended March 31,			
	2023	2022	\$ Change	% Change
	(In thousands, except percentages)			
Revenue				
Services and other revenue	\$ 14,673	\$ 9,965	\$ 4,708	47%
Hardware revenue	52,732	31,123	21,609	69%
Total revenue	67,405	41,088	26,317	64%
Cost of revenue				
Cost of services and other revenue	11,504	8,633	2,871	33%
Cost of hardware revenue	54,907	28,811	26,096	91%
Total cost of revenue	66,411	37,444	28,967	77%
Gross margin	994	3,644	(2,650)	(73)%
Operating expenses:				
Sales and marketing	12,406	9,142	3,264	36%
Research and development	13,444	8,943	4,501	50%
General and administrative	17,797	20,512	(2,715)	(13)%
Total operating expenses	43,647	38,597	5,050	13%
Loss from operations	(42,653)	(34,953)	(7,700)	22%
Other expense, net:				
Interest expense, net	(1,777)	(3,218)	1,441	(45)%
Other (expense) income, net	(439)	475	(914)	(192)%
Total other expense, net	(2,216)	(2,743)	527	(19)%
Loss before benefit from income taxes	(44,869)	(37,696)	(7,173)	19%
Benefit from income taxes	91	15,213	(15,122)	(99)%
Net loss	\$ (44,778)	\$ (22,483)	\$ (22,295)	99%

Revenue

Revenue increased by \$26.3 million, or 64%, for the three months ended March 31, 2023, as compared to the three months ended March 31, 2022. The increase was primarily driven by a \$21.6 million increase in hardware revenue primarily due to increase in demand for systems related to both FTM and BTM partnership agreements. Services and other revenue increased by \$4.7 million primarily due to higher solar services revenue.

Cost of Revenue

Cost of revenue increased by \$29.0 million, or 77%, for the three months ended March 31, 2023, as compared to the three months ended March 31, 2022. The increase was primarily driven by an increase in cost of hardware revenue of \$26.1 million due to the increase in demand for systems. Cost of services and other revenue also increased by \$2.9 million primarily due to solar service costs.

Operating Expenses

Sales and Marketing

Sales and marketing expense increased by \$3.3 million, or 36%, for the three months ended March 31, 2023, as compared to the three months ended March 31, 2022. The increase was primarily due to an increase of \$1.6 million in personnel related expenses as a result of higher headcount, an increase of \$1.2 million in amortization expense related to intangible assets from the acquisition of AlsoEnergy, an increase of \$0.5 million of additional office-related expenses.

Research and Development

Research and development expense increased by \$4.5 million, or 50%, for the three months ended March 31, 2023, as compared to the three months ended March 31, 2022. The increase was primarily due to an increase of \$3.3 million in personnel related expenses as a result of higher headcount and an increase of \$1.2 million in professional services and other expenses.

General and Administrative

General and administrative expense decreased by \$2.7 million, or 13%, for the three months ended March 31, 2023 compared to the three months ended March 31, 2022. The decrease was primarily driven by a decrease of \$6.1 million in transaction costs for the AlsoEnergy acquisition incurred in 2022, partially offset by an increase of \$2.2 million in personnel related expenses as a result of higher headcount, and an increase of \$1.2 million of additional office-related expenses.

Other Expense, Net

Interest Expense

Interest expense decreased by \$1.4 million, or 45%, for the three months ended March 31, 2023 compared to the three months ended March 31, 2022. The decrease was primarily driven by the accretion of discount on short-term investments of \$1.0 million and a decrease of \$0.4 million in interest on financing obligations.

Other (Expenses) Income, Net

Other (expenses) income, net decreased by \$0.9 million, or 192%, for the three months ended March 31, 2023, as compared to the three months ended March 31, 2022 primarily as a result of a \$1.6 million realized loss on short-term investments, partially offset by a \$0.6 million increase in interest income from short-term investments and \$0.1 million in income from equity investments.

Benefit from Income Taxes

During the three months ended March 31, 2023, we recorded a benefit for income taxes \$0.1 million as a result of the partial release of our deferred tax asset valuation due to the acquisition of InBalance. During the three months ended March 31, 2022, the Company recorded a \$15.2 million benefit for income taxes as a result of the partial release of our deferred tax asset valuation due to the acquisition of AlsoEnergy.

Liquidity and Capital Resources

Sources of Liquidity

Liquidity describes the ability of a company to generate sufficient cash flows to meet the cash requirements of its business operations, including working capital needs, debt service, acquisitions, contractual obligations and other commitments. We assess liquidity in terms of our cash flows from operations and their sufficiency to fund our operating and investing activities. To meet our payment service obligations we must have sufficient liquid assets and be able to move funds on a timely basis.

As of March 31, 2023, our principal source of liquidity were cash, cash equivalents, and short-term investments of \$205.6 million, which were held for working capital purposes and for investment growth opportunities. Our marketable securities generally consist of high-grade commercial paper, agency bonds, corporate debt securities, U.S. government agency securities, and treasury bills. We believe that our cash position is sufficient to meet our capital and liquidity requirements for at least the next 12 months.

Our business prospects are subject to risks, expenses and uncertainties frequently encountered by companies in the early stages of commercial operations. The attainment of profitable operations is dependent upon future events, including obtaining adequate financing to complete our development activities, obtaining adequate supplier relationships, building our customer base, successfully executing our business and marketing strategy and hiring appropriate personnel. Failure to generate sufficient revenues, achieve planned gross margins and operating profitability, control operating costs, or secure additional funding may require us to modify, delay, or abandon some of our planned future expansion or development, or to otherwise enact operating cost reductions available to management, which could have a material adverse effect on our business, operating results, financial condition.

In the future, we may be required to obtain additional equity or debt financing in order to support our continued capital expenditures and operations. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital or generate cash flows necessary to expand our operations and invest in new technologies, this could reduce our ability to compete successfully and harm our business, growth and results of operations.

Our long-term liquidity requirements are linked primarily to the continued extension of the Athena platform and supporting applications, including Athena PowerTrack and the use of our balance sheet to improve the terms and conditions associated with the purchase of energy storage systems from our hardware vendors. While we have plans to potentially expand our geographical footprint beyond our current partnerships and enter into joint ventures, those are not required initiatives to achieve our plans.

Financing Obligations

We have entered into arrangements wherein we finance the cost of energy storage systems via special purpose entities (“SPE”) we establish with outside investors. These SPEs are not consolidated into our financial statements, but are accounted for as equity method investments. Through the SPEs, the investors provide us upfront payments. Under these arrangements, the payment by the SPE to us is accounted for as a borrowing by recording the proceeds received as a financing obligation. The financing obligation is repaid with the future customer payments and incentives received. A portion of the amounts paid to the SPE is allocated to interest expense using the effective interest rate method. Furthermore, we continue to account for the revenues from customer arrangements and incentives and all associated costs despite such systems being legally sold to the SPEs due to our significant continuing involvement in the operations of the energy storage systems. The total financing obligation as of March 31, 2023 was \$77.3 million, of which \$16.3 million was classified as a current liability.

Notes Payable

2021 Credit Agreement

In January 2021, we entered into a non-recourse credit agreement to provide a total of \$2.7 million towards the financing of certain energy storage systems that we own and operate. The credit agreement has a stated interest of 5.45% and a maturity date of June 2031. We received an advance under the credit agreement of \$1.8 million in January 2021. The repayment of advances received under this credit agreement is determined by the lender based on the proceeds generated by us through the operation of the underlying energy storage systems. As of March 31, 2023, there were \$1.9 million of outstanding borrowings under this credit facility.

On April 6, 2023, we repaid the remaining outstanding balance of the 2021 Credit Agreement with a portion of the proceeds received from the issuance of the 2030 Convertible Notes. See Note 16 — *Subsequent Events* for additional details.

2028 Green Convertible Senior Notes

On November 22, 2021, we sold to Morgan Stanley & Co. LLC, Goldman Sachs & Co. LLC and Barclays Capital Inc, as initial purchasers (the “2021 Initial Purchasers”), and the 2021 Initial Purchasers purchased from us, \$460.0 million aggregate principal amount of our 2028 Convertible Notes, pursuant to a purchase agreement dated as of November 17, 2021, by and between us and the 2021 Initial Purchasers. The 2028 Convertible Notes will accrue interest payable semi-annually in arrears and will mature on December 1, 2028, unless earlier repurchased, redeemed or converted in accordance with their terms prior to such date. Upon conversion, we may choose to pay or deliver, as the case may be, cash, shares of common stock or a combination of cash and shares of common stock. The 2028 Convertible Notes are redeemable for cash at our option at any time given certain conditions. Refer to Note 10 — *Convertible Notes*, of the Notes to the unaudited condensed consolidated financial statements in this report, for additional details regarding this transaction.

On November 17, 2021, in connection with the pricing of the 2028 Convertible Notes, and on November 19, 2021, in connection with the exercise in full by the 2021 Initial Purchasers of their option to purchase additional Notes, we entered into capped call transactions with certain of the 2021 Initial Purchasers to minimize the potential dilution to our common stockholders upon conversion of the 2028 Convertible Notes. Our net proceeds from this offering were approximately \$445.7 million, after deducting the 2021 Initial Purchasers’ discounts and commissions and the offering expenses paid by the Company. We used approximately \$66.7 million of the net proceeds to pay the cost of the capped call transactions described above. We allocated an amount equivalent to the net proceeds from this offering (less the \$66.7 million for the cost of the capped call transactions) to finance or refinance, in whole or in part, eligible green expenditures of Stem, including investments related to creating a more resilient clean energy system, optimized software capabilities for energy systems, and reducing waste through operations.

On April 3, 2023, the Company used approximately \$99.8 million of the net proceeds from the issuance of the 4.25% Green Convertible Senior Notes due 2030 (“2030 Convertible Notes”) to purchase and surrender for cancellation approximately \$163.0 million aggregate principal amount of the Company’s 2028 Convertible Notes. See Note 16 — *Subsequent Events* for additional details.

