

# **Beam Global (BEEM) Q1 2024 Earnings Call Transcript**

Seeking Alpha - Earnings Call Transcripts

May 22, 2024 Wednesday

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**Length:** 10001 words

**Byline:** SA Transcripts

**Body**

Beam Global (BEEM)

Q1 2024 Earnings Conference Call

May 21, 2024 4:30 PM ET

Company Participants

Lisa Potok - CFO

Desmond Wheatley - President, CEO and Chairman

Conference Call Participants

Sameer Joshi - HC Wainwright

Tate Sullivan - Maxim Group

Chris Pierce - Needham and Company

Noel Parks - Tuohy Brothers

Christopher Souther - B. Riley

Presentation

Operator

Hello and welcome to the Beam Global First Quarter 2024 Operating Results Conference Call. All participants will be in listen-only mode. [Operator Instructions]

As a reminder, this conference is being recorded. I would now like to hand the call to Lisa Potok, Chief Financial Officer. Please go ahead.

Lisa Potok

Hi. Good afternoon and thank you for participating in Beam Global's First Quarter 2024 Operating Results Conference Call. We appreciate you joining us today to hear an update on our business. Joining me is Desmond Wheatley, President, CEO and Chairman of Beam. Desmond will be providing an update on recent activities at Beam, followed by our question-and-answer session. But first, I'd like to communicate to you that during this call, management will be making forward-looking statements, including statements that address Beam's expectations for future performance or operational results.

Forward-looking statements involve risks and other factors that may cause actual results to differ materially from those statements. For more information about these risks, please refer to the risk factors described in Beam's most recent filed Form 10-K and other periodic reports filed with the SEC. The content of this call contains time sensitive information that is accurate only as of today, May 21st of 2024, except as required by law. Beam disclaims any obligation to publicly update or revise any information to reflect events or circumstances that occur after this call.

Next, I would like to provide an overview of our financial results of Beam's first quarter of 2024. We had record first quarter revenues of $14.6 million increasing 12% over the same period in 2023. The first quarter increase can be attributed to an increase in our federal sales. The timing of our orders overall may continue to be uneven due to the timing of our customer approvals and their budget cycle. We have begun the process of production of our EV ARCs in our Serbian facility and expect to deliver our first sale to the Ministry of Defense in quarter two.

We generated gross profit with a gross margin of 10.2% the highest margin ever. The improvement in gross margin is primarily because of those cost reductions that we implemented in late 2023, as a result of our engineering improvements to the EV ARC. Our gross profits do include $0.2 million for non-cash and tangible amortization, which negatively impacts our profits.

Operating expenses for Q1 of 2024 was $4.5 million, or 31% of revenue compared to $3.8 million or 30% of revenue for the same quarter in 2023. $0.7 million increase is mostly attributable to a $0.4 million increase in consultant costs related to the integration of our new ERP accounting software, as well as our sales and marketing, government relations, and engineering design support. We have $0.3 million for operating expenses pertaining to our Beam Europe operations.

As for our net loss, it was $3 million or 21% of revenue for the first quarter of 2024 compared to $3.8 million or 29% of revenue for the same period in 2023, an improvement of 8% year-over-year. The first quarter net loss included non-cash expense items such as depreciation, intellectual property amortization, and non-cash compensation expense of $1.1 million in 2024 and $0.9 million in 2023. 2024's net loss, excluding these non-cash items was $1.9 million or 13% of revenue.

Our cash balance on March of 2024 was $5 million, compared to $10.4 million at December of 2023. The cash decrease was primarily due to cash payments for the acquisition of Amiga of $2.7 million, as well as operating cash used to increase inventory at Beam Europe. Accounts receivable at March 2024 grew $4 million, which all the way to $20 million, which of this $10.7 million of this balance is due from three customers.

Our working capital decreased from $23.8 million to $17.8 million from December 2023 to March of 2024, and this is mainly due to the accrual of our contingent consideration for the Amiga transaction of $4.3 million. We're moving that to current liabilities as of March of 2024 versus non-current liability at December of 2023. This contingent consideration is a non-cash earn-out based on revenue targets. The payment is all in the company's common stock.

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I will now turn the call over to Desmond to provide a business update.

Desmond Wheatley

Okay, Thank you, Lisa, and thanks everybody for joining Beam Global's first quarter earnings call. I'm actually speaking to you today from Abu Dhabi, where I'm spending a week working on growing our business in the Middle Eastern region. There's a great deal of opportunity here, and our recent expansion into Europe has enabled us to start taking advantage of opportunities on a far greater scale than anything we've previously been able to address. My comments will be relatively short because, of course we've just recently had our earnings call for the full year of 2023 and the 10-K, during which we did a fairly comprehensive update of the business and the various opportunities in front of us.

Nevertheless, things are happening very quickly at Bean Global, so beyond simply updating you on the numbers, I'll be talking to you about a couple of exciting opportunities in front of us, as well as outlining some highlights from the first quarter. Before coming to the Middle East, I spent a week in our Serbian facilities, catching up on our operational expansion there, as well as meeting with existing and prospective customers. It was a very productive week.

I'm thrilled by the progress we've made in Europe and equally excited by the opportunities which we have in front of us over here. Aside from the quality and very high level of business development meetings I attended, thanks to the efforts of our European management team, the greatest impression came through seeing rows of completed EV ARC systems waiting to be delivered to customers and also on seeing sections of the EV standard product waiting to be assembled into the first prototypes of that product, which as you all know, I believe has the potential to be our biggest seller.