Cash Flows

The following table summarizes our cash flows for the periods indicated (in thousands):

	Three Months Ended March 31,	
	2023	2022
Net cash used in operating activities	\$ (35,821)	\$ (26,005)
Net cash provided by (used in) investing activities	67,831	(542,928)
Net cash used in financing activities	(2,156)	(4,287)
Effect of exchange rate changes on cash and cash equivalents	126	(23)
Net increase (decrease) in cash and cash equivalents	<u>\$ 29,980</u>	<u>\$ (573,243)</u>

Operating Activities

During the three months ended March 31, 2023, net cash used in operating activities was \$35.8 million, primarily resulting from our net loss of \$44.8 million, adjusted for non-cash charges of \$21.2 million and net cash outflow of \$12.3 million from changes in operating assets and liabilities. Non-cash charges primarily consisted of depreciation and amortization of \$11.1 million, non-cash interest expense of \$0.4 million related to debt issuance costs, stock-based compensation expense of \$7.2 million, noncash lease expense of \$0.7 million, impairment of energy storage systems of \$0.9 million, provision for accounts receivable allowance of \$0.5 million and net recognized loss on investments of \$1.6 million, partially offset by net accretion of discount on investments of \$0.7 million and an income tax benefit of \$0.3 million. The net cash outflow from changes in operating assets and liabilities was primarily driven by an increase in accounts receivable of \$10.1 million, an increase in inventory of \$34.9 million, an increase in contract origination costs of \$0.8 million, an increase in project assets of \$1.4 million, a decrease in accrued expenses and other liabilities of \$31.7 million, and a decrease in lease liabilities of \$0.6 million, offset by a decrease in deferred costs with suppliers of \$28.2 million, a decrease in other assets of \$0.3 million, an increase in accounts payable of \$28.8 million, and an increase in deferred revenue of \$9.9 million.

During the three months ended March 31, 2022, net cash used in operating activities was \$26.0 million, primarily resulting from our net loss of \$22.5 million, adjusted by non-cash charges of \$1.6 million and net cash outflow of \$5.1 million from changes in operating assets and liabilities. Non-cash charges primarily consisted of income tax benefit of \$15.1 million depreciation and amortization of \$8.7 million, non-cash interest expense of \$0.5 million, related to debt issuance costs, stock-based compensation expense of \$6.3 million, impairment of energy storage systems of \$0.2 million, noncash lease expense of \$0.5 million, provision for accounts receivable allowance of \$0.2 million, and net amortization of premium on investments of \$0.3 million. The net cash outflow from changes in operating assets and liabilities was primarily driven by an increase in accounts receivable of \$3.5 million, an increase in other assets of \$23.1 million, an increase in deferred costs with suppliers of \$9.2 million, an increase in inventory of \$46.6 million, an increase in contract origination costs of \$1.7 million, and a decrease in lease liabilities of \$0.1 million, partially offset by an increase in accounts payable of \$68.0 million and an increase in deferred revenue of \$17.7 million.

Investing Activities

During the three months ended March 31, 2023, net cash provided by investing activities was \$67.8 million, primarily consisting of \$1.8 million used for our acquisition of InBalance, net of cash acquired, \$75.0 million in net sales of available-for-sale investments, \$1.6 million in purchases of energy storage systems, and \$3.6 million in capital expenditures on internally-developed software.

During the three months ended March 31, 2022, net cash used in investing activities was \$542.9 million, primarily consisting of \$532.8 million used for our acquisition of AlsoEnergy, net of cash acquired, \$5.2 million in net purchases of available-for-sale investments, \$0.1 million in purchases of energy systems, \$3.5 million in capital expenditures on internally-developed software, and \$1.3 million in purchases of property and equipment.

Financing Activities

During the three months ended March 31, 2023, net cash used in financing activities was \$2.2 million, primarily consisting of the repayment of financing obligations of \$2.1 million and a redemption of non-controlling interests of \$0.1 million, and a repayment of notes payable of \$0.1 million, partially offset by proceeds from exercise of stock options of \$0.1 million.

During the three months ended March 31, 2022, net cash used in financing activities was \$4.3 million, primarily consisting of repayment of financing obligations of \$4.2 million, and payments for taxes related to net share settlement of stock options of \$0.8 million, partially offset by proceeds from the exercise of stock options of \$0.3 million, and proceeds from financing obligations of \$0.3 million.

Contractual Obligations and Commitments

As of March 31, 2023, there have been no material changes to our contractual obligations described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Off-Balance Sheet Arrangements

We are not a party to any off-balance sheet arrangements, including guarantee contracts, retained or contingent interests, or unconsolidated variable interest entities that either have, or are reasonably likely to have, a current or future material adverse effect on our unaudited condensed consolidated financial statements.

Critical Accounting Policies and Estimates

A summary of our critical accounting policies and estimates is presented in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Recent Accounting Pronouncements

As of March 31, 2023, there have been no material changes to the recent accounting pronouncements described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For quantitative and qualitative disclosures about market risk affecting Stem, see Item 7A, “Quantitative and Qualitative Disclosures about Market Risk,” contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022. Our exposure to market risk has not changed materially since December 31, 2022.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (“Disclosure Controls”) within the meaning of Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Our Disclosure Controls are designed to provide reasonable assurance that information required to be disclosed by us in the reports we file or submit under the Exchange Act, such as this Quarterly Report on Form 10-Q, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms. Our Disclosure Controls are also designed to provide reasonable assurance that such information is accumulated and communicated to our management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), as appropriate, to allow timely decisions regarding required disclosure.

Based on management’s evaluation (under the supervision and with the participation of our CEO and our CFO) as of March 31, 2023, of the effectiveness of the design and operation of our Disclosure Controls, our CEO and CFO have concluded that our Disclosure Controls were effective at a reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting during the first quarter of 2023, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Internal Controls

Our management, including our CEO and CFO, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Furthermore, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of the effectiveness of controls to future periods are subject to risks. Over time,

controls may become inadequate because of changes in business conditions or deterioration in the degree of compliance with policies or procedures.

Part II - Other Information

ITEM 1. LEGAL PROCEEDINGS

The information with respect to this Item 1 is set forth under Note 15 — *Commitments and Contingencies*, of the Notes to the unaudited condensed consolidated financial statements in this report.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed in Part 1, Item 1A, of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, except that the risk factor entitled “*Our ability to issue shares of common stock beyond 400 million may be affected by a recent Delaware Court of Chancery decision*” is hereby removed as it is no longer relevant.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBIT

EXHIBIT INDEX

Exhibit No.	Description
3.1	Second Amended and Restated Certificate of Incorporation, dated April 28, 2021 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on May 4, 2021).
3.2	Amended and Restated Bylaws, dated October 27, 2022 (incorporated by reference to Exhibit 3 to the Current Report on Form 8-K filed on October 31, 2022).
4.1	Indenture dated as of April 3, 2023, between the Company and U.S. Bank Trust Company, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on April 3, 2023).
4.2	Form of 4.25% Convertible Senior Note due 2030 (included in Exhibit 4.1).
10.1*	Form of Global Restricted Stock Unit Award Agreement under the Stem, Inc. 2021 Equity Incentive Plan.
10.2*	Form of Global Option Award Agreement under the Stem, Inc. 2021 Equity Incentive Plan.
10.3	Form of Confirmation for Capped Call Transactions (incorporated by reference to Exhibit 10 to the Current Report on Form 8-K filed on April 3, 2023).
31.1*	Certification of Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

*Filed herewith

**Furnished herewith

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized on May 4, 2023.

STEM, INC.

By: /s/ William Bush

William Bush
Chief Financial Officer
(Principal Financial Officer)

STEM, INC.
GLOBAL RESTRICTED STOCK UNIT
AWARD AGREEMENT

RECITALS

A. The Board has adopted the Stem, Inc. 2021 Equity Incentive Plan (as amended from time to time, the “**Plan**”) to provide incentives to attract, retain and motivate eligible Employees, Directors and Consultants.

B. This Agreement is executed pursuant to, and is intended to carry out the purposes of, the Plan in connection with the Company’s issuance of shares of its common stock, \$0.0001 par value per share (“**Shares**” or “**Common Stock**”) to Participant thereunder.

C. All capitalized terms in this Agreement are defined herein or in the Appendix hereto.

NOW, THEREFORE, the Company hereby awards restricted stock units (“**Restricted Stock Units**” or “**RSUs**”) to the Participant named in the Award Notice (as defined in Section 1 below) on the following terms and conditions:

1. GRANT OF RESTRICTED STOCK UNITS. The Company hereby awards to Participant, as of the Grant Date indicated below, RSUs under the Plan. Each RSU represents the right to receive one share of Common Stock, upon the terms and subject to the conditions set forth in the award notice previously delivered to Participant (the “**Award Notice**”), this Agreement and the Plan. Each RSU that vests hereunder will entitle Participant to receive one share of Common Stock on the specified issuance date for that unit. The number of, the applicable vesting schedule for, and the grant date with respect to, RSUs subject to this Award are set forth in the Award Notice. The remaining terms and conditions governing the Award shall be as set forth in this Agreement.

AWARD SUMMARY

<u>Participant Name:</u>	<i>as set forth in the Award Notice</i>
<u>Grant Date:</u>	<i>as set forth in the Award Notice (the “Grant Date”)</i>
<u>Number of RSUs:</u>	<i>as set forth in the Award Notice</i>
<u>Vesting Schedule:</u>	RSUs will vest on such date or dates specified in the Award Notice (the “ Vesting Date ”); <i>provided, however</i> , that RSUs may be subject to accelerated vesting in accordance with the provisions of Section 5. The period of time between the Grant Date and the vesting of Restricted Stock Units (and the termination of restrictions thereon) is the “ Restricted Period .”

Issuance Schedule

Upon vesting of RSUs in accordance with the Normal Vesting Schedule, Shares will be issuable pursuant to the Plan on the applicable Vesting Date, subject to the Company's collection of applicable Withholding Taxes. Issuance of Shares upon vesting of RSUs will be made as soon as administratively practicable, but in no event later than 2 ¹/₂ months following the applicable Vesting Date. The procedures pursuant to which the applicable Withholding Taxes are to be collected are set forth in Section 7 of this Agreement.

2. RESTRICTIONS ON TRANSFER. RSUs granted hereunder to Participant may not be sold, assigned, transferred, pledged or otherwise encumbered, whether voluntarily or involuntarily, by operation of law or otherwise (any of the foregoing, a "**Transfer**"), other than (i) to the Company as a result of the forfeiture of RSUs, or (ii) by will or the laws of descent and distribution. Payment of RSUs after Participant's death will be made to Participant's estate or, in the sole and absolute discretion of the Administrator, to the person or persons entitled to receive such payment under Applicable Laws of descent and distribution. Consistent with the foregoing, no right or benefit under this Agreement will be subject to Transfer, and any such attempt to Transfer, will have no effect and be void. No right or benefit hereunder will in any manner be liable for or subject to any debts, contracts, liabilities or torts of the person entitled to such benefits. If Participant attempts to Transfer any right or benefit hereunder or if any creditor attempts to subject the same to a writ of garnishment, attachment, execution, sequestration, or any other form of process or involuntary lien or seizure, then such attempt will have no effect and be void, and immediately upon any such attempt the RSUs will terminate and become of no further effect.

3. FORFEITURES OF RSUS.

(a) Except as otherwise provided in this Section 3 or in Section 5 below, upon Participant's termination of Continuous Service for any reason and at any time during the Restricted Period, any then-unvested RSUs held by the Participant shall be forfeited and canceled as of the date of the Participant's termination of Continuous Service. Upon forfeiture, neither Participant nor any successors, heirs, assigns or legal representatives of Participant will thereafter have any further rights or interest in the unvested RSUs.

(b) Notwithstanding any other provision hereof, if at any time during the Restricted Period, Participant's Continuous Service is terminated for Cause (or for a reason that is comparable to termination for Cause under either the employment laws in the jurisdiction where Participant is employed or the terms of Participant's employment agreement, if any), or should Participant engage in any other conduct, while in Continuous Service or following cessation of Continuous Service, that is detrimental to the business or affairs of the Company (or any Related Entity), as determined in the sole discretion of the Administrator, then this Award will be immediately cancelled with respect to all RSUs (whether vested or unvested). Neither Participant nor any successors, heirs, assigns or legal representatives of Participant, shall have any right or entitlement to receive any Shares under such cancelled RSUs.

4. NO STOCKHOLDER RIGHTS UNTIL VESTING; DIVIDEND EQUIVALENTS.

(a) Participant shall not be, nor have any of the rights or privileges of, a stockholder of the Company with respect to any RSUs unless and until the Company issues shares of Common Stock to Participant in settlement of such RSUs (as evidenced by the appropriate entry on the books and records of the Company or of a duly authorized transfer agent of the Company).

(b) Notwithstanding the foregoing, from and after the Grant Date and until the earlier of (i) the Participant's receipt of Common Stock upon settlement of the RSUs and (ii) the time when the Participant's right to receive Common Stock upon settlement of the RSUs is forfeited, the Participant shall be entitled, as a Dividend equivalent, to a number of additional whole RSUs on the date that the Company pays a cash dividend (if any) to holders of Common Stock generally. Such Dividend equivalent shall be determined by dividing (i) the product of (A) the dollar amount of the cash dividend paid per share of Common Stock on such date and (B) the total number of RSUs (including dividend equivalents paid thereon) previously credited to the Participant as of such date, by (ii) the Fair Market Value per share of Common Stock on such date. Such Dividend equivalents (if any) shall be subject to the same terms and conditions and shall be settled or forfeited in the same manner and at the same time as the RSUs to which the Dividend equivalents were credited.

5. CHANGE IN CONTROL.

(a) Any RSUs subject to this Award at the time of a Change in Control may be (i) assumed or otherwise continued in full force and effect by the surviving corporation, (ii) replaced with an economically-equivalent substitute award or (iii) replaced with a cash retention program of the successor corporation that is in a dollar amount equal to the Fair Market Value of the Shares underlying those RSUs (as measured immediately prior to the Change in Control) and provides for the subsequent vesting and payout of that dollar amount in accordance with the same vesting and issuance provisions that would otherwise be in effect for those Shares in the absence of the Change in Control, *provided*, that such vesting schedule shall be modified to provide for accelerated vesting in accordance with Section 5(c) below. In the event of such assumption or continuation of the Award or such replacement of the Award with an economically-equivalent award or cash retention program, no accelerated vesting of the RSUs shall occur at the time of the Change in Control. Notwithstanding the foregoing, no such cash retention program shall be established for the RSUs subject to this Award to the extent such program would otherwise be deemed to constitute a deferred compensation arrangement subject to the requirements of Code Section 409A and the Treasury Regulations thereunder.

(b) In the event the Award is assumed or otherwise continued in effect, the RSUs subject to the Award shall be adjusted immediately after the consummation of the Change in Control so as to apply to the number and class of securities into which the Shares underlying those units immediately prior to the Change in Control would have been converted in consummation of that Change in Control had those Shares actually been issued and outstanding at that time. To the extent the actual holders of the outstanding Common Stock receive cash consideration for their Common Stock in consummation of the Change in Control, the successor corporation (or parent entity) may, in connection with the assumption or continuation of the RSUs subject to the Award at that time and with the approval of the Administrator, substitute one or more shares of its own common stock with a fair market value equivalent to the cash consideration paid per Share in the Change in Control transaction, provided the substituted common stock is readily tradable on an established U.S. securities exchange.

(c) Any RSUs that are to be assumed or otherwise continued in effect in connection with the Change in Control or are to be replaced with an economically equivalent award or cash retention program in accordance with Section 5(a) shall be subject to accelerated vesting in accordance with the following provision:

If Participant's Employee status is unilaterally terminated as a result of an involuntary termination (other than for death or Disability) without Cause, or if Participant resigns from such Employee status due to a Constructive Termination, at any time during the period beginning with the execution date of the definitive agreement for that Change in Control transaction and ending with the earlier of (i) the termination of that definitive agreement without the consummation of such Change in Control or (ii) the expiration of the Applicable Acceleration Period following the consummation of such Change in Control, then Participant shall immediately vest in all the unvested RSUs (or any replacement securities or cash proceeds) at the time subject to this Award. The Shares (or any replacement securities or cash proceeds) that are issuable upon vesting of RSUs pursuant to this Section 5(c) shall be issued or distributed on the date of Participant's Separation from Service in connection with such termination of Employee status or as soon as administratively practicable thereafter, but in no event later than the *later* of (i) the close of the calendar year in which such Separation from Service occurs or (ii) the fifteenth (15th) day of the third (3rd) calendar month following the date of such Separation from Service. The applicable Withholding Taxes with respect to such issuance shall be collected in accordance with Section 7 below.

(d) If the RSUs subject to this Award at the time of the Change in Control are not assumed or otherwise continued in effect in connection with the Change in Control or are not replaced with an economically equivalent award or cash incentive program in accordance with Section 5(a), then those units will vest immediately prior to the closing of the Change in Control. The Shares subject to those vested units shall be converted into the right to receive, for each such Share, the same consideration per Share payable to the other stockholders of the Company in consummation of that Change in Control, and such consideration per Share shall be distributed to Participant as soon as administratively practicable thereafter, but in no event later than the *later* of (i) the close of the calendar year in which such Change in Control occurs or (ii) the fifteenth (15th) day of the third (3rd) calendar month following the date of such Change in Control.

(e) This Agreement does not in any way affect the right of the Company to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

6. ADJUSTMENT IN SHARES. In the event of a Capitalization Adjustment, then equitable adjustments shall be made by the Administrator to the total number and/or class of securities issuable pursuant to this Award in order to reflect such change. In making such adjustments, the Administrator shall take into account any amounts to be credited to Participant's book account under Section 4(a) in connection with the transaction, and the determination of the Administrator shall be final, binding and conclusive. In the event of a Change in Control, the provisions of Section 5 shall be controlling.

7. ISSUANCE OF SHARES OR OTHER AMOUNTS.

(a) On or after each date on which one or more Shares are to be issued in accordance with the express provisions of this Agreement, the Company shall issue to or on behalf of Participant a certificate (which may be in electronic form) for those Shares, subject in each instance to the Company's collection of the applicable Withholding Taxes.

(b) Participant acknowledges that, regardless of any action the Company and/or the Employer take with respect to any or all Withholding Taxes related to Participant's participation in the Plan and legally applicable to Participant, the ultimate liability for all Withholding Taxes is and shall remain Participant's responsibility, which liability may exceed the amount actually withheld by the Company or the Employer. Participant further acknowledges that the Company and/or the Employer (i) make no representations or undertakings regarding the treatment of any Withholding Taxes in connection with any aspect of the Award, including the grant, vesting or settlement of the Award, the issuance of Shares (or other property) upon settlement of the Award, the subsequent sale of Shares acquired pursuant to such issuance and the receipt of any dividends and/or phantom dividend equivalents; and (ii) do not commit to, and are under no obligation to, structure the terms of the grant or any aspect of the Award to reduce or eliminate Participant's liability for Withholding Taxes or achieve any particular tax result. Further, if Participant has become subject to Withholding Taxes in more than one jurisdiction, Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Withholding Taxes in more than one jurisdiction.

(c) The Company may (but is not obligated to) collect, and Participant hereby authorizes the Company to collect, the Withholding Taxes with respect to the Shares issued under this Agreement through an automatic Share withholding procedure (such as "**net settlement**") pursuant to which the Company may withhold, immediately as the Shares are issued under the Award, a portion of those Shares with a Fair Market Value (measured as of the issuance date) equal to the amount of such Withholding Taxes, unless such Share Withholding Method is not permissible or advisable under local law.

(d) If the Share Withholding Method is to be utilized for the collection of Withholding Taxes, then the Company shall withhold the number of otherwise issuable Shares necessary to satisfy the applicable Withholding Taxes based on the applicable minimum statutory rate or other applicable withholding rate, including maximum applicable rates, as determined by the Company in its sole discretion. If the maximum rate is used, any over-withheld amount will be refunded to Participant in cash by the Company or Employer (with no entitlement to the Common Stock equivalent) or if not refunded, Participant may seek a refund from the local tax authorities. If the obligation for Withholding Taxes is satisfied by using the Share Withholding Method, then Participant will, for tax purposes, be deemed to have been issued the full number of Shares subject to the vested Award, notwithstanding that a number of the Shares are withheld solely for the purpose of paying the applicable Withholding Taxes.