So now I'm doing this earnings call in the middle of the night from Abu Dhabi, reporting on a company whose opportunities are almost unrecognizably greater than they were when I did the first quarter earnings call in 2023. The first quarter of 2024 was yet another record quarter for us in which we produced revenues which were about 12% greater than during the same period in the prior year, and more importantly, in which our gross profit showed the most remarkable improvement in our history.

Our net loss narrowed and we exited the quarter with a healthy cash and working capital position. In the first quarter of 2024, we also added some excellent talent to our management team, particularly on the operations side, a move which we're confident will assist us in producing more product less expensively and further enhancing our gross profits. We continue to sell our products to excellent customers, both in the United States and in Europe, and we saw a significant increase in the percentage of commercial business we do, not at the expense of our government business, but in addition to it.

Product development continued to pace with important new patents issued to us on both the battery and EV charging infrastructure sides of our business. We made significant progress on our EV standard product and excitingly, the first stages of product development on a brand new product, which we hope to bring to market before the end of this year.

Returning to the numbers, our revenue for the first quarter of 2024 was $14.6 million, which is $1.5 million or a 12% increase over the first quarter in 2023, the highest revenue for any first quarter in our history. The great majority of that revenue came from EV ARC deliveries, as has been typical over previous quarters, but we did get interesting contributions from our European business and also from our batteries. The first quarter has often been our slowest, and that's particularly true of our European operations where historically their revenue and gross profit numbers have been fairly modest in the first quarter, but have grown throughout the remainder of the year.

But the really big news from Q1 of 2024 is on the gross profit line. During this quarter, we generated more gross profit than in any quarter in our history, and the improvement quarter-over-quarter and year-over-year far outstripped any such improvement previously. This gross profit improvement has come about as a result of the engineering and operational improvements which I've described to you in previous quarters. This is a perfect example of us doing what we tell you we're going to do and of the team executing on meaningful improvements which have a profound impact on our financial results.

There's still work to do, and I anticipate a continuation of improvements as the design enhancements, value engineering, and operational improvements are increasingly recognized in coming quarters. As many of you will remember, we've also instituted a price increase for the first time in our history of about 8.25% on our base model. That's very important to point out that this price increase had no material impact on our gross profit improvements during Q1, because more than 96% of the units which we delivered to customers in that quarter were sold prior to the price increase taking effect, and therefore they will reduce sales price.

To be clear, the majority of gross profit increase has come entirely from engineering and operational improvements, not increasing the price, so far, that is. Nevertheless, 96% of the units were sold prior to the price increase, which of course means that 4% of them did in fact have the 8.25% percent additional revenue on the base price of an EV ARC. That's an indication that we're moving into a period where our backlog, which was generated prior to the price increase, is starting to be exhausted. And we're moving into new backlog now, which will benefit from that price increase.

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There are a lot of moving parts, but some pretty basic arithmetic shows you that the combination of gross profit, which we generated in the first quarter, without the benefit of the price increase, when added to the increased revenue as a result of the price increase, should get us close to around 20% gross profit. And as I've said, we've got further improvements yet to make. While the percentage improvement in gross profit is significant. It's also important to look at the absolute dollars.

We reported a net loss of $3 million for Q1. But in fact, the cash impact was far lower than that. [Fully] (ph) $1.1 million of our net loss was non-cash, meaning that our actual cash loss for the first quarter was less than $2 million, $1.9 million to be exact. Again, doing some simple arithmetic, you can see that with 10% gross margin, we reported $1.5 million of gross profit. But that actually included some negative impacts from non-cash items as well. In fact, our gross profit net of non-cash items was closer to $1.8 million. We need about another $1.9 million to get to cash flow in an otherwise similar quarter. That's not a giant leap.

And in fact, the combination of the price increase and the continued improvements to our gross margins should put us on an easy to understand trajectory to cash flow. This is our dominant area of focus and as I said during the full year 2023 earnings call, we're really going to be concentrating on efficiency and gross profitability this year because achieving positive cash flow is arguably one of the most important metrics for any business and particularly an innovator in a brand new industry.

By the way, while we're speaking about gross profitability, as I already mentioned, our European operations legacy business is typically slower in the first quarter than during any other period of the year. This is not terribly surprising as they've been producing street lights, communication towers, energy infrastructure and other street furniture which needs to be deployed in environments which are better suited towards those types of deployments during the summer and autumn months than they are in winter, particularly January and February.

Beam Europe's legacy revenues generally pick up in the second and third quarter and historically they've had a marked improvement in gross profitability during those periods as well, which should further contribute to our company-wide profitability profile improvement. One last point on Beam Europe and cash is how that transaction is affecting our working capital. Because we're a very simple company, working capital is generally an excellent proxy for cash, because we convert almost everything in working capital that isn't cash into cash so quickly.

AR, inventory, work in progress, et cetera. At this period, there's a misleading contributor to our decline in working capital and it has to do with the acquisition of Amiga or Beam Europe as it now is. Part of that transaction, and a very good transaction it was, don't forget we got the land and the buildings and the purchase price. By the way, it's so nice when I visit there, I don't have to think about lease payments. Instead, think about the wonderful growth opportunities that we have, and we don't have to ask a landlord's permission because the land and the buildings are on our balance sheet.

But anyway, back to my point, a big part of that transaction are the earn-out payments for 2024 and 2025. We set some pretty high bars for the very excellent Beam Europe management team to hit, and if they do that, they get earn-out payments. I love crafting deals like that because it keeps everybody concentrating on our joint success. Their earn-out payments are non-cash and entirely stock-based. Nevertheless, because we believe that they will hit their targets, those earn-out payments have become current liabilities for 2024. And as a result, we've taken a $4.3 million non-cash impact to our working capital balance.