(e) The Company has sole discretion to determine whether or not the Share Withholding Method will be utilized for the collection of applicable Withholding Taxes. Participant acknowledges that the Company does not currently utilize the Share Withholding Method. Participant will be notified (in writing or through the Company's electronic mail system) in the event the Company intends to utilize the Share Withholding Method. Should any

Shares become issuable under the Award at any time that the Share Withholding Method is not being utilized by the Company, then the Withholding Taxes shall be collected from Participant through a sell-to-cover transaction, pursuant to which an immediate open-market sale of a portion of the Shares issued to Participant will be effected, for and on behalf of Participant, by the Company's designated broker to cover the Withholding Tax liability estimated by the Company to be applicable to such issuance. Participant hereby appoints, authorizes and directs Carta Securities, LLC, or another registered broker-dealer or sales agent chosen by the Company (the "**Agent**"), to effect such open-market, sell-to-cover transactions and remit the sale proceeds, net of brokerage fees and other applicable charges, to the Company in satisfaction of the applicable Withholding Taxes. Participant acknowledges that the authorization and instruction to the Agent set forth in this Section is intended to comply with the requirements of Rule 10b5-1(c)(1) under the Exchange Act and to be interpreted to comply with the requirements of Rule 10b5-1(c) under the Exchange Act (Participant's election to sell-to-cover and the provisions of this Section, collectively, the "**10b5-1 Plan**"). Participant acknowledges that by accepting the Award, he or she is adopting the 10b5-1 Plan to permit the sell-to-cover. Participant hereby authorizes the Company and the Agent to cooperate and communicate with one another to determine the number of shares that must be sold pursuant to this Section to satisfy the Withholding Taxes, brokerage fees and other applicable charges. Participant acknowledges that the Agent is under no obligation to arrange for the sell-to-cover at any particular price under this 10b5-1 Plan and that the Agent may affect sales as provided in this 10b5-1 Plan in one or more sales and that the average price for executions resulting from bunched orders may be assigned to Participant's account. In addition, Participant acknowledges that it may not be possible to execute the sell-to-cover as provided for in this 10b5-1 Plan and in the event of the Agent's inability to execute the sell-to-cover, Participant will continue to be responsible for the timely payment to the Company of all Withholding Taxes. Participant hereby agrees to execute and deliver to the Agent any other agreements or documents as the Agent deems necessary or appropriate to carry out the purposes and intent of this 10b5-1 Plan. The Agent is a third-party beneficiary of this Section and the terms of this 10b5-1 Plan. Participant's election to sell-to-cover and to enter into this 10b5-1 Plan is irrevocable. This 10b5-1 Plan shall terminate not later than the date on which the Withholding Taxes arising from the vesting of the RSUs and the related issuance of Shares have been paid. However, no sell-to-cover transaction shall be effected unless (i) such a sale is at the time permissible under the Company's insider trading policies governing the sale of Common Stock and (ii) the transaction is not deemed to constitute a prohibited loan under Section 402 of the Sarbanes-Oxley Act of 2002.

(f) If the Company determines that such sell-to-cover transaction is not permissible or advisable at the time, or if Participant otherwise fails to effect a timely sale authorization as required by this Agreement, then the Company may, in its sole discretion, elect either to defer the issuance of the Shares until such sell-to-cover transaction can be effected in accordance with Participant's executed sale directive or to collect the applicable Withholding Taxes through Participant's delivery of his or her separate check payable to the Company in the amount of such Withholding Taxes or by withholding such amount from other wages payable to Participant. In no event shall any Shares be issued in the absence of an arrangement reasonably satisfactory to the Company for the satisfaction of the applicable Withholding Taxes and in compliance with any applicable requirements of Code Section 409A.

(g) Except as otherwise provided in Section 5, the settlement of all RSUs that vest under the Award shall be made solely in Shares. In no event, however, shall any fractional Shares be issued. Accordingly, the total number of Shares to be issued at the time the Award vests shall, to the extent necessary, be rounded down to the next whole Share in order to avoid the issuance of a fractional Share.

8. COMPLIANCE WITH LAWS AND REGULATIONS.

(a) The issuance of Shares pursuant to the Award shall be subject to compliance by the Company and Participant with all Applicable Laws relating thereto, as determined by counsel for the Company.

(b) The inability of the Company to obtain approval from any regulatory body having authority deemed by the Company to be necessary to the lawful issuance and sale of any Common Stock pursuant to this Award shall relieve the Company of any liability with respect to the non-issuance or sale of the Common Stock as to which such approval shall not have been obtained. The Company, however, shall use its reasonable best efforts to obtain all such approvals.

9. **INSIDER TRADING RESTRICTIONS/MARKET ABUSE LAWS.** Participant may be subject to insider trading restrictions and/or market abuse laws based on the exchange on which the Shares are listed and in applicable jurisdictions including the United States and Participant's country or his or her broker's country, if different, which may affect Participant's ability to accept, acquire, sell or otherwise dispose of Shares, rights to Shares (e.g., Restricted Stock Units) or rights linked to the value of Shares (e.g., dividend equivalents) during such times as Participant is considered to have "**inside information**" regarding the Company (as defined by the laws in applicable jurisdictions). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders Participant placed before he or she possessed inside information. Furthermore, Participant could be prohibited from (i) disclosing the inside information to any third party, which may include fellow employees and service providers and (ii) "**tipping**" third parties or causing them otherwise to buy or sell securities. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable insider trading policy of the Company. Participant acknowledges that it is Participant's responsibility to comply with any applicable restrictions and Participant should speak with his or her personal legal advisor on this matter.

10. **DEFERRED ISSUANCE DATE.** Notwithstanding any provision to the contrary in this Agreement, to the extent Participant is subject to taxation in the United States and this Award may be deemed to create a deferred compensation arrangement under Code Section 409A, then the following limitation shall apply:

No Shares or other amounts which become issuable or distributable under this Agreement upon Participant's Separation from Service shall actually be issued or distributed to Participant prior to the **earlier** of (i) the first day of the seventh (7th) month following the date of such Separation from Service or (ii) the date of Participant's death, if Participant is deemed at the time of such Separation from Service to be a specified employee under Section 1.409A-1(i) of the

Treasury Regulations issued under Code Section 409A, as determined by the Administrator in accordance with consistent and uniform standards applied to all other Code Section 409A arrangements of the Company, and such delayed commencement is otherwise required in order to avoid a prohibited distribution under Code Section 409A(a)(2). The deferred Shares or other distributable amount shall be issued or distributed in a lump sum on the first day of the seventh (7th) month following the date of Participant's Separation from Service or, if earlier, the first day of the month immediately following the date the Company receives proof of Participant's death.

To the extent there is any ambiguity as to whether any provision of this Agreement would otherwise contravene one or more requirements or limitations of Code Section 409A, such provisions shall be interpreted and applied in a manner that does not result in a violation of the applicable requirements or limitations of Code Section 409A and the Treasury Regulations thereunder.

Each installment of Shares issuable pursuant to this Agreement shall be treated as a separate payment for purposes of Code Section 409A.

11. NOTICES. Any notice required to be given or delivered to the Company under the terms of this Agreement shall be in writing and addressed to the Company at its principal corporate offices. Any notice required to be given or delivered to Participant shall be in writing and addressed to Participant at the most current address then indicated for Participant on the Company's employee records or shall be delivered electronically to Participant through the Company's electronic mail system or through the on-line brokerage firm authorized by the Company to effect the sale of the Shares issued hereunder. All notices shall be deemed effective upon personal delivery or delivery through the Company's electronic mail system or upon deposit in the U.S. or local country mail, postage prepaid and properly addressed to the party to be notified.

12. SUCCESSORS AND ASSIGNS. Except to the extent otherwise provided in this Agreement, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns and Participant, Participant's assigns, the legal representatives, heirs and legatees of Participant's estate.

13. CONSTRUCTION. This Agreement and the Award evidenced hereby are made and granted pursuant to the Plan and are in all respects limited by and subject to the terms of the Plan. In the event of any conflict between the provisions of this Agreement, the Award Notice and the terms of the Plan, the Award Notice and this Agreement shall control. In the event of any conflict between the Award Notice and this Agreement, the Award Notice shall control. The words "hereof," "herein," "hereby," "hereunder" and "herewith" and words of similar import shall refer to this Agreement as a whole and not to any particular provision of this Agreement. References to articles, sections, paragraphs, exhibits, annexes and schedules are to the articles, sections and paragraphs of, and exhibits, annexes and schedules to, this Agreement, unless otherwise specified, and the table of contents and headings in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. All decisions of the Administrator with respect to any question or issue arising under the Plan,

the Award Notice or this Agreement shall be conclusive and binding on all persons having an interest in the Award.

14. GOVERNING LAW AND VENUE.

(a) The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of Delaware without resort to that State's conflict-of-laws rules.

(b) For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by this Award and this Agreement, the parties hereby submit to and consent to the exclusive jurisdiction of the State of California and agree that such litigation shall be conducted only in the courts of San Francisco County, California, or the federal courts for the Northern District of California, and no other courts where the grant of the Restricted Stock Units is made and/or to be performed.

15. SEVERABILITY. The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

16. ACKNOWLEDGMENT OF NATURE OF PLAN AND AWARD. In accepting the Award, Participant acknowledges, understands and agrees that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature, and it may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;

(b) the Award is exceptional, voluntary and occasional and does not create any contractual or other right to receive future grants of Restricted Stock Units, or benefits in lieu of Restricted Stock Units, even if Restricted Stock Units have been granted in the past;

(c) all decisions with respect to future Awards or other grants, if any, will be at the sole discretion of the Company;

(d) the Award and Participant's participation in the Plan shall not create a right to employment or be interpreted as forming or amending an employment or service contract with the Company, the Employer or any Related Entity and shall not interfere with the ability of the Company, the Employer or any Related Entity, as applicable, to terminate Participant's employment or service relationship (if any);

(e) Participant's participation in the Plan is voluntary;

(f) the Award and the Shares subject to the Award, and the income and value of same, are not intended to replace any pension rights or compensation;

(g) the Award and the Shares subject to the Award, and the income and value of same, are not part of normal or expected compensation for purposes of calculating any

severance, resignation, termination, redundancy, dismissal, end of service payments, holiday pay, bonuses, long-service awards, leave-related payments, pension or retirement or welfare benefits or similar payments;

(h) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with any certainty;

(i) no claim or entitlement to compensation or damages shall arise from forfeiture of the Award resulting from termination of Participant's Continuous Service by the Employer or the Company (or any Related Entity) (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is employed or the terms of Participant's employment agreement, if any), and in consideration of the Award, Participant irrevocably agrees not to institute any claim against the Company, the Employer or any Related Entity, waives his or her ability, if any, to bring any such claim and releases the Company, the Employer and any Related Entity from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, Participant shall be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claim;

(j) unless otherwise agreed with the Company in writing, the Award and the Shares subject to the Award, and the income and value of same, are not granted as consideration for, or in connection with, any service Participant may provide as a director of the Company or a Related Entity; and

(k) unless otherwise provided in the Plan or by the Company in its discretion, the Restricted Stock Units and the benefits evidenced by this Agreement do not create any entitlement to have the Restricted Stock Units or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed-out or substituted for, in connection with any corporate transaction affecting the Shares.

17. NO ADVICE REGARDING GRANT. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Participant's participation in the Plan or Participant's acquisition or sale of the underlying Shares. Participant should consult with his or her personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan or the Restricted Stock Units.

18. WAIVER. Participant acknowledges that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by Participant or other Participants.

19. DATA PRIVACY.

(a) Data Privacy Information. By electing to participate in the Plan via the Company's online acceptance procedure, Participant is declaring that he or she understands the

data processing practices described herein and including the collection, processing and use of Personal Data (as defined below) by the Company and the transfer of Personal Data to the recipients mentioned herein, including recipients located in countries which do not adduce an adequate level of protection from a European (or other) data protection law perspective, for the purposes described herein. Participant understands that he or she needs to review the following information about the processing of his or her personal data by or on behalf of the Company, the Employer and/or any Related Entity and its service providers such as Carta Securities, LLC as described in this Agreement and any other Plan materials and declare his or her consent to the international transfer of his personal data as attached hereto.

(b) Data Processing and Personal Data. The Company, directly or indirectly through Participant's Employer, collects, uses and otherwise processes Personal Data (as defined below) about Participant for the purposes of allocating Shares and implementing, administering and managing the Plan. Participant understands that this Personal Data may include, without limitation, his or her name, home address and telephone number, email address, date of birth, social insurance number, passport number or other identification number (e.g., resident registration number), salary, nationality, job title, any shares of stock or directorships held in the Company, details of all Restricted Stock Units or any other entitlement to shares of stock or equivalent benefits awarded, cancelled, exercised, vested, unvested or outstanding in Participant's favor (the "**Personal Data**").

(c) Legal Basis and Controller. The processing of Participant's Personal Data is necessary in order for Participant to participate in the Plan and for Company for the purpose of implementing, administering and managing the Plan and Participant's participation therein (on the basis of the performance of a contract (Art. 6(1)(b) GDPR)), to comply with legal obligations in the EU (on the basis of (Art. 6(1)(c) GDPR) and on the basis of legitimate interests, in particular to comply with non-EU legal obligations (Art. 6(1)(f) GDPR). As regards the processing of Participant's Personal Data in connection with the Plan and this Agreement, Participant understands that the Company (Stem, Inc.) is the controller of his or her Personal Data.

(d) Stock Plan Administration Service Providers. Participant understands that the Company transfers his or her Personal Data, or parts thereof, to Carta Securities, LLC (and its affiliated companies), an independent service provider based in the United States that assists the Company (as data processor) with the implementation, administration and management of the Plan. In the future, the Company may select a different service provider and share Participant's Personal Data with such different service provider that serves the Company in a similar manner. Participant understands and acknowledges that the Company's service provider will open an account for him or her to receive and trade Shares acquired under the Plan and that he or she will be asked to agree on separate terms and data processing practices with the service provider, which is a condition of Participant's ability to participate in the Plan.

(e) International Data Transfers. Participant understands that the Company and, as of the date hereof, any third parties assisting in the implementation, administration and management of the Plan as data processors, such as Carta Securities, LLC, are based in the United States. Participant understands and acknowledges that his or her country may have enacted data privacy laws that are different from the laws of the United States. The Company's

legal basis for the transfer of Participant's Personal Data outside the European Economic Area is his or her consent and will be provided by Participant in the form as attached hereto.

(f) Data Retention. Participant understands that the Company will use his or her Personal Data only as long as is necessary to implement, administer and manage the Plan and his or her participation in the Plan and for the duration of any relevant statutes of limitations which may exceed the duration of Participant's participation in the Plan, or to comply with legal or regulatory obligations, including under tax and securities laws. In the latter case, Participant understands and acknowledges that the Company's legal basis for the processing of his or her Personal Data would be compliance with the relevant laws or regulations and legitimate interests of the Company (for non-EU legal obligations). When the Company no longer needs Participant's Personal Data for any of the above purposes, Participant understands the Company will remove it from its systems.

(g) Voluntariness and Consequences of Denial/Withdrawal of Consent. Participant understands that his or her participation in the Plan and his or her consent is purely voluntary. Participant may deny or later withdraw his or her consent at any time, with future effect and for any or no reason. If Participant denies or later withdraws his or her consent, the Company can no longer offer Participant participation in the Plan or offer other equity awards to Participant or administer or maintain such awards and Participant would no longer be able to participate in the Plan. Participant further understands that denial or withdrawal of his or her consent would not affect his or her status or salary as an employee or his or her career and that Participant would merely forfeit the opportunities associated with the Plan. The withdrawal of his or her consent will not affect the lawfulness of any data transfers based on consent before its withdrawal.

(h) Data Subject Rights. Participant understands that data subject rights regarding the processing of Personal Data vary depending on the Applicable Laws and that, depending on where Participant is based and subject to the conditions set out in the Applicable Laws, Participant may have, without limitation, the rights to (i) inquire whether and what kind of Personal Data the Company holds about him or her and how it is processed, and to access or request copies of such Personal Data, (ii) request the correction or supplementation of Personal Data about him or her that is inaccurate, incomplete or out-of-date in light of the purposes underlying the processing, (iii) obtain the erasure of Personal Data no longer necessary for the purposes underlying the processing, processed based on withdrawn consent, processed for legitimate interests that, in the context of his or her objection, do not prove to be compelling, or processed in non-compliance with applicable legal requirements, (iv) request the Company to restrict the processing of his or her Personal Data in certain situations where Participant feels its processing is inappropriate, (v) object, in certain circumstances, to the processing of Personal Data for legitimate interests, and to (vi) request portability of Participant's Personal Data that he or she has actively or passively provided to the Company (which does not include data derived or inferred from the collected data), where the processing of such Personal Data is based on consent or his or her employment and is carried out by automated means. In case of concerns, Participant understands that he or she may also have the right to lodge a complaint with the competent local data protection authority or contact the Company's data protection officer with any questions or concerns regarding the processing of Participant's Personal Data (contact details: saul.laureles@stem.com). Further, to receive clarification of, or to exercise any of, Participant's rights, Participant understands that he or she should contact his or her local human resources representative.

20. LANGUAGE. By electing to accept this Agreement, Participant acknowledges that he or she is sufficiently proficient in English, or has consulted with an advisor who is sufficiently proficient in English so as to allow Participant, to understand the terms and conditions of this Agreement. Further, if Participant has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

21. ELECTRONIC DELIVERY AND ACCEPTANCE. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

22. PARTICIPANT ACCEPTANCE. Participant must accept the terms and conditions of this Agreement either electronically through the electronic acceptance procedure established by the Company or through a written acceptance delivered to the Company in a form satisfactory to the Company. In no event shall any Shares be issued (or other securities or property distributed) under this Agreement in the absence of such acceptance.

23. ADDENDUM. Notwithstanding any provisions in this Agreement, the Award shall be subject to any special terms and conditions set forth in any Addendum to this Agreement for Participant's country. Moreover, if Participant relocates to one of the countries included in the Addendum, the special terms and conditions for such country will apply to Participant, to the extent the Company determines that the application of such terms and conditions is necessary for legal or administrative reasons. The Addendum constitutes part of this Agreement.

24. IMPOSITION OF OTHER REQUIREMENTS. The Company reserves the right to impose other requirements on Participant's participation in the Plan, on the Award and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

IN ORDER TO RECEIVE THE BENEFITS OF THIS AGREEMENT, PARTICIPANT MUST EXECUTE AND RETURN THE AWARD NOTICE (THE "ACCEPTANCE REQUIREMENTS"). IF YOU FAIL TO SATISFY THE ACCEPTANCE REQUIREMENTS WITHIN 60 DAYS AFTER THE GRANT DATE, THEN THE AWARD NOTICE WILL BE OF NO FORCE OR EFFECT AND THIS AWARD WILL BE AUTOMATICALLY FORFEITED TO THE COMPANY WITHOUT CONSIDERATION.

By accepting this Agreement, Participant acknowledges that Participant has received and read, and agrees that this Award shall be subject to, the terms of this Agreement, the Award Notice and the Plan.

STEM, INC.

By: _____
Title: Chief People Officer

By Participant's electronic acceptance and the signature of the Company's representative above, Participant and the Company agree that this Award is granted under and governed by the terms and conditions of the Plan and this Agreement, including the terms and conditions set forth in any Addendum to this Agreement for Participant's country. Participant has reviewed the Plan and this Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to accepting this Agreement and fully understands all provisions of the Plan and Agreement.

STEM, INC.
GLOBAL RESTRICTED STOCK UNIT
AWARD AGREEMENT

ADDENDUM

Terms and Conditions

This Addendum includes additional terms and conditions that govern the Restricted Stock Units granted pursuant to the terms and conditions of the Plan and this Agreement to which this Addendum is attached to the extent Participant resides outside the United States and additional terms and conditions applicable to Participant's providing Services to the Company, the Employer or any Related Entity in one of the countries listed below.

Capitalized terms not defined in this Addendum will have the same definition as provided in this Agreement or in the Appendix, as appropriate.

Notifications

This Addendum also includes information relating to exchange control, securities laws, foreign asset/account reporting and other issues of which Participant should be aware with respect to Participant's participation in the Plan. The information is based on the securities, exchange control, foreign asset/account reporting and other laws in effect in the respective countries as of **February 2023**. Such laws are complex and change frequently. As a result, Participant should not rely on the information herein as the only source of information relating to the consequences of Participant's participation in the Plan because the information may be out of date at the time that Participant vests in the Restricted Stock Units, sells Shares acquired under the Plan or takes any other action in connection with the Plan.