So if you're looking at our working capital and you see it coming down by $6 million in the period from 12/31 to 03/31, be absolutely clear that $4.3 million of that is non-cash. It's contingent consideration based upon our assumption that Beam Europe will hit their earnouts, which again are stock only. One contributor to our belief that they'll hit their targets is the very good news that the Beam Europe legacy business sales, purchase orders, I mean, are up by about 30% this year over typical years. We should benefit from that in the coming quarters as well.

We'll also benefit from the fact that we've leveraged our balance sheet to allow our European operations to do something that they could never do before they became part of Beam Global, and that is create inventory for future periods. Previously, Beam Europe was an entirely cash-based operation with no debt and without even credit facilities with their vendors. As a result, during periods of slow sales, like the first quarter, they produced very little product, and yet they carried the overhead of their team members and facilities just the same. When sales picked up later in the year, they'd have to rapidly buy materials and rush to complete the products, often resulting in lower efficiency and increased costs due to contributions like overtime.

One of the first changes we instituted post-acquisition was to use our cash to create stocks of inventory of the most commonly acquired products that Beam Europe makes and sells. This has allowed us to keep the team working at a steady cadence and fully engaged during periods when they would otherwise be idle. It's also allowed us to create an inventory which would enable faster delivery to customers when the orders do pick up in the second and third quarters.

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So we'll get the combined impact of lower costs to produce the product and more rapid delivery to expected customers. It's been an excellent and strategic use of Beam Global's balance sheet. And while it's resulted in a reduction in our cash position, which I know makes some people nervous if they don't look at the combination of cash and inventory, it's been absolutely the right thing to do and it will pay dividends in terms of increased revenue and improved gross profitability as the year progresses and we get all the cash back.

Speaking of cash, we ended the quarter with $5 million in the bank having made the second of two cash payments to Amiga, which if you remember are combined with already completed equity payments. We also built up our inventories, I've just described, and shipped sufficient product at the end of the quarter to have about $20 million in accounts receivable. Of those $20 million, about half are due to us from three of our largest and most reliable customers. We're not worried about collecting from them or from any of the others.

In fact, I anticipate collecting most of this money any day now, which will of course have a profound impact on our cash balance in a very positive way. So our cash position is healthy and our rapidly improving gross profits are moving us towards a position where our cash position becomes more or less of an existential issue because, as I mentioned earlier, we're on a clear and easy to understand path to cash flow.

Our operating expenses were only marginally higher than they were in the first quarter of 2023, even though we had some considerable unusual expenditures. Of course, we've added an overhead operation in Beam Europe, but it like our American operation, is very lean. And while we have a massive increase in opportunity we have a very modest increase in our operating costs as a result of that opportunity. The most significant increase in our operating costs came as a result of our integration of a new [EV ARC] (ph). This integration is a significant milestone for the company. It will make us far more efficient with the tangible result of further contributions to improve profitability and the ability to turn orders faster, more efficiently, and with less waste.

If you remove these extraordinary items, we actually trimmed our operational expenses even in the face of top-line growth and the further expansion of the business. Sales activities picking up again with our pipeline increasing to about $160 million today and backlog at 03/31 of around $20 million. During the first quarter, we announced new orders from the US Army, from the Department of Homeland Security, from the Federal Railroad Administration, from national parks, and from many other federal entities.

Several of these purchase orders were multi-million dollar orders, the most notable of which was a $7.4 million order from the US Army, which adds to the previous $30 million purchase order we received in 2022. We continue to receive orders from other state and municipal entities, and while we talk about budget uncertainty and the impact of the election year, our sales and pipeline are still robust on the government side of the business. Also encouragingly, during the first quarter, we saw significant increase in commercial orders, about 300% actually, which have come about as a result of our efforts to continue to diversify our revenue opportunities across the broadest possible base of customers.

Probably the most exciting selling activity in the first quarter though was being issued a government contract from the United Kingdom Crown Commercial Services. Several aspects of this are exciting. First and foremost, it's our first large government contract in Europe and it's very similar to our federal GSA contract in that -- it enables the British government to buy our products without going through any further cumbersome processes. Secondly, and this is really where the rubber meets the road, it resulted almost immediately in a large order from the British Army for EV ARC products for their overseas bases. This was our first million-dollar order in Europe, marking a major milestone for the acquisition and growth there, just a few short months after we close on that transaction.

As I've said before, it took us about five years to get our $1 million order in the United States, less than five months to do the same thing in Europe. This is an indication of the rapid evolution in the EV Charging space, but also probably more importantly for us, it's a strong indication of the validity of the European market and our investment are moving into that, the world's largest market for our products at a time when we are increasingly recognized as an important player in the infrastructure space. We're also actually working on a couple of the largest opportunities we've ever worked on and interestingly both of them have been enabled by our acquisitions. They're not inked yet, but the level of serious interest in our offerings from [equally serious] (ph) players is very encouraging.

You may have read about our recent utility scale battery storage seminar, which we conducted in Belgrade during the first quarter. It was attended by 40 or 50 regional leaders from energy and government, and the follow-up and level of interest we've received has exceeded my expectations, including some active opportunities which we are working on right now. This is the perfect combination of the expertise and capabilities which we acquired with the AllCell Transaction and the relationships and new market opportunities which we acquired with the Amiga transaction, both combined with Beam Global's innovation and product engineering prowess.

As I started the call by saying, I've just spent a week in Serbia with Beam Europe and now in Abu Dhabi presenting a rapidly deployed EV charging and energy security products. The level of enthusiasm and serious interest that we're getting from major players is also very encouraging. We're playing in a much larger arena. The stakes are much higher And we've done a fantastic job of positioning ourselves to be able to take advantage of opportunities, large and small, in the most active regions in the world for products like ours.

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Several of the opportunities that we're working on now are larger than anything that we've ever done before. And I believe that we're well positioned to continue to attract more of that sort of attention in the near future. It was really very gratifying to see completed EV ARCs waiting to be placed in containers to be shipped to our customers from our European facilities. And it was also very gratifying to see more components of our brand new EV Standard product completed and waiting shipment to Chicago, where the Beam team will integrate our proprietary batteries, electronics, windmills, and solar components, which will complete those so that they're ready for demonstration at the beginning of the second half of 2024.

Everyone on the sales teams in San Diego, Chicago, and Serbia is excited about demonstrating EV Standard to their customers and prospects. There have been some costs associated with these activities and we've used some cash to enable them. Is it worth it? Without question. One other interesting sales development in Europe is that we're working to add sales channels to our internal existing sales team. We met with two very good and highly qualified candidates while I was in Serbia and I'm very much looking forward to advancing our relationship with these quality groups. They will act as a significant force multiplier with local presence in markets which we believe offer significant opportunities. And because they'll pay for performance on success, they'll not add to our SG&A and operating costs.

It makes a great deal of sense for us to do this in Europe because it's both a fast and somewhat dislocated market. But I can tell you that once we've got this model successfully integrated into our European operations, we intend to roll it out in the US as well. Those sales channels, combined with our new products, new markets, and improved ability to execute, are all contributing to our being able to fish in a much larger pond. And I believe that this is going to put us in a position for continued and sustained growth.

So to sum up, we generated record first quarter revenue. We had by far the highest gross profit in our history. We executed on the engineering and operational improvements we promised. We managed our cash and used it to increase sales and improve gross profits. We continue to win patents and develop new products. We've made tremendous strides in integrating our European acquisition and we're working on the largest and most exciting opportunities we've ever had. For the remainder of 2024, we will remain doggedly focused on efficiency and improving gross profitability above all other goals, with the ultimate goal of cash flow being our primary objective.

I've never felt better about the global Beam team and I believe that even in the face of market uncertainty and chatter about weakness in EV sales and whatever Elon Musk's latest move has been that we will continue to operate with discipline and attain our goals. Thank you for your attention. And I'll now hand it back to the operator and take whatever questions you have for me. Please do limit yourself to one question and one follow-up, because I want to make sure that everybody has a chance to have their questions answered. Operator.

Question-and-Answer Session

Operator

Thank you very much. [Operator Instructions] Today's first question comes from Sameer Joshi with HC Wainwright. Please go ahead.

Sameer Joshi

Hi, Desmond, Lisa, how are you? Thanks for doing this late night from there. The question I have is about the backlog and the pipeline. How does it -- what does it comprise of geographically and also between AllCell, EV ARC and Amiga? And then for the pipeline, what do you consider pipeline? Are these requests or proposals that you have applied, you sender the proposals, or how do you define that?

Desmond Wheatley

Yeah, so the backlog is still -- the majority of the backlog is still comprised of the Beam Global EV Charging Infrastructure products. So what you would consider to be more traditional Beam products. Backlog contribution from Beam Europe is about $3 million at 03/31. And they're going to be less of a backlog intensive business anyway because as I mentioned before, historically, they've always made and delivered product as they've contracted it.

So they have some sort of longstanding relationships with existing customers who come back to them and order stuff over and over again, but it doesn't really stay in backlog very long because it's generally produced and shipped off to the customer before too long. As far as the question about the pipeline is concerned, we're quite strict about what pipeline is. Basically, in order to qualify to be in our pipeline, you need to be a customer who understands the product, has budget for the product, is qualified to make the buying decision and has given us the impression or has indicated to us that you are moving towards a purchase order.

So in other words, these are not just people who have expressed an interest, you know, passing interest in our products or think we're cool or anything like that. These are active operating customers with budget, with authority, who've expressed an interest in moving towards a purchase order. We actually have a pretty high pipeline to backlog conversion ratio. In other words, the actual -- all those customers who express an interest in the product and have budget, et cetera, historically, a higher proportion of them, in fact, a higher proportion than I've ever seen in any other business, have moved to backlog.

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And so we have a pretty high degree of confidence that they will do that. Not all of them, of course, but we have a pretty high degree of confidence that a large percentage of them will do that. We have less confidence over is when they'll do that. And I can tell you that historically, we've had some customers who've told us that with absolute certainty, they're going to give us a purchase order at such and such a day. And it's been quite a bit later than we expected for various internal reasons on their own part.

And the other side of that coin, which unfortunately doesn't happen as often, is we've had customers who've hit us with purchase orders much faster than we expected. But in general, the pipeline is, I think, a good number and fairly conservative, although it's weighted obviously, all the way from somewhat low percentages all the way up to some that are close to near certainty.

Sameer Joshi

Understood, thanks for that color. And just one more, the contribution from Amiga, I'm guessing, I think I heard you say you're expecting 30% or increase in purchase, or have experienced 30% increase in year-over-year purchase orders. And if we consider that the Amiga probably did return around $10-ish million last year, should we expect it to do around 30% over that amount this year?

Desmond Wheatley

Well, what I can certainly say are two things. First of all, yes, their actual purchase orders received year-to-date are up about 30% over their historical norm. And there's a lot of contributors to that. And I mentioned a couple of them during the call. Some of it is to do with the way we're using our balance sheet. Some of it is to do with the just increased confidence in them as a result of being part of the US and NASDAQ traded company. And then also we've been able to allow them, enable them to go out and sell more aggressively, take on more than they would have in the past. Because of course in the past they were essentially constrained by their cash flows.