In addition, the information is general in nature and may not apply to Participant's particular situation, and the Company is not in a position to assure Participant of any particular result. Accordingly, Participant should seek appropriate professional advice as to how the relevant laws in Participant's country may apply to Participant's situation.

Finally, if Participant is a citizen or resident of a country, or is considered resident of a country, other than the one in which Participant is currently working and/or residing, or Participant transfers employment and/or residency after the Award Grant Date, the information contained herein may not apply to Participant in the same manner.

Participant acknowledges that he or she has been advised to seek appropriate professional advice as to how the relevant laws in Participant's country may apply to his or her individual situation.

I. GLOBAL PROVISIONS APPLICABLE TO NON-U.S. PARTICIPANTS

Terms and Conditions

1. Foreign Asset/Account, Exchange Control and Tax Reporting. Participant understands and agrees that Participant may be subject to foreign asset/account, exchange control and/or tax reporting requirements as a result of the acquisition, holding and/or transfer of Shares or cash (including dividends and the proceeds arising from the sale of Shares) derived from his or her participation in the Plan in, to and/or from a brokerage/bank account or legal entity located outside Participant's country. The Applicable Laws of Participant's country may require that Participant report such accounts, assets, the balances therein, the value thereof and/or the transactions related thereto to the applicable authorities in such country. Participant acknowledges that he or she is responsible for ensuring compliance with any applicable foreign asset/account, exchange control and tax reporting requirements and should consult his or her personal legal advisor on this matter.

2. Foreign Exchange Considerations. Participant understands and agrees that neither the Company, the Employer and any Related Entity shall be liable for any foreign exchange rate fluctuation between Participant's local currency and the U.S. dollar that may affect the value of the Restricted Stock Units, or of any amounts due to Participant under the Plan or as a result of vesting in the Restricted Stock Units and/or the subsequent sale of any Shares acquired under the Plan. Participant agrees and acknowledges that he or she will bear any and all risk associated with the exchange or fluctuation of currency associated with his or her participation in the Plan. Participant acknowledges and agrees that he or she may be responsible for reporting inbound transactions or fund transfers that exceed a certain amount. Participant is advised to seek appropriate professional advice as to how the exchange control regulations apply to the Restricted Stock Units and Participant's specific situation and understands that the relevant laws and regulations can change frequently and occasionally on a retroactive basis.

3. Acknowledgement of Nature of Plan and Award. The following provision supplements Section 16 of this Agreement:

For purposes of the Restricted Stock Units, Participant's status as a service provider will be considered terminated as of the date Participant is no longer in Continuous Service (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is a service provider or the terms of Participant's employment or service agreement, if any), and unless otherwise expressly provided in this Agreement (including by reference in the Award Notice to other arrangements or contracts) or determined by the Company, (i) Participant's right to vest in the Restricted Stock Units under the Plan, if any, will terminate as of such date and will not be extended by any notice period (e.g., Participant's period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where Participant is a service provider or the terms of Participant's employment or service agreement, if any, unless Participant is providing bona fide services during such time), and (ii) the period (if any) during which Participant may vest in the Restricted Stock Units after such termination of Participant's engagement as a service provider will commence on the date

Participant ceases to actively provide services and will not be extended by any notice period mandated under employment laws in the jurisdiction where Participant is employed or terms of Participant's employment or service agreement, if any; the Company will have the exclusive discretion to determine when Participant is no longer actively providing services for purposes of the Restricted Stock Unit grant (including whether Participant may still be considered to be providing services while on a leave of absence).

II. COUNTRY-SPECIFIC PROVISIONS APPLICABLE TO PARTICIPANTS WHO PROVIDE SERVICES IN THE COUNTRIES INCLUDED BELOW

Australia

Notifications

The grant of Restricted Stock Units is made under the new rules promulgated on October 1, 2022, under the Australian Corporations Act 2001 (Cth).

Brazil

Notifications

Exchange Control Information. When transferring amounts resulting from the sale of Shares to Brazil, such funds must be transferred by wire and declared as such through the foreign exchange closing operations of Participant's preferred financial institution in Brazil. The amounts received from abroad also must, subsequently, be declared by Participant for tax purposes.

By participating in the Plan, Participant understands that he or she is generally required to make an annual report of Shares held outside Brazil to the tax authorities and the Central Bank if such holdings exceed a specified limit (typically, USD 100,000).

Canada

Terms and Conditions

Award Payable Only in Shares. The grant of the Restricted Stock Units does not give Participant any right to receive a cash payment, and the Restricted Stock Units are payable in Shares only.

French Language Provisions. The following provisions will apply if Participant is a resident of Quebec:

The parties acknowledge that it is their express wish that this Agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Les parties reconnaissent avoir exigé la rédaction en anglais de cette convention ("Agreement"), ainsi que de tous documents exécutés, avis donnés et procédures judiciaires intentées, directement ou indirectement, relativement à la présente convention.

Notifications

Tax Reporting. Foreign property (including the Restricted Stock Units granted under the Plan and the underlying Shares) held by Canadian residents must be reported annually on Form T1135 (Foreign Income Verification Statement) if the total value of such foreign property exceeds CAD100,000 at any time during the year. The form must be filed by April 30 of the following year.

France

Terms and Conditions

Nature of Award. The Restricted Stock Units are not intended to qualify for special tax and social security treatment applicable to Restricted Stock Units granted under Section L.225-197-1 to L.225-197-6 of the French Commercial Code, as amended.

Notifications

Foreign Asset/Account Reporting Information. French residents must declare all foreign bank and brokerage accounts in which they hold cash or securities, including accounts that were opened and/or closed during the tax year, on an annual basis on a special form N° 3916, together with their income tax return. Participant should consult with a personal tax advisor to ensure compliance with applicable reporting obligations.

Germany

Notifications

Exchange Control Information. Cross-border payments in excess of €12,500 must be reported monthly to the German Federal Bank. In case of payments in connection with securities (including proceeds realized upon the sale of Shares or the receipt of dividends), the report must be made electronically by the 5th day of the month following the month in which the payment was received. The form of report (“*Allgemeine Meldeportal Statistik*”) can be accessed via the Bundesbank’s website (www.bundesbank.de) and is available in both German and English.

India

Terms and Conditions

Repatriation Requirements. As a condition of the grant of Restricted Stock Units, Participant agrees to repatriate any proceeds from the sale of Shares acquired under the Plan or the receipt of any Dividend Equivalents or dividends to India within 180 days of receipt (assuming Optionee holds less than 10% of the Company’s share capital) and convert such amounts to local currency. Participant also must obtain a foreign inward remittance certificate (“**FIRC**”) from the bank where he or she deposits the foreign currency and maintains the FIRC as evidence of the repatriation of funds in the event the Reserve Bank of India or his or her employer requests proof of repatriation.

Notifications

Foreign Assets Reporting Information. Participant must declare foreign bank accounts and any foreign financial assets (including Shares subject to the Restricted Stock Units held outside India) in his or her annual tax return. It is Participant’s responsibility to comply with this reporting obligation and he or she should consult with his or her personal tax advisor to determine such personal reporting obligations.

Japan

Notifications

Foreign Asset/Account Reporting Information. If Participant acquires Shares valued at more than ¥100 million in a single transaction, Participant must file a Report on Acquisition or Disposal of Securities (*shoken no shutoku mataha joto ni kansuru hokokusho*) with the Ministry of Finance through the Bank of Japan within 20 days of the acquisition of the Shares. In addition, Japanese residents are required to file a Report on Overseas Assets (*kokugai zaisan chosho*) in respect of any assets (including Shares) held outside Japan as of December 31, to the extent such assets have a total net fair market value exceeding ¥50 million.

Such Report must be filed with the competent tax office on or before March 15 each year. Japanese residents are responsible for complying with this reporting obligation and should confer with their personal tax advisor in this regard.

Finland

No country-specific provisions.

Spain

Notifications

Foreign Assets Reporting. Participant may be subject to certain tax reporting requirements with respect to assets, rights, or foreign currency that Participant holds outside of Spain, including bank accounts, securities (including Shares acquired under the Plan) and real estate if the aggregate value for particular category of assets exceeds €50,000 as of December 31 each year.

If applicable, Participant must report his or her foreign assets on Form 720 by no later than March 31 following the end of the relevant year. After the rights and/or assets are initially reported, the reporting obligation will only apply if the value of previously-reported rights or assets increases by more than €20,000 as of each subsequent December 31; additional reporting requirements may apply if Participant's assets or asset increases exceed these amounts.

Share Reporting Requirement. The acquisition of Shares must be declared for statistical purposes to the Direccion General de Comercio e Inversiones, the Bureau for Commerce and Investments, which is a department of the Ministry of Economy and Competitiveness. Generally, the declaration must be filed in January for Shares owned as of December 31 of each year; however, if the value of the Shares acquired or the amount of the sale proceeds exceeds a designated amount the declaration must be filed within one month of the acquisition or sale, as applicable.

Foreign Currency Payments. When receiving foreign currency payments exceeding €50,000 derived from the ownership of Shares (*i.e.*, dividends or proceeds from the sale of the shares), Participant must inform the financial institution receiving the payment of the basis upon which such payment is made. Participant will need to provide the following information: (i) Participant's name, address, and fiscal identification number; (ii) the name and corporate domicile of the Company; (iii) the amount of the payment and the currency used; (iv) the country of origin; (v) the reasons for the payment; and (vi) further information that may be required.

United Kingdom

Terms and Conditions

Tax Obligations. The following provision supplements Section 7 of this Agreement:

Withholding Taxes include Primary and to the extent legally possible secondary class 1 National Insurance Contributions. Participant agrees that the Company or the Employer and any Related Entity may calculate the Withholding Taxes to be withheld and accounted for by reference to the maximum applicable rates, without prejudice to any right Participant may have to recover any overpayment from relevant U.K. tax authorities. Participant understands and agrees that if payment or withholding of any income tax liability arising in connection with Participant's participation in the Plan is not made by Participant to Participant's employer within 90 days of the event giving rise to such income tax liability or such other period specified in Section 222(1)I of the U.K. Income Tax (Earnings and Pensions) Act 2003 (the "**Due Date**"), that the amount of any uncollected income tax will constitute a loan owed by Participant to Participant's employer, effective on the Due Date. Participant understands and agrees that the loan will bear interest at the then-current official rate of His Majesty's Revenue and Customs, it will be immediately due and repayable by Participant, and the Company and/or the employer may recover it at any time thereafter by any of the means referred to in the Plan and/or this Agreement.