So it's a very positive move actually that's been very impactful. The acquisition has been very impactful for them in a really positive way. And I'm delighted by that. That doesn't necessarily tie in a straight-line to a 30% increase year-over-year revenues because these are just the purchase orders they've received year-to-date are up 30% over historical. However, the other metric that is very important to note and I might have sounded like I was belaboring this during my comments because I really want people to understand this was that we have this contingent consideration that $4.3 million which again is entirely non-cash, please underline that -- that will be made in shares of Beam Global stock.

And again, this is exactly how I like to do these types of deals. We've got them for a relatively modest initial consideration, particularly in light of the fact that as I said we got the buildings and land and everything else as part of that transaction but they are in a position to do very well with their earn-out payments in equity. So they're sort of doubly encouraged to pull on the rope the way we want them to because A, they do well with these earnouts and B, the earnouts come in equity and Beam Global. So everything about that encourages them to support the company. By the way, I want to stress, we don't need to encourage them in that way.

These are -- I'm very, very happy with the Beam Europe management team. They're very, very enthusiastic about growing the business. And while we have these motivations in place, they're kind of icing on the cake. This is a highly motivated team who is really working hard to grow the business with us. I'm very happy about that. But to go back to your question, the fact that we have that contingent consideration in place is a strong indication that we think that they're going to hit their earnouts and their earnouts are pretty aggressive. They had to get to about 135% actually of what they did prior year to hit their earnout in 2024 and in 2025 they have to get to 135% of that again.

So we're signaling that we believe that they're going to hit those earn-outs, do everything we can to help them do that. And I hope a very large percentage of it, and in fact I'm confident a very large percentage of it will come from selling the new product sets that Beam Global is bringing into that market. While we continue to grow their legacy business, you can feel fairly confident that's going to happen because of course we've already done [1 million] (ph) in EV ARC sales there. So they're clearly off to a good start with an increase in sales and then the additional revenues coming from the EV ARC sales that we already know are in the bag, we're going to start delivering them at the end of this month.

But we expect that a whole lot more will come from that this year too. And as I said, I'm looking forward to the main earn-out. The earn-out reliability is the best liability that an acquiring CEO can have. It's far better than writing down your acquisitions, which is not something we do. We pay that on our own notes.

Sameer Joshi

Yeah, no, I agree with that. Thanks for that color and good luck.

Desmond Wheatley

Thank you very much.

Operator

Thank you. The next question is from Tate Sullivan with Maxim Group. Please go ahead.

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Desmond Wheatley

Hi, Tate.

Tate Sullivan

Thank you, Desmond. Hi, good. It's great to hear from you. I think you just said actually that you're starting to deliver your first European EV ARCs at the end of this month, and it sounds like was there any adjustment or inefficiencies at the beginning of making the EV ARCs in Europe please?

Desmond Wheatley

Yeah, I mean, I actually saw the units. Yeah, I saw the units that are getting ready to get loaded into shipping containers and head out here at the end of this month. In fact, just to give you more detail than perhaps you want, we're just waiting for the [EVSC] (ph) from the vendor, the actual charger itself. As soon as we get those, we'll install those and they'll let off to their customer.

Was there any inefficiency? Yes. There's nowhere near as efficient as it's going to get in the beginning. These are the first units they made, but the quality is very, very good and the end product is excellent and I'm thrilled to bits frankly that it's happened as quickly as it's happened. And I think there's a couple of things that are really important to point out there. We self-performed in Europe some really significant tasks that we have always done through outsourcing in the United States, really expensive significant tasks that we've been outsourcing in the United States.

So the economics, taking out the inefficiencies because of the first ones that we've done, and you're right to point that out. But beyond that, what we're seeing is that the economics for producing EV ARCs in our Serbian facilities are far superior to the economics of doing it in the United States. And remember, all the gross profit improvement we've just announced has come from our US operations. We didn't see any benefit from the Serbian. First of all, because we [haven't] (ph) even recognized the revenue on them. We'll do that obviously when we deliver. But I'm anticipating that those inefficiencies are reduced rapidly.

Again, it's a very motivated team with a great history of producing a lot of stuff inexpensively and with a lot of efficiency. And then because of these economics improvements, because of the largely due to the self-performance of some really expensive outsourced tasks in the US, I'm hoping for a much better gross profit profile in our European operations than in the US. Well, we'll continue to improve in the US, But the company-wide impact of that will be, we should get better gross profitability from those units that we produce in our Serbian facilities and ship all over Europe and further [afield] (ph) than we do with the ones that we make in the US.

And yet, as I said, the sort of move to cash flow that I described in my earlier comments was based on my US Assumptions. So Europe should only make that better. So yes, a little bit of inefficiency in the beginning, but a great product, very well made, very good quality, and as I say, clear opportunities for much better economics moving forward.

Tate Sullivan

Thank you, Desmond.

Desmond Wheatley

Thank you, Tate.

Operator

Thank you. The next question comes from Chris Pierce with Needham and Company. Please go ahead.

Chris Pierce

Hey, good evening.

Desmond Wheatley

Hey, Chris how are you?

Chris Pierce

I'm doing great. On gross margins, from here, is it as simple as the more EV ARCs you sell, the higher your gross margins go because you're absorbing fixed costs on top of the price increase that you have, or are there further engineering kind of efficiencies that you can drive out as far as the San Diego production?

Desmond Wheatley

Both, definitely both. There's no question the more we produce the better we get from a gross profit point of view because of fixed overhead allocations, absorption. And it's more than that. The more of them we produce, the more stuff we buy, the better buying we get, the better purchasing we get. And that's another reason the European expansion has been helpful because a lot of the stuff that we're buying will be common in both markets coming from common vendors. But yes, there are still further improvements that we can make that we've yet to recognize.

And we're going to -- as I said, ruthlessly go after that. This year for us is really going to be much more about getting more efficient and reducing our COGS. I mean, we've always had a laser focus on operating costs. As everybody is aware, we're an extremely lean company. We're an operating side of things, but COGS, we're going to be laser focused on continuing to reduce those, but not the expensive quality. So you are going to get further gross profit improvement contribution from both things. The more we make, the more of that overhead allocation is absorbed, but also further engineering enhancements.

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Chris Pierce

Okay. What can you share about the EV standard margin profile or the strategy there? Is that going to be some sort of, you know, I don't want to use the term loss leader, but it's a new product that you're introducing to the market and it's a new manufacturing product. You're talking about the second half of this year, demoing it, like what's the right way to think about the margin trajectory of that product versus the margin trajectory of the EV ARC product?

Desmond Wheatley

Yeah, definitely do not intend for it to be a loss leader. However, there's no question that the earliest units that we make will be the most expensive that we ever make. And frankly, these first units that we're producing right now, the betas, that we're going to use to demonstrate the product which will be how we'll make our first sales. It's a very attractive, very striking looking product. I can't wait to make it public having seen it now myself. But we've already identified, as you might expect, we've already identified areas that where we're going to be much more efficient in the future models that we make.

But I'm pretty confident that the first ones we sell will come out with good unit economics and then we'll rapidly do value engineering on the product and widen the gap between our revenue and our costs. I expect that we will actually generate more gross from the EV Standard product in the future than from any other product in our lineup that we have to-date. Because I do think it will be a higher volume product. The sales of it are going to be more complex because unlike the EV ARC, it's not something that you can just drop off in an hour and walk away from and [turning] (ph) to operate.

I think that will probably mean that we'll do less of the sort of onesie-twosie type sales with the EV standards. I think it's more likely to be deployed in almost a network fashion. Although there are still good opportunities, shopping malls, airports and other places like that for some smaller volume stuff, but I do think that when we are talking about municipal type deployments, it will come in larger volume and the sales cycles will be longer. But at the end of the day, while the sales cycles might be longer, the volume, I believe will be larger. And again, I think that's going to be an area that we're going to be able to squeeze a lot of gross profitability.

Chris Pierce

Do you envision a distribution model, like a sales partner channel model, or do you envision direct sales model?

Desmond Wheatley

It's only direct in the beginning, but as I mentioned in my comments, we are actively pursuing two very well-qualified channels in Europe right now and that's a model which I'm very much in favor of -- we've been a bit hesitant to do that in the United States previously for a whole host of reasons. We just weren't really ready for it. And it's from just a materials-wise and history-wise and ability to just shift the selling process to outsiders. We weren't really ready for it. But we've got some very motivated partners that we're in the process of negotiating with in Europe right now.

One group actually is a group that I've been speaking to for a couple of years already. And then another one is a partner that we picked up as a result of our acquisition of Amiga, which is now in Europe. And that's going to -- I think be profoundly impactful for us because obviously we've had a limited number of salespeople that are selling our product up until now. This force multiplication ought to get a lot more people talking about it, much broader audience. And we know people like it when they understand it, so getting it in front of more people is clearly going to be a good thing for us, particularly in light of the fact that, as I said, it will be performance-based.

We won't be adding to our costs -- to our operating costs as a result of this because they'll get paid when they sell. And yes, I intend to do that with the EV Standard as well as with the EV ARC, or other products.

Chris Pierce

Okay. And just last one for me, on the $4.3 million non-cash that you mentioned a couple of times, is the right way to think about that as 50% of the dilution is at the end of this year and 50% next year? Or what's the right way to [got the timing] (ph) of the shares that you're issuing to the Amiga shareholder, to the Amiga company.

Desmond Wheatley

Yeah, and listen, I apologize for belaboring this point, but -- you end up with an awful lot of questions about cash after these calls, and I seem to spend a great amount of time explaining to people things that are non-cash impactful. So my apologies to those of you who grasp that very quickly. This is I'm speaking to those of you who don't. But no – this -- the $4.3 million that you've heard about is a current liability. So therefore we believe it's going to be in fact for the next 12 months. And that's why, and as Lisa made in her comments -- said in her comments, we had moved it into current liabilities within this year because we believe that this is an impact which could take place as a result of the 2024 earnouts. 2025 will be another matter again. And again, I can't stress strongly enough, I want them to hit their earnouts. If they hit their earnouts, it's because we've had really significant growth in those markets. And I'm going to do everything I can to make them successful to do that. Because if they're successful, it means we're successful and vice versa.

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Chris Pierce

Okay. Same pitch. I appreciate the color. Thank you.

Desmond Wheatley

Thank you, Chris.

Operator

Thank you. The next question comes from Craig Irwin with ROTH Capital. Please go ahead.

Desmond Wheatley

Hello Craig.

Unidentified Analyst

Hey, this is Andrew on for Craig. And before I get started here, it's kind of ironic, I saw my first EV ARC in the wild in Manhattan today. So maybe a good sign.

Desmond Wheatley

We'll give you a [indiscernible]. Welcome to the club.

Unidentified Analyst

Thank you. A lot has been covered here. I think just one more thing I want to touch on Europe. Looks like you've had some really good early progress in the UK. And I just wanted to see if you could talk about the opportunities there and maybe other specific geographies or countries in the EU that you're excited about.

Desmond Wheatley

Yeah, so the first thing I want to be absolutely clear is that while I'm thrilled to bits that the UK Ministry of Defence has acquired our product, I'm thrilled to bits that we have a contract with the British government now which is like our GSA contract with the federal government, and I'm thrilled to bits that the British Army is going to be using our products in their overseas bases. It has nothing to do with my country of national origin. We didn't win this because I'm British.