Notwithstanding the foregoing, Participant understands and agrees that if Participant is a director or an executive officer of the Company (within the meaning of such terms for purposes of Section 13(k) of the U.S. Securities and Exchange Act of 1934, as amended), Participant will not be eligible for such a loan to cover the income tax liability. Participant further understands that, in the event that he or she is such a director or executive officer and the income tax is not collected from or paid by Participant by the Due Date, the amount of any uncollected income tax will constitute an additional benefit to Participant on which additional income tax and National Insurance Contributions will be payable. Participant understands and agrees that he or she is responsible for reporting and paying any income tax due on this additional benefit directly to His Majesty's Revenue and Customs under the self-assessment regime and for reimbursing the Company or the employer (as appropriate) for the value of any primary and (to the extent legally possible) secondary class 1 National Insurance Contributions due on this additional benefit which the Company or the employer may recover from Participant by any of the means referred to in the Plan and/or this Agreement.

National Insurance Contributions Indemnity. Participant acknowledges and agrees, as a condition of his or her participation in the Plan and vesting in the Restricted Stock Units or receipt of any benefit in connection with the Restricted Stock Units, to indemnify the Company against any liability of any person to account for any tax liability associated with the Restricted Stock Units, which includes any tax liability to account to His Majesty's Revenue and Customs or other tax authority for any amount of, or representing, income tax or employees' or any employer's National Insurance Contributions or any other tax charge levy or other sum, whether under the laws of the U.K. or otherwise, which may arise on the Restricted Stock Unit gain realized that is treated as remuneration derived from Participant's employment by virtue of Section 4(4)(a) of the Social Security Contributions and Benefits Act 1992 (**"Restricted Stock**

Unit Tax Liability”), on the grant, vesting, assignment or release of the Restricted Stock Units or the acquisition, holding and/or disposal of Shares pursuant to this Agreement. The Company shall not be obliged to allot and issue or procure the transfer of any Shares pursuant to this Agreement and this Addendum unless and until Participant has paid to the Company such sum as is, in the opinion of the Company, sufficient to indemnify it in full against any Restricted Stock Unit Tax Liability. Participant undertakes that he or she shall, if requested to do so, join with the employer in making an election for the transfer to you, the Participant, of the whole, or such part as the Company may determine, of any liability to employer's National Insurance Contributions (“**NIC Joint Election**”). Further, by entering into an NIC Joint Election Participant authorizes the employer or the Company to recover an amount sufficient to cover this liability by such methods including, but not limited to, deductions from Participant’s salary or other payments due or the sale of sufficient Shares acquired pursuant to the Restricted Stock Units.

APPENDIX
DEFINITIONS

The following definitions shall be in effect under this Agreement:

“**Addendum**” means the addendum to this Agreement setting forth special terms and conditions for Participant’s country.

“**Administrator**” means the Compensation Committee of the Board (or a subcommittee thereof), acting in its capacity as administrator of the Plan and pursuant to a delegation by the Board in accordance with Section 2(c) of the Plan.

“**Agreement**” means this Global Restricted Stock Unit Agreement.

“**Applicable Acceleration Period**” means: (i) 24 months, in the case of the Company’s Chief Executive Officer, (ii) 18 months, in the case of any other executive officer of the Company, and (iii) 12 months, in the case of all other grantees of RSUs hereunder, or (in the cases of (i), (ii), and (iii)) such other period(s) as may be determined by the Administrator on the basis of Participant’s status on the Change in Control date.

“**Applicable Laws**” means the legal requirements related to the Plan and the Award under applicable provisions of the federal securities laws, state corporate and securities laws, the Code, the rules of New York Stock Exchange, and the rules of any non-U.S. jurisdiction applicable to Awards granted to residents therein.

“**Award**” means the award of Restricted Stock Units made to Participant pursuant to the terms of this Agreement.

“**Board**” has the meaning assigned to such term in the Plan.

“**Capitalization Adjustment**” has the meaning assigned to such term in the Plan.

“**Cause**” has the meaning assigned to such term in the Plan.

“**Change in Control**” has the meaning assigned to such term in the Plan.

“**Code**” has the meaning assigned to such term in the Plan.

“**Common Stock, or Shares**” is defined in Section 1.

“**Company**” means Stem, Inc., a Delaware corporation, and any successor corporation to all or substantially all of the assets or voting stock of Stem, Inc., which shall by appropriate action adopt the Plan.

“**Constructive Termination**” means the occurrence of any of the following events or conditions: (i) (A) a change in the Participant’s status, title, position or responsibilities (including reporting responsibilities) which represents an adverse change from the Participant’s

status, title, position or responsibilities as in effect immediately prior to the execution of the definitive agreement for the Change in Control transaction or at any time within the Applicable Acceleration Period after the date of a Change in Control; (B) the assignment to the Participant of any duties or responsibilities which are inconsistent with the Participant's status, title, position or responsibilities as in effect immediately prior to the execution of the definitive agreement for the Change in Control transaction or at any time within the Applicable Acceleration Period after the Change in Control; or (C) any removal of the Participant from or failure to reappoint or reelect the Participant to any of the offices or positions held by the Participant immediately prior to the execution of the definitive agreement for the Change in Control transaction or at any time within the Applicable Acceleration Period after the date of a Change in Control, except in connection with the termination of the Participant's Continuous Service for Cause, as a result of the Participant's Disability or death or by the Participant other than as a result of Constructive Termination; (ii) a reduction in the Participant's annual base compensation or any failure to pay the Participant any compensation or benefits to which the Participant is entitled within five days of the date due; (iii) the Company's requiring the Participant to relocate to any place outside a 50 mile radius of the location serving as Participant's principal work site immediately prior to the execution of the definitive agreement for the Change in Control transaction or during the Applicable Acceleration Period after the date of a Change in Control, except for reasonably required travel on the business of the Company or a Related Entity which is not materially greater than such travel requirements in effect during the applicable measurement period determined above; (iv) the failure by the Company to (A) continue in effect (without reduction in benefit level and/or reward opportunities) any material compensation or employee benefit plan in which the Participant was participating at any time within the 90-day period immediately prior to the execution of the definitive agreement for the Change in Control transaction or at any time within the Applicable Acceleration Period after the Change in Control, unless such plan is replaced with a plan that provides substantially equivalent compensation or benefits to the Participant, or (B) provide the Participant with compensation and benefits, in the aggregate, at least equal (in terms of benefit levels and/or reward opportunities) to those provided the Participant under each other employee benefit plan, program and practice in which he or she was participating at any time within the 90-day period immediately prior to the execution of the definitive agreement for the Change in Control transaction or at any within the Applicable Acceleration Period after the Change in Control; (v) any material breach by the Company of any provision of an agreement between the Company and the Participant, whether pursuant to this Plan or otherwise, other than a breach which is cured by the Company within 15 days following notice by the Participant of such breach; or (vi) the failure of the Company to obtain an agreement, satisfactory to the Participant, from any successors and assigns to assume and agree to perform the obligations created under this Plan.

"Consultant" has the meaning assigned to such term in the Plan.

"Continuous Service" has the meaning assigned to such term in the Plan.

"Director" means a member of the Board.

"Disability" has the meaning assigned to such term in the Plan.

“Employee” means any person who is in the employ of the Company (or any Related Entity), subject to the control and direction of the Company or Related Entity as to both the work to be performed and the manner and method of performance.

“Employer” means the Company or the Related Entity employing or retaining Participant.

“Fair Market Value” has the meaning assigned to such term in the Plan.

“Grant Date” means the date that RSUs are awarded to Participant pursuant to this Agreement, and shall be the date indicated in Section 1 hereto.

“Normal Vesting Schedule” means the schedule set forth in Section 1 hereto, pursuant to which the Restricted Stock Units and the underlying Shares are to vest in a series of installments over Participant’s period of Continuous Service.

“Parent” means a “parent corporation,” whether now existing or hereafter established, as defined in Section 424(e) of the Code.

“Participant” means the person to whom the Award is made pursuant to this Agreement.

“Related Entity” means (i) any Parent or Subsidiary of the Company and (ii) any corporation in an unbroken chain of corporations beginning with the Company and ending with the corporation in the chain for which Participant provides services as an Employee, Director or Consultant, provided each corporation in such chain owns securities representing at least twenty percent (20%) of the total outstanding voting power of the outstanding securities of another corporation or entity in such chain and there is a legitimate non-tax business purpose for making this Award to Participant.

“Restricted Period” is defined in the Award Summary contained in Section 1 hereto.

“RSU, or Restricted Stock Unit” means the Award in the form of a contractual right to receive Shares under this Agreement which will entitle Participant to receive one actual share of Common Stock per Restricted Stock Unit upon the satisfaction of the Continuous Service vesting requirements applicable to such Award.

“Separation from Service” means, with respect to a Participant, that the Participant dies, retires, or otherwise has a termination of employment with the Employer that constitutes a “separation from service” within the meaning of Treasury Regulation Section 1.409A-1(h)(1), without regard to the optional alternative definitions available under such regulation.

“Share Withholding Method” means an automatic Share withholding procedure (such as net settlement) pursuant to which the Company will withhold, immediately as the Shares are issued under the Award, a portion of those Shares with a Fair Market Value (measured as of the issuance date) equal to the amount of the applicable Withholding Taxes.

“Subsidiary” has the meaning assigned to such term in the Plan.

“**Transfer**” is defined in Section 2 hereto.

“**Withholding Taxes**” means any and all income taxes (including U.S. federal, state, and local tax and/or foreign income taxes) and the employee portion of the federal, state, local and/or foreign employment taxes (including social insurance, payroll tax, payment on account or other tax-related items) required or permitted to be withheld by the Company in connection with any taxable or tax withholding event, as applicable, attributable to the Award or Participant’s participation in the Plan.

**Consent to International Data Transfers
(EU Participants)**

I have read and understood the Stem, Inc. Global Restricted Stock Unit award agreement and in particular the information provided in Section 19 (Data Privacy).