We won it actually through the merits of the product. The UK Ministry of Defence and the British Army heard about the product because they know that the US Army is using it and they have very similar needs. So it is a great win for us. I believe it's just the beginning of what we are going to do with them. They just like all other European countries and just like the US federal government for that matter have pretty stringent mandates on moving to zero-emission vehicles and in pretty short time frames. In fact, I think the UK government's very similar to the federal government in that by 2027, their light duty vehicles, non-tactical light duty vehicles across the government have to be zero-emission vehicles, which essentially means electric. There isn't any other contender, except in a few very, very niche cases where hydrogen will play a role.

So I think it's a great first step for us. And oddly enough, we're not deploying in the UK. We're deploying in the overseas bases for them with this product. I do think the EV Standard will be a very good solution, which is the Streetlight product will be a very good solution for the UK. And in fact, for all Northern European countries, that was a big background for development of the EV Center product was that I think it's a very good fit for Northern European vertical cities because we have the introduction of light wind, now as well to generate electricity as well as solar, but also because its profile fits in environments where you don't have large surface parking lots, which we have in the US, but you don't really see them in most cities over in Europe.

As far as geographical areas of Europe are concerned, Spain and Portugal, Mediterranean countries definitely. And then the Balkan region has been very fruitful for us in terms of opportunities as I mentioned, we did the utility battery seminar -- utility scale battery seminar here in the first quarter brought Dr. Said Al-Hallaj who was the -- our Chief Battery Scientist. He was the former founder and CEO of AllCell Technologies that we acquired. We brought him over here and we did a presentation to, as I said, 40 or 50 leaders from the energy and government space in the Balkans.

And the need is very acute here. They have a rule which says -- if they do any large-scale solar or wind or renewable deployments, those now have to be accompanied by large-scale utility, scale battery storage. That's an area of expertise that we have and it's going to be a new area of business for us but we are going after it and the projects are very meaningful in terms of revenue, very meaningful.

So as I said, the response to that seminar was better than I expected and we're actively engaged now. Not inked, it has to be said, not inked and as I tell the sales team all the time, until there's [ink it stinks] (ph). But I've also been doing this sort of stuff for long enough to know that when you get the level of interest that we've got, something tends to drop. So, feeling really good about that. So, Europe in general is a very large opportunity for us. That's why we came over here. It's fantastic that we were able to buy a company that cash [flowed] (ph) it was already profitable. It's fantastic that we've been able to put some great assets on our balance sheet. And fantastic that we've been able to have such an impact on them already just by freeing them up to do more business. But the real win here, without a doubt, is going to be the EV Charging and energy storage solutions that we're going to be able to bring to this market.

And not just this market. I'm not in Abu Dhabi because I like the weather here. There's a massive opportunity in the Middle East as well, and a great deal of money is being spent here on sustainability projects. I mean, just look up projects like NEOM, look at Masdar Energy, massive amounts of money being spent here on stuff, and our products are very, very well suited for this market as well. And then frankly, that's a gateway to Africa. So when I said in the call that I'm speaking to you today as a CEO of a company that has a much larger arena, much larger opportunity set in front of us. These are not idle words, it's a fact.

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Unidentified Analyst

Great, well, thanks for the color, and congrats on the strong margin progress. I'll hop back in the queue.

Desmond Wheatley

Really appreciate it, Thanks, Andrew.

Operator

Thank you. The next question comes from Noel Parks with Tuohy Brothers. Please go ahead.

Desmond Wheatley

Hello, Noel.

Noel Parks

Hi, Desmond. Good to talk to you. Just a couple things. You've touched on it a bit, but the meetings with potential customers that you had in Serbia, I wonder if you could just characterize the customers a little bit more and their priorities?

Desmond Wheatley

Yeah, so I'm not going into too much detail. It wasn't just Serbia, but certainly it was from that base of operations. The customers are very like the profile with whom we've had a great deal of success in the United States. So, there are people who are in control of environments where there's a lot of parking, a lot of people with vehicles for one reason or another. And of course, there's a great deal of pressure in Europe to move towards electrification of transportation because the Europeans have passed a law -- outlawing the sale of all but zero-emission vehicles in 11 years from now.

That's obviously a massive undertaking to move from internal combustion engine vehicles to zero-emission vehicles, which again means electric vehicles. There isn't an option, not a serious option in just 11 years, a massive amount of infrastructure is going to be required. And people over here, I shouldn't say over here because I'm not over here, I'm further south right now, but people in that part of the world are under just the same sort of pressure as we are in the United States.

Same considerations, lack of capacity, difficulty in connecting to circuits, not enough electricity on the grid for electrification and transportation, risk from blackouts, risk from foreign sources of fuel to make electricity, even more complicated to dig up the streets and go through the permitting and all those things. And then interconnection with utility interconnection, even more complicated than it often is in the United States.

So they've all got the same considerations exactly as the customer profiles that we've been dealing with in the United States. And it's quite infusing to see the relief on their face when they find out that there's an option and particularly an option that's going to be produced in market. This is also the same with the battery side of the business, our ability to be an American company but that's producing locally in the Balkans is definitely a great benefit for us.

And one other thing I just want to point out on that, before I came over to Europe I was in Washington DC and one of the many meetings I had in Washington, DC, was with the IDFC, which is International Development Finance Corporation, which is an arm of the federal government which provides low costs and long-term financing for projects which the U.S. believes is in their interest. It's typically been for developing markets historically. But one thing that's interesting is that sustainable energy projects in the Balkans is within their remit.

And so I was able to leave that meeting with an assurance from them that with very large sums of money available to us, low interest rates and long terms to finance these types of projects, large utility scale battery projects, for example, in the Balkans. So one thing that I didn't touch on in my comments is we still have our credit facility available to us and that's very inexpensively priced. It's sold for plus 300 basis points, which is certainly not as cheap as it was when I negotiated, but that's still there. Untapped, $100 million. We haven't used it, but it's there for these types of projects and that sort of stuff.

But now we also have IDFC funds for markets where those are not going to work and develop Western European nations or anything like that. But certainly in places like the Balkans, if it's a sustainable energy project or any African type project or anything like that, very large sums of money to finance these projects over long terms as well, which is just another tool in our toolbox.

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Noel Parks

Terrific. So then I guess the thing I'm trying to get a feel for is that there is the natural appeal of the EV ARC and the problems it solves, and then that continues on with the EV Standard. So, Amiga's existing customer base, it's just the same people who were customers for their infrastructure, are the ones who are now going to come over and look at the EVRs? Is that sort of translate directly or is it kind of you converting those?

Desmond Wheatley

I can state to you categorically that I met with existing Amiga customers whom Amiga had produced Street Lights and other types of furniture and presented the new products, and I met with very enthusiastic response. And that was absolutely part of our strategy when we acquired the company. As I've said before, I had a list of probably 25 bullet points of qualifications that I was looking for in international acquisition. And we got an awful lot of them and one of them was definitely that they had credibility and had sold to customers who were at similar profile if not exactly the same profile which is a case of Amiga as those with whom we've had success in the US. And so yes existing customers reintroducing these new products not reintroducing -- introducing these new products to them and meeting a great deal of success as a result of it.

Noel Parks

Great to hear, thanks.

Desmond Wheatley

Thank you. We're getting close on time here so I think we're time for one or two more.

Operator

Okay. The next question comes from Christopher Souther with B. Riley. Please go ahead.

Desmond Wheatley

Hi, Chris.

Christopher Souther

Hey, thanks for taking my question here. Maybe just on the margin profile around Amiga and if you can kind of talk through whether that is accretive throughout the year as that ramps up seasonally and some of the other businesses presumably start to ramp up as well?

Desmond Wheatley

Yeah, that's a really good question because the Amiga's first quarter, on the legacy business we're talking about here, the first quarter gross margins are typically not being good. And because of the things that I pointed out to you, there's generally a slow time selling for them. And so we didn't benefit significantly from that in the first quarter. Again, I keep coming back to this cross-margin improvement that you've seen has really come from the things that we promised that we would do towards the end of last year and into the first quarter of this year and we've done them.

We're not finished but we've clearly done a lot of it. But yeah, the good news with the Amiga legacy business is that as we move into second, third and fourth quarters, we'll see the volumes rise and with that we should see the margin improvement. And then beyond that, because of what we've done with our balance sheet, because we've enabled them to produce product during those slow periods, that means that they produce product with a lower cost profile more efficiently.

And so when we do get into the selling of those things, we should see a further improvement in gross profitability, even over and above what they would just normally do as they move into higher volume periods in the year. And then finally, I think the biggest part of this is going to be from the fact that, again, I'm very bullish about our ability to sell the new EV charging infrastructure and energy storage products. And because the economics are better in those markets, we should have a further improvement in gross profitability there as well.

So all in all, I'm feeling pretty sanguine about gross profit contribution from what was Amiga and is now being Europe.

Christopher Souther

Excellent. And then maybe just a follow-up here on the EV standard product. Obviously, I think you've talked in the past about Amiga selling Street Lights. So I'm just curious, you know, sales strategy-wise, can you kind of walk through the plan as you develop the final product? And I'm curious whether you think there's going to be more traction initially in Europe or in the US for that product. Thanks.

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Desmond Wheatley

Yeah, so we will definitely be going back to the customers that buy Street Lights in general. Because of course, one of my ideas, one of my plans is that in the future we're going to be dealing with customers who buy Street Lights and saying, hey, every X number of street lights, you should have an EV Standard because you're going to need the charging infrastructure on street. I don't know what X is. In some markets, every fifth and some, it might be every 50th. I just don't know what every X is, but we'll go back to those existing customers and say that certainly look at this.

It is a streetlight product. I mean, if you're looking for street lights, here's a street light that just does a whole lot more for you than that. Similarly, we will also be going back to all of our existing customers who bought EV ARCs from us and saying, hey, we've got this other thing, which might be a good fit for you and other types of deployments that you want to do. That's a kind of a direct sales thing. Then we'll be putting EV Standard into these news channels' hands as well and showing that to them.

And honestly I think one of the things I learned from this trip is there is appetite for both products and we may end up, and in fact I think it's very likely that we'll end up selling EV ARCs and EV standards to certain customers, depending on where they're placed and what the use case is for them. Chris, I hope that answered your question, and that's [us at] (ph) two minutes over time here.

Operator, are we looking for questions? I think we need to wrap up. I'll take another one if there's one there, but otherwise it might be a good time to wrap.

Operator

There are no further questions in the queue at this time.

Desmond Wheatley

Okay, excellent. Well, I'm appreciative of that because I need to get some shy here because I got a long day ahead of me tomorrow again. But I'm very grateful for everybody for listening in and for your continued attention and support of the company. I'm very grateful to the Beam team, to Lisa and her team about getting the financials together and getting us piled on time again. And I feel very enthusiastic. A great time to be Beam Global and I'm looking forward to the rest of this year. So thank you all.

Operator

The conference has now concluded. Thank you for your participation. You may now disconnect your lines.

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