I herewith consent and agree that my Personal Data may be transferred to Stem, Inc. (acting as data controller) and any third party service providers (acting as data processors - such as brokers, accounting firms, payroll processing firms or tax firms and their sub-processors) assisting in the implementation, administration and management of the Plan and my Participation therein, such as, as of the date hereof, Carta Securities, LLC., as well as any tax or other public authorities, registries, security exchange commissions, or other public institutions as may be required by applicable laws or regulations.

I understand that these recipients of my Personal Data are located in the United States or elsewhere outside the European Economic Area and that the recipients' countries may have different data privacy laws and a lower level of data protection standards than my country and the European Economic Area and that these standards may be considered inadequate under the GDPR.

I understand that my consent is voluntary and that I may withdraw it at any time with effect for the future. However, while refusing or withdrawing my consent will not have a negative effect on my employment, it may affect my ability to participate in the Plan.

Name, Date, Place, Signature

STEM, INC.**2021 EQUITY INCENTIVE PLAN****STOCK OPTION AGREEMENT**

Unless otherwise defined herein, the terms defined in the 2021 Equity Incentive Plan (the “Plan”) shall have the same defined meanings in this Stock Option Agreement (the “Option Agreement”).

I. NOTICE OF STOCK OPTION GRANT

Name:

Address: _____

The undersigned Participant has been granted an Option to purchase Common Stock of the Company, subject to the terms and conditions of the Plan and this Option Agreement, as follows:

Date of Grant:

Vesting Commencement Date:

Exercise Price per Share:

Total Number of Shares Granted:

Total Exercise Price:

Type of Option:

_____ Incentive Stock Option (ISO)

_____ Nonstatutory Stock Option (NSO)

Term/Expiration Date:

Vesting Schedule:

This Option shall be exercisable, in whole or in part, according to the following vesting schedule, subject to such Participant’s Continuous Service through each applicable vesting date:

Termination Period:

Vested Option shall be exercisable for three (3) months after Participant’s Continuous Service ceases, unless such cessation is due to Participant’s death or Disability, in which case this Option shall be exercisable for twelve (12) months after Participant’s Continuous Service ceases. Notwithstanding the foregoing sentence, in no event may this Option be exercised after the Term/Expiration Date as provided above and this Option may be subject to earlier termination as provided in the Plan.

II. AGREEMENT

1. Grant of Option. The Administrator of the Company hereby grants to the Participant named in the Notice of Stock Option Grant in Part I of this Agreement (“Participant”), an option (the “Option”) to purchase the number of Shares set forth in the Notice of Stock Option Grant, at the exercise price per Share set forth in the Notice of Stock Option Grant (the “Exercise Price”), and subject to the terms and conditions of the Plan, which is incorporated herein by reference. Subject to Section 18 of the Plan, in the event of a conflict between the terms and conditions of the Plan and this Option Agreement, the terms and conditions of the Plan shall prevail.

If designated in the Notice of Stock Option Grant as an Incentive Stock Option (“ISO”), this Option is intended to qualify as an Incentive Stock Option as defined in Section 422 of the Code. Nevertheless, to the extent that it exceeds the \$100,000 rule of Code Section 422(d), this Option shall be treated as a Nonstatutory Stock Option (“NSO”). Further, if for any reason this Option (or portion thereof) shall not qualify as an ISO, then, to the extent of such nonqualification, such Option (or portion thereof) shall be regarded as a NSO granted under the Plan. In no event shall the Administrator, the Company or any Parent or Subsidiary or any of their respective employees or directors have any liability to Participant (or any other person) due to the failure of the Option to qualify for any reason as an ISO.

2. Exercise of Option.

(a) Right to Exercise. This Option shall be exercisable during its term in accordance with the Vesting Schedule set out in the Notice of Stock Option Grant and with the applicable provisions of the Plan and this Option Agreement.

(b) Method of Exercise. This Option shall be exercisable by delivery of an exercise notice (the “Exercise Notice”) in a manner and pursuant to such procedures as the Company may determine, which shall state the election to exercise the Option, the number of Shares with respect to which the Option is being exercised (the “Exercised Shares”), and such other representations and agreements as may be required by the Company. The Exercise Notice shall be accompanied by payment of the aggregate Exercise Price as to all Exercised Shares, together with any applicable tax withholding. This Option shall be deemed to be exercised upon receipt by the Company of such fully executed Exercise Notice accompanied by the aggregate Exercise Price, together with any applicable tax withholding.

No Shares shall be issued pursuant to the exercise of an Option unless such issuance and such exercise comply with applicable laws. Assuming such compliance, for income tax purposes the Shares shall be considered transferred to Participant on the date on which the Option is exercised with respect to such Shares.

3. Reserved.

4. Lock-Up Period. Participant hereby agrees that Participant shall not offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any Common Stock (or other securities) of the Company or enter into any swap, hedging or other arrangement that transfers to another, in whole or in part, any of the economic consequences

of ownership of any Common Stock (or other securities) of the Company held by Participant (other than those included in the registration) for a period specified by the representative of the underwriters of Common Stock (or other securities) of the Company not to exceed one hundred and eighty (180) days following the effective date of any registration statement of the Company filed under the Securities Act (or such other period as may be requested by the Company or the underwriters to accommodate regulatory restrictions on (i) the publication or other distribution of research reports and (ii) analyst recommendations and opinions, including, but not limited to, the restrictions contained in NASD Rule 2711(f)(4) or NYSE Rule 472(f)(4), or any successor provisions or amendments thereto).

Participant agrees to execute and deliver such other agreements as may be reasonably requested by the Company or the underwriter which are consistent with the foregoing or which are necessary to give further effect thereto. In addition, if requested by the Company or the representative of the underwriters of Common Stock (or other securities) of the Company, Participant shall provide, within ten (10) days of such request, such information as may be required by the Company or such representative in connection with the completion of any public offering of the Company's securities pursuant to a registration statement filed under the Securities Act. The obligations described in this Section 4 shall not apply to a registration relating solely to employee benefit plans on Form S-1 or Form S-8 or similar forms that may be promulgated in the future, or a registration relating solely to a Commission Rule 145 transaction on Form S-4 or similar forms that may be promulgated in the future. The Company may impose stop-transfer instructions with respect to the shares of Common Stock (or other securities) subject to the foregoing restriction until the end of said one hundred and eighty (180) day (or other) period. Participant agrees that any transferee of the Option or shares acquired pursuant to the Option shall be bound by this Section 4.

5. Method of Payment. Payment of the aggregate Exercise Price shall be by any of the following, or a combination thereof, at the election of the Participant:

(a) cash;

(b) check;

(c) consideration received by the Company under a formal cashless exercise program adopted by the Company in connection with the Plan; or

(d) surrender of other Shares which (i) shall be valued at its Fair Market Value on the date of exercise, and (ii) must be owned free and clear of any liens, claims, encumbrances or security interests, if accepting such Shares, in the sole discretion of the Company, shall not result in any adverse accounting consequences to the Company.

6. Restrictions on Exercise. This Option may not be exercised if the issuance of such Shares upon such exercise or the method of payment of consideration for such shares would constitute a violation of any applicable law.

7. Non-Transferability of Option.

(a) This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Participant only by Participant. The terms of the Plan and this Option Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of Participant.

8. Term of Option. This Option may be exercised only within the term set out in the Notice of Stock Option Grant, and may be exercised during such term only in accordance with the Plan and the terms of this Option Agreement.

9. Tax Obligations.

(a) Tax Withholding. Participant agrees to make appropriate arrangements with the Company (or the parent or Subsidiary employing or retaining Participant) for the satisfaction of all Federal, state, local and foreign income and employment tax withholding requirements applicable to the Option exercise. Participant acknowledges and agrees that the Company may refuse to honor the exercise and refuse to deliver the Shares if such withholding amounts are not delivered at the time of exercise.

(b) Notice of Disqualifying Disposition of ISO Shares. If the Option granted to Participant herein is an ISO, and if Participant sells or otherwise disposes of any of the Shares acquired pursuant to the ISO on or before the later of (i) the date two (2) years after the Date of Grant, or (ii) the date one (1) year after the date of exercise, Participant shall immediately notify the Company in writing of such disposition. Participant agrees that Participant may be subject to income tax withholding by the Company on the compensation income recognized by Participant.

10. Entire Agreement; Governing Law. The Plan is incorporated herein by reference. The Plan and this Option Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof, and may not be modified adversely to the Participant's interest except by means of a writing signed by the Company and Participant. This Option Agreement is governed by the internal substantive laws but not the choice of law rules of California.

11. No Guarantee of Continued Service. PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS A SERVICE PROVIDER AT THE WILL OF THE COMPANY (OR THE PARENT OR SUBSIDIARY EMPLOYING OR RETAINING PARTICIPANT) AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS OPTION OR ACQUIRING SHARES HEREUNDER. PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS A SERVICE PROVIDER FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE IN ANY WAY WITH PARTICIPANT'S RIGHT OR THE RIGHT OF THE COMPANY (OR THE PARENT OR SUBSIDIARY EMPLOYING OR

RETAINING PARTICIPANT) TO TERMINATE PARTICIPANT’S RELATIONSHIP AS A SERVICE PROVIDER AT ANY TIME, WITH OR WITHOUT CAUSE.

Participant acknowledges receipt of a copy of the Plan and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts this Option subject to all of the terms and provisions thereof. Participant has reviewed the Plan and this Option in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Option and fully understands all provisions of the Option. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan or this Option. Participant further agrees to notify the Company upon any change in the residence address indicated below.

PARTICIPANT **STEM, INC.**

Signature By

Print Name Print Name

Title

Residence Address

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, John Carrington, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the three months ended March 31, 2023 of Stem, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

STEM, INC.

Date: May 4, 2023

By: /s/ John Carrington

Name: John Carrington

Title: Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, William Bush, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the three months ended March 31, 2023 of Stem, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

STEM, INC.

Date: May 4, 2023

By: /s/ William Bush

Name: William Bush
Title: Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Stem, Inc. (the “Company”) for the three months ended March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John Carrington, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the registrant.

STEM, INC.

Date: May 4, 2023

By: /s/ John Carrington

Name: John Carrington

Title: Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Exchange Act.

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Stem, Inc. (the “Company”) for the three months ended March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, William Bush, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the registrant.

STEM, INC.

Date: May 4, 2023

By: /s/ William Bush
Name: William Bush
Title: Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Exchange Act.